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

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

June 30, 2016

State of New Mexico
Office of the Attorney General

OFFICIAL ROSTER

June 30, 2016

<u>Name</u>	<u>Title</u>
Hector Balderas	Attorney General
Vacant	Chief Deputy Attorney General
Sharon Pino	Deputy Attorney General for Criminal Affairs
Tania Maestas	Deputy Attorney General for Civil Affairs
Carla Martinez	Chief of Staff for Operations
Sonya Carrasco-Trujillo	Chief of Staff for Policy and Public Affairs
Melissa Spangler	Financial Control Division Director
Michelle Garrett	Executive Services Division Director
Valerie Gallegos	Human Resources Division Director
Scott Stokes	Information Technology Division Director
Benjamin Baker	Special Investigations Division Director
Patricia Padrino-Tucker	Medicaid Fraud Elder Abuse Division Director
Clara Moran	Special Prosecutions Division Director
Martha Anne Kelly	Criminal Appeals Division Director
Cholla Khoury	Consumer Protection Division Director
Regina Ryanczak	Litigation Division Director
Cholla Khoury	Environmental Protection Division Director
Sally Malave	Open Government Division Director
Shay Garcia Roy	Community Outreach Division Director
James Hallinan	Communications Director
Lynn Southard	Consumer and Family Advocacy Services Division Director
Tamarra Howard	Training and Development Director

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Hector Balderas, Attorney General
Office of the Attorney General
and
Mr. Timothy Keller, 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, 2016, 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 and the budgetary comparisons for components of the general fund, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Office 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, 2016, 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, 2016, and the respective changes in financial position and the respective budgetary comparisons for components of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, 2016, and the changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified for this matter.

As discussed in Note Q, the State of New Mexico, as a single employer, has implemented GASB 68, *Accounting and Financial Reporting for Pensions*, in the June 30, 2016, Comprehensive Annual Financial Reports (CAFR). Accordingly, there is no allocation of the proportional share of the net pension liability to individual agencies or to the Agency's governmental funds. All other required footnotes and other disclosures required by Governmental Accounting Standards Board are included in the State of New Mexico CAFR for June 30, 2016. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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

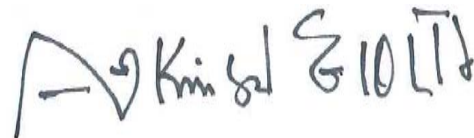
Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons that collectively comprise the Office of the Attorney General's basic financial statements. The schedule of cash accounts is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is also 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 cash accounts, the schedule of expenditures of federal awards and the fiduciary combining statement of assets and liabilities - all cash accounts and 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 is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 cash accounts, 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.

The schedule of vendor information, required by 2.2.2 NMAC, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, 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.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 30, 2016

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

June 30, 2016

The State of New Mexico, Office of the Attorney General (OAG or Office), discussion and analysis provides the reader of the financial statements this narrative overview and analysis of the financial activities of the OAG for the fiscal year ended June 30, 2016. 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 OAG'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 and individual fund financial statements
- Non major and components of the General Fund unit budgetary comparison statements
- Schedule of cash accounts

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 compensated absences and uncollected accounts receivable).

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

June 30, 2016

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 are also six agency funds 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, 2016

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, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
ASSETS			
Current assets	\$ 14,618,536	\$ 27,738,748	\$ (13,120,212)
Long-Term assets	4,000,000	6,000,000	(2,000,000)
Capital assets, net	316,732	242,371	74,361
Total assets	<u>\$ 18,935,268</u>	<u>\$ 33,981,119</u>	<u>\$ (15,045,851)</u>
LIABILITIES			
Current liabilities	\$ 3,192,341	\$ 5,100,114	\$ (1,907,773)
Long-term liabilities	182,104	185,441	(3,337)
Total liabilities	<u>\$ 3,374,445</u>	<u>\$ 5,285,555</u>	<u>\$ (1,911,110)</u>
NET POSITION			
Invested in capital assets, net	\$ 316,732	\$ 242,371	\$ 74,361
Restricted	18,154,611	29,380,402	(11,225,791)
Unrestricted	(910,520)	(927,209)	16,689
Net position	<u>\$ 17,560,823</u>	<u>\$ 28,695,564</u>	<u>\$ (11,134,741)</u>

Discussion of Statement of Net Position

Net position is derived by deducting total liabilities from total assets. Net position decreased by \$11,134,741.

Current assets consist mostly of investments with the State Treasurer of \$16,267,772; grants receivable of \$228,625; amounts due from other State agencies and governments of \$111,029; cash in banks of \$9,483 and other assets of \$1,627.

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 decreased by \$11,225,791 due to the State Legislature authorizing transfer from the Consumer Settlement Fund to other state agencies and to support operations of the Office of the Attorney General.

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

June 30, 2016

Capital Asset and Debt Administration

The Office's investment in capital assets for its governmental activities as of June 30, 2016, is \$316,732 (net of accumulated depreciation). This investment in capital assets consists mainly of data processing equipment, office equipment, and furniture.

Major capital asset events during the current fiscal year include capital asset additions of \$249,905 and depreciation expense totaling \$31,744.

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

Liabilities

Current liabilities of \$3,192,341 consists primarily of accounts payable of \$1,191,533; accrued salaries and benefits payable of \$555,776; other liabilities of \$161,744, due to the State General Fund of \$161,205; due to taxpayers of \$393,667, and compensated absences payable of \$728,416.

Long-Term Liabilities

At the end of the current fiscal year, the OAG had total long-term liabilities outstanding of \$182,104 comprised of accumulated balances for compensated absences for payment to employees upon termination of their employment from the OAG 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 decreased, in the aggregate, the Office's net position by \$11,134,741 during the year. Program revenues decreased due to the number and size of consumer settlements received. The Office's State general fund appropriations decreased by \$957,300 as compared to the prior year. The increase in expenses of \$1,360,362 was primarily attributable to a new major initiative starting during the year and increased staffing as part of restructuring within the agency.

State of New Mexico
Office of the Attorney General

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

June 30, 2016

Discussion of Statement of Activities – Continued

<u>ACTIVITIES FOR THE YEAR</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Change</u>
Functional expenses:			
General government	\$ 24,001,289	\$ 22,640,927	\$ 1,360,362
Program revenues:			
Operating grants and contributions	<u>5,806,443</u>	<u>23,302,043</u>	<u>(17,495,600)</u>
Net revenue (expense)	(18,194,846)	661,116	(18,855,962)
General revenues:			
Transfers:			
State general fund appropriations	9,809,700	10,767,000	(957,300)
Other	-	-	-
Transfers (out) and reversions	<u>(2,749,595)</u>	<u>(12,640,284)</u>	<u>9,890,689</u>
Total general revenues and transfers	<u>7,060,105</u>	<u>(1,873,284)</u>	<u>8,933,389</u>
Change in net position	(11,134,741)	(1,212,168)	(9,922,573)
Net position, beginning of year	<u>28,695,564</u>	<u>29,907,732</u>	<u>(1,212,168)</u>
Net position, end of year	<u>\$ 17,560,823</u>	<u>\$ 28,695,564</u>	<u>\$ (11,134,741)</u>

The Office's Individual Governmental Funds

As the Office completed the year, its governmental funds reported a combined fund balance of \$14,154,611 which is lower than last year's total of \$23,380,402. The primary reason for the decrease in fund balance is related to transfers out of the consumer settlement fund to support operations of the Attorney General's Office. The fund balance of the general fund remained zero; the Medicaid fraud control unit special revenue fund increased to \$159,970 and the consumer settlements fund balance decreased to \$13,884,906 due to an increase in transfers out of the fund.

The general fund revenues decreased \$3,808,943 as compared to the previous year due to a decrease in state grant revenues and a decrease in miscellaneous revenues. Other financing sources increased \$1,533,021 as a result of increases in inter-fund transfers. Expenditures also decreased \$2,275,922 primarily as a result of increases in contractual services and personnel costs.

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

June 30, 2016

The Office's Individual Governmental Funds – Continued

The Medicaid fraud control unit special revenue fund revenues increased \$273,333 due to an increase in federal grant revenues.

The Consumer Settlements revenues decreased by \$6,359,751 compared to the previous year due to fewer settlement revenues received. Transfers to the general fund increased by \$2,313,442 due to increases in general fund expenses. The general fund required more transfer funds to support operations.

General Fund Budgetary Highlights

The state appropriations decreased during fiscal year 2016 and the Office was required to supplement the appropriation with Consumer Settlement Funds to fully fund budgeted expenditures. The general fund appropriation for fiscal year 2016 was \$9,247,300. The original amount of Consumer Settlement Funds required to supplement the budget was \$8,776,300. As a result, the Office's final budget for revenues and expenditures was higher than initial budget amounts by \$1,539,087. Actual revenues and other financing sources were lower than budget amounts by \$76,314. The final general fund actual expenditures decreased from the prior year amount by \$2,275,922 due to increased expenditures on personnel and contractual services.

Requests for Information

This financial report is designed to provide a general overview of the OAG 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, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash in banks	\$ 9,483
Investments in State General Fund Investment Pool	16,267,772
Due from Federal Government	228,625
Due from other state agencies and governments	2,111,029
Other assets	<u>1,627</u>
Total current assets	18,618,536
LONG-TERM ASSETS	
Due from other state agencies and governments	2,000,000
Capital assets	554,523
Less accumulated depreciation	<u>(237,791)</u>
Total capital assets, net of depreciation	316,732
Total assets	<u>\$ 20,935,268</u>
LIABILITIES	
Accounts payable	\$ 1,191,533
Accrued salaries and benefits payable	555,776
Other Liabilities	161,744
Due to State General Fund	161,205
Due to other State agencies	-
Due to taxpayers	393,667
Compensated absences payable: current	<u>728,416</u>
Total current liabilities	3,192,341
Compensated absences: Due after one year	<u>182,104</u>
Total liabilities	<u>3,374,445</u>
NET POSITION	
Net investment in capital assets	316,732
Restricted:	
Consumer settlements	17,885,086
Programs	78,288
Antitrust litigation	26,872
Medicaid fraud program income	164,365
Unrestricted deficit	<u>(910,520)</u>
Total net position	<u>17,560,823</u>
Total liabilities and net position	<u>\$ 20,935,268</u>

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, 2016

	<u>Governmental Activities</u>
EXPENSES	
General government:	
Personal services and employee benefits	\$ (17,086,003)
Other costs	(3,950,458)
Contractual services	(2,789,283)
Depreciation and disposal of capital lease	<u>(175,545)</u>
Total expenses	(24,001,289)
PROGRAM REVENUES	
Operating grants, contributions and settlements	<u>5,806,443</u>
Total program revenues	<u>5,806,443</u>
Net revenue	(18,194,846)
GENERAL REVENUES	
State general fund appropriations - FY2016	9,809,700
Other financing uses	(2,749,595)
Reversions to state general fund - FY2016	<u>-</u>
Total general revenues and transfers	<u>7,060,105</u>
Change in net position	(11,134,741)
Net position, beginning of year	<u>28,695,564</u>
Net position, end of year	<u><u>\$ 17,560,823</u></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, 2016

	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	1,325,673	70,984	14,830,358	40,757	16,267,772
Due from Federal government	-	172,740	-	55,885	228,625
Due from other funds	1,041,762	-	799,267	88,267	1,929,296
Due from State agencies & other governments	89,549	-	4,012,122	9,358	4,111,029
Other assets	973	654	-	-	1,627
	\$ 2,467,260	\$ 244,378	\$ 19,641,747	\$ 194,447	\$ 22,547,832
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,016,755	\$ 20,152	\$ 138,736	\$ 15,890	\$ 1,191,533
Accrued salaries and benefits payable	476,545	62,568	6,526	10,137	555,776
Other liabilities	161,744	-	-	-	161,744
Due to other State agencies	-	-	-	-	-
Due to other funds	791,489	-	1,089,841	47,966	1,929,296
Due to State general fund	20,727	1,688	128,071	10,719	161,205
Due to taxpayers	-	-	393,667	-	393,667
	2,467,260	84,408	1,756,841	84,712	4,393,221
Deferred Inflows	-	-	4,000,000	-	4,000,000
Total liabilities and deferred inflows	2,467,260	84,408	5,756,841	84,712	8,393,221
FUND BALANCES:					
Spendable:					
Restricted for:					
Medicaid fraud program	-	159,970	-	4,395	164,365
Restricted for programs	-	-	-	78,288	78,288
Restricted for antitrust litigation	-	-	-	26,872	26,872
Consumer settlements	-	-	13,884,906	180	13,885,086
Unassigned	-	-	-	-	-
	-	159,970	13,884,906	109,735	14,154,611
Total liabilities, deferred inflows and fund balances	\$ 2,467,260	\$ 244,378	\$ 19,641,747	\$ 194,447	\$ 22,547,832

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, 2016

Total fund balance, governmental funds (Balance Sheet)	\$ 14,154,611
Amounts reported for governmental activities in the Statement of Net Position is different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore, are not reported in the funds.	316,732
Due from other governments includes amounts due greater than 60 days subsequent to year end and, therefore, not current year resources	4,000,000
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>(910,520)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 17,560,823</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, 2016

	General Fund - 17000	Medicaid Fraud Control - 27800	Consumer Settlement - 54400	Other Non- Major Funds	Total Governmental Funds
REVENUES					
Federal operating grants	\$ 106,501	\$ 1,692,570	\$ -	\$ 399,855	\$ 2,198,926
State operating grants	-	-	-	-	-
Medicaid program income	-	-	-	676	676
Retained settlement and other revenues	910,725	-	4,696,116	-	5,606,841
Total revenues	1,017,226	1,692,570	4,696,116	400,531	7,806,443
EXPENDITURES					
Current:					
Personal services and employee benefits	14,878,127	1,781,678	250,044	192,844	17,102,693
Other costs	2,554,111	377,256	900,105	118,986	3,950,458
Contractual services	863,330	-	1,916,216	9,737	2,789,283
Capital Outlay	249,905	-	-	-	249,905
Total expenditures	18,545,473	2,158,934	3,066,365	321,567	24,092,339
(Deficiency) excess of revenues over expenditures	(17,528,247)	(466,364)	1,629,751	78,964	(16,285,896)
OTHER FINANCING SOURCES (USES)					
State general fund appropriations - FY 2016	9,247,300	562,400	-	-	9,809,700
Interfund transfers	274,949	-	(274,949)	-	-
Other financing sources	8,005,998	-	-	-	8,005,998
Reversions-fiscal year 2016	-	-	-	-	-
Other financing uses	-	-	(10,755,593)	-	(10,755,593)
Total other financing sources (uses)	17,528,247	562,400	(11,030,542)	-	7,060,105
Net change in fund balances	-	96,036	(9,400,791)	78,964	(9,225,791)
FUND BALANCES - beginning of year	-	63,934	23,285,697	30,771	23,380,402
FUND BALANCES - end of year	\$ -	\$ 159,970	\$ 13,884,906	\$ 109,735	\$ 14,154,611

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, 2016

Net change in fund balances - governmental funds \$ (9,225,791)
(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 Statement of Activities, the cost of capital assets is
allocated over their estimated useful lives as depreciation expense.
In the current period, these amounts are:

Capital asset additions	\$ 249,905
Disposal of a capital lease, reclassified to an operating lease	(143,801)
Depreciation	<u>(31,744)</u>

Excess (deficiency) of capital outlay over depreciation expense 74,360

Collections representing current financial resources in governmental fund
balances which were recorded as revenue in a prior period on the
Statement of Activities and, therefore, are reported as reductions in
revenue. (2,000,000)

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.

Decrease in compensated absences 16,690

Change in net position of governmental activities (Statement of Activities) \$ (11,134,741)

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, 2016

General Fund	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal operating grants	\$ -	\$ 113,292	\$ 106,501	\$ (6,791)
State operating grants	-	1,139,895	-	(1,139,895)
General fund appropriation, Laws of 2015	9,306,400	9,247,300	9,247,300	-
Miscellaneous revenue	-	-	910,725	910,725
Other financing sources	8,776,300	9,121,300	8,280,947	(840,353)
 Total revenue and other financing sources	<u>\$ 18,082,700</u>	<u>\$ 19,621,787</u>	18,545,473	<u>\$ (1,076,314)</u>
General Fund	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 14,916,000	\$ 15,283,246	14,878,127	\$ 405,119
Contractual services	819,800	1,240,319	863,330	376,989
Other	2,346,900	3,098,222	2,804,016	294,206
Other financing uses	-	-	-	-
 Total expenditures and other financing uses	<u>\$ 18,082,700</u>	<u>\$ 19,621,787</u>	18,545,473	<u>\$ 1,076,314</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Reversion expense-FY16			-	
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, 2016

Medicaid Fraud Control	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
General appropriations	\$ 562,400	\$ 562,400	\$ 562,400	\$ -
Federal grants	1,686,800	2,031,956	1,692,570	(339,386)
Other revenue	-	114,920	-	(114,920)
Total revenue	\$ 2,249,200	\$ 2,709,276	2,254,970	\$ (454,306)
Medicaid Fraud Control	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 1,856,900	\$ 1,886,900	1,781,678	\$ 105,222
Contractual services	9,100	9,100	-	9,100
Other	383,200	813,276	377,256	436,020
Other financing use	-	3,000	-	3,000
Total expenditures	\$ 2,249,200	\$ 2,712,276	2,158,934	\$ 553,342
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)			\$ 96,036	

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, 2016

Consumer Settlements	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Federal and state operating grants	\$ -	\$ -	\$ -	\$ -
General fund appropriation, Laws of 2015	-	-	-	-
Fund balance	8,276,300	12,536,220	-	(12,536,220)
Other financing sources	-	-	-	-
Consumer Settlement Revenue	500,000	500,000	4,696,116	4,196,116
 Total revenues	\$ 8,776,300	\$ 13,036,220	4,696,116	\$ (8,340,104)
Consumer Settlements	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 300,000	250,044	\$ 49,956
Contractual services	-	2,300,000	1,916,216	383,784
Other	-	1,200,000	900,105	299,895
Other financing uses	8,776,300	9,236,220	11,030,542	(1,794,322)
 Total expenditures	\$ 8,776,300	\$ 13,036,220	14,096,907	\$ (1,794,322)
 Excess of revenues and other financing sources over expenditures and other financing uses (GAAP basis)			 \$ (9,400,791)	

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**

June 30, 2016

	<u>08100 Dram Matter Cost Share</u>	<u>69500 Victims Restitution</u>	<u>70100 Special Trust</u>	<u>70200 Cummins Settlement</u>	<u>95000 Mylan Multistate Anti-trust</u>	<u>12700 Buspar Multistate Anti-trust</u>	<u>Total Agency Funds</u>
ASSETS							
Cash on deposit with State Treasurer	\$ 5,892	\$ 1,300	\$ 11,260	\$ 6,623	\$ 318,475	\$ 7,003	\$ 350,553
Interest receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 5,892</u>	<u>\$ 1,300</u>	<u>\$ 11,260</u>	<u>\$ 6,623</u>	<u>\$ 318,475</u>	<u>\$ 7,003</u>	<u>\$ 350,553</u>
LIABILITIES							
Deposits held for consumers and others	<u>\$ 5,892</u>	<u>\$ 1,300</u>	<u>\$ 11,260</u>	<u>\$ 6,623</u>	<u>\$ 318,475</u>	<u>\$ 7,003</u>	<u>\$ 350,553</u>
Total liabilities	<u>\$ 5,892</u>	<u>\$ 1,300</u>	<u>\$ 11,260</u>	<u>\$ 6,623</u>	<u>\$ 318,475</u>	<u>\$ 7,003</u>	<u>\$ 350,553</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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:

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Reporting Entity and Component Units – Continued

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. Basic 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 statements) 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 of resources and \$4,000,000 of deferred inflows of resources at June 30, 2016. See Note T 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 subject to appropriation and approval of the state legislature. 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.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

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 combined) 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:

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

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 2016.

27500 Medicaid program income fund – To account for program income derived from the 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.

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 a non-reverting fund.

50250 Programs fund – To account for the activity of all the grants and programs operated by the Attorney General's office. Expenses and revenues for federal (other than the Medicare Fraud Program), state and local programs are monitored through this fund to segregate this activity from the general fund for easier monitoring of the program activity. This fund was not legislatively created. The nature and source of the program will determine if any portion of this fund is reverting and is non-major.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

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 2016.

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. There was no activity in fiscal year 2016.

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:

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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 requirements are met, under most circumstances, should be reported as advances by the provider and unearned 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 at 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.
- 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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting – Continued

- 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 2016 due to inactivity). The Office did not pay any fiscal year 2016 payables out of the fiscal year 2017 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 30.

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 funds on pages 46 and 47 are not budgeted due to low activity – Antitrust Litigation 08500, Grant 64900, ARRA 89000, ICAC/PED 50250 and Medicaid Program Income 27500.

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 2016. It is an estimate management determined by applying a percentage to the June 30, 2016, liability. The percentage used was determined by comparing the amount actually paid out during fiscal year 2016 compared to the liability balance at June 30, 2015.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Accrued Compensated Absences – Continued

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) non-exempt 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.

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, 2016. Any State general fund appropriations remaining in general fund (SHARE Fund 17000) fund balance not reserved for litigation, programs, or consumer settlements is reverted to the State general fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$164,365 for Medicaid fraud program income, \$17,885,086 restricted for consumer settlements, \$78,288 for programs, and \$26,872 for antitrust litigation.

Net position is reported as restricted when constraints 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 \$18,154,611 at June 30, 2016, which represents all restricted net position reported on page 10.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net Position/Fund Balance – Continued

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.

Restricted for programs – This restricted fund balance for programs is monies earned for grants and programs that must be expended in support of those specific programs in accordance with program requirements.

The additional spendable classifications are detailed as follows:

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, 2016.

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 balances for a specific purpose. The Office has no *assigned* fund balances as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net Position/Fund Balance – Continued

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, 2016.

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

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, unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or unearned 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.

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 2016.

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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

	<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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

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. Investment in the State Treasurer General Fund Investment Pool

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 pro-rata interest in the State General Fund Investment Pool in the amount of \$16,267,772.

The Office's general fund is reverting, which does not allow excessive buildup 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.

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 SGFIP balance as recorded materially approximates their share of the SGFIP at June 30, 2016.

State of New Mexico
Office of the Attorney General

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE C – CASH AND INVESTMENTS – CONTINUED

2. Investments, State Treasurer – Continued

Funds	SHARE Fund No.	Investment at State Treasurer's Office	Reconciling Items	Book Value June 30, 2016
Major funds				
General fund	17000	\$ 1,325,673	\$ -	\$ 1,325,673
Medicaid Fraud Control	27800	70,984	-	70,984
Consumer settlement fund	54400	14,830,358	-	14,830,358
Total major funds		16,227,015	-	16,227,015
Non-major funds				
Medicaid program income fund	27500	4,395	-	4,395
Antitrust litigations fund	08500	26,872	-	26,872
ARRA fund	89000	9,490	-	9,490
Total non-major funds		40,757	-	40,757
Total		\$ 16,267,772	\$ -	\$ 16,267,772
Funds	SHARE Fund No.	Investment at State Treasurer's Office	Reconciling Items	Book Value June 30, 2016
Agency funds				
Victims restitution fund	69500	\$ 1,300	\$ -	\$ 1,300
Special trust fund	70100	11,260	-	11,260
Cummins settlement fund	70200	6,623	-	6,623
Mylan multi-state anti-trust fund	95000	318,475	-	318,475
Buspar multi-state anti-trust fund	12700	7,003	-	7,003
Dram matter cost share fund	08100	5,892	-	5,892
Total		\$ 350,553	\$ -	\$ 350,553

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

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, 2016.

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 from other State agencies:

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

Southwest Border Alliance	\$ 73,623
Public Education Department	9,358
NM Dept. of Transportation	15,926
Pueblo of Pojoaque – short and long-term	4,000,000
Second Judicial District Court	<u>12,122</u>
Net amount due from other state agencies and governments	<u>\$ 4,111,029</u>

State of New Mexico
Office of the Attorney General

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

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, 2016, is as follows:

	Balance June 30, 2015	Additions in FY 16	Deletions in FY 16	Balance June 30, 2016
Capital assets				
Data processing	\$ 397,347	\$ 244,599	\$ 253,908	\$ 388,038
Equipment	94,961	5,306	22,664	77,603
Library	1,632	-	-	1,632
Furniture and fixtures	95,010	-	7,760	87,250
	<u>588,950</u>	<u>249,905</u>	<u>284,332</u>	<u>554,523</u>
Total capital assets	\$ 588,950	\$ 249,905	\$ 284,332	\$ 554,523
Accumulated depreciation				
Data processing	\$ 199,120	\$ 20,568	\$ 117,796	\$ 101,892
Equipment	50,817	11,176	14,976	47,017
Library	1,632	-	-	1,632
Furniture and fixtures	95,010	-	7,760	87,250
	<u>346,579</u>	<u>31,744</u>	<u>140,532</u>	<u>237,791</u>
Total accumulated depreciation	\$ 346,579	\$ 31,744	\$ 140,532	\$ 237,791
Net capital assets				
Data processing	\$ 198,227	\$ 224,031	\$ 136,112	\$ 286,146
Equipment	44,144	(5,870)	7,688	30,586
Library	-	-	-	-
Furniture and fixtures	-	-	-	-
	<u>242,371</u>	<u>218,161</u>	<u>143,800</u>	<u>316,732</u>
Net capital assets	\$ 242,371	\$ 218,161	\$ 143,800	\$ 316,732

The Office does not have any debt related to capital assets. Depreciation expense for the current year was \$31,744 and charged to general government. There are no assets that are non-depreciable.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

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 \$910,520 in the Statement of Net Position for annual leave based on current pay rates and hours accumulated at June 30, 2016. 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, 2016, is as follows:

	Balance June 30, 2015	Increase	(Decrease)	Balance June 30, 2016
Current compensated absences payable	\$ 741,768	\$ 726,933	\$ (740,285)	\$ 728,416
Long-term compensated absences payable	185,442	181,733	(185,071)	182,104
Total compensated absences payable	\$ 927,210	\$ 908,666	\$ (925,356)	\$ 910,520

NOTE H – ACCRUED SALARIES, TAXES, AND BENEFITS

A portion of payroll expenditures pertaining to the year ended June 30, 2016, was paid on July 14, 2016. Since the disbursements did not occur until subsequent to June 30, 2016, accrued salaries and employee benefits payable totaling \$555,776 has been reflected in the Balance Sheet – Governmental Funds 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, 2016

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

Funding Policy. Plan members are required to contribute 8.92% of their gross salary. The Office is required to contribute 16.99% 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, 2016, 2015, and 2014, were \$2,141,934, \$1,861,052 and \$1,919,995 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, 2016

**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, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary.

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, 2016, 2015, and 2014 were \$241,674, \$219,159, and \$231,870 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, 2016, amounted to \$897,770.

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, 2016:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE K – COMMITMENTS AND CONTINGENCIES – CONTINUED

Operating Lease Obligations – Commitment – Continued

2017	\$	62,935
2018		54,312
2019		54,312
2020		49,786
2021		-
Thereafter		-
		<hr/>
	\$	<u>221,345</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. There are no outstanding matters from federal oversight agencies at June 30, 2016.

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 coverage's are designed to satisfy the requirements of the State Tort Claims Act. The office pays premiums for this coverage through risk management. 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, 2016. There have been no reductions in coverage by risk category for the year ending June 30, 2016.

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, 2016

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:

<u>Transfers between funds</u>			
<u>From Fund</u>	<u>To Fund</u>	<u>From (To) Transfer Amount</u>	<u>Purpose of the Transfer</u>
54400	17000	\$ 274,949	Transfers were made to fully utilize available consumer alert and education programs. Settlement for general fund purposes for fiscal year 2016.
		<u>\$ 274,949</u>	
Total		<u>\$ 274,949</u>	

<u>Transfers from other agencies</u>			
<u>To Fund</u>	<u>From Fund</u>	<u>Transfer Amount</u>	<u>Purpose of the Transfer</u>
17000	85300	\$ 9,247,300	General fund appropriations - Legal services
27800	85300	<u>562,400</u>	General fund appropriations - Medicaid Fraud Program
Total		<u>\$ 9,809,700</u>	

In addition to the interfund and inter-agency transfers the Office also moves funds through the other financing sources and other financing uses accounts. Other financing sources totaling \$8,005,998 represent the movement of funds from the Consumer Settlement to the General Fund to fund operations in FY16. The Consumer Settlement Fund provided an additional \$2,749,595 in other financing uses to the State General Fund for distribution to other agencies.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE O – GENERAL FUND INVESTMENT POOL NOT RECONCILED

By state statute, the New Mexico Department of Finance & Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Various efforts have been made to reconcile the SGFIP from July 2006 to January 2013. Through correspondence, DFA provided an update through October 2015 as follows. The Financial Control Division (FCD) of DFA now has an operational model that effectively compares statewide claims against the SGFIP and resources held at the State Treasurer's Office. This process has been operational since March 2015, and FCD now has data points for seven consecutive months beginning with January 2015 business. As a result, FCD is able to asset the points below.

- 1.) The established allowance recorded within the General Operating Reserve Fund is sufficient to accommodate the current calculated difference between resources held in the SGFIP and agency claims;
- 2.) The calculated difference between resources maintained by STO and the agency claims has remained stable during the past seven months in which the process has been employed;
- 3.) The entirety of any adjustment will be applied against the allowance established in the General Operating Reserve Fund. No portion of the adjustment shall be allocated to any specific business unit that participates in the SGFIP.

During 2016, FCD was able to reinstate \$100 million of the amount that was recorded as a loss contingency. Additionally for fiscal year 2016, FCD is able to assert the following points:

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

NOTE P – DUE TO STATE GENERAL FUND

Due to State General Fund is composed of the following at June 30, 2016:

Expired funding due to the General Fund in FY16	\$ 138,952
State warrants and miscellaneous	<u>22,253</u>
Net amount due to State General Fund	<u>\$ 161,205</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE Q – GASB 68 – FINANCIAL REPORTING AND DISCLOSURE FOR MULTIPLE-EMPLOYER COST SHARING PENSION PLANS BY EMPLOYERS

Compliant with the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico continues to apply the standard for the fiscal year ending June 30, 2016.

The Office of the Attorney General, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall total pension liability exceeds plan net position resulting in a net pension liability. The state has determined that the state's share of pension liability to be a liability of the state as a whole rather than any agency or department of the state and will not be reported in the department of the state or agency level financial statements of the state. All required disclosures will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows or resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

NOTE R – NEW ACCOUNTING STANDARDS

GASB 72

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72) provides guidance for determining a fair value measurement for financial accounting and reporting purposes and requires additional disclosures related to fair value measurements. GASB 72 generally requires investments to be measured at fair value (exit price).

GASB 72 requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art and historical treasures. Certain investments not valued at fair value include money market investments in life insurance contracts and common stock meeting the criteria for applying the equity method. GASB 72 is applicable for financial statement periods beginning after June 15, 2015 (FY 2016). GASB 72 defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2016

NOTE R – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 74/75

Governmental Accounting Standards Board Statement No. 74/75 “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions: (GASB 74/75)*” revises existing guidance for governments that provide their employees with postemployment benefits other than pensions. A principal change is the requirement to record a government’s pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements for multiemployer cost sharing plans. The Office of the Attorney General is a participating member of the New Mexico Retiree Health Care Fund (RHCF) administered by the Retiree Health Care Authority (RHCA), a multiemployer cost sharing plan. Information to implement this standard will be developed by RHCA and the State of New Mexico. The implementation date for GASB 74/75 is fiscal year 2018. Similar to GASB 68, the liability will reside with the State of New Mexico as the primary employer and will be presented on the State of New Mexico Comprehensive Annual Financial Report (CAFR). The Office of the Attorney General will not record any liability the agency financial statements.

NOTE S – SUBSEQUENT EVENTS

Events subsequent to June 30, 2016, have been evaluated by management through November 30, 2016, the date the financial statements are available for issuance. In the opinion of management, no events occurring after June 30, 2016, required disclosure or adjustment to the financial statements.

NOTE T – DEFERRED INFLOWS OF RESOURCES

The remaining gaming settlement amount (\$4,000,000) with Pojoaque Pueblo was accrued as a receivable in the financial statements. The same amount is recorded as a deferred inflow on the government fund statements, due to not being available. The settlement amount is subject to a quarterly payment schedule for the next three years.

SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the Attorney General

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	ICAC / PED Program Fund 50250	Medicaid Program Income - 27500	Antitrust Litigation - 08500	Grant - 64900	ARRA - 89000	Total Non- Major Funds
ASSETS						
Investments, State Treasurer	\$ -	\$ 4,395	\$ 26,872	\$ -	\$ 9,490	\$ 40,757
Cash in banks	-	-	-	180	-	180
Due from other funds	88,267	-	-	-	-	88,267
Due from Federal government	55,885	-	-	-	-	55,885
Due from State Agencies	9,358	-	-	-	-	9,358
	<u>\$ 153,510</u>	<u>\$ 4,395</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ 9,490</u>	<u>\$ 194,447</u>
LIABILITIES						
Accounts payable	\$ 15,890	\$ -	\$ -	\$ -	\$ -	\$ 15,890
Accrued payroll and benefits	10,137	-	-	-	-	10,137
Due to other funds	49,195	-	-	-	9,490	58,685
	<u>75,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,490</u>	<u>84,712</u>
FUND BALANCES						
Spendable:						
Restricted for Medicaid fraud program	-	4,395	-	-	-	4,395
Restricted for programs	78,288	-	-	-	-	78,288
Restricted for antitrust litigation	-	-	26,872	-	-	26,872
Restricted for consumer settlements	-	-	-	180	-	180
	<u>78,288</u>	<u>4,395</u>	<u>26,872</u>	<u>180</u>	<u>-</u>	<u>109,735</u>
Total fund balances	<u>78,288</u>	<u>4,395</u>	<u>26,872</u>	<u>180</u>	<u>-</u>	<u>109,735</u>
Total liabilities and fund balances	<u>\$ 153,510</u>	<u>\$ 4,395</u>	<u>\$ 26,872</u>	<u>\$ 180</u>	<u>\$ 9,490</u>	<u>\$ 194,447</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, 2016

	ICAC / PED 50250	Medicaid Program Income - 27500	Antitrust Litigation - 08500	Grant - 64900	ARRA - 89000	Total Non- Major Funds
REVENUES						
Federal grants	\$ 399,855	\$ -	\$ -	\$ -	\$ -	\$ 399,855
State operating grants	-	-	-	-	-	-
Other revenues	-	676	-	-	-	676
Total revenues	399,855	676	-	-	-	400,531
EXPENDITURES						
General government						
Personal services and employee benefits	192,844	-	-	-	-	192,844
Other costs	118,986	-	-	-	-	118,986
Contractual Services	9,737	-	-	-	-	9,737
Total expenditures	321,567	-	-	-	-	321,567
Excess (deficiency) of revenues over expenditures	78,288	676	-	-	-	78,964
OTHER FINANCING SOURCES (USES)						
Other financing sources-internal transfers	-	-	-	-	-	-
Reversions to state general fund - FY2014	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	78,288	676	-	-	-	78,964
Fund balance, beginning of year	-	3,719	26,872	180	-	30,771
Fund balances, end of year	\$ 78,288	\$ 4,395	\$ 26,872	\$ 180	\$ -	\$ 109,735

State of New Mexico
Office of the Attorney General

GENERAL FUND BUDGET PROGRAMS (FUND 17000)

For the year ended June 30, 2016

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
Southwest Money Laundering
Internet Crimes Against Children
Traffic Safety
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, 2016

General Fund - Legal Services	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal and state operating grants	\$ -	\$ -	\$ -	\$ -
General fund appropriation, Laws of 2015	9,306,400	9,247,300	9,247,300	-
Miscellaneous revenue	-	-	113,621	113,621
Other financing sources	8,276,300	8,621,300	7,908,721	(712,579)
	<u>17,582,700</u>	<u>17,868,600</u>	<u>17,269,642</u>	<u>(598,958)</u>
Total revenue and other financing sources (budget basis)				
	<u>\$ 17,582,700</u>	<u>\$ 17,868,600</u>	<u>\$ 17,269,642</u>	<u>\$ (598,958)</u>
General Fund - Legal Services	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 14,541,000	\$ 13,881,900	\$ 13,768,273	\$ 113,627
Contractual services	774,800	1,186,800	852,045	334,755
Other	2,266,900	2,799,900	2,649,324	150,576
Other financing uses	-	-	-	-
	<u>17,582,700</u>	<u>17,868,600</u>	<u>17,269,642</u>	<u>598,958</u>
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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**

For the year ended June 30, 2016

GENERAL FUND - Traffic Safety

General Fund - Traffic Safety	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal and state operating grants	\$ -	\$ 207,350	\$ 106,501	\$ (100,849)
General fund appropriation, Laws of 2015	-	-	-	-
Miscellaneous revenue	-	-	-	-
Other financing sources	-	-	-	-
 Total revenue and other financing sources (budget basis)	 <u>\$ -</u>	 <u>\$ 207,350</u>	 <u>\$ 106,501</u>	 <u>\$ (100,849)</u>
General Fund - Traffic Safety	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 164,050	\$ 105,305	\$ 58,745
Contractual services	-	-	-	-
Other	-	43,300	1,196	42,104
 Total expenditures and other financing uses (budget basis)	 <u>\$ -</u>	 <u>\$ 207,350</u>	 <u>\$ 106,501</u>	 <u>\$ 100,849</u>
 Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</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) – SOUTHWEST MONEY LAUNDERING PROGRAM**

For the year ended June 30, 2016

General Fund - Southwest Money Laundering	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal and state operating grants	\$ -	\$ 932,545	\$ -	\$ (932,545)
General fund appropriation, Laws of 2015	-	-	-	-
Miscellaneous revenue	-	-	797,104	797,104
Other financing sources	-	-	-	-
	-	-	-	-
Total revenue and other financing sources	\$ -	\$ 932,545	\$ 797,104	\$ (135,441)
General Fund - Southwest Money Laundering	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 850,000	\$ 729,934	\$ 120,066
Contractual services	-	2,000	-	2,000
Other	-	80,545	67,170	13,375
	-	80,545	67,170	13,375
Total expenditures and other financing uses	\$ -	\$ 932,545	\$ 797,104	\$ 135,441
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ -	\$ -

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, 2016

General Fund - ICAC	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal and state operating grants	\$ -	\$ 113,292	\$ -	\$ (113,292)
General fund appropriation, Laws of 2015	-	-	-	-
Miscellaneous revenue	-	-	-	-
Other financing sources	-	-	92,529	92,529
<hr/>				
Total revenue and other financing sources (budget basis)	\$ -	\$ 113,292	\$ 92,529	\$ (20,763)
<hr/>				
General Fund - ICAC	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ -	\$ 12,296	\$ 10,131	\$ 2,165
Contractual services	-	6,519	2,930	3,589
Other	-	94,477	79,468	15,009
<hr/>				
Total expenditures and other financing uses (budget basis)	\$ -	\$ 113,292	\$ 92,529	\$ 20,763
<hr/>				
Excess of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ -	\$ -
<hr/>				

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, 2016

GENERAL FUND - Foreclosure Prevention

General Fund - Foreclosure Prevention	Original Budget	Revised Budget	Actual Amount Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:				
Federal and state operating grants	\$ -	\$ -	\$ -	\$ -
General fund appropriation, Laws of 2016	-	-	-	-
Fund balance	500,000	500,000	-	(500,000)
Other financing sources	-	-	279,697	279,697
	-	-	279,697	279,697
 Total revenue and other financing sources (budget basis)	 \$ <u>500,000</u>	 \$ <u>500,000</u>	 \$ <u>279,697</u>	 \$ <u>(220,303)</u>

General Fund - Foreclosure Prevention	Original Budget	Revised Budget	Actual Amounts Expended	Variance Favorable (Unfavorable)
Expenditures:				
Personal service/employee benefits	\$ 375,000	\$ 375,000	\$ 264,484	\$ 110,516
Contractual services	45,000	45,000	9,355	35,645
Other	80,000	80,000	5,858	74,142
	80,000	80,000	5,858	74,142
 Total expenditures and other financing uses (budget basis)	 \$ <u>500,000</u>	 \$ <u>500,000</u>	 \$ <u>279,697</u>	 \$ <u>220,303</u>

Excess (deficit) of revenues and other financing sources over expenditures and other financing uses (budget basis)	\$ -	\$ -	\$ -	\$ -
	-	-	-	-

Budgeted as a program of the general fund.

OTHER SUPPLEMENTARY INFORMATION

State of New Mexico
Office of the Attorney General

FIDUCIARY FUNDS

For the year ended June 30, 2016

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.

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)
Dram matter cost share fund (SHARE Fund #08100)

State of New Mexico
Office of the Attorney General

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

June 30, 2016

	Balance June 30, 2015	Additions	(Deletions)	Balance June 30, 2016
<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	\$ 6,616	\$ 7	\$ -	\$ 6,623
Interest receivable	-	-	-	-
Total assets	\$ 6,616	\$ 7	\$ -	\$ 6,623
LIABILITIES				
Deposits held for consumers and others	\$ 6,616	\$ 7	\$ -	\$ 6,623
Total liabilities	\$ 6,616	\$ 7	\$ -	\$ 6,623

State of New Mexico
Office of the Attorney General

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

June 30, 2016

	Balance June 30, 2015	Additions	(Deletions)	Balance June 30, 2016
<u>Mylan multi-state antitrust fund (SHARE #95000)</u>				
ASSETS				
Investments, State Treasurer	\$ 317,729	\$ 746	\$ -	\$ 318,475
Interest receivable	22	-	22	-
Total assets	\$ 317,751	\$ 746	\$ 22	\$ 318,475
LIABILITIES				
Deposits held for consumers and others	\$ 317,751	\$ 746	\$ 22	\$ 318,475
Total liabilities	\$ 317,751	\$ 746	\$ 22	\$ 318,475
 <u>Buspar multi-state antitrust fund (SHARE #12700)</u>				
ASSETS				
Investments, State Treasurer	\$ 6,986	\$ 17	\$ -	\$ 7,003
Interest receivable	-	-	-	-
Total assets	\$ 6,986	\$ 17	\$ -	\$ 7,003
LIABILITIES				
Deposits held for consumers and others	\$ 6,986	\$ 17	\$ -	\$ 7,003
Total liabilities	\$ 6,986	\$ 17	\$ -	\$ 7,003
 <u>Dram matter cost share (SHARE #08100)</u>				
ASSETS				
Investments, State Treasurer	\$ 5,892	\$ -	\$ -	\$ 5,892
Interest receivable	-	-	-	-
Total assets	\$ 5,892	\$ -	\$ -	\$ 5,892
LIABILITIES				
Deposits held for consumers and others	\$ 5,892	\$ -	\$ -	\$ 5,892
Total liabilities	\$ 5,892	\$ -	\$ -	\$ 5,892

State of New Mexico
Office of the Attorney General

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

June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Investments, State Treasurer	\$ 349,783	\$ 770	\$ -	\$ 350,553
Interest receivable	<u>22</u>	<u>-</u>	<u>22</u>	<u>-</u>
Total assets	<u>\$ 349,805</u>	<u>\$ 770</u>	<u>\$ 22</u>	<u>\$ 350,553</u>
LIABILITIES				
Deposits held for consumers and others	<u>\$ 349,805</u>	<u>\$ 770</u>	<u>\$ 22</u>	<u>\$ 350,553</u>
Total liabilities	<u>\$ 349,805</u>	<u>\$ 770</u>	<u>\$ 22</u>	<u>\$ 350,553</u>

State of New Mexico
Office of the Attorney General

SCHEDULE OF CASH ACCOUNTS

June 30, 2016

Account Name	SHARE Fund No. Account Number	Balance per Depository	Reconciling Items		Reconciled Balance at June 30, 2016
			Outstanding Warrants	Other	
Governmental fund types					
Wells Fargo Bank:					
General 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		\$ 9,483	\$ -	\$ -	\$ 9,483
Total - all cash		<u>\$ 9,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,483</u>

No uninsured amounts are held at June 30, 2016.

State of New Mexico
Office of the Attorney General

SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT) (UNAUDITED)

For the Year Ended June 30, 2016

Prepared by Agency Staff Name: Tammy Herrera Title: Financial Manager Date: 11/30/16

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
30500	New Mexico Office of the Attorney General	State Agencies	n/a	Small Purchase	Ambitions Technology Group		\$270,468.75		Albuquerque, NM			IT consulting for long term strategy and tech plan - based on Statewide Price Agreement 40-000-14-00106AH	
30500	New Mexico Office of the Attorney General	State Agencies	13-305-U001-00001	Competitive (RFP or RFB)	Doug Gegax Consulting	Winner	\$200,000.00		Las Cruces, NM	Yes	Yes	Public utilities regulatory consultant on issues related to gas, electric and/or telecommunications utility cases before NM PRC	
30500	New Mexico Office of the Attorney General	State Agencies		Sole Source	Center for Civic Values		\$117,000.00		Albuquerque, NM			Plan and implement the 2016-2017 NN High School Mock Trial Program	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	Montgomery & Andrews	Winner	\$250,000.00		Santa Fe, NM	Yes	Yes	Legal advice and litigation assistance in all aspects of the Texas v. New Mexico	
30500	New Mexico Office of the Attorney General	State Agencies	13-305-U001-00001	Competitive (RFP or RFB)	QSI Consulting	Winner	\$500,000.00		Las Cruces, NM	Yes	Yes	Public utilities regulatory consultant on issues related to gas, electric and/or telecommunications utility cases before NM PRC	
30500	New Mexico Office of the Attorney General	State Agencies	n/a	Small Purchase	Trout, Raley, Montano, Witwer & Freeman		\$175,000.00		Denver, CO			Provide legal advice and litigation assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	
30500	New Mexico Office of the Attorney General	State Agencies	13-305-U001-00001	Competitive (RFP or RFB)	The Columbia Group, Inc.	Loser	\$0.00		Ridgefield, CT	Yes	Yes	Public utilities regulatory consultant on issues related to gas, electric and/or telecommunications utility cases before NM PRC	
30500	New Mexico Office of the Attorney General	State Agencies	13-305-U001-00001	Competitive (RFP or RFB)	Interisle Consulting Group	Loser	\$0.00		Hopkinton, MA	Yes	Yes	Public utilities regulatory consultant on issues related to gas, electric and/or telecommunications utility cases before NM PRC	

State of New Mexico
Office of the Attorney General

SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT) (UNAUDITED)

For the Year Ended June 30, 2016

Prepared by Agency Staff Name: Tammy Herrera Title: Financial Manager Date: 11/30/16

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
30500	New Mexico Office of the Attorney General	State Agencies	13-305-U001-00001	Competitive (RFP or RFB)	JBS Energy, Inc.	Loser	\$0.00		West Sacramento,	Yes	Yes	Public utilities regulatory consultant on issues related to gas, electric and/or telecommunications utility cases before NM PRC	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	Stacey J. Godwin, PC and Law offices of Randal W. Childress, PC	Loser	\$0.00		Santa Fe, NM	Yes	Yes	Provide legal advice and litigation assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	C. Brian James, Attorney at Law	Loser	\$0.00		Taos, NM	Yes	Yes	Provide legal advice and litigation assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	Lewis and Roca, LLP	Loser	\$0.00		Albuquerque, NM	Yes	Yes	Provide legal advice and litigation assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	Law Offices of Susanne Hoffman-Dooley	Loser	\$0.00		Santa Fe, NM	Yes	Yes	assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	PE Ganz, LLC	Loser	\$0.00		Santa Fe, NM	Yes	Yes	Provide legal advice and litigation assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	
30500	New Mexico Office of the Attorney General	State Agencies	14-305-P625-0002	Competitive (RFP or RFB)	Brownstein, Hyatt, Farber, Schreck, LLP	Loser	\$0.00		Albuquerque, NM	Yes	Yes	Provide legal advice and litigation assistance in all aspects of No. 141 Original Texas v. New Mexico and Colorado and NM v. US, No. CIV-11-CV-00691-JB/WD	

State of New Mexico
Office of the Attorney General

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2016

Federal Agency/ Grantor/Program/Pass through entity	Federal CFDA Number	Grant Amount	Federal Expenditures
U.S. Department of Health and Human Services:			
Direct Programs:			
Medicaid Fraud Control Unit:			
01-07-01-NM-5050	93.775	\$ 2,031,956	\$ <u>1,692,570</u>
Passed Through:			
New Mexico Department of Public Education Department			
Pregnancy Assistance Fund Program	93.500	86,182	<u>86,182</u>
Total U.S. Department of Health and Human Services			1,778,752
U.S. Department of Justice:			
Direct Programs:			
Office of Juvenile Justice and Delinquency Prevention:			
Investigative satellite initiative - Internet Crimes Against Children (ICAC)	16.543	850,770	<u>206,978</u>
Services for Trafficking Victims	16.320	750,000	<u>106,695</u>
Total U.S. Department of Justice			313,673
U.S. Department of Transportation:			
Passed Through:			
New Mexico Department of Transportation:			
State and Community Highway Safety	20.600	176,150	<u>106,501</u>
Total U.S. Department of Transportation			<u>106,501</u>
Total expenditures of federal awards			\$ <u><u>2,198,926</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2016

A. Basis of Presentation

The Schedule of Expenditures of Federal Awards contains federal grant activity of the Office of the Attorney General (OAG) was prepared using the modified accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

B. Noncash Assistance

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

C. Subrecipients

There are no subrecipients of federal funds as of and for the year ended June 30, 2016.

D. Indirect Cost Rate

The OAG has not elected to utilize the 10% minimum indirect cost rate.

**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 Hector H. Balderas, Attorney General
Office of the Attorney General
and
Mr. Timothy Keller, 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, 2016, 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 for components of the general fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Office's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion 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. We did identify a 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 2012-001.

Compliance and Other Matters

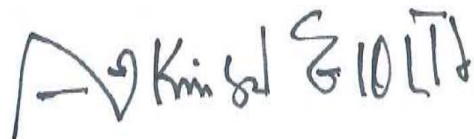
As a part of obtaining reasonable assurance about whether the Office of the Attorney General's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and 2.2.2 NMAC and can be referenced as items 2016-001.

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 "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 30, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Hector H. Balderas, Attorney General
Office of the Attorney General
and
Mr. Timothy Keller, 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) Compliance Supplement* that could have a direct and material effect on each of the Office of the Attorney General's major federal program for the year ended June 30, 2016. The Office of the Attorney General's major federal program is identified in the summary of auditors' 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.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2016.

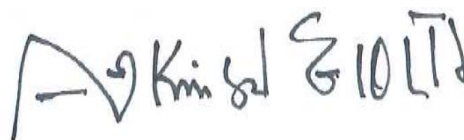
Report on Internal Control Over Compliance

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 30, 2016

SUMMARY OF AUDIT RESULTS

For the year ended June 30, 2016

Financial Statements

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes No

Identification of major programs:

CFDA Number	Name of Federal Program
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: \$750,000

Auditee qualified as low-risk auditee? Yes No

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

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

Questioned costs: None

SCHEDULE OF AUDIT FINDINGS

For the year ended June 30, 2016

Status of Prior Audit Findings

Financial Statement Findings Required by *Government Auditing Standards*

2012-001 General Ledger Reconciliations (Significant Deficiency) - Repeated and Modified

2014-004 Asset Disposition (Other Noncompliance) – Resolved

2015-001 Timeliness of Cash Deposits (Other Noncompliance) - Resolved

2015-002 Incomplete Semi-Annual Time Certification (Other Noncompliance) - Resolved

Current Audit Findings

Financial Statement Findings Required by *Government Auditing Standards and 2.2.2. NMAC*

2012-001 General Ledger Reconciliations (Significant Deficiency)

2016-001 Asset Disposition – (Other Noncompliance)

Federal Award Findings

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2016

Financial Statement Findings Required by *Government Auditing Standards*

2012-001 General Ledger Reconciliations (Significant Deficiency)

Condition:

Fund accounts receivable and accrued liabilities were all misstated on the trial balance the Office provided at the beginning of the audit. Significant progress was noted in the current year and the only material adjustments required involved the current year accruals for accounts receivable and compensated absences. In the prior year this finding was a material weakness based on the number of the adjustments made to correct the ledger. In the current year we observed increased oversight and the number of adjustments made was significantly reduced.

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 and the recording of modified accrual basis of accounting required accruals for these accounts were not performed in advance for year-end purposes.

Effect:

The Office did not have accurate financial information during FY 2016 to close out its financial functions and prepare for the audit.

Recommendation:

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

Responsible Official's view and corrective action plan:

The Operations Financial Control Division is making progress in performing timely reconciliations under the new guidance of the Chief of Staff for Operations. Many changes were implemented in the day to day handling of financials and duties have been realigned so there is tighter internal control. With those changes, we have assigned all financial management for federal and intra-state grants to the Budget Director, for monitoring of expenses and drawdown of funds. The grant receivables will also be monitored by the Financial Manager for accuracy and determination of receivables at the end of each fiscal year.

Point of Contact:

Chief of Staff for Operations & Financial Control Division Director

SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED

For the year ended June 30, 2016

Financial Statement Findings Required by *Government Auditing Standards* – Continued

2016-001 Asset Disposition – (Other Noncompliance)

Condition:

During our review of asset disposals, we noted that Office of the Attorney General removed multiple items from service but did not physically dispose of the assets in a timely manner.

Criteria:

Chapters §13-6-1 B (2) NMSA 1978 requires state agencies to notify the State Auditor when disposing of tangible property.

Cause:

There were delays associated with the physical disposition of the assets as the OAG ensured they were compliant with Chapters §13-6-1 B (2) NMSA 1978 and reported the pending asset disposition to the State Auditor's Office prior to disposition.

Effect:

The OAG did provide notification to the State Auditor prior to deleting assets, however, this resulted in capital assets being physically present though not on the fixed asset reporting of the OAG.

Recommendation:

We recommend that Management develop and implement a formal policy for disposing of fixed assets and notifying the State Auditor's Office prior to disposing of the assets well in advance of the end of the fiscal year to ensure disposals are completed in the same in fiscal period.

Responsible Official's view:

The assets noted were properly disposed of subsequent to year end.

Point of Contact:

Financial Control Division Director

State of New Mexico
Office of the Attorney General

EXIT CONFERENCE

For the year ended June 30, 2016

An exit conference was held on November 30, 2016, to discuss the audit. The following individuals were in attendance:

State of New Mexico – Office of the Attorney General

Hector H. Balderas, Attorney General
Melissa Spangler, Financial Control Division Director
Tammy Herrera, Finance Manager
Valerie Borrego, Budget Director
Tania Maestas, Deputy of Civil Affairs
Ken Stalter, General Counsel

Independent Auditor – Atkinson & Co., Ltd.

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

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.

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