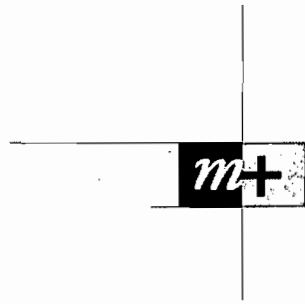


**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Financial Statements  
for the Year Ended  
June 30, 2007,  
and Independent  
Auditors' Report**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Official Roster

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Year Ended June 30, 2007

**Department Officials**

Cabinet Secretary Designee	Alfredo Vigil, M.D.
Deputy Secretary – Finance (CFO)	Duffy Rodriguez
Deputy Secretary - Programs	Jessica Sutin
Deputy Secretary - Facilities	Katrina Hotrum
Chief Medical Officer	Dr. Ron Voorhees
General Counsel	Kathleen Kunkel
Chief Information Officer	Bob Mayer

**Division Directors**

Administrative Services Division	Vacant
Public Health Division	Kristine Suozzi
Epidemiology & Response Division	Dr. Mack Sewell
Scientific Laboratory Division	Dr. David Mills
Behavioral Health Services Division	Linda Roebuck
Developmentally Disabled Services Division	Sam Howarth
Division of Health Improvement – Acting	David Rodriguez

## INDEPENDENT AUDITORS' REPORT

Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico Department of Health  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, each major fund, the respective budgetary comparisons and the aggregate remaining fund information of the State of New Mexico Department of Health (the Department) as of and for the year ended June 30, 2007, which comprise the Department's basic financial statements as listed in the table of contents. We also have audited the major capital project fund and the program budgetary comparisons of the Department presented as supplementary information as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and results of operations of only that portion of the governmental activities, each major fund, the respective budgetary comparisons and the aggregate remaining fund information of the State that is attributable to the transactions of the Department.

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 Department as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparisons each the major governmental fund for the year then ended, in

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Certified Public Accountants/Consultants to Business



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Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico Department of Health  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

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 major capital project fund and budgetary comparisons for the year then ended for the general and major special revenue fund, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2008, on our consideration of the Department'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* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparisons of the Department. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the schedules listed as other supplementary schedules in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Meyners + Company, LLC*

July 10, 2008

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis  
Year Ended June 30, 2007**

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The following Management's Discussion and Analysis, or MD&A, for the State of New Mexico, Department of Health (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations as of and for the year ended June 30, 2007 (FY07). Additionally, the MD&A provides a discussion of significant changes in the account categories presented in the entity-wide Statement of Net Assets and Statement of Activities. This summary should not be taken as a replacement for the basic financial statements.

The MD&A is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus, an amendment to GASB Statements No. 21 and No. 34*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

Although the Department is one of several agencies within the government of the State of New Mexico, the focus of this financial report is only on the Department and not the State of New Mexico taken as a whole. The financial statements include the following three elements: (1) Management's Discussion and Analysis, (2) the Basic Financial Statements, and (3) Other Supplementary Information. The basic financial statements include two kinds of statements that present different views of the Department:

- The first two statements are entity-wide financial statements that report information about the Department's overall financial condition and results of operations, both long-term and short-term, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Department's assets, liabilities, and net assets. All revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or disbursed. The remaining statements are fund financial statements.
- Governmental funds statements, including the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances, focus on individual parts of the Department, reporting the Department's financial condition and results of operations in more detail than in the entity-wide statements, and tell how general government services were financed in the short term as well as what remains for future spending. Emphasis is on the general and major funds. Other governmental funds are summarized in a single column.
- Statement of Revenues and Expenditures – Budget and Actual Modified Accrual (GAAP Budgetary Basis) reports the original approved budget, final approved budget, and actual results presented on the modified accrual budgetary basis of reporting for the general fund and all major funds. A separate column is presented to report any variances between the final budget and actual amounts.
- Statement of Fiduciary Net Assets provides information about the financial relationships in which the Department acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2007**

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS - continued**

- Additional details about the basic financial statements are found in the Notes to the Financial Statements, Required Supplementary Information and the Other Supplementary Information sections.

**FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE**

The following condensed financial information was derived from the entity-wide financial statements and compares the current year to the prior year:

**Table A-1  
The Department's Net Assets**

	<b>2007</b>	<b>2006</b>		
	<b>Governmental</b>	<b>Governmental</b>	<b>Increase</b>	<b>Percentage</b>
	<b>Activities</b>	<b>Activities</b>	<b>(Decrease)</b>	<b>Change</b>
<b>Assets:</b>				
Cash, restricted and non-restricted	\$ 1,910,182	2,255,456	(345,274)	-15.31%
Other current assets	98,620,133	58,850,040	39,770,093	67.58%
Non-current assets	<u>22,550,518</u>	<u>25,378,475</u>	<u>(2,827,957)</u>	<u>-11.14%</u>
<b>Total Assets</b>	<b>\$ <u>123,080,833</u></b>	<b><u>86,483,971</u></b>	<b><u>36,596,862</u></b>	<b><u>42.32%</u></b>
<b>Liabilities:</b>				
Current liabilities	\$ 78,918,787	54,532,164	24,386,623	44.58%
Long-term liabilities	<u>-</u>	<u>51,314</u>	<u>(51,314)</u>	<u>-100.00%</u>
<b>Total Liabilities</b>	<b>\$ <u>78,918,787</u></b>	<b><u>54,583,478</u></b>	<b><u>24,335,309</u></b>	<b><u>44.58%</u></b>
<b>Net Assets:</b>				
Invested in capital assets	\$ 22,550,518	25,378,475	(2,827,957)	-11.14%
Restricted for grantors and other	1,910,182	2,255,456	(345,274)	-15.31%
Unrestricted (deficit)	<u>19,701,346</u>	<u>4,266,562</u>	<u>15,434,784</u>	<u>381.76%</u>
<b>Total Net Assets (Restated, Note 25)</b>	<b>\$ <u>44,162,046</u></b>	<b><u>31,900,493</u></b>	<b><u>12,261,553</u></b>	<b><u>38.44%</u></b>



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Management's Discussion and Analysis - continued  
Year Ended June 30, 2007

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE - continued

**Table A-2**  
**Changes in the Department's Net Assets**

	2007	2006	Increase	Percentage
	Governmental	Governmental	(Decrease)	Change
	<u>Activities</u>	<u>Activities</u>	<u>(Decrease)</u>	<u>Change</u>
<b>Revenue:</b>				
<u>Program revenue:</u>				
Federal Grants	\$ 116,618,076	136,925,177	(20,307,101)	-14.83%
In-kind Assistance	25,938,904	21,096,912	4,841,992	22.95%
Patient Service Revenue	84,782,459	87,441,584	(2,659,125)	-3.04%
Other	<u>54,432,927</u>	<u>25,849,724</u>	<u>28,583,203</u>	<u>110.57%</u>
	281,772,366	271,313,397	10,458,969	3.85%
<u>General revenue:</u>				
Bond proceed appropriations	2,689,575	-	2,689,575	100.00%
Special appropriations	<u>2,020,866</u>	<u>11,569,216</u>	<u>(9,548,350)</u>	<u>-82.53%</u>
	4,710,441	11,569,216	6,868,775	-59.28%
<u>Transfers:</u>				
General fund appropriations	306,082,800	272,992,584	33,090,216	12.12%
General fund reversion	<u>(271,584)</u>	<u>(1,729,717)</u>	<u>1,458,133</u>	<u>-84.30%</u>
	<u>305,811,216</u>	<u>271,262,867</u>	<u>34,548,349</u>	<u>12.74%</u>
<b>Total Revenue</b>	592,294,023	554,145,480	38,148,543	6.88%
<b>Expenses:</b>				
Public Health	549,857,751	522,306,201	27,551,550	5.27%
In-kind Assistance	25,938,904	21,096,912	4,841,992	22.95%
Depreciation	4,179,697	4,694,955	(515,258)	-10.97%
Loss on Capital Assets	72,942	134,252	(61,310)	-45.67%
Increase (decrease) in compensated absences	<u>(16,824)</u>	<u>1,012,343</u>	<u>(1,029,167)</u>	<u>-101.66%</u>
<b>Total Expenses</b>	580,032,470	549,244,663	30,787,807	5.61%
<b>Increase (decrease) in Net Assets</b>	12,261,553	4,900,817	7,360,736	150.19%
<b>Beginning Net Assets</b>	<u>31,900,493</u>	<u>30,152,482</u>	1,748,011	5.80%
<b>Ending Net Assets</b>	<u>44,162,046</u>	<u>35,053,299</u>	<u>9,108,747</u>	<u>25.99%</u>
<b>Restatement (Note 25)</b>	-	(3,152,806)	-	-%
<b>Ending Net Assets (Restated)</b>	\$ <u>44,162,046</u>	<u>31,900,493</u>	<u>12,261,553</u>	<u>38.44%</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2007**

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**FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE - continued**

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2007 are as follows:

- Current Assets increased by \$39,424,819, or 64.5%. Restricted Cash, which is a result of enabling legislation that statutorily restricts the uses of cash for specific purposes, as well as bond appropriations for capital improvement projects, decreased by \$345,274, or 15.3%. The June 30 balances in the amount due from the federal government increased by \$25.6 million due to delayed billings for federal expenditures, which resulted from delays in posting personnel and other expenses for federal grants due to SHARE implementation issues. In addition, for the same reasons, the June 30 balances in the amounts due from other state agencies increased by \$10.8 million, primarily due to receivables at June 30 for patient Medicaid receivables.
- Capital Assets and Investment in Capital Assets decreased by \$2,872,957, or 11.0%, due to \$4,179,697 in depreciation expenses that were offset by \$1,351,740 in additional capitalized assets.
- Overall, Total Assets increased by \$36,596,862, or 42.3%, due to the factors noted above.
- Current Liabilities increased by \$24,386,623, or 44.7%, due primarily to an increase in Accounts Payable: amounts due to other state agencies increased by \$9,986,010 due primarily to the recording of a prior year payable to the Human Services Department (HSD) for the Developmentally Disabled Medicaid Waiver Program. Deferred Revenue also increased, by \$3.4 million, due to the recording of revenue received in FY07 for capital project appropriations that will be expended in FY08 and later fiscal years. Other Liabilities increased by \$3.2 million over FY06 ending balances due to DOH owing HSD \$1.0 million of behavioral health treatment expenses, and \$2.2 million for third party benefits payable due to the Department of Finance and Administration at June 30. Lastly, Long-term Liabilities decreased by \$51,314 with the elimination of balances in the long-term compensated absences account.
- Total Liabilities increased by \$24,335,309, or 44.6%. See discussion under Current Liabilities above.
- Unrestricted Net Assets increased by \$15,434,784. This increase is related directly to the reduction of Restricted Net Assets and the change in fund balance by \$15,072,686 that was the direct result of the Department Income being larger than Expenses in fiscal year ending June 30, 2007.
- The total Net Assets, including the restatement amount of \$3,152,806 increased by \$12,261,553, or 38.4%. See discussions under Current Assets, Restricted Net Assets and Unrestricted Net Assets above.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2007**

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**SUBSEQUENT EVENT**

The Department received \$8,685,800 in Tobacco Settlement Revenue for FY07 from the Department of Finance and Administration during accounting period 1 in FY08. Had this cash transfer occurred in the fiscal year in which it should have been recorded, FY07, the cash deficit recorded in Fund 06100 for June 30, 2007, would have been reduced or eliminated.

**BUDGETARY HIGHLIGHTS**

For FY07, the Department's budget, as appropriated by the Legislature in the 2006 General Appropriation Act, increased from \$502,696,500 in total revenue and expenditures in FY06 to \$535,901,400 for FY07, an increase of \$33,204,900. The majority of the increase was due to a revenue increase of \$15,811,800 in the General Fund for a variety of purposes explained below and for serving additional clients under the Developmentally Disabled Medicaid Waiver Program, and a revenue increase of \$22,848,400 in Inter-Agency Transfers funds for Value Options revenue for facilities. The Department's appropriation also included a decrease of \$11,846,900 in Other State Funds over the FY06 level.

The expenditure increases associated with the FY07 budget consist of a \$6,751,900 increase in the Personnel Services and Employee Benefits category for compensation and staffing level increases; \$5,360,300 in the Contractual Services category for additional programs and services; and \$12,818,100, in the Other category. The individual cost objective increases related to the net category increase include increases for client care and support services (\$9,147,800), food cost increases (\$1,481,500), utilities cost increases (\$614,200), and grants and services for the hospital trauma system program (\$2,627,200). The Other Financing Uses category also increased by \$8,274,600, primarily to support additional services for clients in the Developmentally Disabled Medicaid Waiver Program.

In addition to the increases noted above, the Department also received \$4,881,000 in recurring General Fund special appropriations for a variety of new and expanded programs, including funding for stroke treatment (\$100,000), a nurse clinical teaching institute (\$95,000), adult suicide prevention (\$50,000), community-based cancer prevention (\$100,000), a sex offender treatment program (\$659,000), methamphetamine treatment (\$121,000), rape crisis treatment (\$50,000), prenatal and perinatal healthcare services for indigent women in Dona Ana County (\$100,000), women's health services in Santa Fe County (\$192,000), school-based health centers (\$500,000), hospital trauma services (\$2,000,000), telehealth services (\$190,000), childhood immunizations (\$500,000), rural healthcare (\$100,000), suicide prevention in northern New Mexico (\$19,500), substance abuse treatment in San Juan County (\$30,000), alcoholism treatment in Santa Fe County (\$55,000), and alcohol abuse treatment in Talpa in Taos County (\$19,500).

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2007**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Total capital assets, net of depreciation, for the Department make up 17.0% of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2007 are \$7,339,794. The estimated amount to be paid from General Fund appropriations within one year is \$7,339,794, or 100.0%; none of this balance is expected to be paid after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2007.

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The State as a whole implemented the SHARE accounting system on July 1, 2006. This implementation required the Department to develop a new reporting structure and new procedures for processing transactions through the State's control agencies. This implementation included the implementation of a Federal Grants Module; however, training for the module was limited, and implementation of the module was delayed during FY07, which required the Department to request extensions to normal expenditure reporting deadlines.

**CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide New Mexico residents, taxpayers, customers, legislators and vendors with a general overview of the Department's finances, and to demonstrate the Department's accountability for the funding it receives. If you have any questions about this report or need additional information, contact:

Duffy Rodriguez,  
Deputy Secretary of Finance and Administration  
New Mexico Department of Health  
Harold Runnels Building  
1190 St. Francis Drive, Suite N-3550  
P.O. Box 26110  
Santa Fe, NM 87502  
Phone 505-827-2500

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Net Assets

AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>CURRENT ASSETS:</b>	
Cash - restricted	\$ 1,910,182
Accounts receivable, net	11,275,458
Other receivables	929,620
Due from federal grants	54,900,927
Due from other agencies	23,343,266
Inventory	8,065,182
Prepaid expenses and others	<u>105,680</u>
<b>TOTAL CURRENT ASSETS</b>	100,530,315
<b>NON-CURRENT ASSETS:</b>	
Capital assets	85,309,905
Less: accumulated depreciation	<u>(62,759,387)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>22,550,518</u>
<b>TOTAL ASSETS</b>	\$ <u>123,080,833</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Net Assets - continued**

**AS OF JUNE 30, 2007**

	<u>Governmental Activities</u>
<b>LIABILITIES:</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 34,492,158
Accrued payroll and employee benefits payable	10,824,909
Due to State Treasurer's Office - Overdraft	9,303,273
Due to State General Fund	271,584
Due to other agencies	10,068,295
Funds held for others	482,874
Deferred revenue	6,135,900
Compensated absences - due within one year	<u>7,339,794</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b>78,918,787</b>
<b>LONG-TERM DEBT:</b>	
Compensated absences payable	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b>78,918,787</b>
<b>NET ASSETS:</b>	
Invested in capital assets	22,550,518
Restricted for:	
Grantors and other governments	1,910,182
Unrestricted (Restated Note 26)	<u>19,701,346</u>
<b>TOTAL NET ASSETS</b>	<b><u>44,162,046</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u><u>123,080,833</u></u></b>



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Activities**

**YEAR ENDED JUNE 30, 2007**

	<u>Governmental Activities</u>
<b>PROGRAM REVENUES:</b>	
Federal operating grants	\$ 116,618,076
Patient service charges	84,782,459
Fees, penalties, rentals and other	54,432,927
In kind assistance	<u>25,938,904</u>
<b>TOTAL PROGRAM REVENUES</b>	281,772,366
<b>PROGRAM EXPENSES:</b>	
Public health	
Administration	15,167,439
Public Health	169,064,084
Public health in kind assistance	25,938,904
Epidemiology and Response	32,364,771
Laboratory Services	13,946,823
Facilities Management	70,695,596
Developmental Disabilities Supports Services	107,619,250
Health Certification, Licensing and Oversight	130,756,649
Other Health Initiatives	14,478,954
<b>TOTAL PROGRAM EXPENSES</b>	<u>580,032,470</u>
<b>NET PROGRAM REVENUE</b>	(298,260,104)
<b>GENERAL REVENUES:</b>	
Bond proceed appropriations	2,689,575
Special appropriations	2,020,866
<b>TRANSFERS:</b>	
General fund appropriations	306,082,800
General fund reversion, FY 2003	(110)
General fund reversion, FY 2005	(129,889)
General fund reversion, FY 2006	(134,398)
General fund reversion, FY 2007	<u>(7,187)</u>
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>	<u>310,521,657</u>
<b>CHANGE IN NET ASSETS</b>	12,261,553
<b>NET ASSETS, BEGINNING OF YEAR</b>	35,053,299
<b>RESTATEMENT (NOTE 25)</b>	<u>(3,152,806)</u>
<b>NET ASSETS, BEGINNING OF YEAR, RESTATED</b>	<u>31,900,493</u>
<b>NET ASSETS, END OF YEAR</b>	\$ <u>44,162,046</u>

See Independent Auditors' Report and Notes to Financial Statements.

**FUND FINANCIAL STATEMENTS**

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AS OF JUNE 30, 2007

	<u>0610X</u> <u>General</u> <u>Fund</u>	<u>2190X</u> <u>County Supported</u> <u>Medicaid</u>
<b>ASSETS:</b>		
Restricted cash	\$ 834,288	417,620
Investment in State General Fund Investment Pool	-	-
Facilities receivable, net	11,250,603	-
Other receivables, net	929,620	-
Due from federal grants	54,900,927	-
Due from other agencies	21,343,266	-
Due from other funds	-	-
Inventory	8,065,182	-
Prepaid expenses and others	<u>105,680</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>97,429,566</u></b>	<b><u>417,620</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>		
<b>LIABILITIES:</b>		
Accounts payable	\$ 34,457,498	-
Accrued payroll and employee benefits payable	10,790,792	-
Due to State Treasurer's Office - Overdraft	8,856,619	-
Due to State General Fund	271,584	-
Due to other agencies	8,559,867	-
Due to other funds	2,266,402	-
Funds held for others	216,743	-
Deferred revenue	<u>-</u>	<u>417,620</u>
<b>TOTAL LIABILITIES</b>	<b><u>65,419,505</u></b>	<b><u>417,620</u></b>
<b>FUND BALANCES:</b>		
Reserved	8,170,862	-
Unreserved	<u>23,839,199</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<b><u>32,010,061</u></b>	<b><u>-</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>97,429,566</u></b>	<b><u>417,620</u></b>

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See Independent Auditors' Report and Notes to Financial Statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Balance Sheet - Governmental Funds

<b>Major Funds</b>				
<b>2570X</b>	<b>5580X</b>	<b>7560X</b>	<b>0590X</b>	
<b>Trauma</b>	<b>Medicaid</b>	<b>Emergency</b>	<b>Capital</b>	<b>Total</b>
<b>System</b>	<b>Waiver Match</b>	<b>Medical Services</b>	<b>Projects 2002</b>	<b>Governmental</b>
-	-	334,145	324,129	1,910,182
36,685	-	-	5,539,842	5,576,527
-	-	24,855	-	11,275,458
-	-	-	-	929,620
-	-	-	-	54,900,927
-	-	-	2,000,000	23,343,266
-	2,266,402	-	-	2,266,402
-	-	-	-	8,065,182
-	-	-	-	105,680
<u>36,685</u>	<u>2,266,402</u>	<u>359,000</u>	<u>7,863,971</u>	<u>108,373,244</u>
2,992	-	1,552	30,116	34,492,158
15,712	2,223	16,182	-	10,824,909
-	6,023,181	-	-	14,879,800
-	-	-	-	271,584
-	-	-	1,508,428	10,068,295
-	-	-	-	2,266,402
-	-	266,131	-	482,874
-	-	-	5,718,280	6,135,900
<u>18,704</u>	<u>6,025,404</u>	<u>283,865</u>	<u>7,256,824</u>	<u>79,421,922</u>
-	-	-	-	8,170,862
<u>17,981</u>	<u>(3,759,002)</u>	<u>75,135</u>	<u>607,147</u>	<u>20,780,460</u>
<u>17,981</u>	<u>(3,759,002)</u>	<u>75,135</u>	<u>607,147</u>	<u>28,951,322</u>
<u>36,685</u>	<u>2,266,402</u>	<u>359,000</u>	<u>7,863,971</u>	<u>108,373,244</u>

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Reconciliation of the Balance Sheet to the  
Statement of Net Assets - Governmental Funds

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YEAR ENDED JUNE 30, 2007

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS  
(GOVERNMENTAL FUND BALANCE SHEET):

\$ 28,951,322

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

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the funds.

The cost of capital assets is	85,309,905
Accumulated depreciation is	<u>(62,759,387)</u>

Total capital assets	22,550,518
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Long-term and certain other liabilities, including bonds payable,  
are not due and payable in the current period and therefore are  
not reported as liabilities in the funds.

Long-term and other liabilities at year end consist of:

Compensated absences payable	<u>(7,339,794)</u>
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Total long-term and other liabilities	<u>(7,339,794)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES -  
(STATEMENT OF NET ASSETS)

\$ 44,162,046

AS OF JUNE 30, 2007

	Major Funds		
	0610X General Fund	2190X County Supported Medicaid	2570X Trauma System
<b>REVENUES:</b>			
Federal operating grants	\$ 116,618,076	-	-
Bond proceeds appropriation	-	-	-
Patient service charges	84,782,459	-	-
Fees, penalties, rentals and other	<u>54,408,072</u>	-	-
<b>TOTAL REVENUES</b>	255,808,607	-	-
<b>EXPENDITURES - CURRENT AND CAPITAL OUTLAY:</b>			
Personnel services and employee benefits	196,779,195	44,654	133,464
Contractual services	158,091,692	1,759,143	10,383
Other	107,224,781	-	4,535,372
Capital outlay - non-capitalized	430,516	-	-
Capital outlay - capitalized	<u>1,424,682</u>	-	-
<b>TOTAL EXPENDITURES</b>	<u>463,950,866</u>	<u>1,803,797</u>	<u>4,679,219</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
State appropriations:			
Operating	296,853,700	-	4,697,200
Other	217,069	1,803,797	-
Transfers in (out) (Note 16)	(74,284,503)	-	-
General fund reversion, FY 2003	(110)	-	-
General fund reversion, FY 2005	(129,889)	-	-
General fund reversion, FY 2006	(134,398)	-	-
General fund reversion, FY 2007	<u>(7,187)</u>	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>222,514,682</u>	<u>1,803,797</u>	<u>4,697,200</u>
<b>NET CHANGE IN FUND BALANCE</b>	14,372,423	-	17,981
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>17,637,638</u>	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ <u><u>32,010,061</u></u>	<u>-</u>	<u><u>17,981</u></u>

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds

Major Funds			
5580X Medicaid Waiver Match	7560X Emergency Medical Services	0590X Capital Projects 2002	Total Governmental
-	-	-	116,618,076
-	-	2,689,575	2,689,575
-	-	-	84,782,459
-	24,855	-	54,432,927
-	24,855	2,689,575	258,523,037
-	131,339	-	197,088,652
-	57,490	1,550,000	161,468,708
-	3,236,791	88,428	115,085,372
-	-	-	430,516
-	-	-	1,424,682
-	3,425,620	1,638,428	475,497,930
-	3,475,900	1,056,000	306,082,800
-	-	-	2,020,866
-	-	(1,500,000)	(75,784,503)
-	-	-	(110)
-	-	-	(129,889)
-	-	-	(134,398)
-	-	-	(7,187)
-	3,475,900	(444,000)	232,047,579
-	75,135	607,147	15,072,686
(3,759,002)	-	-	13,878,636
(3,759,002)	75,135	607,147	28,951,322

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

**Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances - Governmental Funds  
to the Statement of Activities - Governmental Funds**

YEAR ENDED JUNE 30, 2007

**NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS  
(STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES)**

\$ 15,072,686

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease in the liabilities for the fiscal year was:

16,824

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Depreciation expense	\$ (4,199,819)	
Reconciliation adjustment	<u>20,122</u>	(4,179,697)
Capital outlay		1,424,682
Loss on disposal of capital assets		<u>(72,942)</u>
Excess of depreciation expense over capital outlay		<u>(2,827,957)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES  
(STATEMENT OF ACTIVITIES)**

\$ 12,261,553



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis)**

**YEAR ENDED JUNE 30, 2007**

**GENERAL FUND ROLL UP - FUND 0610X**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	Actuals	Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 282,953,700	296,853,700	296,853,700	-
Other transfers	74,513,900	79,283,771	73,024,950	(6,258,821)
Federal revenue	126,618,000	132,675,611	116,618,076	(16,057,535)
Other revenue	<u>55,886,600</u>	<u>59,777,800</u>	<u>66,382,650</u>	<u>6,604,850</u>
	539,972,200	568,590,882	552,879,376	(15,711,506)
Budgeted fund balance	<u>1,655,000</u>	<u>3,066,412</u>	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	<b>\$ <u>541,627,200</u></b>	<b><u>571,657,294</u></b>	<b><u>552,879,376</u></b>	<b><u>(15,711,506)</u></b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 199,308,400	201,176,634	199,045,597	2,131,037
Contractual services	152,998,000	171,804,025	161,430,076	10,373,949
Other costs	116,538,200	115,711,135	103,746,777	11,964,358
Other financing uses	<u>72,782,600</u>	<u>82,965,500</u>	<u>74,284,503</u>	<u>8,680,997</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ <u>541,627,200</u></b>	<b><u>571,657,294</u></b>	<b><u>538,506,953</u></b>	<b><u>33,150,341</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ <u>-</u></b>	<b><u>-</u></b>	<b><u>14,372,423</u></b>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			<b>\$ <u>-</u></b>	

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

**YEAR ENDED JUNE 30, 2007**

**GENERAL FUND - FUND 0610X  
ADMINISTRATIVE SERVICES DIVISION (P001)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Actuals</u>	<u>Positive (Negative)</u>
<b>REVENUES:</b>				
General Fund transfers	\$ 7,280,800	7,280,800	7,280,800	-
Other transfers	1,001,400	2,036,350	878,359	(1,157,991)
Federal revenue	4,739,000	5,641,854	5,867,089	225,235
Other revenue	435,600	435,600	13,068	(422,532)
<b>TOTAL REVENUES</b>	<b>13,456,800</b>	<b>15,394,604</b>	<b>14,039,316</b>	<b>(1,355,288)</b>
Budgeted fund balance	-	23,806	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	<b>\$ 13,456,800</b>	<b>15,418,410</b>	<b>14,039,316</b>	<b>(1,355,288)</b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 9,522,200	10,129,035	9,755,120	373,915
Contractual services	1,883,500	2,895,707	2,160,839	734,868
Other costs	2,051,100	2,393,668	1,828,338	565,330
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 13,456,800</b>	<b>15,418,410</b>	<b>13,744,297</b>	<b>1,674,113</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>-</b>	<b>295,019</b>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			<b>\$ -</b>	

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2007

GENERAL FUND - FUND 0610X  
PUBLIC HEALTH DIVISION (P002)

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts Actuals	Final Budget Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 69,430,600	69,330,600	69,330,600	-
Other transfers	3,509,100	5,157,121	13,443,359	8,286,238
Federal revenue	68,661,000	70,112,271	57,999,741	(12,112,530)
Other revenue	<u>29,747,800</u>	<u>32,359,000</u>	<u>35,505,106</u>	<u>3,146,106</u>
<b>TOTAL REVENUES</b>	171,348,500	176,958,992	176,278,806	(680,186)
Budgeted fund balance	<u>1,105,000</u>	<u>2,043,100</u>	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ <u>172,453,500</u>	<u>179,002,092</u>	<u>176,278,806</u>	<u>(680,186)</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 49,066,000	51,353,971	49,789,074	1,564,897
Contractual services	48,329,600	48,763,811	43,066,416	5,697,395
Other costs	74,458,500	78,102,010	72,709,190	5,392,820
Other financing uses	<u>599,400</u>	<u>782,300</u>	<u>844,255</u>	<u>(61,955)</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>172,453,500</u>	<u>179,002,092</u>	<u>166,408,935</u>	<u>12,593,157</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>-</u>	<u>-</u>	<u>9,869,871</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ <u>-</u>	

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

YEAR ENDED JUNE 30, 2007

**GENERAL FUND - FUND 0610X  
EPIDEMIOLOGY & RESP. DIV. (P003)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Actuals</u>	<u>Positive (Negative)</u>
<b>REVENUES:</b>				
General Fund transfers	\$ 7,330,900	7,430,900	7,430,900	-
Other transfers	627,500	627,500	680,432	52,932
Federal revenue	14,880,300	18,521,286	13,569,049	(4,952,237)
Other revenue	498,800	498,800	938,621	439,821
<b>TOTAL REVENUES</b>	<b>23,337,500</b>	<b>27,078,486</b>	<b>22,619,002</b>	<b>(4,459,484)</b>
Budgeted fund balance	-	366,085	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	<b>\$ 23,337,500</b>	<b>27,444,571</b>	<b>22,619,002</b>	<b>(4,459,484)</b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 11,608,200	11,925,100	10,888,000	1,037,100
Contractual services	8,059,600	10,818,086	10,298,864	519,222
Other costs	3,669,700	4,701,385	2,949,586	1,751,799
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 23,337,500</b>	<b>27,444,571</b>	<b>24,136,450</b>	<b>3,308,121</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>-</b>	<b>(1,517,448)</b>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			<b>\$ -</b>	

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

**YEAR ENDED JUNE 30, 2007**

**GENERAL FUND - FUND 0610X  
SCIENTIFIC LABORATORY DIVISION (P004)**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	Actuals	Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 5,832,700	5,832,700	5,832,700	-
Other transfers	244,000	1,089,000	1,018,936	(70,064)
Federal revenue	2,661,300	2,661,300	2,496,350	(164,950)
Other revenue	<u>4,311,000</u>	<u>4,311,000</u>	<u>4,535,839</u>	<u>224,839</u>
<b>TOTAL REVENUES</b>	13,049,000	13,894,000	13,883,825	(10,175)
Budgeted fund balance	<u>250,000</u>	<u>333,421</u>	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ <u>13,299,000</u>	<u>14,227,421</u>	<u>13,883,825</u>	<u>(10,175)</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 7,115,800	7,150,800	6,994,980	155,820
Contractual services	1,442,100	1,885,521	1,354,701	530,820
Other costs	4,741,100	5,191,100	3,964,008	1,227,092
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>13,299,000</u>	<u>14,227,421</u>	<u>12,313,689</u>	<u>1,913,732</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	-	<u>1,570,136</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ -	

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

**YEAR ENDED JUNE 30, 2007**

**GENERAL FUND - FUND 0610X  
BEHAVIORAL SCIENCES SERVICES DIVISION (P005)**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance From Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actuals</b>	<b>Positive (Negative)</b>
<b>REVENUES:</b>				
General Fund transfers	\$ 41,365,600	43,365,600	43,365,600	-
Other transfers	69,900	411,800	462,727	50,927
Federal revenue	27,012,200	27,012,200	27,131,841	119,641
Other revenue	<u>42,000</u>	<u>42,000</u>	<u>-</u>	<u>(42,000)</u>
<b>TOTAL REVENUES</b>	68,489,700	70,831,600	70,960,168	128,568
Budgeted fund balance	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ <u>68,589,700</u>	<u>70,931,600</u>	<u>70,960,168</u>	<u>128,568</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 2,739,200	2,836,800	2,817,337	19,463
Contractual services	57,682,400	65,746,000	65,450,238	295,762
Other costs	6,609,600	790,300	509,750	280,550
Other financing uses	<u>1,558,500</u>	<u>1,558,500</u>	<u>1,558,431</u>	<u>69</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>68,589,700</u>	<u>70,931,600</u>	<u>70,335,756</u>	<u>595,844</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>-</u>	<u>-</u>	<u>624,412</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ <u>-</u>	

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

**YEAR ENDED JUNE 30, 2007**

**GENERAL FUND - FUND 0610X  
DEPARTMENT OF HEALTH FACILITIES (P006)**

	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	Actuals	Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 43,625,200	43,625,200	43,625,200	-
Other transfers	44,220,900	44,220,900	36,350,623	(7,870,277)
Federal revenue	3,412,500	3,412,500	3,836,367	423,867
Other revenue	<u>17,808,800</u>	<u>17,808,800</u>	<u>21,082,331</u>	<u>3,273,531</u>
<b>TOTAL REVENUES</b>	109,067,400	109,067,400	104,894,521	(4,172,879)
Budgeted fund balance	<u>200,000</u>	<u>200,000</u>	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ <u>109,267,400</u>	<u>109,267,400</u>	<u>104,894,521</u>	<u>(4,172,879)</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 87,113,700	83,325,728	83,876,374	(550,646)
Contractual services	5,353,300	9,374,300	8,666,182	708,118
Other costs	16,790,600	16,557,572	14,528,914	2,028,658
Other financing uses	<u>9,800</u>	<u>9,800</u>	-	<u>9,800</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>109,267,400</u>	<u>109,267,400</u>	<u>107,071,470</u>	<u>2,195,930</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>-</u>	<u>-</u>	<u>(2,176,949)</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ <u>-</u>	

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2007

GENERAL FUND - FUND 0610X  
DEVELOP. DISABILITIES SUPP. DIVISION (P007)

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts Actuals	Final Budget Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 102,976,000	114,376,000	114,376,000	-
Other transfers	19,878,100	19,878,100	15,247,308	(4,630,792)
Federal revenue	3,401,500	3,401,500	4,095,090	693,590
Other revenue	<u>1,432,800</u>	<u>2,632,800</u>	<u>2,691,901</u>	<u>59,101</u>
<b>TOTAL REVENUES</b>	127,688,400	140,288,400	136,410,299	(3,878,101)
Budgeted fund balance	-	-	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ <u>127,688,400</u>	<u>140,288,400</u>	<u>136,410,299</u>	<u>(3,878,101)</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 21,588,000	23,899,900	24,939,433	(1,039,533)
Contractual services	29,441,100	30,514,200	28,634,119	1,880,081
Other costs	6,044,400	5,259,400	4,635,731	623,669
Other financing uses	<u>70,614,900</u>	<u>80,614,900</u>	<u>71,881,817</u>	<u>8,733,083</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>127,688,400</u>	<u>140,288,400</u>	<u>130,091,100</u>	<u>10,197,300</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	-	<u>6,319,199</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ -	



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

**YEAR ENDED JUNE 30, 2007**

**GENERAL FUND - FUND 0610X  
DIVISION OF HEALTH IMPROVEMENT (P008)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Actuals</u>	<u>Positive (Negative)</u>
<b>REVENUES:</b>				
General Fund transfers	\$ 5,111,900	5,611,900	5,611,900	-
Other transfers	4,963,000	5,863,000	4,943,206	(919,794)
Federal revenue	1,850,200	1,912,700	1,622,549	(290,151)
Other revenue	1,609,800	1,689,800	1,615,784	(74,016)
<b>TOTAL REVENUES</b>	<b>13,534,900</b>	<b>15,077,400</b>	<b>13,793,439</b>	<b>(1,283,961)</b>
Budgeted fund balance	-	-	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	<b>\$ 13,534,900</b>	<b>15,077,400</b>	<b>13,793,439</b>	<b>(1,283,961)</b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 10,555,300	10,555,300	9,985,279	570,021
Contractual services	806,400	1,806,400	1,798,717	7,683
Other costs	2,173,200	2,715,700	2,621,260	94,440
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 13,534,900</b>	<b>15,077,400</b>	<b>14,405,256</b>	<b>672,144</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>-</b>	<b>(611,817)</b>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			<b>\$ -</b>	

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2007

	COUNTY SUPPORTED MEDICAID - FUND 2190X			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts Actuals	Final Budget Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ -	-	-	-
Other transfers	-	-	-	-
Federal revenue	-	-	-	-
Other revenue	-	2,288,000	1,803,797	(484,203)
<b>TOTAL REVENUES</b>	-	2,288,000	1,803,797	(484,203)
Budgeted fund balance	-	-	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ -	2,288,000	1,803,797	(484,203)
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ -	64,000	44,654	19,346
Contractual services	-	2,224,000	1,759,143	464,857
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	2,288,000	1,803,797	484,203
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	-	-	-
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ -	

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2007

	DOH TRAUMA SYSTEM FUND - FUND 2570X			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	Actuals	Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 4,697,200	4,697,200	4,697,200	-
Other transfers	-	-	-	-
Federal revenue	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	4,697,200	4,697,200	4,697,200	-
Budgeted fund balance	-	-	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	\$ <u>4,697,200</u>	<u>4,697,200</u>	<u>4,697,200</u>	<u>-</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 143,000	143,000	133,464	9,536
Contractual services	15,000	15,000	10,383	4,617
Other costs	4,539,200	4,539,200	4,535,372	3,828
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>4,697,200</u>	<u>4,697,200</u>	<u>4,679,219</u>	<u>17,981</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	-	<u>17,981</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ <u>-</u>	

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2007

MEDICAID WAIVER MATCH - FUND 5580X				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts Actuals	Final Budget Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ -	-	-	-
Other transfers	-	-	-	-
Federal revenue	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	-	-	-	-
Budgeted fund balance	-	-	-	-
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			<b>\$ -</b>	

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued

YEAR ENDED JUNE 30, 2007

	<b>EMERGENCY MEDICAL SERVICES - FUND 7560X</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance From</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
			<b>Actuals</b>	<b>Positive (Negative)</b>
<b>REVENUES:</b>				
General Fund transfers	\$ 3,475,900	3,475,900	3,475,900	-
Other transfers	-	-	-	-
Federal revenue	-	-	-	-
Other revenue	-	-	24,855	24,855
<b>TOTAL REVENUES</b>	<b>3,475,900</b>	<b>3,475,900</b>	<b>3,500,755</b>	<b>24,855</b>
Budgeted fund balance	-	-	-	-
<b>TOTAL REVENUE AND FUND BALANCES BUDGETED</b>	<b>\$ 3,475,900</b>	<b>3,475,900</b>	<b>3,500,755</b>	<b>24,855</b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 166,700	166,700	131,339	35,361
Contractual services	57,500	57,500	57,490	10
Other costs	3,251,700	3,251,700	3,236,791	14,909
Other financing uses	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 3,475,900</b>	<b>3,475,900</b>	<b>3,425,620</b>	<b>50,280</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ -</b>	<b>-</b>	<b>75,135</b>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			<b>\$ -</b>	

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Fiduciary Net Assets**

**AS OF JUNE 30, 2007**

	<b>Agency Fund 5020X</b>	<b>Agency Fund 5100X</b>	<b>Total Fiduciary Fund Type</b>
<b>ASSETS:</b>			
Cash	103,376	806,088	909,464
Restricted cash (vital statistics fees)	\$ 176,321	-	176,321
<b>TOTAL ASSETS</b>	279,697	806,088	1,085,785
<b>LIABILITIES:</b>			
Due to other agencies	279,697	-	279,697
Funds held for others	-	806,088	806,088
<b>TOTAL LIABILITIES</b>	279,697	806,088	1,085,785
<b>NET ASSETS</b>	\$ -	-	-

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the State of New Mexico's Department of Health (DOH) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. GASB Statement 34, Statement 37, and Statement 38 establish financial reporting requirements for state and local governments throughout the United States.

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has implemented these standards beginning with the fiscal year ended June 30, 2002. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis, (MD&A), which precedes the basic financial statements. The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB No. 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

- **Reporting Entity**

The State of New Mexico Department of Health (Department) is a cabinet department of the executive branch of government created by state statute under Chapter 9, Article 7 NMSA 1978. The Department's administrative head is the Secretary, who is appointed by the Governor with the consent of the Senate and serves in the Governor's executive cabinet.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be used in determining financial accountability. These criteria include the State of New Mexico's ability to appoint a voting majority of an organization's governing body and either the ability of the State to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

The Department is part of the primary government of the State, and its financial data should be included with the financial data of the State. However, the State does not at present issue an audited Comprehensive Annual Financial Report inclusive of the various state departments, agencies, institutions

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Reporting Entity - continued**

and organizational units which are controlled by or dependent upon the New Mexico legislature or its constitutional officers that make up the State's legal entity.

Chapter 12, Article 6, NMSA 1978 requires that the financial affairs of every agency be thoroughly examined and audited each year and that a complete written report is made.

For financial reporting purposes, the Department has been defined as an integral part of the State's Executive Branch, and the accompanying financial statements include all funds over which the Secretary has the following oversight responsibilities:

- Financial interdependency
- Ability to significantly influence operations
- Accountability for fiscal matters
- Selection of governing authority
- Designation of management

The Department of Health's budget is appropriated by the Legislature during the State's annual legislative session. For fiscal 2007 (FY07), the Legislature appropriated the budget, and the Operating Budget was approved, in eight Program Areas, as shown below:

Program Area One (P001) – Prevention, Health Promotion and Early Intervention:

Office of the Secretary  
Chief Financial Officer  
Office of General Counsel  
Office of Internal Audit  
Chief Information Officer  
Human Resources  
Budget  
Grants Management  
Financial Accounting  
General Accounting  
Purchasing  
Contracts

The Administration Program provides leadership, policy development, information technology, administrative and legal support to the Department to ensure that the Department achieves a high level of accountability and excellence in services provided to the people of New Mexico.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Reporting Entity - continued

Program Area Two (P002) – Public Health:

Division Director  
WIC Program  
Immunization Program  
Breast and Cervical Cancer  
Diabetes Program  
Family Health Program  
Children's Medical Services  
Family Planning  
Maternal Child Health  
Pharmacy

The Public Health Division is statutorily required to create and fund programs, services and policy to protect the health and welfare of the people of New Mexico. In doing so, the Division focuses on cost-effective early prevention programs, creating a safe and healthy environment, preventing and controlling infectious diseases, and increasing access to health care services.

Program Area Three (P003) – Epidemiology and Response:

Emergency Preparedness  
Emergency Medical Services  
Epidemiology and Response  
Vital Records and Health Statistics  
Trauma Authority

The mission of the Epidemiology and Response Division is to monitor health, provide health information, prevent disease and injury, promote health and healthy behaviors, respond to public health events, prepare for health emergencies, and provide emergency medical and vital registration services to New Mexicans. This mission is achieved through six bureaus: Vital Records and Health Statistics, Infectious Disease Epidemiology, Injury and Behavioral Epidemiology, Environmental Health Epidemiology, Environmental Health Epidemiology, Health Emergency Management and Emergency Medical Services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Reporting Entity – continued

Program Area Four (P004) - Laboratory Services:

Scientific Laboratory Division

The Scientific Laboratory Division (SLD) provides clinical testing for infectious disease agents in support of public health programs operated by the Department; veterinary, food, and dairy testing for the Department of Agriculture; forensic toxicology (drug) testing in support of the Department of Public Safety and local law enforcement agencies for the Implied Consent Act (DWI) and for autopsy investigation performed by the Office of the Medical Investigator; and chemical testing for environmental monitoring and enforcement of law and environmental regulations for the Environment Department. SLD also provides clinical testing for state and local hospitals for infectious diseases that are rare or novel in New Mexico and provides training and certification of law enforcement officers to perform breath alcohol testing within New Mexico. The activities of SLD in support of these state agencies are mandated in statute and are essential for the successful missions of the programs it supports in these agencies.

Program Area Five (P005) - Behavioral Health Services:

Director's Office  
Mental Health  
Substance Abuse

The Behavioral Health Services Division leads and oversees the provision of an integrated and comprehensive behavioral health prevention and treatment system to foster recovery and support the health and resilience of all New Mexicans by contracting for mental health and substance abuse services including detoxification; inpatient, short-and long-term residential treatment; intensive outpatient, outpatient follow-up and medication-assisted treatment; forensic evaluation; jail diversion; housing; supported employment; disaster training, Women's outreach; rural psychiatry; school-based behavioral health; prevention and early intervention of alcohol, tobacco, drug abuse; intravenous drug use outreach; local collaborative initiatives; and other related services.

Program Area Six (P006) – Facilities:

Fort Bayard Medical Center (Silver City)  
State Veterans Home (Truth or Consequences)  
Turquoise Lodge (Albuquerque)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• Reporting Entity – continued

Program Area Six (P006) – Facilities - continued:

New Mexico Rehabilitation Center (Roswell)  
Sequoyah Adolescent Treatment Center (Albuquerque)  
Behavioral Health Institute (Las Vegas)

The Facilities Program provides chemical dependency and rehabilitation services, adult psychiatric services, forensic services, long term care services, community based services, developmentally disabled community services and adolescent treatment and reintegration services to New Mexico residents in need of such services in seven facilities across New Mexico.

Program Area Seven (P007) – Developmentally Disabled Support Services:

Los Lunas Community Programs  
Home-based Living for the Disabled

The purpose of the Developmental Disabilities Support Program is to administer a statewide system of community-based services and supports in order to improve the quality of life and to increase the independence and interdependence of individuals with developmental disabilities and children with or at risk for developmental delay or disability and their families.

Program Area Eight (P008) – Health Certification, Licensing and Oversight:

Division of Health Improvement  
Criminal Caregiver's Screening

The mission of the Division of Health Improvement is to assure safety and quality care in New Mexico's health care facilities and community-based programs in collaboration with consumers, providers, advocates, and other agencies. DHI promotes quality improvement by conducting surveys and program reviews, taking appropriate action, identifying trends and patterns, and procuring training.

Governmental Accounting Standards Board Statement 39 established standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. Depending on the results of the GASB Statement 39 evaluation, financial information of related parties determined to be component units could be required to be included in the financial statements of the reporting entity.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Reporting Entity - continued**

In evaluating how to define the Department for financial reporting purposes, management has evaluated the Department's potential component units. The basic, but not the only, criteria for including a potential component unit as part of the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant aspects of this responsibility are the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of the criteria involves considering whether the activity benefits the Department. A third criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Department. Based on the application of these criteria, there are no component units included in these financial statements.

• **Measurement Focus, Basis of Accounting and Basis of Presentation**

The financial statements of the State of New Mexico Department of Health conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type, and exclude fiduciary activities. The Department is a single-purpose government entity and has no business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are presented using the economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivable as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost-per-functional category, which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function. All internal activity has been removed from the financial statements.

The net cost by function is normally covered by general revenue. The Department operates eight programs and employs indirect and direct cost allocation as applicable in the financial statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Measurement Focus, Basis of Accounting and Basis of Presentation - continued**

The government-wide focus is on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Emphasis is on the major funds of the governmental category. The Department utilizes governmental funds, all of which are considered major funds, and fiduciary funds.

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and the 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 Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on pages 18 and 21, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation. The Department's General Fund is a reverting fund.

The focus of the revised model is on the Department as a whole and the fund financial statements, including the major funds in the governmental category.

The financial transactions of the Department are recorded in the General Fund and its other funds, each of which is considered a separate accounting entity. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditure or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in the fund based upon the purpose for which they are to be spent and the means by which the spending activities are controlled.

The following describes the individual funds used by the Department:

**Governmental Funds**

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. 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.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

- **Measurement Focus, Basis of Accounting and Basis of Presentation - continued**

**Governmental Funds - continued**

Accordingly, the statements 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 non-current liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. The following is a description of the funds of the Department:

**General Fund**

The Department of Health General Fund (Fund 06100) is the general operating fund of the Department. It is used to account for all financial resources except those required to be accounted for in another fund. The DOH General Fund is funded from appropriations from the State of New Mexico General Fund, special appropriations, Federal grants, and other revenue.

**Special Revenue Funds**

DOH maintains four Special Revenue Funds to account for funding and appropriations that are restricted by law. Those funds are:

- County Supported Medicaid Fund (Fund 21900) – This fund was created by Section 27-10-3 NMSA 1978 to institute or support primary health care services in underserved areas. These funds are restricted by law and do not revert in any fiscal year.
- Trauma System Fund (Fund 25700) – This fund was created by Section 24-10E-2 NMSA 1978. The purpose of this fund was to provide funding to sustain existing trauma centers, support the development of new trauma centers and develop a statewide trauma system.
- Medicaid Waiver Match Fund (Fund 55800) – This fund had been used for deposits and expenditures of Medicaid match funds, but active use of this fund was discontinued prior to the beginning of FY07. However, limited payroll payable amounts were posted to the fund during FY07. This activity was reversed through correcting journal entries.
- Emergency Medical Services Fund (Fund 75600) – This fund was created by Section 24-10A-2 NMSA 1978. The purpose of this fund is to make money available to municipalities and counties for use in the establishment and enhancement of local emergency medical services, statewide emergency medical services and trauma services in order to reduce injury and loss of life.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Measurement Focus, Basis of Accounting and Basis of Presentation - continued

**Capital Projects Fund**

The DOH Capital Projects Fund (Fund 05900) is used to account for appropriations and expenditures relating to capital construction and improvement projects appropriated by the Legislature for long-term care and other facilities.

**Fiduciary Funds:**

**Agency Funds**

The Department also maintains two Agency Funds which are trust accounts that are held for clients. They are not available for use by the Department but are held for clients such as wards of the State and other state agencies. Accounting for financial activity in these funds utilizes the full accrual basis of accounting.

Birth & Death Certificate Fund (Fund 5020X) – This fund is used to account for revenue from birth and death certificates collected by Public Health Offices statewide and due by statute to the State General Fund and the Children, Youth, and Families Department.

ADMS Revolving Fund (Fund 5100X) – This fund is used for patient trust monies that are held on behalf of the residents of DOH's long-term and other care facilities.

- Measurement Focus and Classification of Funds

Individual funds have been established as stipulated by legal provisions or by administrative direction. The funds presented are classified as follows:

**Governmental Funds** account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Governmental fund types use the flow of current financial resources measurement focus. Included in this classification is the General Fund, which is the Department's operating fund that accounts for all financial resources except those required to be accounted for in another fund; the four Special Revenue Funds described above; and the DOH Capital Projects Fund.

**Fiduciary Funds** account for assets held by the State in a trustee capacity or as an agent for individuals, other governmental units, or other funds. Included in this fund category are the Department's two Agency Funds described above. Agency funds are custodial in nature; thus, they do not measure results of operations. The two Agency Funds deal with patient trust funds for patients' checking, savings, and

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Measurement Focus and Classification of Funds - continued**

burial accounts from which the patients buy personal items. These funds are not incorporated into the government-wide financial statements. Fiduciary funds use the accrual basis of accounting.

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

• **Non-Current Governmental Assets/Liabilities**

GASB Statement 34 eliminated the presentation of Account Groups but requires that these records be maintained and that the information incorporated into the government-wide Statement of Net Assets.

• **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenditures are recognized when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33. The governmental funds in the fund financial statements utilize the modified accrual basis of accounting. Under this method, revenue and other governmental fund financial resource 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 sixty (60) days or soon enough thereafter to be used to pay liabilities of the current period.

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. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. When an expenditure is incurred for purposes for



1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

• **Basis of Accounting - continued**

which both restricted and unrestricted net assets are available, the Department first uses restricted resources and then unrestricted resources.

When all applicable requirements are met, revenue is recognized when money is disbursed.

• **Reservations of Fund Balance**

The accounting for the actual revenue and expenditures for budgetary purposes beginning July 1, 2004, were changed to the modified accrual basis of accounting from the budgetary non-accrual basis of accounting. In conjunction with this change in the basis of accounting, encumbrances are no longer reflected in the expenditures of the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

Reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Under the guidance provided by Office of the State Auditor (State Audit Rule - 2.2.2.12 A(5)(a) and (b) NMAC 2005), encumbrances are to be reflected as a reservation of fund balance but are not to be reflected as restricted in the governmental wide financial statements. Specific reservations of fund balance accounts are summarized below:

- Reserved for special monies - These reserves were created to restrict the use of all resources contributed to or earned by these funds through laws created by the State Legislature; and
- Reserved for inventories and prepaid expense - This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

2. **ASSETS, LIABILITIES AND EQUITY**

• **Cash and Investment Accounts**

The Department maintains investment accounts with the Office of the State Treasurer and demand accounts at various commercial institutions statewide. Amounts on deposit with the commercial institutions are fully insured by the Federal Deposit Insurance Corporation up to \$100,000. Amounts over \$100,000 must be secured in accordance with 6-10-17 NMSA 1978.

The Department is required by statute to deposit any money received into the State Treasury. Balances maintained at the end of each day are pooled and invested by the State Treasurer in repurchase agreements. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased

**2. ASSETS, LIABILITIES AND EQUITY - continued**

• **Cash and Investment Accounts - continued**

investments, which may differ from the cash deposited by the Department (refer to Schedule 3 – Pledged Collateral and Schedule 2 – Schedule of Individual Deposit Accounts. Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its cash that is in the possession of an outside party. The Department’s cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Department’s name.

• **Inventory and Prepaid Items**

Inventory is valued at cost using the first-in, first-out method. Inventory consists of expendable supplies held for consumption and pharmaceuticals held for patient use at the medical and long-term facilities.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In addition, employee travel advances are recorded as pre-paid items until travel is completed and actual amounts due are reconciled and paid.

• **Capital Assets**

Property, buildings, and equipment purchased or acquired at a value of \$1,000 or greater prior to July 1, 2005 is capitalized. Capital Assets acquired after June 30, 2005, are only capitalized if the acquisition amount was \$5,000 or more. Assets are carried at historical cost or estimated historical cost.

Contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful live of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed when incurred. Depreciation on all assets, including software, is provided on the straight-line basis over the following estimated useful lives with no salvage value:

	<u>Years</u>
Furniture/Fixtures	7 to 10
Data Processing Equipment	3 to 5
Machinery and Equipment	5 to 10
Vehicles	5 to 10
Building and Structures	10 to 20
Land Improvements	10 to 20

Effective July 1, 2005, the State changed the value for which an asset may be capitalized from \$1,000 to \$5,000. The Department of Health concurred with this policy change and is currently only capitalizing those items acquired after June 30, 2005, costing \$5,000 or more. Those assets acquired and capitalized prior to July 1, 2005 that have not been fully depreciated are still being depreciated under the previous policy.

2. **ASSETS, LIABILITIES AND EQUITY - continued**

• **Capital Assets - continued**

In addition to the assets owned by the Department, DOH utilizes buildings, vehicles, furniture and equipment 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. Although GASB Statement 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc., the Department does not own any infrastructure assets. There is no debt related to the Department's capital assets.

• **Compensated Absences**

Vacation time, compensatory time, and sick time are reported as liabilities in the government-wide financial statements, with expenses being reported during the period that leave is accrued. It is the policy of the Department to permit employees to accumulate earned but unused vacation and sick pay benefits. The fund financial statements report expenditures during the period that employees are actually paid, or when compensated absences are liquidated with expendable financial resources from the operational portion of state General Fund appropriations. These expenditures are paid from the Department's General Operating Fund (Fund 06100).

Qualified employees are entitled to accumulate vacation leave according to a graduated schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of thirty working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of thirty days.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave which an employee may accumulate. Once per fiscal year, in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600 hours, up to 720 hours, not to exceed 120 hours (60 hours maximum can be paid). Sick leave balances related to general fund operations in excess of 600, but not more than 1,000, hours have been recorded at 50% of the employee's hourly rate in the general fund.

Compensatory time may be granted by the Department to employees when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours at the rate of one-and-a-half (1½) hours for each hour worked. The time will either be paid or taken as time off at the employee's election unless notified by the employer that it can only be taken as compensatory time off.

2. **ASSETS, LIABILITIES AND EQUITY - continued**

• **Compensated Absences - continued**

FSLA-exempt employees may only accrue up to 80 hours a year at a rate of one (1.0) times the hours worked. The exception is supervisory nurses who accrue their hours at the rate of one-and-a-half the normal rate (1½). Department of Health policy permits exempt employees to elect to be reimbursed by cash or take time off unless notified by the employer that it will only be taken as compensatory time off.

In addition to the basic current hourly pay rate, the accrual of compensated absences includes the Department's estimated costs of payroll taxes.

• **Net Assets**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets less outstanding liquid assets (net of related debt), restricted and unrestricted.

**Investment in Capital Assets (net of related debt)** - Reflects the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Department has no debt related to capital assets.

**Restricted Assets** – Reflects the value of liquid assets generated from revenue but not bond proceeds which have third-party (statutory, bond covenant or granting agency) limitations on their use. See Note 5 for details on the restricted cash associated with the restricted net assets.

**Unrestricted Assets** – Represents assets that do not have third-party limitations on their use.

• **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

• **Intra-fund Activity**

Intra-fund receivables or payables at year-end are netted as part of the reconciliation to the governmental-wide financial statements.

### 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- **Budgetary Data**

The State Legislature makes annual appropriations to the Department. Legal compliance is monitored through the establishment of an annual operating budget for the Department that is reviewed and approved by the State Department of Finance and Administration.

The following are the procedures followed in establishing the budgetary data presented in the financial statements:

1. The Department submits an annual appropriation request (budget) to the New Mexico Legislature and the Department of Finance and Administration for the fiscal year commencing the following July 1. The State Legislature must approve the appropriate funds before an operating budget can be legally approved.
2. The expenditures and encumbrances of each category may not legally exceed the budget for that category. Budgets are controlled at the four “category” levels personal services and employee benefits, professional services, other expenditures, and other financing uses.
3. All adjustments to the budget must be submitted to and approved by the Department of Finance and Administration in the form of budget adjustment requests.
4. Per the General Appropriation Act, Laws of 2006, Chapter 109, Section 3, Subsections O and N, the budgetary basis is modified accrual. However, there is a statutory exception. The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year’s budget.
5. Unless otherwise specified in law (either appropriations acts or statutory law), appropriations to the Department are designated as “reverting” by the New Mexico State Legislature and, therefore, unencumbered balances in state agency accounts remaining at the end of the fiscal year from appropriations made from the State General Fund revert to the State General Fund.

- **Revenue Recognition**

State General Fund appropriations are recognized in the year the appropriation is made. Receivables are recognized as revenue in the year the transfers for services which gave rise to the receivable are provided.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – continued**

• **Program Revenue**

Program revenue includes program-specific operating grants from federal sources or other state agencies. No allocation of indirect expenses is made by function as costs not accounted for by activity are considered immaterial.

**Federal Grants** – Revenue is recognized when appropriate expenditures are incurred or accrued by the Department.

**Patient Service Revenue and Contractual Adjustments** – Patient services revenue is recorded at the established rates of the medical facilities and hospitals but is reduced by “contractual adjustments” to recognize allowances for charity services, provisions for uncollectible accounts, and charges that otherwise exceed payments from Medicare, Medicaid, private, or other resources. Medicare and Medicaid payments accounted for approximately 90% of net patient service revenues received in 2007.

Amounts receivable and payable under reimbursement from “third-party payor” agreements, primarily Medicare and Medicaid, are subject to examination and retroactive adjustment by a third-party payor. Provisions for estimated retroactive adjustments by third-party payors are provided in the period the related services are rendered. Any difference between the amounts accrued and settled is reflected in operations in the year of settlement.

The facilities are paid for substantially all inpatient services rendered to Medicaid and/or Medicare program beneficiaries under prospectively determined rates per client. Accordingly, to the extent that costs incurred (exclusive of other defined capital costs and certain education costs of the rehabilitation centers which continue to be paid on the basis of reasonable costs) for services rendered to Medicare and Medicaid patients exceed the determined payment rates, those costs are not recoverable from the Medicare and Medicaid programs or their beneficiaries. The facilities’ payment classification of patients under the prospective system is subject to review based on validation audits by third parties.

**4. OTHER INFORMATION**

• **Retirement Plans, Deferred Compensation Plan, and Post Employment Benefits**

**Retirement Plans**

**Public Employees Retirement Association (PERA)**

**Plan Description.** Substantially all of the Department’s full-time employees participate in a public employee retirement system authorized under the Public Employee’s Retirement Association Act

4. OTHER INFORMATION – continued

- Retirement Plans, Deferred Compensation Plan, and Post Employment Benefits – continued

**Retirement Plans – continued**

(PERA) (Chapter 10, Article 11, NMSA 1978). The PERA is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, 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.

**Funding Policy.** Plan members are required to contribute 7.42% of their gross salary to the plan, while the Department is required to contribute 16.59% of the gross salary. The contribution requirements of plan members and the Department are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2007, 2006, and 2005 were \$21,035,552, \$20,321,350, and \$19,843,174, respectively, equal to the amount of the required contributions for each year.

**Educational Retirement Act (ERA)**

**Plan Description.** Some of the Department's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) (Chapter 22, Article 11 NMSA 1978). The ERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial statements and required supplementary information.

**Funding Policy.** Plan members are required to contribute 7.75% of their gross salary to the plan, while the Department is required to contribute 10.15% of the gross salary. The contribution requirements of plan members and the Department are established under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Department's contribution to ERA for the years ending June 30, 2007 was \$36,056.

**Deferred Compensation**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all state employees and those local government and school district employees whose employers have elected to participate in the plan. The plan permits participants to defer a portion of

4. **OTHER INFORMATION – continued**

- **Retirement Plans, Deferred Compensation Plan, and Post Employment Benefits – continued**

**Deferred Compensation – continued**

their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the property of the participant.

Some employees of the Department elect to make contributions to the Deferred Compensation Plan. Neither the Department nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants are paid to PERA, which administers the plan.

**Post-Employment Benefits**

**Retiree Health Care Act (RHCA)**

The Retiree Health Care Act (RHCA) (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a “pay-as-you-go” basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, and other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities and counties, which are affiliated under or covered by the Education Retirement Act, the Magistrate Retirement Act or the Public Employees Retirement Act.

*Eligible retirees are:* (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during this time made contributions as a participant under the Retiree Health Care Act (RHCA) on the persons’ behalf, unless that person retires before the employers RHCA effective date in which event, the time period for employees and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; or (2) retirees defined by the act who retired prior to July 1, 1990, as well as former state legislators who served at least two years.



4. OTHER INFORMATION – continued

- Retirement Plans, Deferred Compensation Plan, and Post Employment Benefits – continued

**Post-Employment Benefits – continued**

**Retiree Health Care Act (RHCA) – continued**

Each participating employer makes employee contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee's contribution equal to 0.65% of the employees' salary. For the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the RHCA. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan.

During the fiscal year ended June 30, 2007, the Department remitted \$1,633,214 in employer contributions and \$816,607 in employee contributions. In fiscal year ended June 30, 2006 the amounts remitted were \$1,597,452 in employer contributions and \$798,726 in employee contributions.

The Department will implement GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pension*, in 2008. The impact of the implementation of the new GASB standard is unknown.

**Accounting for Termination Benefits**

Except for the benefits that are provided under the employees' annual leave, sick leave and prepaid post-retirement insurance benefits that are disclosed in the notes above and recorded as a liability in the Governmental-Wide Financial Statements, no early retirement or post-retirement termination benefits occurred in the fiscal year ending June 30, 2007.

4. **OTHER INFORMATION – continued**

• **Contingencies**

The Department, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. The Risk Management Division pays annual premiums for coverage provided in the following areas:

- Liability and civil rights protection for claims made by others against the State;
- Coverage to protect the State of New Mexico's property and assets; and
- Fringe benefit coverage for State of New Mexico employees.

In the case of civil actions or claims against the Department for financial damages, the Department's certificate of insurance with Risk Management does not cover civil rights claims for back wages but does cover civil rights claims for other compensatory damages.

• **Subsequent Events**

The Department received invoices after year-end from the New Mexico Human Services Department (HSD) for the Developmentally Disabled Waiver Program for FY06 and other prior years. The invoices were for the state matching portion that is paid by the Department to HSD as the bills are paid by Medicaid. The invoices are for several prior years. Under state law (6-10-4 B. NMSA 1978), "Appropriations to the human services department for Medicaid payments may be expended by that department for Medicaid obligations for prior fiscal years." DOH expenditures under the Medicaid Waiver program for the current fiscal year and for prior fiscal years are paid to HSD under a Joint Powers agreement specifically for the Medicaid Waiver many months after the fiscal year ends (e.g., for FY07, bills are received up to 18 months after the close of the fiscal year).

• **Risk Management**

The Department is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, employer obligations and natural disasters for which the Department carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, Transportation Property and Bond Premium) with the State of New Mexico Risk Management Division (RMD) of the General Services Department. Insurance premiums are allocated to and paid by all budgeted activities within the general fund. During the fiscal year ended June 30, 2007, total insurance premiums paid to the Risk Management Division were \$4,140,272.

5. **RESTRICTED CASH**

The restricted cash balances as disclosed in the financial statements are funds that are restricted by enabling legislation (statute) or are bond proceeds that are reserved for capital projects.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements – continued**

**5. RESTRICTED CASH – completed**

Restricted cash, shown discreetly on our balance sheet, consists of the following at June 30, 2007:

Caregiver Criminal History Screening (Section 29-17-2 through 29-17-5, NMSA 1978)	\$ 809,450
Cigarette Tax, Laws of 2003, Chapter 341, Section 4, Paragraphs A, B, C, D, E	24,838
County Supported Medicaid Fund (Chapter 27, Article 10, NMSA 1978)	417,620
Emergency Medical Services Fund (Section 24-10A-3)	334,145
Veterans Renovation Project, Laws of 2004, Chapter 126, Section 139, Paragraph A, Item 1	63,179
Severance Tax Bonds, Laws of 2005, Chapter 347, Section 13, Item 2	<u>260,950</u>
Total restricted cash (major funds)	1,910,182
Fiduciary fund – vital statistics fees (Section 24-14-29 NMSA 1978)	<u>176,321</u>
Total restricted cash	\$ <u>2,086,503</u>

**6. ACCOUNTS RECEIVABLE**

The accounts receivable and the related allowance for uncollectible accounts for the General Fund as of June 30, 2007 are as follows:

	Accounts Receivable	Allowance for Uncollectible Accounts	Net Accounts Receivable
General Fund:			
Scientific Laboratory	\$ 1,119,111	5,793	1,113,318
Turquoise Lodge	1,604,917	1,607,184	(2,267)
NM Behavioral Health Institute	7,084,496	2,394,376	4,690,120
Los Lunas Community Programs	2,065,657	236,285	1,829,372
Fort Bayard Medical Center	2,139,094	511,310	1,627,784
New Mexico Rehabilitation Center	976,000	723,202	252,798
New Mexico Veterans Home	1,268,703	182,122	1,086,581
Sequoyah Adolescent Treatment Center	717,459	101,096	616,363
Behavioral Health Services – Wesst Corp.	<u>118,199</u>	<u>81,665</u>	<u>36,534</u>
Total	\$ <u>17,093,636</u>	<u>5,843,033</u>	<u>11,250,603</u>

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statements – continued

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6. ACCOUNTS RECEIVABLE - continued

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
Other:			
Public Housing Division	\$ 430,027	-	430,027
Other	<u>499,593</u>	<u>-</u>	<u>499,593</u>
	<u>\$ 929,620</u>	<u>-</u>	<u>929,620</u>

The allowance for uncollectible accounts has been established from experience based on the records of the respective activities.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statements - continued

**7. CAPITAL ASSETS**

Capital assets are fixed assets purchased for long-term use through the expenditure of capital outlay budget. Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Reconciliation Adjustment	Balance June 30, 2006	Additions	Transfers/ Deletions	Balance June 30, 2007
Capital assets not being depreciated:						
Land	\$ 59,700	-	59,700	-	-	59,700
Capital assets being depreciated:						
Land improvements	239,696	-	239,696	-	-	239,696
Buildings and structures/improvements	42,524,184	-	42,524,184	183,447	-	42,707,631
Vehicles	5,171,567	-	5,171,567	-	(109,027)	5,062,540
Data processing equipment	20,349,460	-	20,349,460	220,990	(670,717)	19,899,733
Machinery and equipment	14,282,057	-	14,282,057	946,012	(333,359)	14,894,710
Furniture and fixtures	<u>2,387,092</u>	<u>-</u>	<u>2,387,092</u>	<u>74,233</u>	<u>(15,430)</u>	<u>2,445,895</u>
Total capital assets being depreciated	<u>84,954,056</u>	<u>-</u>	<u>84,954,056</u>	<u>1,424,682</u>	<u>(1,128,533)</u>	<u>85,250,205</u>
Total capital assets	<u>85,013,756</u>	<u>-</u>	<u>85,013,756</u>	<u>1,424,682</u>	<u>(1,128,533)</u>	<u>85,309,905</u>
Less accumulated depreciation for:						
Land improvements	(226,703)	(3,299)	(230,002)	(2,805)	-	(232,807)
Buildings and structures/improvements	(29,138,183)	-	(29,138,183)	(1,078,833)	-	(30,217,016)
Vehicles	(4,342,628)	568	(4,342,060)	(208,462)	109,027	(4,441,495)
Data processing equipment	(15,967,237)	9,680	(15,957,557)	(1,757,628)	652,058	(17,063,127)
Machinery and equipment	(8,796,134)	9,690	(8,786,444)	(963,988)	287,513	(9,462,919)
Furniture and fixtures	<u>(1,164,396)</u>	<u>3,483</u>	<u>(1,160,913)</u>	<u>(188,103)</u>	<u>6,993</u>	<u>(1,342,023)</u>
Total accumulated depreciation	<u>(59,635,281)</u>	<u>20,122</u>	<u>(59,615,159)</u>	<u>(4,199,819)</u>	<u>1,055,591</u>	<u>(62,759,387)</u>
Total capital assets being depreciated, net	<u>25,318,775</u>	<u>20,122</u>	<u>25,338,897</u>	<u>(2,775,137)</u>	<u>(72,942)</u>	<u>22,490,818</u>
Governmental activities capital assets, net	\$ <u>25,378,475</u>	<u>20,122</u>	<u>25,398,597</u>	<u>(2,775,137)</u>	<u>(72,942)</u>	<u>22,550,518</u>

The Department's general governmental operations are conducted in buildings owned by the State of New Mexico. Such buildings include the Harold Runnels Building in Santa Fe, and those buildings used by the medical and long-term care facilities and Scientific Laboratory. The Public Health Offices and WIC offices may or may not be rented from either the counties under joint powers agreements or from private contractors.

The Department's depreciation expense of \$4,179,697 is expensed as follows:

ADMINISTRATION (P001)	\$ 106,678
PUBLIC HEALTH PUBLIC HEALTH (P002)	1,291,606
EPIDEMIOLOGY AND RESPONSE (P003)	187,338
LABORATORY SERVICES (P004)	95,575
FACILITIES MANAGEMENT (P005)	545,921
DEVELOPMENTAL DISABILITIES SUPPORTS SERVICES (P006)	831,050
HEALTH CERTIFICATION, LICENSING AND OVERSIGHT (P007)	1,009,720
OTHER HEALTH INITIATIVES (P008)	<u>111,809</u>
TOTAL DEPRECIATION	\$ <u>4,179,697</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**8. COMPENSATED ABSENCES**

Compensated absences consist of annual leave, sick leave and comp time earned by Department employees, and are disclosed in the financial statements. The changes in compensated absences are recorded in the financial statements as follows:

	<b>Balance, June 30, 2006</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance, June 30, 2007</b>
Current portion	\$ 7,305,304	4,125,286	4,090,796	7,339,794
Non-current portion	<u>51,314</u>	<u>-</u>	<u>51,314</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>7,356,618</u></b>	<b><u>4,125,286</u></b>	<b><u>4,142,110</u></b>	<b><u>7,339,794</u></b>

The Department's compensated absences are typically liquidated with fund 06100 resources.

**9. DUE FROM AND DUE TO OTHER AGENCIES**

Transactions that occur among state agencies under legislative mandate, exchange transactions and other situations are accounted for in the financial statements which make up the due from and due to other state agencies. The due from and due to other agencies balances at June 30, 2007 consist of the following:

• **Due From Other State Agencies**

<b>DOH SHARE Fund No.</b>	<b>Agency</b>	<b>Other Agency's Fund No.</b>	<b>Amount</b>
0610X	Human Services Division	05200	\$ 12,268,950
0610X	Energy, Minerals & Natural Resources Department	19900	79,410
0610X	Dept. of Transportation	00700	64,930
0610X	Dept. of Education	05700	17,890
0610X	Dept. of Finance & Admin.	76100	95,036
0610X	Environment Department	06400	1,002
0610X	State Board of Finance		41,114
0610X	Dept. of Finance & Admin.	85300	8,685,800
5900X	Dept. of Finance & Admin.	34100	2,000,000
0610X	State Investment Council	60100	<u>89,134</u>
	<b>Total All Funds</b>		<b>\$ <u>23,343,266</u></b>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**9. DUE FROM AND DUE TO OTHER AGENCIES - continued**

- **Due To State Treasurers Office**

DOH SHARE Fund No.	Agency	Agency's Fund No.	Amount
0610X	State Treasurer's Office (STO)	10099	\$ 8,856,619
5580X	State Treasurer's Office	10099	<u>6,023,181</u>
	Total Due to STO		\$ <u>14,879,800</u>

- **Due To Other State Agencies**

DOH SHARE Fund No.	Agency	Agency's Fund No.	Amount
0590X	Dept. of Finance & Admin.	52900	\$ 1,500,000
0590X	Board of Finance	81700	8,428
0610X	Dept. of Finance & Admin.	85300	3,460,796
0610X	Public Empl. Retire. Assoc.		8,779
0610X	Retiree Health Care		840
0610X	Human Services Department	05200	5,081,729
0610X	Public Regulation Comm.	55000	<u>7,723</u>
	Total Major Funds		10,068,295
5020X	Children, Youth and Families Department	91100	145,065
5020X	Dept. of Finance & Admin.	85300	<u>134,632</u>
	Total Agency Funds		<u>279,697</u>
	Total All Funds		\$ <u>10,347,992</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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**10. RENTAL EXPENSE**

The Department leases equipment under operating leases. Operating leases do not give rise to eventual property rights or lease obligations and, therefore, the effect of the lease obligations are not reflected in the Department's liabilities. Operating leases are subject to future appropriations and are cancelable by the Department at the end of the fiscal year. The Department has commitments for lease obligations for the following periods in the following amounts:

Years ending June 30,	
2008	\$ 2,935,059
2009	2,550,935
2010	2,316,047
2011	1,924,091
2012	1,241,502
2013	1,152,699
2014 – 2017	<u>2,603,724</u>
Total	\$ <u>14,724,057</u>

Rental expenditures for the fiscal year ended June 30, 2007 were approximately \$4,017,800.

The Department did not enter into any capitalized leases in FY07 or have leases that are required to be capitalized.



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**11. SPECIAL STATE APPROPRIATIONS / DEFERRED REVENUE**

The following special appropriations were made to the Department for FY07:

	<u>Appropriation</u>
Special State Appropriations:	
Laws of 2003, Ch. 76, Sec. 7 (Item 16) Computer Systems Enhancement Fund	\$ 440,000
Laws of 2005, Ch. 33, Sec. 7 (Item 22) To implement an integrated medical billing solution	750,000
Laws of 2005, Ch. 33, Sec. 7 (Item 23) Computer Systems Enhancement Fund	1,000,000
Laws of 2005, Ch. 33, Sec. 7 (Item 24) Website Vital Records Birth and Death System	1,000,000
Laws of 2006, Ch. 109, Sec. 5 (Item 77) Adult Influenza	500,000
Laws of 2006, Ch. 109, Sec. 5 (Item 82) Women's Health Council	110,000
Laws of 2006, Ch. 110, Sec. 23 (Item 2) Clinical Teaching Institute for Nurses	95,000
Laws of 2006, Chapter 110, Sec. 23 (Item 8) Sex Offender Program NMBHI	659,000
Laws of 2006, Ch. 110, Sec. 23 (Item 22) Expand School Based Health Centers	500,000

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statement - continued**

<u>Balance as of June 30, 2006</u>	<u>FY 07 Revenue</u>	<u>Expended as of June 30, 2007</u>	<u>Reversion to State General Fund</u>	<u>Balance as of June 30, 2007</u>
188,100	-	187,990	110	-
23,806	550,000	443,917	129,889	-
83,421	845,000	96,823	-	831,598
366,085	-	99,247	-	266,838
-	500,000	259,050	-	240,950
-	110,000	99,643	10,357	-
-	95,000	75,495	19,505	-
-	659,000	560,101	98,899	-
-	500,000	499,965	35	-

**11. SPECIAL STATE APPROPRIATIONS / DEFERRED REVENUE - continued**

	<u>Appropriation</u>
Laws of 2006, Ch. 110, Sec. 23 (Item 24) Tele-Health Capital Projects	\$ 190,000
Laws of 2007, Ch. 28, Sec. 5 (Item 67) Autism Respite Center in Abq.	200,000
Laws of 2007, Ch. 28, Sec. 5 (Item 69) Telehealth Services to School-based Health Centers and Rural Health Clinics	750,000
Laws of 2007, Ch. 28, Sec. 5 (Item 71) Mercury Study	50,000
Laws of 2007, Ch. 28, Sec. 5 (Item 72) Community Based Cancer Patient Support Services	50,000
Laws of 2007, Ch. 28, Sec. 5 (Item 73) Anti-Viral Medication for Pandemic Flu	1,000,000
Laws of 2007, Ch. 28, Sec. 5 (Item 75) Expansion of Health Information Exchange Network	350,000
Laws of 2007, Ch. 28, Sec. 6 (Item 18) Costs Associated with Replenishing State Receivership Funding	<u>500,000</u>
Total State Appropriations including reversion amounts	\$ <u><u>8,144,000</u></u>
Deferred revenue - other	
Total deferred revenue	

Note: The budget, revenue and expenditures for the Special Appropriations to the Department are established for, recorded against, and are part of the unique and specific Z-Code for each special appropriation in the SHARE accounting system.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statement - continued

<u>Balance as of June 30, 2006</u>	<u>FY 07 Revenue</u>	<u>Expended as of June 30, 2007</u>	<u>Reversion to State General Fund</u>	<u>Balance as of June 30, 2007</u>
-	190,000	184,398	5,602	-
-	200,000	-	-	200,000
-	750,000	360,641	-	389,359
-	50,000	-	-	50,000
-	50,000	-	-	50,000
-	1,000,000	-	-	1,000,000
-	350,000	-	-	350,000
-	500,000	492,813	7,187	-
<u>661,412</u>	<u>6,349,000</u>	<u>3,360,083</u>	<u>271,584</u>	3,378,745
				<u>2,757,155</u>
				\$ <u>6,135,900</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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**11. SPECIAL STATE APPROPRIATIONS / DEFERRED REVENUE - continued**

The revenue recognition policies for special state appropriations are such that when monies are received, they are classified as deferred revenue until wholly or partially spent.

Most of the time, monies relating to special state appropriations are received at the beginning of the fiscal year or during the year. As expenditures occur, the amounts originally posted as deferred revenue are reclassified as earned revenue.

Most, if not all, special appropriations contain legislative guidelines to ensure the money is being spent in concert with its intended purpose. There may also be time limitations on the period in which the money may be spent. For instance, some special appropriations contain language that mandate that any unspent, unencumbered balance must revert to the general fund by a specified date.

**12. RESERVED FUND BALANCE**

Found in the equity section of the balance sheet, the reserved fund balance includes prepaid postage and inventory.

Reserved fund balances consisted of the following at June 30, 2007:

	<u>General Fund</u>
Inventory and prepaid expense	\$ <u>8,170,862</u>
	\$ <u>8,170,862</u>

Encumbrances consist of funds committed to providers of goods and services that are contracted to be provided to the Department.

**13. FUNDS HELD IN TRUST BY OTHERS**

The Department is an income beneficiary of a portion of the State Permanent Fund designated specifically for the Behavioral Health Institute in Las Vegas, and receives 2/7 of the income from investments in the State Permanent Fund derived from the Charitable, Penal and Reformatory Act. The trust principal is managed by the State Investment Council and, because the funds are not controlled by the Department, they are not reflected in the accompanying financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**13. FUNDS HELD IN TRUST BY OTHERS - continued**

The value of the Department's interest in the State Permanent Fund at June 30, 2007, and the increase in unrealized appreciation and the income received for the year follow:

	<b>Interest in Fund at June 30, 2007</b>	<b>Income Received in 2007</b>
<b>State Permanent Fund:</b>		
Las Vegas Medical Center	\$ 21,425,559	1,448,039
<b>Charitable, Penal and Reformatory Act:</b>		
Las Vegas Medical Center	\$ 11,426,295	565,558
Los Lunas Community Programs	\$ 11,690,613	829,876

**14. DESCRIPTION OF FEES, PENALTIES, INTEREST AND OTHER REVENUES**

Fees, penalties, rentals and other revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance are as follows:

Received from other financing sources	\$ 16,769,718
Other gifts and grants	13,798,477
JPA – Medical Assistance reimbursements	12,504,325
Sales and services	6,071,377
Fees and licenses	2,110,106
Rental revenue and land income	1,791,743
Interest	1,132,073
Miscellaneous revenue	173,300
Penalties	81,808
 Total per page 20	 \$ 54,432,927

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statements - continued

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15. REVERSIONS

The following reversions of special appropriations accrued during fiscal year 2007:

Laws of 2003, Ch. 76, Section 7, Item 16	\$ 110
Laws of 2005, Ch. 33, Section 7, Item 22	129,889
Laws of 2006, Ch. 109, Section 5, Item 82	10,357
Laws of 2006, Ch. 110, Section 236, Item 2	19,505
Laws of 2006, Ch. 110, Section 236, Item 8	98,899
Laws of 2006, Ch. 110, Section 236, Item 22	35
Laws of 2006, Ch. 110, Section 236, Item 24	5,602
Laws of 2007, Ch. 28, Section 6, Item 18	<u>7,187</u>
Total reversions	\$ <u>271,584</u>

The Department did not have any additional reversions for FY 2007. The amounts above are payable within 45 days of the release of this audit by the Office of the State Auditor.

## 16. OPERATING TRANSFERS

The Department has distinct types of operating transfers, depending on the purpose. Transfers as of June 30, 2007 consist of the following:

<u>DOH Fund</u>	<u>Agency Name</u>	<u>Agency Code</u>	<u>Funds</u>
0590X	State Board of Finance	341	001XX
0590X	State Board of Finance	341	229XX
0590X	State Board of Finance	341	938XX
0590X	State Board of Finance	341	757XX
0590X	State Board of Finance	341	817XX
0590X	State Board of Finance	341	797XX
	Total 0590X		
0610X	Investment Council	337	601XX
0610X	Dept. of Finance and Administration	341	853XX
0610X	Dept. of Finance and Administration	341	853XX
0610X	Land Commission Maintenance	539	098XX
0610X	Human Services Department	630	901XX
0610X	Dept. of Finance and Administration	341	853XX
0610X	Taxation and Revenue Department	333	172XX
0610X	Children, Youth and Families	690	067XX
0610X	Corrections Department	770	915XX
0610X	Children, Youth and Families	690	067XX
0610X	Dept. of Finance and Administration	341	853XX
0610X	Agency on Aging	624	049XX
0610X	Human Services Department	630	052XX
0610X	Agency on Aging	624	049XX
0610X	Agency on Aging	624	049XX
0610X	Dept. of Finance and Administration	341	853XX
0610X	Children, Youth and Families	690	067XX
0610X	Dept. of Finance and Administration	341	021XX
0610X	Dept. of Finance and Administration	341	761XX
0610X	Dept. of Finance and Administration	341	761XX
0610X	Dept. of Finance and Administration	341	853XX
0610X	Dept. of Finance and Administration	341	620XX
0610X	Human Services Department	630	976XX
0610X	Human Services Department	630	976XX
0610X	State Treasurers Office	394	10099
0610X	Other State Agencies	-	-
	Total 0610X		
5580X	State Treasurers Office	394	10099
	Total 5580X		
	Total Transfers In/Out		



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statement - continued

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
\$ 572,784	-	Severance Tax Bond Funding
41,114	-	Severance Tax Bond Funding
31,654	-	Severance Tax Bond Funding
5,575	-	Severance Tax Bond Funding
33,447	-	Severance Tax Bond Funding
<u>5,000</u>	<u>-</u>	Severance Tax Bond Funding
689,574	-	
1,065,639	-	Land Grant Permanent Fund
280,356,339	-	General Fund Appropriations/Mo. Allotments
18,361,026	-	Other General Fund Appropriations
344,549	-	Land Income Distribution
404,950	-	HIPPA Funds
-	455,399	Revert SGF AIDS Waiver Balance
-	3,923	Co-op Funding for Lease
-	79,430	Program for Domestic Violence
-	1,000,000	Behavioral Health Services
-	418,893	Behavioral Health Services
-	1,274,318	Reversion FY06
-	50,000	Independent Constituent Svs. Program
-	164,033	Fee-for-Service Basis
-	20,000	Funds for Long-Term Services Care
10,000	-	Governor's Women's Health Advisory Council
-	2,735	Reversion Stale Dated Warrants
552,436	-	Transformation Grant Transfer
2,221,417	-	CSMF Distribution
565,558	-	Permanent Fund Income Dist./CP&R Invest. Inc.
64,521	-	Land Income Distribution/CP&R Land Income
20,000	-	Federal Fiscal Relief Allocation
3,552,700	-	General Fund Appropriations/Comp. Allocation
-	71,756,219	Medicaid Waiver Match
57,304,526	-	Medicaid Patient Revenue and Other
8,856,619	-	To fund cash overdraft
-	<u>559,553</u>	Other Transfers In
<u>373,680,280</u>	<u>75,784,503</u>	
<u>6,023,181</u>	<u>-</u>	To fund cash overdraft
<u>6,023,181</u>	<u>-</u>	
\$ <u>380,393,035</u>	<u>75,784,503</u>	

**17. CASH OVERDRAFT- RECLASSIFICATION**

The reported cash overdraft for Fund 06100 includes \$834,288 in restricted cash; the actual cash overdraft for Fund 06100 at June 30 totaled \$8,022,331. Additionally, the Department received \$8,685,800 in FY07 Tobacco Settlement Revenue from the Department of Finance & Administration on July 27, 2007, which, had it been received in FY07, would have eliminated the actual cash overdraft in Fund 06100. The cash overdraft has been reclassified as a due to other agency liability, the funding agency for the overdraft was NM State Treasurers Office.

**18. INTERFUND BALANCES**

The interfund balances are a result of reimbursements owed between the funds. The purpose is related to payroll expenses. The balances are expected to be paid within one year.

Amounts Due From Other Funds		Amounts Due To Other Funds	
DOH Fund No.	Amount	DOH Fund No.	Amount
5580X	\$ 2,266,402	0610X	\$ 2,266,402
	\$ 2,266,402		\$ 2,266,402

**19. RETIREMENT PLANS**

**Public Employees Retirement Association (PERA)**

• **Plan Description**

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employee's Retirement Association Act (PERA) (Chapter 10, Article 11 NMSA 1978). The PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87503-2123.

• **Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross salary. The contribution requirements of plan members and the Department are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the years ending June 30, 2007, 2006 and 2005 were \$21,035,552, \$20,321,350 and \$19,843,174, respectively, equal to the amount of the required contributions for each year.

**19. RETIREMENT PLANS - continued**

**Educational Retirement Act (ERA)**

• **Plan Description**

Some of the Department's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (ERA) (Chapter 22, Article 11 NMSA 1978). The ERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. ERA issues a separate, publicly available financial statements and required supplementary information. That report may be obtained by writing to ERA, P.O. Box 26129, Santa Fe, NM 87502.

• **Funding Policy**

Plan members are required to contribute 7.6% of their gross salary. The Department is required to contribute 8.65% of the gross salary. The contribution requirements of plan members and the Department are established under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERA for the years ending June 30, 2007 and 2006 were \$36,056 and \$166,034, respectively.

**20. DEFERRED COMPENSATION**

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all state employees and those local government and school district employees whose employers have elected to participate in the plan. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the property of the participant.

Employees of the Department are making contributions to the Deferred Compensation Plan. Neither the Office nor the State of New Mexico makes any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Office have been paid to PERA who administers the plan.

21. **POST-EMPLOYMENT BENEFITS**

• **Retiree Health Care Act (RHCA)**

The Retiree Health Care Act (RHCA) (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a "pay-as-you-go" basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, the Magistrate Retirement Act or the Public Employees Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during this time made contributions as a participant in the Retiree Health Care Act (NMRHCA) on the persons' behalf, unless that person retires before the employers NMRHCA effective date in which event, the time period for employees and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the act who retired prior to July 1, 1990 as well as former state legislators who served at least two years.

Each participating employer makes employee contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee's contribution equal to 0.65% of the employees' salary. For the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the NMRHCA. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the

**21. POST-EMPLOYMENT BENEFITS - continued**

• **Retiree Health Care Act (RHCA) – continued**

approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, NM 87109.

During the fiscal year ended June 30, 2007, the Department remitted \$816,608 in employer contributions and \$1,633,216 in employee contributions. In fiscal year ended June 30, 2006 the amounts remitted were \$1,597,452 in employer contributions and \$798,726 in employee contributions.

• **Accounting for Termination Benefits**

The Department had no early retirement or post-retirement termination benefits occurred in the fiscal year ending June 30, 2007.

**22. CONTINGENCIES**

The Department, as a State Agency defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the General Services Department of the State of New Mexico. The Office of Risk Management Division pays annual premiums for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico,
2. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for State of New Mexico employees.

In the case of civil actions or claims against the Department for financial damages, the Department's certificate of insurance with Risk Management does not cover civil rights claims for back wages but does cover civil rights claims for other compensatory damages.

The Department of Health is engaged in litigation for declaratory and injunctive relief to obtain Developmental Disabilities and Disabled and Elderly home and community-based Medicaid waiver services for three individual plaintiffs and other similarly situated persons. The trial court has ruled against the defendants on their main defenses. Even though the Department has lost this decision, in similar litigation in other jurisdictions in the United States, the courts' decisions are holding that states have limited or lack of liability in this area. In the event this decision is reversed, the plaintiffs could conceivably take appeals all the way to the U.S. Supreme Court. If the U.S. Supreme Court finds for the plaintiffs, the Department could be ordered to pay fees and costs associated with the decision as well as provide services to developmentally disabled and other disabled persons who are on waiting lists for services under an injunction. The range of potential loss cannot be reasonably estimated at this time.

**22. CONTINGENCIES - continued**

The Department of Health is involved in a tort claim suit for damages against the Department arising from plaintiff's actions in picking up bio-hazardous waste. The potential loss cannot be reasonably estimated at this time.

The Department of Health is involved in a law suit where the plaintiff is alleging that, while a patient at the New Mexico Behavior Health Institute in Las Vegas, he was physically and sexually assaulted, possibly by another patient. The Department has a potential loss in this case not to exceed \$60,000.

**23. RISK MANAGEMENT**

The Department is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, employer obligations and natural disasters for which the Department carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, Transportation Property and Bond Premium) with the State of New Mexico Risk Management Division (RMD) of the General Services Department. Insurance premiums are allocated to and paid by all budgeted activities within the general fund. During the fiscal year ended June 30, 2007, total insurance premiums paid to the Risk Management Division were \$4,187,151.

**24. DEFICIT FUND BALANCE**

Fund 55800 ended fiscal year 2007 with a fund balance deficit of \$3,759,002. The Department's management has addressed the issue by eliminating Fund 55800 in fiscal year 2008. The fund was used for accounting purposes by the Department. The Department attempted to cease all financial activity for Fund 55800 during FY07, but the fund did experience financial activity due to the Department of Finance & Administration posting certain payroll accounts payable entries to the fund during the first year of SHARE. The fund has not been used as the "Medicaid Waiver Match Fund" since before June 30, 2006, when all Medicaid Waiver match activity was moved to Fund 06100. Journal entries have been prepared and entered for FY08 to transfer all of the assets, liabilities, and fund balance account balances to Fund 06100, and the Department will request that DFA inactivate Fund 55800 and remove it from the Department's chart of accounts upon posting of the journal entries by DFA.

**25. PRIOR YEAR NET ASSET RESTATEMENT**

In the 2006 financial statements, the reconciliation of the balance sheet to the statement of net assets included two reconciling items for \$116,791 and \$3,036,015 that accrued severance tax draw downs and revenue based on the difference between modified accrual and full accrual. The methodology used to determine these amounts was changed in 2007 and has resulted in the restatement. The net assets for the fiscal year ended 2006 are restated to \$31,900,493 from \$35,053,299.

**SUPPLEMENTARY STATEMENTS**

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis)**

**YEAR ENDED JUNE 30, 2007**

**DEPARTMENT-WIDE ROLL UP  
ALL FUNDS**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Actuals</u>	<u>Positive (Negative)</u>
<b>REVENUES:</b>				
General Fund transfers	\$ 293,232,800	307,132,800	306,082,800	(1,050,000)
Other transfers	76,829,601	81,599,472	75,714,525	(5,884,947)
Federal revenue	126,618,000	132,675,611	116,618,076	(16,057,535)
Other revenue	<u>55,886,600</u>	<u>62,065,800</u>	<u>68,211,302</u>	<u>6,145,502</u>
	552,567,001	583,473,683	566,626,703	(16,846,980)
Budgeted fund balance	<u>10,481,067</u>	<u>11,840,475</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE AND FUND BALANCE BUDGETED</b>	<b>\$ <u>563,048,068</u></b>	<b><u>595,314,158</u></b>	<b><u>566,626,703</u></b>	<b><u>(16,846,980)</u></b>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ 199,618,100	201,550,334	199,355,054	2,195,280
Contractual services	166,113,246	187,093,271	164,807,092	22,286,179
Other costs	124,524,122	123,695,053	111,607,368	12,087,685
Other financing uses	<u>72,792,600</u>	<u>82,975,500</u>	<u>75,784,503</u>	<u>7,190,997</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ <u>563,048,068</u></b>	<b><u>595,314,158</u></b>	<b><u>551,554,017</u></b>	<b><u>43,760,141</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ <u>-</u></b>	<b><u>-</u></b>	<b><u>15,072,686</u></b>	



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary-GAAP Basis) - continued**

**YEAR ENDED JUNE 30, 2007**

	<b>CAPITAL PROJECTS 2002 - FUND 0590X</b>			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	Actuals	Positive (Negative)
<b>REVENUES:</b>				
General Fund transfers	\$ 2,106,000	2,106,000	1,056,000	(1,050,000)
Other transfers	2,315,701	2,315,701	2,689,575	373,874
Federal revenue	-	-	-	-
Other revenue	-	-	-	-
<b>TOTAL REVENUES</b>	4,421,701	4,421,701	3,745,575	(676,126)
Budgeted fund balance	8,826,067	8,774,063	-	-
<b>TOTAL REVENUE AND FUND BALANCES BUDGETED</b>	\$ <u>13,247,768</u>	<u>13,195,764</u>	<u>3,745,575</u>	<u>(676,126)</u>
<b>EXPENDITURES - current:</b>				
Personnel services and employee benefits	\$ -	-	-	-
Contractual services	13,042,746	12,992,746	1,550,000	11,442,746
Other costs	195,022	193,018	88,428	104,590
Other financing uses	10,000	10,000	1,500,000	(1,490,000)
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$ <u>13,247,768</u>	<u>13,195,764</u>	<u>3,138,428</u>	<u>10,057,336</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES</b>	\$ -	-	<u>607,147</u>	
<b>ACCOUNTS PAYABLE PAID OUT OF FY08 BUDGET</b>			\$ -	

**OTHER SUPPLEMENTARY SCHEDULES**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Individual Deposit Accounts

AS OF JUNE 30, 2007

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
<b>Health District Offices Petty Cash in Banks (checking accounts):</b>				
Dona Ana County	Wells Fargo Bank	\$ 525	625	1,150
Sunland	Wells Fargo Bank	407	193	600
Tucumcari	Wells Fargo Bank	600	-	600
Clovis	NM Bank & Trust - Clovis	600	-	600
Silver City	Wells Fargo Bank	21	579	600
Carlsbad	Carlsbad National Bank	800	-	800
Taos	First State Bank of Taos	400	-	400
Deming	Wells Fargo Bank	1,000	-	1,000
Roswell	Wells Fargo Bank	567	433	1,000
Alamogordo	First National Bank of Alamogordo	600	-	600
San Miguel	Bank of Las Vegas	500	-	500
Artesia	Wells Fargo Bank	289	86	375
Rio Arriba	Valley National Bank, Espanola	500	-	500
Hobbs	Wells Fargo Bank	802	(2)	800
Santa Fe	Bank of Santa Fe	500	-	500
Las Cruces	Wells Fargo Bank	624	76	700
<b>Total Petty Cash</b>		<u>8,735</u>	<u>1,990</u>	<u>10,725</u>
<b>The X/Family Planning Depository Clearing (checking accounts):</b>				
Farmington	Bank of America	161	-	161
Grants	Grants State Bank	1,144	2	1,146
Clovis	Wells Fargo Bank	909	-	909
Tucumcari	Wells Fargo Bank	294	808	1,102
Santa Fe	First State National	919	(539)	380
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	200	-	200
Alamogordo	Wells Fargo Bank	692	-	692
Las Vegas	Bank of Las Vegas	316	-	316
Clayton	Farmers' and Stockmen's Bank, Clayton	100	-	100
Taos	First State Bank of Taos	1,646	(6,404)	(4,758)
Raton	International State Bank, Raton	378	-	378
Espanola	Community Bank - Espanola	198	-	198

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Individual Deposit Accounts - continued

AS OF JUNE 30, 2007

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
<b>The X/Family Planning Depository Clearing (checking accounts) - continued:</b>				
T or C	Bank of the Southwest, T or C	\$ 520	-	520
Anthony/Chaparrel	First Security/Wells Fargo Bank	296	6	302
Socorro	First State Bank, Socorro	1,358	(912)	446
Los Alamos	Los Alamos National Bank	215	(512)	(297)
Estancia	Wells Fargo Bank	203	-	203
Lordsburg	Western Bank, Lordsburg	100	-	100
Los Lunas	Wells Fargo Bank	808	-	808
SE Heights/NE Valley	Wells Fargo Bank	936	-	936
Portales	Portales National Bank	285	-	285
Sunland Park	First Security/Wells Fargo Bank	139	-	139
Roswell	Wells Fargo Bank	1,058	-	1,058
Carlsbad	Carlsbad National Bank	1,462	-	1,462
Artesia	First National Bank of Artesia	633	-	633
Lovington	Lea County State Bank	105	-	105
Silver City	Wells Fargo Bank	1,174	-	1,174
Hobbs	Lea County State Bank	1,760	-	1,760
Gallup	Western Bank of Gallup	148	-	148
Las Cruces	Wells Fargo Bank	<u>1,362</u>	<u>-</u>	<u>1,362</u>
<b>Total Title X/Family Planning</b>		<u>19,519</u>	<u>(7,551)</u>	<u>11,968</u>
<b>District Health Office Totals</b>		<u>28,254</u>	<u>(5,561)</u>	<u>22,693</u>
<b>General Fund Bank Accounts (checking accounts):</b>				
Turquoise Lodge	Bank of the West	12,182	-	12,182
NM Rehab Center	Bank of America	-	-	-
BHI - LV	Bank of Las Vegas	-	-	-
BHI - LV	Bank of Las Vegas	-	10,000	10,000
BHI - LV	First National Bank of Las Vegas	1,394,808	(29,750)	1,365,058
FBMC	Bank of America	28	(11)	17
FBMC	Bank of the West	27,347	-	27,347
Los Lunas	Wells Fargo Bank	-	10,000	10,000

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Individual Deposit Accounts - continued

AS OF JUNE 30, 2007

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
<b>General Fund Bank Accounts (checking accounts) - continued:</b>				
	International Bank	\$ 378	(378)	-
	The Citizens Bank of Clovis	200	(200)	-
Veterans Center	Bank of the Southwest, T or C	<u>454,703</u>	<u>(454,703)</u>	<u>-</u>
<b>Total General Fund Banks</b>		<u>1,889,646</u>	<u>(465,042)</u>	<u>1,424,604</u>
<b>Total General Fund, including District Health Offices</b>		1,917,900	(470,603)	1,447,297
<b>General Fund - State Treasurer (with SHARE fund numbers):</b>				
Capital Project - 05900	State Treasurer	5,863,971	-	5,863,971
Operating Fund - 06100	State Treasurer	(10,844,139)	1,359,967	(9,484,172)
CMS Fund - 21900	State Treasurer	417,620	-	417,620
Trauma Fund - 25700	State Treasurer	36,685	-	36,685
Medicaid Waiver - 55800	State Treasurer	(4,664,466)	(1,358,716)	(6,023,182)
EMS - 75600	State Treasurer	<u>334,145</u>	<u>-</u>	<u>334,145</u>
<b>Total Fund - State Treasurer</b>		<u>(8,856,184)</u>	<u>1,251</u>	<u>(8,854,933)</u>
<b>Total Fund</b>		(6,938,284)	(469,352)	(7,407,636)
<b>Reconciliation to Financial Statements:</b>				
<b>Total Cash per Schedule:</b>				
	Cash			\$ (7,407,636)
	Facility On Hand - Petty Cash			<u>14,545</u>
	<b>Total</b>			<b>\$ <u>(7,393,091)</u></b>
<b>Total cash per balance sheet:</b>				
	Cash			\$ (7,393,091)
	<b>Total</b>			<b>\$ <u>(7,393,091)</u></b>
	<b>Difference</b>			<b>\$ <u>-</u></b>

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Individual Deposit Accounts - continued

AS OF JUNE 30, 2007

**Trust and Agency Funds - Banks (checking accounts):**

Birth & Death - 50200	State Treasurer	\$ 176,321	-	176,321
BHI - LV	Bank of Las Vegas	67,062	(9,512)	57,550
BHI - LV	Bank of Las Vegas	288,624	(3,681)	284,943
NM State Empl.	Wells Fargo Bank of NM - Albuquerque	-	-	-
BHI - LV	Bank of Las Vegas	49,227	(2,120)	47,107
BHI - LV	Bank of Las Vegas	8,886	(17)	8,869
FBMC	Bank of America - Silver City	151,307	(6,093)	145,214
FBMC	Bank of America - Silver City	16,469	(101)	16,368
FBMC	Bank of America - Silver City	51,880	1,125	53,005
Los Lunas Hospital	Wells Fargo Bank of NM - Los Lunas	213,185	(175,734)	37,451
Veterans Center	Bank of the Southwest, T or C	98,338	(3,160)	95,178
Veterans Center	Bank of the Southwest, T or C	35,229	(580)	34,649
Veterans Center	Bank of the Southwest, T or C	17,673	5,295	22,968
Los Lunas Community	Wells Fargo Bank of NM - Los Lunas	1,729	(8)	1,721
Sequoyah	Bank of America - Silver City	<u>1,727</u>	<u>(662)</u>	<u>1,065</u>
<b>Total Trust and Agency Funds - Banks</b>		<u>1,177,657</u>	<u>(195,248)</u>	<u>982,409</u>

**Vital Statistics Depository Clearing (checking accounts):**

Roswell	Wells Fargo Bank	5,070	4,790	9,860
Clovis	Wells Fargo Bank	1,766	1,144	2,910
Farmington	Bank of America	4,880	5,089	9,969
Las Cruces	First Security/Wells Fargo Bank	8,362	9,228	17,590
Deming	Wells Fargo Bank	1,201	856	2,057
Gallup	Western Bank of Gallup	1,320	2,680	4,000
Hobbs	Lea County State Bank	2,350	2,845	5,195
Socorro	First State Bank, Socorro	1,358	158	1,516
Taos	First State Bank of Taos	100	845	945
Carlsbad	Carlsbad National Bank	2,000	2,385	4,385
Las Vegas	First National Bank of Las Vegas	265	500	765
Santa Rosa	Wells Fargo Bank	634	152	786
Silver City	Wells Fargo Bank	1,640	1,585	3,225
Raton	International State Bank, Raton	180	1,080	1,260

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Individual Deposit Accounts - continued

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AS OF JUNE 30, 2007

**Vital Statistics Depository Clearing (checking accounts) - continued:**

Alamogordo	First Ntl. Bank of Alamogordo	\$	1,130	2,515	3,645
Clayton	Farmers & Stockmens		410	(410)	-
Albuquerque	Wells Fargo Bank		<u>2,830</u>	<u>32,438</u>	<u>35,268</u>
<b>Total Vital Statistics Depository Clearing</b>			<u>35,496</u>	<u>67,880</u>	<u>103,376</u>
<b>Department Total - all funds</b>		\$	<u>(5,725,131)</u>	<u>(596,720)</u>	<u>(6,321,851)</u>

AS OF JUNE 30, 2007

	<u>Bank of Las Vegas</u>	<u>First National Bank of Las Vegas</u>	<u>Bank of America</u>
Total amount of deposit	\$ 414,615	1,395,073	226,452
Less FDIC	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>
Total uninsured public money	314,615	1,295,073	126,452
50% collateral requirement	157,308	647,537	63,226
State Agency Collateral Listing:		A	A
Bonds:			
US Treasury Notes CUSIP #912828DR8, maturity 4/15/10	500,000		
FNMA - CUSIP #31359MQPI, maturity 1/28/08	<u>500,000</u>		
Total pledged	<u>1,000,000</u>		
Over (under) pledged	842,693	A	A

A: These accounts are reported monthly from a pool list of State Agency Deposits for the State of New Mexico. Account totals are pledged as part of the New Mexico Pool. Detail of pledged collateral specific to this agency is unavailable because the banks commingle pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such authorized bank accounts.

B: This amount is held at the Office of the State Treasurer and is detailed in the report of the Office of the State Treasurer, whose audit is covered by a separate report. Detail specific for the collateral is commingled by the Office of the State Treasurer, and they monitor the adequacy of the funds pledged for collateral to ensure they are fully covered as required by the Laws of the State of New Mexico and related statutes.

Custodian: Federal Home Loan Bank, Dallas  
Name Security in: New Mexico State Treasurer

Location: Dallas, Texas

The deposits are fully secured since they are in the name of the New Mexico State Treasurer and are held at a separate depository institution that is not affiliated with the depository institution.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Schedule of Pledged Collateral**

<u>Wells Fargo Bank</u>	<u>Bank of the Southwest</u>	<u>All Other Banks</u>	<u>Accounts at State Treasurer</u>	<u>Total</u>
249,123	606,463	63,006	(8,679,863)	(5,725,131)
<u>(100,000)</u>	<u>(100,000)</u>	<u>(64,359)</u>	<u>-</u>	<u>(564,359)</u>
149,123	506,463	(1,353)	(8,679,863)	(6,289,490)
74,562	253,231	(677)	(4,339,932)	(3,144,746)
A	A		B	A & B
				500,000
				<u>500,000</u>
				<u>1,000,000</u>
A	A		B	842,693

AS OF JUNE 30, 2007

JPA No.	Participants	Responsible Party	Description of Activity
06.665.JPA.0002	Department of Health (DOH) Environment Department (ED)	DOH, ED	To conduct a Waterborne Disease Surveillance Project. (Both receive 1/2 of Federal Funds)
05.665.0005.0093A1	Department of Health (DOH) City of Albuquerque (Albq.)	DOH/ALBQ	To implement the ATR program in the greater Albuquerque area and an outreach program for five Pueblos.
99.665.6800.0020	Department of Health (DOH) School for the Visually Handicapped (NMSVH)	NMSVH	To support and coordinate services to children under 4 who have a vision loss and their families.
JPA 95-29	Human Services Department (HSD) Department of Health (DOH)	HS, DOH	For service coordination, early intervention developmental services, early intervention therapy services.
04.665.4200.0185	Department of Health (DOH) Sandoval County (SC)	SC	For Sandoval County to provide quarters for DOH that will allow for DOH to provide health services to Sandoval County residents.
07.665.0200.16A1	Department of Health (DOH) Indian Health Services - Albq. Area		To provide effective breast and cervical cancer early detection screening and diagnostic services to American Indian Women residing in New Mexico.
04.665.4200.0504	Department of Health (DOH) San Miguel County (SMC)	SMC	For San Miguel County to provide quarters for DOH that will allow for DOH to provide health services to county residents.
02.665-6200.122A3	Department of Health (DOH) Corrections Department (CD)	CD	To administer the transitional programs in the Albuquerque and Las Cruces areas.
04.665.1100.0019	Department of Health (DOH) Department of Transportation (DOT)	DOT	For coordinated transportation services in Valencia County.
06.665.0100.0013A2	Department of Health (DOH) Navajo Nation (NN)	NN & DOH	To control the transmission of sexually transmitted diseases on the Navajo Reservation and northwest New Mexico.
07.630.9000.0009	Human Services Department (HSD) Department of Health (DOH)	HSD	To provide funding for administering DOH's refugee health screening services to newly arrived refugees and asylees.
04.665.4200.0442	Department of Health (DOH) Develop'l Disabilities Planning Council (DDPC)	DDPC	To gather data on those children and youth with disabilities and to provide reports on that data.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements

<u>Beginning Date of Agreement</u>	<u>Ending Date of Agreement</u>	<u>Total Estimated Amount of Agreement</u>	<u>Portion of Amount from DOH</u>	<u>Amount DOH Contributed in FY07</u>	<u>Participant Responsible for Audit</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Revenues and Expenditures</u>
4/7/2006	9/30/2009	210,060	210,060	35,010	DOH, ED	DOH, ED	DOH, ED
8/30/2005	8/2/2008	5,763,726	5,763,726	-	Not stated	Not Stated	Not Stated
7/1/2004	Ongoing	60,000	60,000	-	DOH, SVH	SVH	SVH
6/1/1995	Ongoing	3,495,307	3,495,307	3,495,307	HSD, DOH	Not Stated	HS, DOH
9/8/2003	Ongoing	700,010	300,010	-	SC	Not Stated	SC, DOH
5/9/2006	6/29/2007	123,640	123,640	119,987	DOH,HSD	Not Stated	DOH,HSD
6/1/2004	Ongoing	50,000	50,000	-	SMC	Not Stated	DOH, SMC
11/29/2001	Ongoing	1,000,000	1,000,000	1,000,000	CD	Not Stated	CD
6/17/2004	Ongoing	5,000	5,000	-	DOT	DOT	DOT
9/13/2005	6/30/2008	94,715	47,358	4,747	NN, DOH	Not Stated	NN, DOH
7/1/2006	6/30/2007	112,546	-	-	DOH/HSD	Not Stated	DOH/HSD
3/2/2004	3/30/2007	7,500	7,500	-	DDPC	DDPC	DOH, DDPC

AS OF JUNE 30, 2007

JPA No.	Participants	Responsible Party	Description of Activity
01.665.6800.0260	Department of Health (DOH) New Mexico School for the Deaf (NMSD)	DOH	To support and coordinate services to children under four who have hearing losses and their families.
95.665.6200.0949	Department of Health (DOH) University of New Mexico (UNM) Public Education Department (PED)	DOH	To provide training and technical assistance to providers in developmental evaluations for individuals under age four.
05.665.0005.0091A3	Department of Health (DOH) Santa Fe County (SFC)	DOH	To plan, design, and construct a facility for delivery of behavioral health services in Santa Fe County.
05.665.0100.0014	Department of Health (DOH) Lincoln County (LC)	LC	For Lincoln County to provide quarters for DOH that will allow for DOH to provide health services to county residents.
05.665.0100.0008	Department of Health (DOH) Socorro County (SC)	SC	For Socorro County to provide quarters for DOH that will allow for DOH to provide health services to county residents.
04.665.4200.0311A1	Department of Health (DOH) Village of Hatch (Hatch)	Hatch	For the Village of Hatch to provide quarters for DOH that will allow for DOH to provide health services to village residents.
07.665.0200.0008	Department of Health (DOH) Indian Health Services - Navajo Area	DOH	To provide effective breast and cervical cancer early detection screening and diagnostic services to American Indian Women residing in New Mexico.
06.665.0009.0013	Human Services Department (HSD) Department of Health (DOH)	HS	For DOH to receive Medicaid reimbursement for services DOH provides at its facilities and offices.
94.665.5500.001 (JPA 03-37)	Human Services Department (HSD) Department of Health (DOH)	HS	To designate the administrative, fiscal and programmatic responsibilities for the operations of the Home and Community Based Waiver Program.
94.665.62.955A1	Department of Health (DOH) Children, Youth and Families Dept. (CYFD)	CYFD	To identify functions of the Department of Health-BHSD and CYFD concerning children's behavioral health services in New Mexico.
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) (Aging & Long Term Services Dep't (ALTSD))	DOH	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AIDS statewide.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements - continued

<u>Beginning Date of Agreement</u>	<u>Ending Date of Agreement</u>	<u>Total Estimated Amount of Agreement</u>	<u>Portion of Amount from DOH</u>	<u>Amount DOH Contributed in FY07</u>	<u>Participant Responsible for Audit</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Revenues and Expenditures</u>
7/1/2005	Ongoing	50,760	50,760	-	DOH/SFD	SFD	SFD
4/19/1999	Ongoing	16,723,932	16,723,932	15,819,406	DOH	Not Stated	DOH
4/25/2005	8/2/2008	325,918	325,918	-	SFC	SFC	SFC
9/24/2004	Ongoing	20,000	20,000	-	DOH, LC	DOH, LC	DOH, LC
9/21/2004	Ongoing	20,000	20,000	-	DOH, SC	DOH, SC	DOH, SC
11/14/2003	12/31/2033	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH
6/27/2006	6/29/2007	185,840	185,840	182,941	DOH/ISS	Not Stated	DOH/ISS
11/30/2005	Ongoing	196,200	196,200	164,033	DOH, HS	DOH	DOH
10/14/2003	-	-	-	-	DOH,HSD	HSD	DOH,HSD
	AIDS WAIVER	99,900	99,900	99,900			
	MEDICAID WAIVER	71,881,817	71,881,817	71,076,981			
2/6/2001	Ongoing	418,893	418,893	418,893	CYFD, DOH	CYFD	CYFD, DOH
5/3/2006	Ongoing	50,000	50,000	50,000	AA, DOH	AA, DOH	AA, DOH

AS OF JUNE 30, 2007

JPA No.	Participants	Responsible Party	Description of Activity
05.665.0100.0022	Department of Health (DOH) Navajo Nation (NN)	DOH	To improve the Management of Tuberculosis (TB) infection and disease in populations cared for collaboratively by the DOH TB/Refugee Health Program and the Navajo Nation.
05.665.0200.0008	New Mexico Department of Health New Mexico Human Services Department	DOH	To provide Medical Assistance (MAD).
JPA 3396	New Mexico Department of Health Santa Fe County	DOH	To disburse \$200,000 for adult substance abuse treatment services to individuals in Santa Fe County.
JPA 3237	New Mexico Department of Health New Mexico Department of Public Safety	DOH	To enforce the state Tobacco Products Act and to educate tobacco merchants in an effort to decrease youth access to tobacco.
07.665.0200.0173	New Mexico Department of Health The County of Bernalillo	DOH	For DOH's WIC Program activities for the benefit of the residents of the County of Bernalillo.
JPA 82-14	New Mexico Human Services Department New Mexico Department of Health	HSD	For Medicare and Medicaid Programs; Preadmission Screening and Annual Resident Review.**HSD SENDS MEDICAID MONEY TO DOH, NO TRANSFER FROM DOH TO HSD.
JPA06-624-5000-0173	The New Mexico Aging and Long Term Services Dept., The New Mexico Dept. of Health, The New Mexico Human Serv. The New Mexico Public Education Dept. and CYFD		To establish, implement and fund the Governor's Office of Faithbased and Community Initiatives (OFBCI).

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements - continued

<u>Beginning Date of Agreement</u>	<u>Ending Date of Agreement</u>	<u>Total Estimated Amount of Agreement</u>	<u>Portion of Amount from DOH</u>	<u>Amount DOH Contributed in FY07</u>	<u>Participant Responsible for Audit</u>	<u>Fiscal Agent</u>	<u>Agency Reporting Revenues and Expenditures</u>
1/1/2006	12/31/2006	29,600	29,600	-	DOH	DOH	DOH, NJN
4/25/2005	Ongoing	500,000	499,500	499,500	DOH,HSD	Not Stated	DOH,HSD
2/16/2007	6/30/2007	200,000	200,000	200,000		Not Stated	SFC
11/17/2006	6/30/2007	114,000	114,000	114,000	DPS	Not Stated	DPS
7/13/2006	11/8/2009	193,000	193,000	-	DOH,COB	Not Stated	DOH,COB
5/27/1994	Ongoing	-	-	-	HSD	Not Stated	DOH,HSD
5/18/2006	Ongoing	20,000	20,000	20,000	ALTSD, DOH, HSD, PED & CYFD	ALTSD	ALTSD, DOH, HSD, PED & CYFD

AS OF JUNE 30, 2007

MOA No.	Participants	Description of Activity
07.665.0300.0125	DOH/City of Albuquerque	City Readiness Initiative
06.665.0300.0034	DOH/NM Dept of Agriculture	Risk Assessment
07.665.0200.0078	DOH/Sandoval County	WIC clients focus group
07.665.0200.0078 A1	DOH/Sandoval County	Increase comp for WIC
07.665.0200.0180	DOH/Lordsburg Municipal Schools	Support for construction of SBHC
07.665.0200.0182	DOH/Jemez	Support for construction of SBHC
07.665.0200.0183	DOH/Cobre Consolidated Schools	Support for construction of SBHC
07.665.0053.0005	DOH/Miner Colfax Medical Center	Licensed Pathologist
07.665.0200.0176	DOH/Pueblo of San Felipe	Support for construction of SBHC
07.665.0300.0120	DOH/Central New Mexico Comm College	Health system disaster response
07.665.0200.0061	DOH/NMSU	program support services
07.665.0200.0193	DOH/Dona Ana County	Environmental Health Issues
07.4860	DOH/Mesquite Mutual Domestic H2O	Deliver ,clean,dependable water supply
07.1961	DOH/Blue Cross Blue Shield	Provide health insurance
07.665.0200.0179	DOH/Mora Independent Schools	Support for construction of SBHC
07.665.0200.0160	DOH/Cuba Independent Schools	Support for construction of SBHC
N/A	DOH/Texas Department of Health	Retain facility for patients w/TB
07.665.0200.0185	DOH/Quemado Independent Schools	Support for construction of SBHC
07.665.0200.0181	DOH/Albuquerque Public School Dist 12	Support for construction of SBHC
07.665.0200.0179	DOH/Las Cruces Public Schools	Support for construction of SBHC
07.665.0200.0175	DOH/Portales Municipal Schools	Support for construction of SBHC
07.665.0200.0127	DOH/Central Consolidated School Dist 22	Support for construction of SBHC
07.665.0200.0178	DOH/Deming Public Schools	Support for construction of SBHC
05.665.0100.0171	DOH/Sandoval County	Telephone services located at Co Bldg
06.665.0200.0080	DOH/Des Moines Municipal Schools	Support for construction of SBHC
N/A	DOH/Quay County Government	Janitorial Services Quay Co Health Off
08.665.0300.0069	DOH/City of Albuquerque Health Dept.	Support for Health emergency Preparedness
08.665.0200.0040	DOH/Dona Ana County	Janitorial Services Dona Ana Co Health Off
N/A	DOH/Dona Ana County	Pandemic Influenza Preparedness
N/A	DOH/City of Albuquerque	Pandemic Influenza Preparedness
07.665.0200.0186	DOH/Espanola Municipal Schools	Fiscal support for construction of SBHC
07.665.0300.0102	DOH/Central New Mexico Comm College	Diaster response Operation Level Course
N/A	DOH/City of Clovis	Pandemic Influenza Preparedness
06.665.0300.0011	DOH/Environment Department	Environmental Oversight
07.665.0200.0058	DOH/NMSU So Area Hlth Edu Center	Provide home assessments for safety hazards
N/A	DOH/Santa Rosa Consolidated Schools	Support for construction of SBHC
07.665.0041.0002	DOH/UNM	Building maintance and Utilities
07.665.0041.0002 A1	DOH/UNM	Building maintance and Utilities
N/A	DOH/Office of the Governor	Federal Lobbyist
N/A	DOH/Office of the Governor	Collective Bargaining
N/A	DOH/Office of the Governor	Policy consulting analysis and advisory Svs



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Memoranda of Understanding

<u>Beginning Date of Agreement</u>	<u>Ending Date of Agreement</u>	<u>Total Amount of Agreement</u>	<u>Amount DOH Contributed in FY07</u>	<u>Party Responsible for Operations</u>	<u>Audit Responsibility</u>	<u>Agency Reporting</u>
1/16/2007	9/28/2007	\$ 200,000	200,000	Both	Both	Both
1/1/2006	8/31/2006	80,000	10,000	Both	Both	Both
7/1/2006	12/31/2006	54,460	54,460	Both	Both	Both
10/19/2006	12/31/2006	30,000	30,000	Both	Both	Both
11/25/2006	6/30/2010	135,000	135,000	Both	Both	Both
11/25/2006	6/30/2010	110,000	110,000	Both	Both	Both
11/25/2005	6/30/2010	100,000	100,000	Both	Both	Both
7/17/2006	12/31/2006	4,600	4,600	Both	Both	Both
1/17/2007	indefinitely	100,000	100,000	Both	Both	Both
1/16/2007	6/30/2007	120,000	120,000	Both	Both	Both
7/1/2006	12/31/2006	288,587	288,587	Both	Both	Both
5/7/2007	6/30/2007	40,000	40,000	Both	Both	Both
5/11/2007	6/30/2007	40,000	40,000	Both	Both	Both
8/8/2007	6/30/2010	225,000	110,000	Both	Both	Both
11/25/2006	6/30/2010	100,000	100,000	Both	Both	Both
4/19/2007	6/30/2010	135,000	135,000	Both	Both	Both
2/9/2007	8/31/2008	82,764	82,764	Both	Both	Both
1/2/2007	6/30/2010	115,000	115,000	Both	Both	Both
11/25/2006	6/30/2010	125,000	125,000	Both	Both	Both
10/12/2006	6/30/2010	100,000	100,000	Both	Both	Both
10/13/2006	6/30/2010	100,000	100,000	Both	Both	Both
10/13/2006	6/30/2010	135,000	135,000	Both	Both	Both
10/13/2006	6/30/2010	100,000	100,000	Both	Both	Both
11/10/2004	6/30/2008	24,000	24,000	Both	Both	Both
5/19/2006	6/30/2010	100,000	100,000	Both	Both	Both
8/1/2006	6/30/2007	9,180	9,180	Both	Both	Both
5/4/2006	8/30/2006	75,000	29,000	Both	Both	Both
5/6/2005	indefinitely	25,500	25,000	Both	Both	Both
5/15/2006	8/30/2006	23,997	23,997	Both	Both	Both
8/3/2006	8/30/2006	48,653	48,653	Both	Both	Both
2/5/2007	6/30/2010	140,000	140,000	Both	Both	Both
6/23/2006	6/30/2007	60,000	60,000	Both	Both	Both
8/3/2006	8/30/2006	9,383	9,383	Both	Both	Both
9/28/2005	8/30/2006	39,239	39,239	Both	Both	Both
6/12/2006	6/30/2007	111,904	111,904	Both	Both	Both
4/18/2008	6/10/2008	90,000	90,000	Both	Both	Both
7/1/2006	6/30/2007	458,520	298,038	Both	Both	Both
7/1/2006	6/30/2007	35,000	35,000	Both	Both	Both
5/17/2005	On Going	18,500	18,500	Both	Both	Both
6/27/2005	On Going	15,292	15,292	Both	Both	Both
7/31/2006	On Going	25,000	25,000	Both	Both	Both

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Changes in Assets and Liabilities - Agency Funds

YEAR ENDED JUNE 30, 2007

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>5020X Agency Funds - Birth &amp; Death, Vital Statistics:</b>				
Asset - Birth & Death Cash (STO)	\$ 34,997	2,108,190	(1,966,866)	176,321
Asset - Vital Statistics Cash (Auth Bank Accts)	<u>77,176</u>	<u>26,200</u>	<u>-</u>	<u>103,376</u>
Total assets - 5020X Agency funds	\$ <u>112,173</u>	<u>2,134,390</u>	<u>(1,966,866)</u>	<u>279,697</u>
Liability - Due to other agencies	\$ <u>112,173</u>	<u>2,134,390</u>	<u>(1,966,866)</u>	<u>279,697</u>
Total liabilities - 5020X Agency funds	\$ <u>112,173</u>	<u>2,134,390</u>	<u>(1,966,866)</u>	<u>279,697</u>
 <b>5100X Agency Funds ADMS Revolving:</b>				
Asset - Cash	\$ <u>640,028</u>	<u>398,470</u>	<u>(232,410)</u>	<u>806,088</u>
Total assets - 5100X Agency funds	\$ <u>640,028</u>	<u>398,470</u>	<u>(232,410)</u>	<u>806,088</u>
Liability - Funds held for others	\$ <u>640,028</u>	<u>398,470</u>	<u>(232,410)</u>	<u>806,088</u>
Total liabilities - 5100X Agency funds	\$ <u>640,028</u>	<u>398,470</u>	<u>(232,410)</u>	<u>806,088</u>

**SINGLE AUDIT SECTION**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS:</b>		
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>		
<b>Special Supplemental Nutrition Program for Women, Infants and Children:</b>		
WIC Food and Administration 2006	10.557	\$ 9,041,327
WIC Food and Administration 2007	10.557	27,804,255
WIC Infrastructure EBT 2003	10.557	187,276
WIC Infrastructure EBT 2004	10.557	72,583
WIC Infrastructure EBT 2005	10.557	193,000
WIC Infrastructure EBT 2006	10.557	594,653
WIC Special Breastfeeding Peer Counselor 2006	10.557	<u>67,055</u>
		37,960,149
<b>Commodity Supplemental Food Program:</b>		
Commodity Supplemental Food Program 2006	10.565	261,537
Commodity Supplemental Food Program 2007	10.565	<u>741,179</u>
		1,002,716
<b>WIC Farmer's Market Nutrition Program:</b>		
Farmer's Market Food Program 2006	10.572	270,553
Farmer's Market Food Program 2007	10.572	<u>35,057</u>
		<u>305,610</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		39,268,475
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>		
<b>Occupant Protection:</b>		
TSB Occupant Protection 2006	20.602	34,569
TSB Occupant Protection 2007	20.602	<u>94,663</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>		129,232

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF ENERGY:</b>		
<b>Transport of Transuranic Wastes to the Waste Isolation Pilot</b>		
WIPP Emergency Response 2007	81.106	\$ <u>134,960</u>
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>		134,960
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<b>Special Education - Grants for Infants and Families:</b>		
Infants and Toddlers with Disabilities 2006	84.181	126,833
Infants and Toddlers with Disabilities 2006	84.181	<u>2,523,034</u>
		2,649,867
<b>Safe and Drug-Free Schools &amp; Communities - State Grants:</b>		
Safe and Drug-Free Schools 2006	84.186	<u>585,002</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		3,234,869
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>		
<b>State and Territorial and Technical Assistance Capacity:</b>		
Minority Health State Partnership Grant 2007	93.006	133,313
<b>Strengthening Public Health Services at the Outreach Office:</b>		
New Mexico - Chihuahua Border Grant 2007	93.018	300,536
<b>Maternal and Child Health Federal Consolidated Programs:</b>		
Children's Oral Healthcare Access 2006	93.110	28,217
Children's Oral Healthcare Access 2007	93.110	47,732
CISS-SECCS Planning 2006	93.110	3,085
CISS-SECCS Planning 2007	93.110	111,357
State Systems Development Initiative 2006	93.110	112,489
State Systems Development Initiative 2007	93.110	<u>27,597</u>
		330,477

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:</b>		
<b>Project Grants and Cooperative Agreements for Tuberculosis:</b>		
Tuberculosis Elimination 2006	93.116	\$ 134,516
Tuberculosis Elimination 2007	93.116	<u>154,722</u>
		289,238
<b>Cooperative Agreements to States/Territories for the Coordination:</b>		
Primary Care 2007	93.130	111,020
Primary Care 2008	93.130	<u>27,597</u>
		138,617
<b>Injury Prevention and Control Research and State and Community:</b>		
Child & Adolescent Health/Violence Prevention 2006	93.136	62,835
Injury Surveillance and Prevention 2006	93.136	7,128
Injury Surveillance and Prevention 2007	93.136	107,698
Rape Prevention and Education 2006	93.136	56,999
Rape Prevention and Education 2007	93.136	113,279
Violent Death Reporting 2006	93.136	31,485
Violent Death Reporting 2007	93.136	<u>200,411</u>
		579,835
<b>Projects for Assistance in Transition from Homelessness (PATH):</b>		
Projects to Assist in Transition from Homelessness 2007	93.150	313,172
<b>Disabilities Prevention:</b>		
Capacity Building to Prevent Disability 2007	93.184	310,350
<b>Family Planning Services:</b>		
Family Planning 2006	93.217	1,910,691
Family Planning 2007	93.217	<u>1,368,424</u>
		3,279,115

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:</b>		
<b>Abstinence Education Program:</b>		
Abstinence Education Program 2005	93.235	\$ 52,469
Abstinence Education Program 2006	93.235	<u>187,244</u>
		239,713
<b>State Rural Hospital Flexibility Program:</b>		
Rural Hospital Flexibility Program 2006	93.241	9,047
Rural Hospital Flexibility Program 2007	93.241	<u>238,955</u>
		248,002
<b>Substance Abuse and Mental Health Services:</b>		
Data Infrastructure Grant Phase II 2006	93.243	49,282
Data Infrastructure Grant Phase II 2007	93.243	136,259
Develop & Implement Administrative & Clinical Services 2006	93.243	589,412
Develop & Implement Administrative & Clinical Services 2007	93.243	718,390
Purchasing Collaborative Evaluation 2007	93.243	48,527
Screening, Brief Intervention, Referral and Treatment 2006	93.243	825,361
Screening, Brief Intervention, Referral and Treatment 2007	93.243	2,462,460
State Incentive Cooperative Agreement 2006	93.243	301,955
Strategic Prevention Framework 2006	93.243	505,434
Strategic Prevention Framework 2007	93.243	1,630,725
Youth Suicide Prevention 2007	93.243	<u>315,288</u>
		7,583,093
<b>Universal Newborn Hearing Screening:</b>		
Newborn Hearing Screening 2008	93.251	111,851

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:</b>		
<b>Immunization Grants:</b>		
Immunizations and Vaccines for Children 2006	93.268	\$ 1,439,703
Immunizations and Vaccines for Children 2007	93.268	<u>991,816</u>
		2,431,519
<b>Substance Abuse and Mental Health Services - Access to Recovery:</b>		
Access to Recovery 2006	93.275	640,591
Access to Recovery 2007	93.275	<u>6,933,362</u>
		7,573,953
<b>Centers for Disease Control and Prevention - Investigations:</b>		
Addressing Asthma 2006	93.283	57,656
Addressing Asthma 2007	93.283	267,465
CDC Assessment Initiatives 2006	93.283	216,439
CDC Assessment Initiatives 2007	93.283	1,282,412
Chronic Disease Prevention 2007	93.283	1,061,600
Emerging Infections Program 2006	93.283	378,009
Emerging Infections Program 2007	93.283	443,409
Environmental Health Tracking 2006	93.283	64,646
Environmental Health Tracking 2007	93.283	783,739
Environmental Health Tracking 2006	93.283	80,660
Epi & Lab Capacity for Infectious Diseases 2006	93.283	238,305
Epi & Lab Capacity for Infectious Diseases 2007	93.283	147,179
National Cancer Prevention and Control 2007	93.283	4,298,459
Public Health Lab Bio-Monitoring Implementation 2007	93.283	290,134
Public Health Preparedness & Response Bioterrorism 2006	93.283	1,975,095
Public Health Preparedness & Response Bioterrorism 2007	93.283	<u>8,276,736</u>
		19,861,943



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Supplemental Schedule of Expenditures of Federal Awards - continued**

**AS OF JUNE 30, 2007**

<b>Federal Agency/ Pass-Through Agency</b>	<b>Federal CFDA Number</b>	<b>Federal Participating Expenditures</b>
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:</b>		
<b>Small Rural Hospital Improvement Grant Program:</b>		
Small Rural Hospital Improvement 2007	93.301	\$ 93,357
<b>Refugee and Entrant Assistance - Discretionary Grants:</b>		
Refugee Health Program 2007	93.576	6,534
<b>State Survey and Certification of Health Care Providers:</b>		
Clinical Laboratory Improvement Amendments 2006	93.777	16,942
Clinical Laboratory Improvement Amendments 2007	93.777	56,187
Title 18 Inspection of Health Care Providers 2007	93.777	<u>1,528,036</u>
		1,601,165
<b>Centers for Medicare and Medicaid Services (CMS) Research:</b>		
Background Checks Pilot Program 2006	93.779	359,797
<b>National Bioterrorism Hospital Preparedness Program:</b>		
Bioterrorism Hospital Preparedness Program 2006	93.889	1,176,376
Bioterrorism Hospital Preparedness Program 2007	93.889	<u>2,758,708</u>
		3,935,084
<b>Grants to State for Operation of Offices of Rural Health:</b>		
State Office of Rural Health 2007	93.913	147,229
<b>HIV Care Formula Grants:</b>		
Ryan White Title II HIV Care 2007	93.917	3,409,395
Ryan White Title II HIV Care 2008	93.917	<u>55,246</u>
		3,464,641

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:</b>		
<b>HIV Prevention Activities - Health Department Based:</b>		
HIV Prevention Projects 2006	93.940	\$ 1,117,672
HIV Prevention Projects 2007	93.940	<u>964,522</u>
		2,082,194
<b>HIV/Acquired Immunodeficiency:</b>		
HIV/AIDS Surveillance 2006	93.944	140,441
HIV/AIDS Surveillance 2007	93.944	<u>107,858</u>
		248,299
<b>Cooperative Agreements to Support State-Based Safe Motherhood:</b>		
Pregnancy Risk Assessment Monitoring 2007	93.946	81,917
Pregnancy Risk Assessment Monitoring 2008	93.946	<u>24,361</u>
		106,278
<b>Block Grants for Community Health:</b>		
Community Mental Health Services 2005	93.958	357,539
Community Mental Health Services 2006	93.958	<u>1,668,977</u>
		2,026,516
<b>Block Grants for Prevention and Treatment of Substance Abuse:</b>		
Substance Abuse Prevention and Treatment 2005	93.959	1,861,525
Substance Abuse Prevention and Treatment 2006	93.959	<u>7,809,151</u>
		9,670,676

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>COST REIMBURSEMENT GRANTS - continued:</b>		
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:</b>		
<b>Preventive Health Services - Sexually Transmitted Diseases:</b>		
Comprehensive STD Prevention Systems 2006	93.977	\$ 411,624
Comprehensive STD Prevention Systems 2007	93.977	239,171
STD Screening in Long Haul Truckers 2006	93.977	<u>24,452</u>
		675,247
<b>Mental Health Disaster Assistance and Emergency Mental Health:</b>		
Crisis Counseling 2007	93.982	69,000
<b>Cooperative Agreements for State-Based Diabetes Control:</b>		
Diabetes Prevention and Control 2007	93.988	371,745
Diabetes Prevention and Control 2008	93.988	<u>35,422</u>
		407,167
<b>Preventive Health and Health Services Block Grant:</b>		
Preventive Health Services 2005	93.991	277,112
Preventive Health Services 2006	93.991	294,379
Preventive Health Services 2007	93.991	<u>515,406</u>
		1,086,897
<b>Maternal and Child Health Services Block Grant to the States:</b>		
Maternal and Child Health Services 2005	93.994	159,796
Maternal and Child Health Services 2006	93.994	141,917
Maternal and Child Health Services 2007	93.994	<u>3,844,019</u>
		4,145,732
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u>73,850,540</u>
<b>TOTAL COST REIMBURSEMENT GRANTS</b>		116,618,076

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Supplemental Schedule of Expenditures of Federal Awards - continued

AS OF JUNE 30, 2007

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
<b>OTHER GRANTS:</b>		
<b>U.S. DEPARTMENT OF VETERANS' AFFAIRS:</b>		
<b>Veterans' State Nursing Home Care:</b>		
VA Reimbursement	64.015	\$ <u>3,113,052</u>
<b>TOTAL U.S. DEPARTMENT OF VETERANS' AFFAIRS</b>		3,113,052
<b>U.S. CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE:</b>		
<b>Foster Grandparent Program:</b>		
Foster Grandparent Program	94.011	<u>450,140</u>
<b>TOTAL U.S. CORP. FOR NATIONAL &amp; COMMUNITY SERVICE</b>		<u>450,140</u>
<b>TOTAL OTHER GRANTS</b>		<u>3,563,192</u>
<b>TOTAL GRANT EXPENDITURES</b>		120,181,268
<b>NON-CASH ASSISTANCE:</b>		
<b>U.S. CENTERS FOR DISEASE CONTROL</b>		
<b>Immunization Grants:</b>		
Immunization Program Vaccine FFY 2006	93.268	12,164,547
Immunization Program Vaccine FFY 2007	93.268	<u>13,774,357</u>
<b>TOTAL U.S. CENTERS FOR DISEASE CONTROL</b>		<u>25,938,904</u>
<b>TOTAL EXPENDITURES CASH/NON-CASH FEDERAL AWARDS</b>		\$ <u><u>146,120,172</u></u>
<b>NON-FEDERAL REVENUE:</b>		
<b>Department of Health and Human Services:</b>		
Medical Assistance Program - JPA	93.778	\$ <u>12,817,338</u>
<b>TOTAL NON-FEDERAL REVENUE</b>		\$ <u><u>12,817,338</u></u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Supplemental Schedule of  
Expenditures of Federal Awards**

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1. **Basis of presentation:** The above Schedule of Expenditures of Federal Awards consists of the federal grant activity of the Department of Health, and is presented using the Modified Accrual Basis of Accounting, as defined by the Governmental Accounting Standards Board. The information in this schedule is presented in accordance with the requirements of the OMB Circular A-133, Audits of State Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic, combining and individual fund financial statements.
  
2. **Loans Outstanding/Non-Cash Assistance:** The Grants Management Bureau does not make loans to others or provide non-cash assistance.
  
3. **Non-Cash Assistance:** Amounts reported under Non-Cash Assistance do not represent cash expenditures but are based upon the value of drug vaccines provided to the State of New Mexico by the federal Centers for Disease Control.

**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***

Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico  
Department of Health and  
Mr. Hector H. Balderas  
New Mexico State Auditor

We have audited the financial statements of the governmental activities and each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Department of Health (the Department) as of and for the year ended June 30, 2007. We also have audited the financial statements of each of the Department's fiduciary funds as presented in the individual fund financial statements, the major capital project fund and the program budget comparisons of the Department presented as supplementary information as of and for the year ended June 30, 2007, and have issued our report thereon dated July 10, 2008. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

A **control deficiency** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A **significant deficiency** is a control deficiency, or a combination of control deficiencies, that adversely affects the Department's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Department's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control. We consider the following items to be significant deficiencies in internal control over financial reporting in accompanying schedule of findings and questioned costs as items: 07-1 to 07-16 and 06-6.



Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico  
Department of Health and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Internal Control over Financial Reporting - continued**

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies or material weaknesses. However, as discussed above, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, we consider item 07-13 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's basic 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Department's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Department, the audit committee, the State Auditor, the New Mexico Legislature, the Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Meyers + Company, LLC*

July 10, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico  
Department of Health and  
Mr. Hector H. Balderas  
New Mexico State Auditor

**Compliance**

We have audited the compliance of the State of New Mexico Department of Health (the Department), with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department'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.

As described in items 07-2 through 07-5, 07-15 and 06-1 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding the journal entry process, federal fund reconciliation, federal fund management and schedule of expenditures over federal awards preparation and reconciliation that are applicable to all federally funded programs. Compliance with such requirements is necessary, in our opinion, for the Department to comply with the requirements applicable to all programs.

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Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico  
Department of Health and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Compliance - continued**

In our opinion, except for the noncompliance described in the preceding paragraph, the Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

### **Internal Control over Compliance**

The management of the Department 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 Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Department's control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Department's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A **control deficiency** the entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A **significant deficiency** is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 07-2 through 07-5, 07-15 and 06-1 to be significant deficiencies.

Dr. Alfredo Vigil, M.D., Secretary  
State of New Mexico  
Department of Health and  
Mr. Hector H. Balderas  
New Mexico State Auditor

### **Internal Control over Compliance - continued**

A **material weakness** is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, none of the items are considered to be material weaknesses.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Department's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Office of the State Auditor, the New Mexico Legislature, the Department of Finance and Administration and federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mayners + Company, LLC*

July 10, 2008

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2007

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Health (Department).
2. Eighteen significant deficiencies relating to the audit of the financial statements are reported in the 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*, one of which is considered to be a material weakness.
3. There was one instance of noncompliance material to the financial statements disclosed during the audit of the Department.
4. Six significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with the Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133. Of these deficiencies, none are considered to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs for the Department expresses an qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as the major programs included:

<b>U.S. Department of Agriculture:</b>	
Women, Infants & Children (WIC)	10.557
<b>U.S. Department of Veterans' Affairs:</b>	
VA Reimbursement	64.015
<b>U.S. Department of Health:</b>	
Grants for Infants and Families with Disabilities	84.181
<b>U.S. Department of Health and Human Services:</b>	
Title X Family Planning	93.217
Immunization Grants	93.268

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Schedule of Findings and Questioned Costs - continued**

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**YEAR ENDED JUNE 30, 2007**

**A. SUMMARY OF AUDITORS' RESULTS - continued**

7. Continued:

**U.S. Department of Health and Human Services - continued:**

Centers for Disease Control and Prevention –	
Investigations and Technical Assistance	93.283
Medical Assistance Program - JPA	93.778
National Bioterrorism Hospital Preparedness Program	93.889
HIV Care Formula Grants	93.917
HIV Prevention Activities	93.940
Community Mental Health Services	93.958

8. The threshold for distinguishing Types A and B programs was \$3,000,000.
9. The Department was not determined to be a low-risk auditee.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**07-1 PERSONNEL AND PAYROLL – MISSING DATA**

**Condition:**

- Four out of forty personnel files did not contain I-9 forms.
- Nine out of forty personnel files did not contain W-4 forms.
- Of the forty employees sampled, fifteen were required to have background checks. Of those fifteen, eight of the files did not have background check documentation in their files.

**Criteria:** The Department is required to maintain the following in the employee personnel files:

- Each employee's file should have a completed I-9 form in his or her file.
- Each employee's file should have a completed and updated W-4 form in his or her file.
- Employees who have direct interaction with patients are required to have a background check in accordance with the Caregivers Criminal History Screening Act, 29-17-5 NMSA 1978.

**Cause:** Based on the criteria listed above, the Department does not have effective procedures in place to obtain the required personnel and payroll information.

**Effect:**

- The Department is not in compliance with U.S laws and immigration regulations, which state that every employer must verify if an employee is eligible to work within the U.S.
- The Department is not in compliance with Employment Tax Regulations, which states that every employee must furnish to the employer a signed withholding exemption certificate on or before the beginning of employment.
- If background checks are not done on employees and/or files are not maintained, there is potential for harm to be done to patients by employees who would not have passed screening.

**Recommendation:** We recommend stronger internal control procedures to ensure pertinent information is obtained and retained in the employees' files.

**Management's Response:** The Department has conducted an audit of all personnel files maintained by the Human Resources Bureau in the Runnells Building in Santa Fe and identified those with missing W-4 and I-9 documents. DOH has contacted the Program Areas responsible for submitting those documents and will require them to submit the missing documentation. In addition, DOH will schedule on-site audits of personnel files for all DOH facilities to be completed within 30 days and will begin conducting on-site personnel file audits at all facilities on at least a quarterly basis.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

07-2 STATISTICAL REPORTS FILING – UNTIMELY FILING

**Condition:** The statistical reports of HIV antibody counseling and testing activities were not filed in a timely manner by the Department. In January, 2008, the reports were filed for the previous six quarters.

**Criteria:** One of the requirements for the HIV Prevention Activities grant (CFDA #93.940) is that statistical reports of HIV antibody counseling and testing activities are required 45 days after the end of each quarter.

**Cause:** Based on the criteria listed above, the Department does not have effective procedures in place to file the statistical reports by the due date.

**Effect:** Non-compliance with federal awarding agencies' requirements, potential for fiscal sanctions, or funding termination.

**Recommendation:** We recommend that the reports be filed in a timely manner within the required 45 day period.

**Management's Response:** Under the Center for Disease Control (CDC) HIV Prevention Grant, data on counseling and testing activities is reported electronically 45 days after the end of each calendar quarter. During FY07, CDC was transitioning to the new web-based Program Evaluation and Monitoring System that was intended to have the capacity to report this data. Due to multiple delays in system implementation and DOH program staff turnover, none of the program's staff during FY06 had the skills and knowledge necessary to submit data using the old system. An extension of the deadline was requested and granted during FY07, allowing the program to receive technical assistance and complete all reporting by January 2008. Training and participation in the new system during FY08 is expected to ensure full compliance for FY08.

07-3 FEDERAL CASH TRANSACTIONS REPORT FILING – UNTIMELY FILING

**Condition:** The Federal Cash Transactions Report (PSC 272) was not filed timely for the first quarter of FY07.

**Criteria:** The Department is required to file the Federal Cash Transactions Report (PSC 272) quarterly so as to alert the federal awarding agency of the cash positions for the various grants and to request funding for any deficits (OMB A-133, Compliance Supplement).

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**07-3 FEDERAL CASH TRANSACTIONS REPORT FILING – UNTIMELY FILING - continued**

**Cause:** Lack of effective procedures.

**Effect:** Non-compliance with reporting requirements and cash management issues. The deficits for the various grants must be made up, and funds are used from the general fund to make up for not getting timely funding from the federal government.

**Recommendation:** We recommend that the reports be filed quarterly so as to meet reporting requirements and to improve cash management.

**Management's Response:** The late filing was due to initial difficulties associated with the posting of federal grant expenditures during the implementation of the SHARE accounting system and the extended amounts of time necessary to implement the SHARE Grants Module, which recorded all federal expenditures. The Department is currently filing all 272 reports quarterly within required timeframes.

**07-4 HIGH RISK VENDORS – LACK OF COMPLIANCE INVESTIGATIONS**

**Condition:** The Women, Infants and Children (WIC) program failed to meet the high risk vendor requirement of auditing a least five percent of the total vendor population or at least 12 of the 239 vendors.

**Criteria:** A State agency operating a retail food delivery system must conduct compliance investigations, which consist of inventory audits and/or compliance buys on a minimum of five percent of the vendors authorized as of October 1 of each year. A State agency must conduct compliance investigations on its high-risk vendors up to the five percent minimum. High-risk vendors are identified at least once annually using criteria developed by FNS and/or other statistically based criteria developed by the State agency and approved by FNS. If the number of high-risk vendors exceeds five percent of the total, then the State agency must prioritize vendors for investigative purposes based on their potential for noncompliance and/or loss. If the number of high-risk vendors falls short of five percent of the total, the State agency must randomly select enough additional vendors to meet the five percent requirement.

**Cause:** Lack of effective procedures. Personnel interviewed were unaware of the testing requirements established by the compliance supplement for the WIC program.

**Effect:** An internal control deficiency over compliance with high risk vendor requirements.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

07-4 HIGH RISK VENDORS – LACK OF COMPLIANCE INVESTIGATIONS -  
continued

**Recommendation:** We recommend stronger internal control procedures through education and instruction on pertinent information with regard to the vendor requirements provided in the compliance supplement.

**Management's Response:** The WIC Vendor Manager reviewed CFR 246.12 and has established the following policy regarding WIC vendor compliance investigations.

Identification of high-risk vendors: Currently, the New Mexico WIC Program identifies high risk vendors by using the criteria set forth in the 2008 New Mexico WIC state plan. This data will be monitored annually to determine the number of high-risk vendors participating in the New Mexico WIC Program. In addition, the WIC Program will establish high-risk vendor criteria for EBT and reports that identify high-risk EBT vendors. This criterion will be submitted to USDA for approval in the 2009 WIC state plan. EBT high risk identification reports include:

- High Weighted Average Price
- Vendor Redeemed versus Shelf Price Comparison
- Percentages of WIC Sales Compared with Total Food Sales and Food Stamp Sales
- Vendor Increases or Decreases in WIC Sales Volume
- Vendor Settlement
- Sequential Card Numbers and Lane Tracking

The New Mexico WIC Program authorizes 239 New Mexico Vendors; therefore, at least 12 vendors per year must be audited. Vendors will be classified as high risk, potential high risk or non risk. If the identified high risk vendors exceed the 5% minimum requirement, the compliance investigations will be prioritized. If the number of high-risk vendors falls short of five percent of the total, the New Mexico WIC Program will randomly select enough additional vendors to meet the five percent requirement. This will be completed by October 1<sup>st</sup> of each year.



Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

07-5 INDEPENDENT PEER REVIEW OF SERVICE PROVIDERS

**Condition:** Behavioral Health does not provide for peer reviews of the required five percent of service providers. The State must provide for independent peer reviews that assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least five percent of the entities providing services in the State shall be reviewed annually.

**Criteria:** The State must provide for independent peer reviews that assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least five percent of the entities providing services in the State shall be reviewed annually. The entities reviewed shall be representative of the entities providing the services associated with independent peer reviews (A-133, Compliance Supplement).

**Cause:** Lack of effective internal controls and procedures. Personnel interviewed were unaware of the testing requirements established by the compliance supplement for the Community Mental Health Services program.

**Effect:** An internal control deficiency over compliance with high risk vendor requirements.

**Recommendation:** We recommend stronger internal control procedures through education and instruction on pertinent information with regard to the testing requirements provided in the A-133 compliance supplement (CFDA 93.778).

**Management's Response:** The Behavioral Health Services Division maintains that it has met the peer review requirement as evidenced by the *New Mexico SAPT Independent Peer Review Committee Annual Report – Fiscal Year 2007*, copies of which are available.

07-6 SPECIAL REVENUE FUND

**Condition:** The general fund 06100 includes special revenue programs and grants.

**Criteria:** In accordance with governmental generally accepted accounting principles, a special revenue fund may be used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments, or for major capital projects) that are legally restricted to expenditure for specified purposes. Currently, the federal funded activities are recorded in the general fund (061000)

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**07-6 SPECIAL REVENUE FUND - continued**

**Cause:** When the one DOH fund (100) was broken up into various funds on July 1, 2006, insufficient consideration was given to the special revenue activities.

**Effect:** Federally funded activity cannot be tracked individually in the general fund. The risk of federal and non-federal funds being commingled is present.

**Recommendation:** We recommend the creation of a special revenue fund to track all federal funded activity.

**Management's Response:** The Department believes that the SHARE Grants Module tracks federal funds adequately and individually. As per GAAP, the creation of a Special Revenue Fund is optional. The requirement for such fund is dependent on whether it is contractually required (i.e. grant award/agreement); or if law establishes a new tax that is to provide funding for a specific purpose and that law requires a special revenue fund be created to track the revenues and expenditures. Management of the Department is not aware of any such requirements within our grant awards/agreements.

**07-7 CONTRACTUAL ALLOWANCE ACCOUNT**

**Condition:** It was noted that the billing process for the health centers includes a gross revenue entry which is reduced in the same entry due to the contractual allowance.

**Criteria:** Contractual allowance, in healthcare, is the difference between what hospitals bill and what they receive in payment from third party payers, most commonly government programs. The health service industry uses a contractual allowance account to record the debit balance of the revenue recording transaction.

**Cause:** No contractual allowance is present in the SHARE chart of accounts. The Department does not follow the accounting standards that the health care industry follows.

**Effect:** DOH is preparing gross revenue entries and immediately reducing the revenue to record the contractual allowance to get the net revenue to correct balance. These entries lead to entries that are difficult to record and review.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**07-7 CONTRACTUAL ALLOWANCE ACCOUNT - continued**

**Recommendation:** We recommend that a contractual allowance account be set up in SHARE in order to record the health service revenue transactions.

**Management's Response:** Although the Department has no control over the chart of accounts for the SHARE system, DOH will request that the Department of Finance and Administration create a contractual allowance account in the system. DOH will develop policies and procedures to direct staff on use of the new account; train facility and program staff in the correct procedures; implement and monitor the procedures; review and approve Journal Entries for the contractual allowances; and test implementation of the procedures on an on-going basis in subsequent site visits to the programs and facilities.

**07-8 PAST DUE ACCOUNTS RECEIVABLE**

**Condition:** The medical facilities, with one exception, are not actively collecting past due accounts receivable. They do not have a standard receivables collection process in place.

**Criteria:** Good accounting practices require that the active collection of outstanding accounts receivable be pursued to increase cash flows and decrease the accrual of uncollectible accounts receivable.

**Cause:** No employee has been given the directive to either contract with an outside collection agency or collect on behalf of the medical facilities or DOH. No standardized process has been established for the collection of receivables.

**Effect:** Many of the outstanding accounts receivable for health care have become stale and, with the time that has passed, have become uncollectible. The collection of receivables among the medical facilities is inconsistent and at some facilities ineffective.

**Recommendation:** The Department should develop and implement a receivable collection process that is used at all medical facilities. The one health care center that is actively collecting their accounts receivable should be used as the model to implement in the other health centers.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**07-8 PAST DUE ACCOUNTS RECEIVABLE - continued**

**Management's Response:** The Department updated the DOH uncollectibles policy in FY08 to provide for the correct procedures to record uncollectible accounts. DOH will continue to train facility and program staff in the procedures; monitor accounting practices under the procedures; review and approve Journal Entries for the uncollectible accounts; and test implementation of the procedures on an on-going basis in subsequent site visits to the programs and facilities.

**07-9 BUDGET OVERAGES**

**Condition:** The Department overspent budget in the Personnel Services and Employee Benefits category in the Developmental Disabilities Support program by \$767,565.

**Criteria:** According to State Auditor Rule 2.2.2.10(P), if an agency's expenditures exceed its budget in any category, this fact must be disclosed in a finding.

**Cause:** The Department did not monitor its budget and missed the opportunity to submit a Budget Adjustment Request. The Department failed to submit a budget adjustment request to eliminate the excess of budget to expenditures.

**Effect:** The Department is out of compliance with statutory requirements to obtain approval prior to making expenditures.

**Recommendation:** The budget needs to be monitored and adjustments made on a timely basis in order to avoid overages.

**Management's Response:** The Department apprised DFA of this issue at year-end closing and provided the finding to the external auditors. The Department acknowledges the fact that it did not submit a Budget Adjustment Request to DFA within the required timeframe to cover the salary, overtime, and benefits expenses for the program due to the length of time it was taking to post and reconcile payroll. The Department did increase the category through budget adjustments by more than \$2.3 million during FY07, evidence that this category in this Program Area has been significantly under funded.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**7-10 CASH CONTROLS**

**Condition:** The New Mexico Behavioral Health Institute Las Vegas facility is selling art purchased from the patients but does not have adequate controls over the moneys collected. The facility also sells various candy and confections which are not being properly recorded in the Department's general ledger.

**Criteria:** As described in the Manual of Model Accounting Practices, all cash transactions require issuing of a receipt, the receipt log or cash register "Z" tape (report printed at the end of day or shift that reports this information), that supports the cash deposit made.

**Cause:** The types of transactions described above are currently not being recorded in the general ledger. No reconciliations are being prepared to ensure the cash collected is being properly deposited and recorded.

**Effect:** By not recording the transactions in the general ledger, cash and revenue transactions are being left out of the Department's financial statements.

**Recommendation:** We recommend the Department implement and enforce a policy that requires all transactions to be recorded in the general ledger and cash reconciliations be prepared to properly account for the described transactions.

**Management's Response:** The Department believes that all sales transactions are correctly deposited and recorded on the General Ledger. However, stricter procedures and controls could be implemented at the point of sale. As documented by an internal review of the process by the Department's Office of Internal Audit, cash receipts are deposited daily with the facility cashier, deposited into the Department's local clearing account, and then transferred to the State's General Fund deposit account with the State Treasurer's Office and recorded on the General Ledger in the SHARE accounting system. For these reasons, the Department will implement more robust cash receipting procedures at the point of sale, including the use of a cash register and "Z-tape".

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

07-11 LATE FILING OF AUDIT REPORT

**Condition:** The audit report for the year ended June 30, 2007 was not submitted by the deadline of December 15, 2007, to the New Mexico State Auditor's Office and the financial statement reporting packet and data collection form were not filed with the Federal Clearinghouse and federal agencies within nine months after the fiscal year end as required. The report was submitted on July 30, 2008.

**Criteria:** SAO 2.2.2.9(A)(f) requires that State agencies file their annual financial audit with the State Auditor's Office by December 15 each year, while OMB Circular A-133 requires submission of the financial statement reporting packet and the data collection form to the Federal Clearinghouse and federal agencies within nine months after the fiscal year end (A-133.320).

**Cause:** The Department's records were not ready for the timely completion of the audit. Critical schedules were not provided to the auditors until mid April. Additionally, significant entries to correct the books were not provided to the auditors until late in the audit.

**Effect:** The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state and federal funding.

**Recommendation:** Based on the size and complexity of the audit, the auditors require at least 60 days to complete the audit. Trial balances and critical supporting schedules should be provided to the auditors no later than mid-October in order to meet the December 15th deadline. In addition, should file the required documentation with the federal Clearinghouse and federal agencies as soon as the final financial statements are available.

**Management's Response:** The Department acknowledges the fact that the audit was not completed and submitted within the required timeframe due to the following: implementation of an extremely complex new statewide accounting system, SHARE; lack of adequate training in SHARE system implementation; the fact that DOH reconciled FY07 payroll for all of its more than 4,000 employees funded with a wide range of funding sources; issues associated with DOH's implementation of the SHARE Grants Module; lack of a CPA on staff after January 2008 along with other staffing problems; accounting issues and shortcomings carried over from previous fiscal year; and other issues associated with operating a twenty-four-hours-a-day, 365-day-a-year health care department with offices and operations statewide.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

07-12 JOURNAL ENTRY REVIEW – LACK OF SUPPORTING DOCUMENTATION

**Condition:**

- (1) 2 out of 13 JE packets did not have back-up documentation
- (2) 1 out of 13 JE packets contained backup documentation that did not agree with the entry posted.

**Criteria:** As a state agency, the Department, must follow the existing Manual of Model Accounting Practices' (MAPs) procedures for journal entries. As described in MAPs (FIN3.7 - 3.11), authorized by Section 6-5-2, NMSA 1978

**Cause:** Lack of effective procedures and understanding of MAPs have created this condition.

**Effect:** If AJEs are not reviewed and approved, it is possible that inappropriate entries may be made that may cause misstatements to the financial statements.

**Recommendation:** MCO recommends the Department follow MAPs internal control procedures to ensure proposed AJEs are properly reviewed and/or approved and that the backup documentation is kept with the approved entry.

**Management's Response:** The Department acknowledges that insufficient or incorrect backup documentation was filed with certain Journal Entries and is working to ensure that financial accounting staff implement stricter review and approval procedures (including those that provide for rejection and return to JE preparer(s) that do not have sufficient or correct backup documentation).

07-13 RECORDING AND RECONCILIATION OF CASH AND ACCOUNTS  
RECEIVABLE (MATERIAL WEAKNESS)

**Condition:** The Department has not implemented a process to reconcile the cash accounts of both investments held with the New Mexico State Treasurer's Office and those cash accounts held with individual banks. Also, in accounts receivable, the receivables for federal, due from other state agencies and facilities are not reconciled in a timely manner.

**Criteria:** As a state agency, the Department, must follow the existing Manual of Model Accounting Practices' procedures for monthly reconciliations between internal documentation and SHARE (general ledger). This includes a system of reconciliation that produces a timely preparation and review of all cash

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

07-13 RECORDING AND RECONCILIATION OF CASH AND ACCOUNTS  
RECEIVABLE (MATERIAL WEAKNESS) - continued

**Criteria - continued:**

and receivable accounts should be in place in order to better supply management with reliable and relevant data. As described in MAPs (FIN11.1 – 11.9), authorized by Section 6-5-2, NMSA 1978.

**Cause:** No formal policies or procedures are in place that will walk the accountants through the reconciliation requirements. The Department has not incorporated the Model Accounting Practices into its policies and procedures.

**Effect:** The balances for cash and receivables cannot be relied on, causing management to make decisions without all of the relevant data.

**Recommendation:** We recommend the Department adopt MAPs in order to implement and monitor the reconciliation process that includes the review of journal entries and the adjusted account balances.

**Management's Response:** The Department did reconcile the cash accounts at year end and entered the appropriate entries into the SHARE system. In the future, DOH will implement procedures that will require monthly reconciliation of all cash accounts and accounts receivable and book the appropriate entries to the SHARE accounting system.

07-14 ACCOUNTS RECEIVABLE – PUBLIC HEALTH DIVISION

**Condition:**

- (1) Accounts Receivable (A/R) for the entire year was all booked in June for Public Health Division (PHD) programs. The amounts booked were for the amounts billed for each month in FY07. There are no entries recorded in FY07 to reduce the A/R when the payments were received throughout the year or to reclass the payments received in the year from revenue to A/R.
- (2) There is no aged A/R listing.
- (3) There is no allowance for uncollectible accounts or contractual adjustments.

**Criteria:**

In accordance with GAAP:

- (1) A/R should be recorded when revenue is earned.
- (2) Any contractual adjustments should be recorded.



Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**07-14 ACCOUNTS RECEIVABLE – PUBLIC HEALTH DIVISION - continued**

**Criteria - continued:**

- (3) An aged A/R listing should be maintained and monitored. Any claims not paid in a timely manner should be rebilled and any denials received should be reviewed and re-billed if possible.
- (4) An allowance for uncollectible accounts and contractual allowance should be set up.

**Cause:** Lack of effective procedures for accounting and maintaining accounts receivable. This would include the recording of revenue, recording of contractual adjustments and the set up of the contractual allowance account.

**Effect:** The Department may not be collecting all the accounts receivable services for services that have been provided. By not recording the accounts receivable on a monthly basis, the Department is forfeiting billings that may have been denied and may be resubmitted and collected.

PHD is not making information, such as an A/R aged listing, available to the Department's management. An accounts receivable listing report is a periodic report showing all outstanding receivable balances broken down by customer and month due. This report is a valuable tool in rebilling and collecting of past due receivables and identifying bad accounts. No individual receivable is being identified as uncollectible, this creates an inflated receivable balance.

**Recommendation:** Consistent procedures should be implemented to accurately record, maintain and update all A/R and related accounts for all PHD programs.

**Management's Response:** DOH acknowledges this issue and has taken specific action to ensure that billed revenue is recorded along with the appropriate accounts receivable entries and that receipt of cash is recorded against the A/R. DOH will continue to work to ensure that these procedures are adhered to on an on-going basis with periodic review by the Financial Accounting.

**7-15 WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM – RECONCILING GRANT TIMELY**

**Condition:** The revenue from the grants and the related expenditures as reported on the FNS-798 reports are not reconciled with SHARE. The WIC program is audited by the USDA every three years. The last audit in 2007 for the grant period ending September 30, 2006 stated this as a finding. This issue still has not been resolved. There is no reconciliation of the revenue and expenditures of the WIC

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**7-15 WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM – RECONCILING  
GRANT TIMELY - continued**

**Condition - continued:**

program from their tracking and reporting system which the FNS-798 is based on and the entries made in SHARE.

**Criteria:** As a state agency, the Department, must follow the existing Manual of Model Accounting Practices' (MAPs) procedures for monthly reconciliations between internal documentation and SHARE (general ledger). As described in MAPs (FIN 3.7 – 3.11), authorized by Section 6-5-2, NMSA 1978.

**Cause:** The Department lacks effective procedures to prepare reconciliations. The Department has not incorporated MAPs into its policies and procedures.

**Effect:** The revenues and expenditures of the WIC program as reported in SHARE have not been reconciled with the FNS-798 report or the WIC accounting system. This can lead to amounts not being recorded in SHARE for the WIC program.

**Recommendation:** Policies and procedures including those detailed in MAPs, should be implemented by the Department to maintain complete and accurate records of WIC activities.

**Management's Response:** Reconciliation between the WIC settlement system and SHARE will be done daily. Currently, the New Mexico WIC Program reports WIC redemption on the USDA/FNS 798 using the WIC client database 1440 report. The Program is in the process of building a report that will capture WIC redemptions from the WIC settlement system. The processing of all claims from vendors and payment requests to the WIC bank is stored in the WIC settlement system. The New Mexico WIC Program is also creating a daily report to be distributed by automated e-mail. This report will list redemption amount by month of issuance and federal fiscal year to be drawn. In addition, the program will work with an outside consulting firm to help identify additional policies and procedures for reconciliations.

**7-16 GENERAL LEDGER TRANSACTIONS – LACK OF REVIEW**

**Condition:** Transactions recorded in the general ledger are not being reviewed or corrected. Specifically, the Grants Module in SHARE is creating automatic entries which are not being reviewed and corrected, if needed. Many transactions were recorded in the wrong account, and many were not recorded in accordance with GAAP.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**7-16 GENERAL LEDGER TRANSACTIONS – LACK OF REVIEW - continued**

**Criteria:** As a state agency, the Department, must follow the existing Manual of Model Accounting Practices' (MAPs) procedures for general ledger transactions. All transactions posted in the general ledger should be accordance with Generally Accepted Accounting Principles (GAAP). As described in MAPs (FIN3.7 – 3.11), authorized by Section 6-5-2, NMSA 1978.

**Cause:** Transactions recorded in the general ledger do not have a standardized process to follow. All transactions are posted, whether automatic or manual, without the proper amount of review. The Department has not incorporated the MAPs into its policies and procedures.

**Effect:** Information produced out of the unadjusted general ledger may not be complete; the general ledger requires numerous adjustments to get to a reliable stage.

**Recommendation:** We recommend the Department incorporate MAPs and a standardized process be implemented that would address the transactions being recorded in the general ledger.

**Management's Response:** The Department records all federal grant expenditures in the SHARE Grants Module, which generates General Ledger entries. In the future, DOH will review all GL entries monthly, including those generated by DFA, the Grants Module, and the State Treasurer's Office.

**06-1 FEDERAL EXPENDITURE, DRAWDOWN AND RECEIPTS RECONCILIATION - REPEATED**

**Condition:** The grant department did not reconcile the federal expenditures and the federal drawdowns and receipts for the fiscal years ended June 30, 2006 and 2007.

**Criteria:** As described in the Manual of Model Accounting Practices (MAPs)(FIN 11.2), the grant department is to reconcile all expenditures, drawdowns and receipts on a timely basis in order to have financial information that is relevant and reliable.

**Cause:** The Department did not reconcile the grants due to internal turnover and lack of personnel trained in the process. MAPs was not used as guide to train the Department's new personnel.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

06-1 FEDERAL EXPENDITURE, DRAWDOWN AND RECEIPTS RECONCILIATION –  
REPEATED - continued

**Effect:** Financial reports issued are likely to contain errors and may not contain reliable information. The users of the financial statements such as management, state and federal grantors, etc., do not have accurate reports to rely on.

**Recommendation:** We recommend the Department implement and enforce a policy that requires all grants to be reconciled monthly. The policy should be based on MAPs, which includes a system of review to insure the data is correct. Each individual grant must be reconciled from a period of time in which the last reliable reconciliation was performed.

**Management's Response:** The Department believes that the process utilized to draw down federal funds for FY07 provided the mechanism to reconcile expenditures with federal draws and did conduct a reconciliation for June 30. In determining the amounts to be drawn down for each federal award each quarter, the Department calculates total expenditures and prepares a draw down for that amount. Following the close of the fiscal year, a review is conducted and additional funds are drawn down or credited back to the federal government, based upon final expenditure amounts compared with final draw amounts. The Department agrees that follow-up review should be conducted and will implement procedures to provide for subsequent review.

06-6 RECOGNITION AND RECORDING OF REVENUE

**Condition:** Per examination of two deposits related to patient service charges at the New Mexico Behavioral Health Institute, a certain amount of revenue (\$1,256,657) that was received during the month of July 2006 was not posted to SHARE until the month of December 2006.

**Criteria:** Per Department of Finance and Administration's Model Accounting Practices (MAPs) (FIN 11.2), authorized by Section 6-5-2, NMSA 1978:

1. Agencies must recognize and record revenue in the accounting period in which they become susceptible to accrual. Revenues become susceptible to accrual when they are measurable and available (the cut-off for revenue recognition should not exceed ninety days).
2. Meet federal reporting requirements.
3. Comply with State law.
4. Meet management's needs.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

**B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued**

**06-6 RECOGNITION AND RECORDING OF REVENUE - continued**

**Cause:** Due to the confusion and complexity surrounding the implementation of SHARE by the Department, revenue was not recorded in a timely manner. The Department has not incorporated MAPs as part of its policy and procedures.

**Effect:** The Department did not properly record revenue in a timely manner; thus revenue was not accurately stated until December 2006. The Department is not following procedures addressed in MAPs.

**Recommendation:** To ensure that revenue is posted timely, the Department should ensure that its personnel are adequately trained in the complexity of SHARE in order to perform their duties. MAPs should also be incorporated as part of the Departments accounting policies and procedures.

**Management's Response:** The Department agrees that revenue was not posted in a timely manner in this instance and has taken steps to ensure that revenue, receivables, and other account entries are recorded in the correct period and within standard timeframes. Specifically, additional staff have been tasked to assist the New Mexico Behavioral Health Institute in posting revenue and accounts receivable; management has made the timely posting of a revenue a priority for the facility; and more timely posting and reconciliation of revenue and all other transactions is being conducted to ensure that transactions are recorded within required timeframes.

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**07-2 STATISTICAL REPORTS FILING – UNTIMELY FILING**

**CDFA No. 93.940 HIV Preventive Activities**

**Condition:** The statistical reports of HIV antibody counseling and testing activities were not filed in a timely manner by the Department. In January, 2008, the reports were filed for the previous six quarters.

**Criteria:** One of the requirements for the HIV Prevention Activities grant (CFDA #93.940) is that statistical reports of HIV antibody counseling and testing activities are required 45 days after the end of each quarter.

**Cause:** Based on the criteria listed above, the Department does not have effective procedures in place to file the statistical reports by the due date.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-2 STATISTICAL REPORTS FILING – UNTIMELY FILING - continued

**Effect:** Non-compliance with federal awarding agencies' requirements, potential for fiscal sanctions, or funding termination.

**Recommendation:** We recommend that the reports be filed in a timely manner within the required 45 day period.

**Management's Response:** Under the Center for Disease Control (CDC) HIV Prevention Grant, data on counseling and testing activities is reported electronically 45 days after the end of each calendar quarter. During FY07, CDC was transitioning to the new web-based Program Evaluation and Monitoring System that was intended to have the capacity to report this data. Due to multiple delays in system implementation and DOH program staff turnover, none of the program's staff during FY06 had the skills and knowledge necessary to submit data using the old system. An extension of the deadline was requested and granted during FY07, allowing the program to receive technical assistance and complete all reporting by January 2008. Training and participation in the new system during FY08 is expected to ensure full compliance for FY08.

07-3 FEDERAL CASH TRANSACTIONS REPORT FILING – UNTIMELY FILING

All Federal Awards

**Condition:** The Federal Cash Transactions Report (PSC 272) was not filed timely for the first quarter of FY07.

**Criteria:** The Department is required to file the Federal Cash Transactions Report (PSC 272) quarterly so as to alert the federal awarding agency of the cash positions for the various grants and to request funding for any deficits (OMB A-133, Compliance Supplement).

**Cause:** Lack of effective procedures.

**Effect:** Non-compliance with reporting requirements and cash management issues. The deficits for the various grants must be made up, and funds are used from the general fund to make up for not getting timely funding from the federal government.

**Recommendation:** We recommend that the reports be filed quarterly so as to meet reporting requirements and to improve cash management.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-3 FEDERAL CASH TRANSACTIONS REPORT FILING – UNTIMELY FILING -  
continued

**Management's Response:** The late filing was due to initial difficulties associated with the posting of federal grant expenditures during the implementation of the SHARE accounting system and the extended amounts of time necessary to implement the SHARE Grants Module, which recorded all federal expenditures. The Department is currently filing all 272 reports quarterly within required timeframes.

07-4 HIGH RISK VENDORS – LACK OF COMPLIANCE INVESTIGATIONS

CFDA No. 10.557 – Women, Infants & Children

**Condition:** The WIC program failed to meet the high risk vendor requirement of auditing a least five percent of the total vendor population or at least 12 of the 239 vendors.

**Criteria:** A State agency operating a retail food delivery system must conduct compliance investigations, which consist of inventory audits and/or compliance buys on a minimum of five percent of the vendors authorized as of October 1 of each year. A State agency must conduct compliance investigations on its high-risk vendors up to the five percent minimum. High-risk vendors are identified at least once annually using criteria developed by FNS and/or other statistically based criteria developed by the State agency and approved by FNS. If the number of high-risk vendors exceeds five percent of the total, then the State agency must prioritize vendors for investigative purposes based on their potential for noncompliance and/or loss. If the number of high-risk vendors falls short of five percent of the total, the State agency must randomly select enough additional vendors to meet the five percent requirement.

**Cause:** Lack of effective procedures. Personnel interviewed were unaware of the testing requirements established by the compliance supplement for the WIC program.

**Effect:** An internal control deficiency over compliance with high risk vendor requirements.

**Recommendation:** We recommend stronger internal control procedures through education, and instruction on pertinent information with regard to the vendor requirements provided in the compliance supplement.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-4 HIGH RISK VENDORS – LACK OF COMPLIANCE INVESTIGATIONS -  
continued

**Management's Response:** The WIC Vendor Manager reviewed CFR 246.12 and has established the following policy regarding WIC vendor compliance investigations.

Identification of high-risk vendors: Currently, the New Mexico WIC Program identifies high risk vendors by using the criteria set forth in the 2008 New Mexico WIC state plan. This data will be monitored annually to determine the number of high-risk vendors participating in the New Mexico WIC Program. In addition, the WIC Program will establish high-risk vendor criteria for EBT and reports that identify high-risk EBT vendors. This criterion will be submitted to USDA for approval in the 2009 WIC state plan. EBT high risk identification reports include:

- High Weighted Average Price
- Vendor Redeemed versus Shelf Price Comparison
- Percentages of WIC Sales Compared with Total Food Sales and Food Stamp Sales
- Vendor Increases or Decreases in WIC Sales Volume
- Vendor Settlement
- Sequential Card Numbers and Lane Tracking

The New Mexico WIC Program authorizes 239 New Mexico Vendors; therefore, at least 12 vendors per year must be audited. Vendors will be classified as high risk, potential high risk or non risk. If the identified high risk vendors exceed the 5% minimum requirement, the compliance investigations will be prioritized. If the number of high-risk vendors falls short of five percent of the total, the New Mexico WIC Program will randomly select enough additional vendors to meet the five percent requirement. This will be completed by October 1<sup>st</sup> of each year.



Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

07-5 INDEPENDENT PEER REVIEW OF SERVICE PROVIDERS

CFDA No. 93.778 – Medical Assistance Program – Behavioral Health

**Condition:** Behavioral Health does not provide for peer reviews of the required five percent of service providers. The State must provide for independent peer reviews that assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least five percent of the entities providing services in the State shall be reviewed annually.

**Criteria:** The State must provide for independent peer reviews that assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least five percent of the entities providing services in the State shall be reviewed annually. The entities reviewed shall be representative of the entities providing the services associated with independent peer reviews (A-133, Compliance Supplement).

**Cause:** Lack of effective internal controls and procedures. Personnel interviewed were unaware of the testing requirements established by the compliance supplement for the Community Mental Health Services program.

**Effect:** An internal control deficiency over compliance with high risk vendor requirements.

**Recommendation:** We recommend stronger internal control procedures through education and instruction on pertinent information with regard to the testing requirements provided in the A-133 compliance supplement (CFDA 93.778).

**Management's Response:** The Behavioral Health Services Division maintains that it has met the peer review requirement as evidenced by the *New Mexico SAPT Independent Peer Review Committee Annual Report – Fiscal Year 2007*, copies of which are available.

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2007

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

7-15 WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM – RECONCILING  
GRANT TIMELY

CFDA No. 10.557 – Women, Infants & Children

**Condition:** The revenue from the grants and the related expenditures as reported on the FNS-798 reports are not reconciled with SHARE. The WIC program is audited by the USDA every three years. The last audit in 2007 for the grant period ending September 30, 2006 stated this as a finding. This issue still has not been resolved. There is no reconciliation of the revenue and expenditures of the WIC program from their tracking and reporting system which the FNS-798 is based on and the entries made in SHARE.

**Criteria:** As a state agency, the Department, must follow the existing Manual of Model Accounting Practices' (MAPs) procedures for monthly reconciliations between internal documentation and SHARE (general ledger). As described in MAPs (FIN 3.7 – 3.11), authorized by Section 6-5-2, NMSA 1978.

**Cause:** The Department lacks effective procedures to prepare reconciliations. The Department has not incorporated MAPs into its policies and procedures.

**Effect:** The revenues and expenditures of the WIC program as reported in SHARE have not been reconciled with the FNS-798 report or the WIC accounting system. This can lead to amounts not being recorded in SHARE for the WIC program.

**Recommendation:** Policies and procedures including those detailed in MAPs, should be implemented by the Department to maintain complete and accurate records of WIC activities.

**Management's Response:** Reconciliation between the WIC settlement system and SHARE will be done daily. Currently, the New Mexico WIC Program reports WIC redemption on the USDA/FNS 798 using the WIC client database 1440 report. The Program is in the process of building a report that will capture WIC redemptions from the WIC settlement system. The processing of all claims from vendors and payment requests to the WIC bank is stored in the WIC settlement system. The New Mexico WIC Program is also creating a daily report to be distributed by automated e-mail. This report will list redemption amount by month of issuance and federal fiscal year to be drawn. In addition, the program will work with an outside consulting firm to help identify additional policies and procedures for reconciliations.

Schedule of Findings and Questioned Costs - continued

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YEAR ENDED JUNE 30, 2007

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

06-1 FEDERAL EXPENDITURE, DRAWDOWN AND RECEIPTS RECONCILIATION

All Federal Awards

**Condition:** The grant department did not reconcile the federal expenditures and the federal drawdowns and receipts for the fiscal years ended June 30, 2006 and 2007.

**Criteria:** As described in the Manual of Model Accounting Practices (MAPs)(FIN 11.2), the grant department is to reconcile all expenditures, drawdowns and receipts on a timely basis in order to have financial information that is relevant and reliable.

**Cause:** The Department did not reconcile the grants due to internal turnover and lack of personnel trained in the process. MAPs was not used as guide to train the Department's new personnel.

**Effect:** Financial reports issued are likely to contain errors and may not contain reliable information. The users of the financial statements such as management, state and federal grantors, etc., do not have accurate reports to rely on.

**Recommendation:** We recommend the Department implement and enforce a policy that requires all grants to be reconciled monthly. The policy should be based on MAPs, which includes a system of review to insure the data is correct. Each individual grant must be reconciled from a period of time in which the last reliable reconciliation was performed.

**Management's Response:** The Department believes that the process utilized to draw down federal funds for FY07 provided the mechanism to reconcile expenditures with federal draws and did conduct a reconciliation for June 30. In determining the amounts to be drawn down for each federal award each quarter, the Department calculates total expenditures and prepares a draw down for that amount. Following the close of the fiscal year, a review is conducted and additional funds are drawn down or credited back to the federal government, based upon final expenditure amounts compared with final draw amounts. The Department agrees that follow-up review should be conducted and will implement procedures to provide for subsequent review.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Summary Schedule of Prior Year Audit Findings**

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- 04-7 – CAS Funds – Resolved
- 04-8 – Suspension and Debarment – Resolved
- 06-1 – Federal Expenditure, Drawdown and Receipts Reconciliation – Repeated
- 06-2 – Free Rent Non-Profit Organizations – Women, Infants and Children – Resolved
- 06-3 – Improper Write-Off of Accounts Receivable – New Mexico Rehabilitation Center – Resolved
- 06-4 – Fixed Asset Accounting – Fixed Asset Deletions – Resolved
- 06-5 – Procurement of Goods and Services – Resolved
- 06-6 – Recognition and Recording of Revenue – Repeated
- 06-7 – Invalid Encumbrances and Reversions – Resolved
- 06-8 – Expenditures in Excess of Approved Budget – Resolved

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Exit Conference**

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An exit conference was held with the Department on July 10, 2008, at the Department's offices in Santa Fe, New Mexico. In attendance were:

**DEPARTMENT OF HEALTH**

Duffy Rodriguez	Deputy Secretary of Finance and Administration / CFO
Michael J. Mulligan	Deputy ASD Director
Robert Ortiz	Financial Accounting Bureau Chief
Vikki Sanchez	Administrative Operations Manager

Duffy Rodriguez represented the Department in the absence of Dr. Alfredo Vigil, M.D. The Department is aware of the New Mexico State Auditor's requirement to have the agency secretary in attendance.

**MEYNNERS + COMPANY, LLC**

Georgie Ortiz, CPA, CGFM	Audit Partner
Javier Machuca, CPA, CGFM	Audit Manager

**PREPARATION OF FINANCIAL STATEMENTS**

These financial statements were primarily prepared by the management of the Department of Health with assistance from Meyners + Company, LLC.