

**NEW MEXICO**  
**DEPARTMENT OF**  
**HEALTH**

**AUDITED FINANCIAL STATEMENTS**

**WITH ACCOMPANYING  
SUPPLEMENTAL INFORMATION**

**FISCAL YEAR ENDING JUNE 30, 2008**

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Financial Statements  
for the Year Ended  
June 30, 2008,  
and Independent  
Auditors' Report**

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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DEPARTMENT OF HEALTH**

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**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Official Roster**

**Year Ended June 30, 2008**

**Department Officials**

Cabinet Secretary	Dr. Alfredo Vigil
Deputy Secretary – Finance (CFO)	Duffy Rodriguez
Deputy Secretary - Facilities	Katrina Hotrum
Deputy Secretary – Programs	Jessica Sutin
Chief Medical Officer	Dr. Karen Armitage
General Counsel	Kathy Kunkel
Chief Information Officer	Bob Mayer

**Division Directors**

Administrative Services Division	Vacant
Public Health Division	Dr. Jack Callaghan
Epidemiology & Response Division	Dr. Mack Sewell
Scientific Laboratory Division	Dr. David Mills
Developmentally Disabled Community Services	Mikki Rogers
Division of Health Improvement	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, 2008, 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, 2008, 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, State of New Mexico 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, 2008, and the respective changes in financial position thereof, and the respective budgetary comparisons each the major governmental fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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.

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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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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*

December 5, 2008

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis  
Year Ended June 30, 2008**

**INTRODUCTION**

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, 2008 (FY08). 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, 2008**

**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>2008</b>	<b>2007</b>	<b>Increase</b>	<b>Percentage</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>(Decrease)</b>	<b>Change</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>	<b><u>(Decrease)</u></b>	<b><u>Change</u></b>
<b>Assets:</b>				
Cash, restricted and non-restricted	\$ 10,017,895	1,910,182	8,107,713	424.0%
Other current assets	56,697,031	98,620,133	(41,923,102)	-43.0%
Non-current assets	<u>22,000,121</u>	<u>22,550,518</u>	<u>(550,397)</u>	<u>-2.0%</u>
<b>Total Assets</b>	<b>\$ <u>88,715,047</u></b>	<b><u>123,080,833</u></b>	<b><u>(34,365,786)</u></b>	<b><u>-27.9%</u></b>
<b>Liabilities:</b>				
Current liabilities	\$ 63,333,425	75,200,507	(11,867,082)	-15.8%
Long-term liabilities	-	-	-	0.0%
<b>Total Liabilities</b>	<b>\$ <u>63,333,425</u></b>	<b><u>75,200,507</u></b>	<b><u>(11,867,082)</u></b>	<b><u>-15.8%</u></b>
<b>Net Assets:</b>				
Invested in capital assets	\$ 22,000,121	22,550,518	(550,397)	-2.0%
Restricted for grantors and other	3,381,501	1,910,182	1,471,319	77.0%
Unrestricted (deficit)	-	<u>23,419,626</u>	<u>(23,419,626)</u>	<u>-100.0%</u>
<b>Total Net Assets (Restated Note 15)</b>	<b>\$ <u>25,381,622</u></b>	<b><u>47,880,326</u></b>	<b><u>(22,498,704)</u></b>	<b><u>-47.0%</u></b>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2008**

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

**Table A-2**

**Changes in the Department's Net Assets**

	<b>2008</b>	<b>2007</b>	<b>Increase</b>	<b>Percentage</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>(Decrease)</b>	<b>Change</b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>		
<b>Revenue:</b>				
<b><u>Program revenue:</u></b>				
Federal Grants	\$ 130,517,760	116,618,076	13,899,684	12.0%
In-kind Assistance	34,495,232	25,938,904	8,556,328	33.0%
Patient Service Revenue	75,810,444	84,782,459	(8,972,015)	-11.0%
Other	<u>15,041,657</u>	<u>54,432,927</u>	<u>(39,391,270)</u>	<u>-72.0%</u>
	255,865,093	281,772,366	(25,907,273)	-9.0%
<b><u>General revenue:</u></b>				
General fund appropriations	285,786,900	306,082,800	(20,295,900)	-7.0%
General fund reversion	(485,355)	(271,584)	(213,771)	79.0%
Other appropriations	<u>18,151,537</u>	<u>4,710,441</u>	<u>13,441,096</u>	<u>285.0%</u>
<b>Total Revenue</b>	303,453,082	310,521,657	(7,068,575)	-2.0%
<b>Expenses:</b>				
Public Health	542,609,288	549,857,751	(7,248,463)	-1.0%
In-kind Assistance	34,495,232	25,938,904	8,556,328	33.0%
Depreciation	4,023,333	4,179,697	(156,364)	-4.0%
Loss on Capital Assets	-	72,942	(72,942)	-100.0%
Increase (decrease) in compensated absences	<u>689,026</u>	<u>(16,824)</u>	<u>705,850</u>	<u>%</u>
<b>Total Expenses</b>	581,816,879	580,032,470	1,784,409	3.0%
<b>Increase (decrease) in Net Assets</b>	(22,498,704)	12,261,553	(34,760,257)	-283.0%
<b>Beginning Net Assets</b>	<u>47,880,326</u>	<u>31,900,493</u>	<u>15,979,833</u>	<u>50.0%</u>
<b>Ending Net Assets</b>	25,381,622	44,162,046	(18,780,424)	-43.0%
<b>Restatement (Note 15)</b>	-	<u>3,718,280</u>	-	-
<b>Ending Net Assets (Restated)</b>	\$ <u>25,381,622</u>	<u>47,880,326</u>	<u>(22,498,704)</u>	<u>-47.0%</u>

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2008 are as follows:

- Current Assets decreased by \$33,815,389, or 33.6%. The Department did see cash increase by \$8,107,713, or 424%. The increase is attributable to the consistent draws of federal funds made timely during the year and is more typical of the cash position of the Department at year end. This also impacted accounts receivable which decreased by \$36,418,754, or 40%, again due to the stabilization of the draw downs. The amount of federal receivable is attributable only to the 4<sup>th</sup> quarter activity for 2008.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2008**

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

Capital Assets and Investment in Capital Assets decreased by \$550,397, or 2.4%, due to \$4,023,333 in depreciation expenses that were offset by \$3,472,936 in additional capitalized assets. Additional purchased items included computer server equipment and improvements. During FY08, the Department deleted approximately \$14,810,760 of capital assets from the capital assets list. All assets deleted were fully depreciated and either below the current capitalizable threshold or no longer held by the Department.

Overall, Total Assets decreased by \$34,365,786, or 27.9%, due to the factors noted above.

- Current Liabilities decreased by \$11,867,082, or 15.8%, due primarily to the prior year payments that the Department made to the Human Services Department of New Mexico for the Developmental Disability waiver. The Department experienced a significant increase in liabilities when the State of New Mexico began budgeting using the modified accrual basis of accounting for fiscal year 2006. Variances in liability accounts should begin to stabilize.
- Total liabilities decreased by \$11,867,082, or 15.8%. See discussion under Current Liabilities above.

Overall, the financial position of the Department has not improved. The revenues of the programs of the Department, particularly those related to facilities management have not increased enough to cover the escalation of salaries and benefits as well as other costs of supplying support. In order to remain competitive in the labor market and continue to staff Department facilities and programs adequately, the Department has had to raise salaries. In areas where the Department is still challenged in keeping programs fully staffed, the Department has had to either pay overtime or pay contract employees. Both options considerably increase the costs for Department. In addition, the Department is due for rebasing of Medicaid and Medicare reimbursements which should occur in fiscal year 2009.

**BUDGETARY HIGHLIGHTS**

The Department's operating budget for Fiscal Year 2008 totaled \$568,802,121, including \$285,786,900 in General Fund. The FY08 operating budget did not include funding for the Behavioral Health Services Division (BHSD), which was moved by statute effective July 1, 2007, from the Department of Health to the New Mexico Human Services Department. The FY07 BHSD operating budget totaled \$59,054,200, which consisted of \$37,289,000 in General Fund and \$21,765,200 in Federal Funds. There was a significant variance in the budgeted and actual amounts for Patient Service revenue which is directly related to the Value Options appropriation which was not exercised this year.

The Original budget increased by \$16,621,040, leaving a Final Budget for the Department of \$566,564,140.

Significant adjustments to the FY08 appropriated operating budget included:

- An increase of \$476,324 in additional federal funds under the Ryan White HIV/AIDS treatment program grant for personnel and direct patient care costs;
- an increase of \$389,261, in additional Federal Funds under the Women, Infants, and Children (WIC) Quality Nutrition Services Program grant for personnel and contracts;
- an increase of \$1,201,387 in additional Federal Funds under the WIC Electronic Benefits Transfer Pilot Project grant for project implementation and installation of database equipment;
- an increase of \$4,821,127 in additional Federal Funds under the WIC Food and Nutritional Services Program for WIC food distribution;
- an increase of \$1,142,486, in additional Federal Funds under the Bioterrorism Hospital Preparedness Grant for personnel and direct program operational costs;

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2008**

**BUDGETARY HIGHLIGHTS - continued**

- an increase of \$1,345,919, in additional Federal Funds under the Centers for Disease Control Pandemic Influenza grant for direct project operational costs;
- an increase of \$580,000, in additional revenue from the Caregivers Criminal History Screening Program for program operational costs;
- an increase of \$1,147,900 from prior year fund balance for the Caregivers Criminal History Screening Program for program operational costs;
- an increase of \$748,300, in federal Medicaid matching funds for direct contractual service costs for the receivership program;
- a transfer of \$1,786,336, of General Fund from other financing uses category to the personnel category for direct patient care staffing costs under the Developmental Disabilities Support Program;
- a transfer of \$17,930,000 of General Fund from contracts to the other costs category for providing direct patient care services under the Families, Infants, and Toddlers Program in the Developmental Disabilities Support Division;
- a transfer of \$1,420,000 of General Fund from the other financing uses category to personnel and other costs categories to provide services for the Developmental Disabilities Support Division program;
- a transfer of \$599,000 of General Fund from the other costs category to the contracts category for medical transcription services at the New Mexico Behavioral Health Institute;
- a transfer of \$395,000 of General Fund from the other category to the personal services and benefits category for salary costs in the Scientific Laboratory Division; and
- a transfer of \$400,000 of General Fund from the other costs category to contractual services to implement a technical adjustment to the budget in the Epidemiology and Response Division.

The Department continued to implement programs and serve the health needs of New Mexicans during FY08. In working to improve the health status of state residents, the Department achieved the following performance levels:

The Department's Public Health Division:

- Served more than 8,400 teens between the ages of 14 and 17 with family planning services;
- Provided more than 21,500 prevention interventions for individuals at risk of contracting HIV / AIDS;
- Enrolled more than 2,400 clients in Hepatitis C disease management programs;
- Served more than 40,200 students in 84 school-based health centers statewide;
- Fielded more than 15,700 calls to the DOH-funded crisis line; and
- Enrolled more than 700 new clients in the needle-exchange program.

Also during FY08, the Epidemiology and Response Division:

- Conducted 77 health emergency exercises to assess and improve local capabilities;
- Enrolled 15 hospitals in the State trauma registry; and
- Coordinated pandemic influenza plans with the State Plan for 93.7 percent of New Mexico counties.

During the same period, the Scientific Laboratory Division:

- Performed more than 412,000 chemical and biological tests for communicable diseases and other threatening illnesses within specified turnaround times; and
- Reported the results of 78 percent of blood alcohol tests for DWI cases within seven days.

In the Department's Facilities Program:

- The rate of substantiated cases of abuse, neglect, or exploitation was limited to 0.12 per one hundred residents in agency-operated long term care facilities;

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2008**

**BUDGETARY HIGHLIGHTS - continued**

- The Department's long-term in-patient nursing home facilities at the New Mexico Behavioral Health Institute, the State Veterans' Home, and the Fort Bayard Medical Center provided long-term nursing care to 589 individuals.
- The Department's in-patient treatment facilities, the Turquoise Lodge Hospital, the Yucca Lodge at Fort Bayard, and the New Mexico Rehabilitation Center, provided substance abuse treatment and drug and alcohol detoxification services to 1,189 individuals.
- The New Mexico Behavioral Health Institute in Las Vegas provided in-patient forensic and adult psychiatric care to 1,306 individuals, and outpatient psychiatric services to 2,927 individuals;
- The Sequoyah Adolescent Treatment Center provided residential treatment to 82 adolescents with violent behaviors;
- The New Mexico Rehabilitation Center provided medical rehabilitation services to 192 individuals; and
- The Los Lunas Community Programs provided residential services for 82 individuals, family-based services for 29 individuals, and Day Habilitation services for 131 individuals with developmental disabilities.

The Developmental Disabilities Support Division:

- Served more than 11,000 individuals under the Family, Infant, and Toddler Program;
- Served more than 3,700 individuals under the Developmentally Disabled Medicaid Waiver Program;
- Provided supported employment to more than 1,000 developmentally disabled individuals; and
- Contracted with more than 300 providers under its service programs.

Also during FY08, the Department's Division of Health Improvement:

- Investigated 2,031 reports of abuse, neglect, or exploitation in nursing and other medical facilities statewide;
- Conducted 103 unannounced surveys of service providers under the developmentally disabled program;
- Conducted 446 regulatory compliance surveys for licensed medical facilities; and
- Completed 35,555 criminal background screenings for applicants for jobs in the medical industry.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Total capital assets, net of depreciation, for the Department make up 25% of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2008 are \$8,028,820. The estimated amount to be paid from General Fund appropriations within one year is \$8,028,820, or 100%; 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, 2008.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued  
Year Ended June 30, 2008**

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The national and state financial situation for the upcoming Fiscal Year 2009 (FY09) is anticipated to be significantly more bleak than that experienced during FY08. For the Department of Health, this means that operating budgets will likely end up much lower than the levels appropriated during February 2008 for FY09. The projected shortfall in reduced state revenue will impact DOH and in all likelihood require reductions in the levels of services provided as a result of the anticipated reductions in state General Fund appropriations to the Department.

**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, CFO / Deputy Secretary of Finance and Administration  
New Mexico Department of Health  
Harold Runnels Building  
1190 St. Francis Drive, Suite N-3350  
P.O. Box 26110  
Santa Fe, NM 87502  
Phone 505-827-2555

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Exhibit 1

**Statement of Net Assets  
June 30, 2008**

	<u><b>Total Governmental Funds</b></u>
<b>ASSETS</b>	
Current Assets	
Investment in State Treasurer Investment Pool	\$ 9,953,074
Cash	64,821
Accounts Receivable, net of allowance	16,155,376
Receivable from Federal Government	27,958,156
Due from Other State Agencies	9,916,985
Inventory	2,560,951
Prepaid Expenses and Others	105,563
Total Current Assets	<u>66,714,926</u>
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	<u>22,000,121</u>
Total Assets	<u><u>\$ 88,715,047</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 38,100,672
Accrued Payroll	8,763,124
Payable to State General Fund	756,939
Funds Held for Others	494,854
Due to Other State Agencies	6,238,137
Deferred Revenues	928,023
Other Liabilities	22,856
Compensated Absences	8,028,820
Total Liabilities	<u>63,333,425</u>
<b>NET ASSETS</b>	
Invested in Capital assets	22,000,121
Restricted for:	
Public Health	3,146,873
Trauma System Activity	20,370
Save Our Children's Sight Fund	30,412
Emergency Medical Services	183,846
Total Net Assets	<u>25,381,622</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 88,715,047</u></u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Exhibit 2

**Statement of Activities  
For the Year Ended June 30, 2008**

Functions/Programs	Expenses	Charges For Service	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities</b>				
Administration	\$ 16,384,272	\$ 1,005,092	\$ 6,537,450	\$ (8,841,730)
Public Health	199,538,017	19,724,468	86,610,051	(93,203,498)
Public Health In Kind Assistance	34,495,232	-	34,495,232	-
Epidemiology and Response	24,480,416	1,222,490	16,138,296	(7,119,630)
Laboratory Services	11,677,589	2,884,226	1,916,621	(6,876,742)
Facilities Management	113,912,784	49,684,318	3,942,761	(60,285,705)
Developmental Disabilities Supports Services	65,278,190	13,197,297	8,314,892	(43,766,001)
Health Certification, Licensing and Oversight	15,596,876	1,904,519	7,057,689	(6,634,668)
Other Health Initiatives	18,934,008	-	-	(18,934,008)
<b>Total Governmental Activities</b>	<b>\$ 500,297,384</b>	<b>\$ 89,622,410</b>	<b>\$ 165,012,992</b>	<b>(245,661,982)</b>
<b>General Revenues</b>				
State General Fund Appropriations				285,786,900
STB Appropriations				453,535
Capital Appropriations - (Re-Auths)				1,350,000
Tobacco Settlement Funds				10,150,859
County Supported Medicaid				1,983,731
Interest Income				1,229,691
Reversions				(485,355)
Transfers in				4,213,412
Transfers out				(81,519,495)
<b>Total General Revenues, Reversions and Transfers</b>				<b>223,163,278</b>
<b>Changes in Net Assets</b>				
Restatement of Prior Year Fund Balance (Note 15)				(22,498,704)
Restatement of Prior Year Fund Balance (Note 15)				3,718,280
Net Assets, Beginning of Year				44,162,046
Net Assets, Beginning of Year, as Restated				47,880,326
Net Assets, End of Year				<b>\$ 25,381,622</b>

See accompanying notes to financial statements.

**FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Exhibit 3  
Page 1 of 3

**Balance Sheet - Governmental Funds  
June 30, 2008**

	<u>General Fund Fund 06100</u>	<u>County Supported Medicaid Fund 21900</u>	<u>Trauma System Fund 25700</u>
<b>ASSETS</b>			
Investment in State Treasurer Investment Pool	\$ 5,534,148	\$ 964,411	\$ 40,911
Cash	64,821	-	-
Accounts Receivable, net	16,155,376	-	-
Receivable from Federal Government	27,958,156	-	-
Due from Other State Agencies	8,076,666	91,074	-
Inventory	2,560,951	-	-
Prepaid Expenses	105,371	-	192
<b>Total Assets</b>	<u><u>\$ 60,455,489</u></u>	<u><u>\$ 1,055,485</u></u>	<u><u>\$ 41,103</u></u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 37,183,502	125,900	2,653
Accrued Payroll	8,749,317	1,562	8,559
Payable to State General Fund	756,939	-	-
Funds Held for Others	228,723	-	-
Due to Other State Agencies	6,238,137	-	-
Deferred Revenues	-	928,023	-
Other Liabilities	3,842	-	9,520
<b>Total Liabilities</b>	<u><u>53,160,460</u></u>	<u><u>1,055,485</u></u>	<u><u>20,732</u></u>
<b>FUND BALANCES</b>			
Reserved For:			
Inventory and Prepaid	2,666,322	-	-
Health Programs	4,628,707	-	20,371
<b>Total Fund Balances</b>	<u><u>7,295,029</u></u>	<u><u>-</u></u>	<u><u>20,371</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 60,455,489</u></u>	<u><u>\$ 1,055,485</u></u>	<u><u>\$ 41,103</u></u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Exhibit 3  
Page 2 of 3

**Balance Sheet - Governmental Funds  
June 30, 2008**

	<b>Save Our Children's Sight Fund 26100</b>	<b>Medicaid Waiver Match Fund 55800</b>
<b>ASSETS</b>		
Investment in State Treasurer Investment Pool	\$ 26,580	\$ -
Cash	-	-
Accounts Receivable, net	-	-
Receivable from Federal Government	-	-
Due from Other State Agencies	3,832	-
Inventory	-	-
Prepaid Expenses	-	-
Total Assets	\$ 30,412	\$ -
<b>LIABILITIES</b>		
Accounts Payable	\$ -	-
Accrued Payroll	-	-
Payable to State General Fund	-	-
Funds Held for Others	-	-
Due to Other State Agencies	-	-
Deferred Revenues	-	-
Other Liabilities	-	-
Total Liabilities	-	-
<b>FUND BALANCES</b>		
Reserved For:		
Inventory and Prepaid	-	-
Health Programs	30,412	-
Total Fund Balances	30,412	-
Total Liabilities and Fund Balances	\$ 30,412	\$ -

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Exhibit 3  
Page 3 of 3

**Balance Sheet - Governmental Funds  
June 30, 2008**

	<u>Emergency Medical Services Fund 75600</u>	<u>Capital Projects Fund 05900</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Investment in State Treasurer Investment Pool	\$ 473,563	\$ 2,913,461	\$ 9,953,074
Cash	-	-	64,821
Accounts Receivable, net	-	-	16,155,376
Receivable from Federal Government	-	-	27,958,156
Due from Other State Agencies	-	1,745,413	9,916,985
Inventory	-	-	2,560,951
Prepaid Expenses	-	-	105,563
<b>Total Assets</b>	<u><u>\$ 473,563</u></u>	<u><u>\$ 4,658,874</u></u>	<u><u>\$ 66,714,926</u></u>
<b>LIABILITIES</b>			
Accounts Payable	10,407	\$ 778,210	38,100,672
Accrued Payroll	3,686	-	8,763,124
Payable to State General Fund	-	-	756,939
Funds Held for Others	266,131	-	494,854
Due to Other State Agencies	-	-	6,238,137
Deferred Revenues	-	-	928,023
Other Liabilities	9,494	-	22,856
<b>Total Liabilities</b>	<u><u>289,718</u></u>	<u><u>778,210</u></u>	<u><u>55,304,605</u></u>
<b>FUND BALANCES</b>			
Reserved For:			
Inventory and Prepaid	-	-	2,666,322
Health Programs	183,845	3,880,664	8,743,999
<b>Total Fund Balances</b>	<u><u>183,845</u></u>	<u><u>3,880,664</u></u>	<u><u>11,410,321</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 473,563</u></u>	<u><u>\$ 4,658,874</u></u>	<u><u>\$ 66,714,926</u></u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Exhibit 4

Reconciliation of the  
Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2008

Total fund balances - governmental funds (Exhibit 3) \$ 11,410,321

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.

These assets consist of:

Furniture, fixture, and equipment	73,972,081
Accumulated depreciation	<u>(51,971,960)</u>

Total capital assets - net 22,000,121

Liabilities are not due and payable in the current  
period and therefore are not reported in the funds.

These liabilities consist of:

Compensated absences	(8,028,820)
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Net assets of governmental activities (Exhibit 1) \$ 25,381,622

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Exhibit 5  
Page 1 of 3

**Statement of Revenues, Expenditures and Changes in  
Fund Balances- Governmental Funds  
For the Period Ended June 30, 2008**

	<u>General Fund Fund 06100</u>	<u>County Supported Medicaid Fund 21900</u>	<u>Trauma System Fund 25700</u>
<b>REVENUES</b>			
Federal Grants	\$ 130,517,760	\$ -	\$ -
In-Kind Assistance	34,495,232	-	-
Patient Service Charges	75,810,444	-	-
Fees, Licenses and Penalties	4,503,832	-	-
Private Grants	181,938	-	-
Rental Income	2,187,410	-	-
Sales and Service	6,912,089	-	-
Interest Income	1,229,691	-	-
<b>Total Revenues</b>	<u>255,838,396</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current Operating:			
Administration	14,962,824	-	-
Public Health	199,079,434	1,983,731	-
Public Health In-Kind Assistance	34,495,232	-	-
Epidemiology and Response	23,871,067	-	5,694,810
Laboratory Services	10,857,751	-	-
Facilities Management	113,844,266	-	-
Developmental Disabilities Supports Services	64,260,644	-	-
Health Certification, Licensing and Oversight	15,322,289	-	-
Other Health Initiatives	4,920,792	-	-
Capital Outlay	3,472,936	-	-
<b>Total Expenditures</b>	<u>485,087,235</u>	<u>1,983,731</u>	<u>5,694,810</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(229,248,839)</u>	<u>(1,983,731)</u>	<u>(5,694,810)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
General Fund Appropriation	275,463,800	-	5,697,200
Tobacco Settlement Appropriation	10,150,859	-	-
County Supported Medicaid	-	1,983,731	-
Capital Appropriation	-	-	-
STB Draws	-	-	-
Reversion - Fiscal Year 2008	(485,355)	-	-
Transfers In:			
Interfund	-	-	-
Other	4,183,000	-	-
Transfers Out:			
Interfund	(3,759,002)	-	-
Other	(81,019,495)	-	-
<b>Total Other Financing Sources and Uses</b>	<u>204,533,807</u>	<u>1,983,731</u>	<u>5,697,200</u>
<b>Net Change in Fund Balance</b>	<u>(24,715,032)</u>	<u>-</u>	<u>2,390</u>
Fund Balance, Beginning of Year	32,010,061	-	17,981
Fund Balance Restatement (Note 15)	-	-	-
Fund Balance as Restated	<u>32,010,061</u>	<u>-</u>	<u>17,981</u>
Fund Balance, End of Year	<u>\$ 7,295,029</u>	<u>\$ -</u>	<u>\$ 20,371</u>

See accompanying notes to financial statements.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues, Expenditures and Changes in  
Fund Balances- Governmental Funds  
For the Period Ended June 30, 2008**

	<b>Save Our Children's Sight Fund 26100</b>	<b>Medicaid Waiver Match Fund 55800</b>
<b>REVENUES</b>		
Federal Grants	\$ -	\$ -
In-Kind Assistance	-	-
Patient Service Charges	-	-
Fees, Licenses and Penalties	-	-
Private Grants	-	-
Rental Income	-	-
Sales and Service	-	-
Interest Income	-	-
Total Revenues	-	-
<b>EXPENDITURES</b>		
Current Operating:		
Administration	-	-
Public Health	-	-
Public Health In-Kind Assistance	-	-
Epidemiology and Response	-	-
Laboratory Services	-	-
Facilities Management	-	-
Developmental Disabilities Supports Services	-	-
Health Certification, Licensing and Oversight	-	-
Other Health Initiatives	-	-
Capital Outlay	-	-
Total Expenditures	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	-
<b>OTHER FINANCING SOURCES (USES)</b>		
General Fund Appropriation	-	-
Tobacco Settlement Appropriation	-	-
County Supported Medicaid	-	-
Capital Appropriation	-	-
STB Draws	-	-
Reversion - Fiscal Year 2008	-	-
Transfers In:		
Interfund	-	3,759,002
Other	30,412	-
Transfers Out:		
Interfund	-	-
Other	-	-
Total Other Financing Sources and Uses	30,412	3,759,002
Net Change in Fund Balance	30,412	3,759,002
Fund Balance, Beginning of Year	-	(3,759,002)
Fund Balance Restatement (Note 15)	-	-
Fund Balance as Restated	-	(3,759,002)
Fund Balance, End of Year	\$ 30,412	\$ -

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Exhibit 5  
Page 3 of 3

**Statement of Revenues, Expenditures and Changes in  
Fund Balances- Governmental Funds  
For the Period Ended June 30, 2008**

	<u>Emergency Medical Services Fund 75600</u>	<u>Capital Projects Fund 05900</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Federal Grants	\$ -	\$ -	\$ 130,517,760
In-Kind Assistance	-	-	34,495,232
Patient Service Charges	-	-	75,810,444
Fees, Licenses and Penalties	26,697	-	4,530,529
Private Grants	-	-	181,938
Rental Income	-	-	2,187,410
Sales and Service	-	-	6,912,089
Interest Income	-	-	1,229,691
<b>Total Revenues</b>	<u>26,697</u>	<u>-</u>	<u>255,865,093</u>
<b>EXPENDITURES</b>			
Current Operating:			
Administration	-	-	14,962,824
Public Health	-	-	201,063,165
Public Health In-Kind Assistance	-	-	34,495,232
Epidemiology and Response	3,793,887	-	33,359,764
Laboratory Services	-	-	10,857,751
Facilities Management	-	-	113,844,266
Developmental Disabilities Supports Services	-	-	64,260,644
Health Certification, Licensing and Oversight	-	-	15,322,289
Other Health Initiatives	-	2,498,298	7,419,090
Capital Outlay	-	-	3,472,936
<b>Total Expenditures</b>	<u>3,793,887</u>	<u>2,498,298</u>	<u>499,057,961</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,767,190)</u>	<u>(2,498,298)</u>	<u>(243,192,868)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
General Fund Appropriation	3,875,900	750,000	285,786,900
Tobacco Settlement Appropriation	-	-	10,150,859
County Supported Medicaid	-	-	1,983,731
Capital Appropriation	-	1,350,000	1,350,000
STB Draws	-	453,535	453,535
Reversion - Fiscal Year 2008	-	-	(485,355)
Transfers In:			
Interfund	-	-	3,759,002
Other	-	-	4,213,412
Transfers Out:			
Interfund	-	-	(3,759,002)
Other	-	(500,000)	(81,519,495)
<b>Total Other Financing Sources and Uses</b>	<u>3,875,900</u>	<u>2,053,535</u>	<u>221,933,587</u>
<b>Net Change in Fund Balance</b>	<u>108,710</u>	<u>(444,763)</u>	<u>(21,259,281)</u>
Fund Balance, Beginning of Year	75,135	607,147	28,951,322
Fund Balance Restatement (Note 15)	-	3,718,280	3,718,280
Fund Balance as Restated	<u>75,135</u>	<u>4,325,427</u>	<u>32,669,602</u>
Fund Balance, End of Year	<u>\$ 183,845</u>	<u>\$ 3,880,664</u>	<u>\$ 11,410,321</u>

See accompanying notes to financial statements.

**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  
For the Year Ended June 30, 2008**

Net Change in Fund Balances (Exhibit 5)	\$ (21,259,281)
Capital outlay is reflected as expenditures in the governmental funds, but is capitalized and depreciated over the estimated useful lives in the Statement of Net Assets .	3,472,936
Depreciation expense is not recognized in the governmental funds but is recognized in the Statement of Activities.	(4,023,333)
Additions in compensated absences are expended from future resources, and therefore not counted as a current expenditure in the governmental funds. The liability is accrued as an expense in the Statement of Activities and recognized as a liability in the Statement of Net Assets.	<u>(689,026)</u>
Change in Net Assets (Exhibit 2)	<u>\$ (22,498,704)</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Budget and Actual (Budgetary Basis)  
General Fund  
For the Year Ended June 30, 2008**

**ALL PROGRAMS**

See Statement 1 for budget by appropriated program.

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal Funds	\$ 118,529,200	\$ 127,451,259	\$ 130,517,760	\$ 3,066,501
General Fund Appropriations	273,388,800	275,463,800	275,463,800	-
Patient Service Revenue	137,563,900	139,179,983	75,810,444	(63,369,539)
Fees, Penalties and Other	14,384,000	15,748,767	15,014,960	(733,807)
Other Financing Sources	4,427,200	4,193,700	14,333,859	10,140,159
	<u>548,293,100</u>	<u>562,037,509</u>	<u>511,140,823</u>	<u>(50,896,686)</u>
Fund Balance Budgeted	1,650,000	4,526,638		(4,526,638)
Total Revenues	<u>\$ 549,943,100</u>	<u>\$ 566,564,147</u>	<u>511,140,823</u>	<u>\$ (55,423,324)</u>
<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 204,985,400	\$ 210,180,848	208,557,793	\$ 1,623,055
Contractual Services	137,376,500	124,204,888	92,906,170	31,298,718
Other	124,179,500	151,160,311	149,022,455	2,137,856
Total Expenditures	<u>466,541,400</u>	<u>485,546,047</u>	<u>450,486,418</u>	<u>35,059,629</u>
Other Financing Uses	83,401,700	81,018,100	80,919,495	98,605
Total Expenditures and Financing Uses	<u>\$ 549,943,100</u>	<u>\$ 566,564,147</u>	<u>531,405,913</u>	<u>\$ 35,158,234</u>
<b>Net Budgetary Activity</b>			<b>(20,265,090)</b>	
<b>Other Activity</b>				
In Kind Assistance			\$ 34,495,232	
Transfer to Human Services Dept., Behavioral Health Services Division			(100,000)	
To close out Medicaid Waiver Fund			(3,759,002)	
Fiscal 2008 bills paid out of Fiscal 2009 budget			(105,585)	
Fiscal year 2008 reversion			(485,355)	
In Kind Expenditures			(34,495,232)	
<b>Net Change in Fund Balance (Exhibit 5)</b>			<b>\$ (24,715,032)</b>	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Budget and Actual (Budgetary Basis)  
County Supported Medicaid Fund - Special Revenue  
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Other Financing Sources	<u>\$ 2,400,000</u>	<u>\$ 2,817,620</u>	<u>\$ 1,983,731</u>	<u>\$ (833,889)</u>
<b>EXPENDITURES</b>				
Personal Services and Benefits	\$ 72,000	\$ 112,000	\$ 27,631	\$ 84,369
Contractual Services	2,328,000	2,705,620	1,956,100	749,520
Other	-	-	-	-
Other Financing Uses	-	-	-	-
Total Expenditures	<u>\$ 2,400,000</u>	<u>\$ 2,817,620</u>	<u>\$ 1,983,731</u>	<u>\$ 833,889</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Budget and Actual (Budgetary Basis)  
Trauma System - Special Revenue  
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General Fund Appropriations	\$ 5,697,200	\$ 5,697,200	\$ 5,697,200	\$ -
<b>EXPENDITURES</b>				
Personal Services and Benefits	\$ 143,000	\$ 143,000	\$ 142,963	\$ 37
Contractual Services	15,000	130,000	130,000	-
Other	5,539,200	5,424,200	5,421,847	2,353
Total Expenditures	<u>\$ 5,697,200</u>	<u>\$ 5,697,200</u>	<u>\$ 5,694,810</u>	<u>\$ 2,390</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual (Budgetary Basis)  
Save Our Children's Sight - Special Revenue  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
MVD Tax Distributions	\$ -	\$ -	\$ 30,412	\$ 30,412
<b>EXPENDITURES</b>				
Total Expenditures	\$ -	\$ -	\$ -	\$ -

Budget for this fund activity will be prepared beginning fiscal year 2009.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual (Budgetary Basis)  
DD Waiver Fund - Special Revenue  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriations	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Total Expenditures	\$ -	\$ -	\$ -	\$ -

<b>Net Budgetary Activity</b>	-
Transferred from Operating Fund *	3,759,002
<b>Total Activity (Exhibit 5)</b>	<u>\$ 3,759,002</u>

\*DD Waiver fund closed. Residual transfer needed to offset prior year activity.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -  
Budget and Actual (Budgetary Basis)  
Emergency Medical Services - Special Revenue  
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General Fund Appropriations	\$ 3,875,900	\$ 3,875,900	\$ 3,875,900	\$ -
Fees, Licenses, and Penalties	-	-	26,697	26,697
Total Revenues	<u>\$ 3,875,900</u>	<u>\$ 3,875,900</u>	<u>\$ 3,902,597</u>	<u>\$ 26,697</u>
<b>EXPENDITURES</b>				
Personal Services and Benefits	\$ 166,700	\$ 166,700	\$ 140,491	\$ 26,209
Contractual Services	57,500	57,500	55,852	1,648
Other	3,651,700	3,651,700	3,597,544	54,156
Total Expenditures	<u>\$ 3,875,900</u>	<u>\$ 3,875,900</u>	<u>\$ 3,793,887</u>	<u>\$ 82,013</u>

See accompanying notes to financial statements

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Exhibit 13

Statement of Fiduciary Assets and Liabilities - Agency Funds  
June 30, 2008

	<u>Agency Funds</u>
<b>ASSETS</b>	
Investment in State Treasurer Investment Pool	\$ 85,576
Cash in Banks	767,124
Total Assets	<u>\$ 852,700</u>
<b>LIABILITIES</b>	
Funds Held for Others	\$ 735,375
Due to Other State Agencies	117,325
Total Liabilities	<u>\$ 852,700</u>

See accompanying notes to financial statements

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the State of New Mexico's Department of Health (Department) 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. 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 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 Department's significant 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 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

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Reporting Entity - continued**

The Department of Health's budget is appropriated by the Legislature during the State's annual legislative session. For fiscal 2008 (FY08), 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.

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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Reporting Entity - continued**

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.

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 by statute and are essential for the successful missions of the programs it supports in these agencies.

Program Area Five (P005) - Behavioral Health Services:

This program area is no longer managed by the Department of Health. All assets and liabilities and activities were transferred to the NM Human Services Department at the beginning of fiscal year 2008.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Reporting Entity - continued**

Program Area Six (P006) – Facilities:

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

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

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Reporting Entity - continued**

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 funds. 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 current financial resources measurement focus and the modified accrual basis of accounting, which incorporates long-term assets and receivables 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.

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. Non-major funds are summarized into a single column. 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

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

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

governmental column, a reconciliation is presented on pages 19 and 23, 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 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 19 and 23, 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.

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:



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

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

**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**

The Department 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.
- Save Our Children's Sight Fund (Fund 26100) – This fund was created by Section 24-1-31 NMSA 1978. Money in this fund is appropriated to the Department for the purpose and development of a vision screening program for children. Monies in this fund shall not revert. There was no budget activity related to this fund in fiscal year 2008.
- 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.

**Capital Projects Fund**

The Department 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

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

**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 50200) – 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 51000) – 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 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **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 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 and Designations**

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:

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Reservations and Designations - continued**

- 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**

The Department maintains cash accounts with the Office of the State Treasurer and 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 which requires banks pledge collateral valued at 50 percent of the uninsured amount deposited.

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 investments, which may differ from the cash deposited by the Department (refer to Schedule 3 – Pledged Collateral and Schedule 2 – Schedule of Cash 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 prepaid 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 life 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:

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Capital Assets - continued**

	<u>Years</u>
Furniture/Fixtures	7 to 10
Data Processing Equipment	3 to 5
Equipment	5 to 10
Vehicles	5 to 10
Building improvements	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.

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 720, hours have been recorded at 50% of the employee's hourly rate in the general fund.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Compensated Absences - continued**

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.

FLSA-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) legally enforceable limitations on their use.

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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Budgetary Data - continued**

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. The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). Budgetary comparisons presented in the financial statements are presented on a basis which is consistent with generally accepted accounting principles except where the Department makes payments after the statutory deadline. Payments requesting approval to pay prior year bills are reflected in the budgetary year of cash payment. A reconciliation is presented in the budget statement that identifies the amounts of any prior year payments.
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.

• **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

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Program Revenue - continued**

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. ACCOUNTS RECEIVABLE**

The accounts receivable and the related allowance for uncollectible accounts for the General Fund as of June 30, 2008, are as follows:

	<b>Accounts Receivable</b>	<b>Allowance for Uncollectible Accounts</b>	<b>Net Accounts Receivable</b>
General Fund:			
Scientific Laboratory	\$ 741,829	49,360	692,469
Turquoise Lodge	5,584,127	5,564,003	20,124
NM Behavioral Health Institute	7,506,961	2,522,343	4,984,618
Los Lunas Community Programs	3,430,826	371,004	3,059,822
Fort Bayard Medical Center	3,864,347	1,102,258	2,761,833
New Mexico Rehabilitation Center	1,362,939	979,600	383,339
New Mexico Veterans Home	856,949	153,463	703,487
Sequoyah Adolescent Treatment Center	<u>1,239,262</u>	<u>185,889</u>	<u>1,053,372</u>
Total	<u>24,587,240</u>	<u>10,928,176</u>	<u>13,659,064</u>
Other:			
Public Health Division	2,023,634	-	2,023,634
Other	<u>472,678</u>	<u>-</u>	<u>472,678</u>
	<u>2,496,312</u>	<u>-</u>	<u>2,496,312</u>
Total	<u>\$ 27,083,552</u>	<u>10,928,176</u>	<u>16,155,376</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**

**5. CAPITAL ASSETS**

<u>Cost</u>	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2008</u>
<b>Capital Assets not being depreciated</b>				
Land	\$ 59,700	\$ -	\$ -	\$ 59,700
<b>Capital Assets being depreciated</b>				
Land Improvements	239,696		(9,119)	230,577
Buildings and structures	42,707,631	163,369	(173,928)	42,697,072
Vehicles	5,062,540	361,869	(2,739,531)	2,684,878
Information Technology	19,899,733	1,125,976	(9,234,262)	11,791,447
Machinery and equipment	14,894,710	1,769,533	(2,396,800)	14,267,443
Furniture and fixtures	2,445,895	52,189	(257,120)	2,240,964
Total cost	<u>85,250,205</u>	<u>3,472,936</u>	<u>(14,810,760)</u>	<u>73,912,381</u>
<b>Total Capital Assets</b>	<b>85,309,905</b>	<b>3,472,936</b>	<b>(14,810,760)</b>	<b>73,972,081</b>
<b>Accumulated depreciation</b>				
Land Improvements	(232,807)	(2,881)	9,119	(226,569)
Buildings and structures	(30,217,016)	(1,087,255)	173,928	(31,130,343)
Vehicles	(4,441,495)	(209,643)	2,739,531	(1,911,607)
Information Technology	(17,063,127)	(1,407,765)	9,234,262	(9,236,630)
Machinery and equipment	(9,462,919)	(1,135,441)	2,396,800	(8,201,560)
Furniture and fixtures	(1,342,023)	(180,348)	257,120	(1,265,251)
Total Accum. Depreciation	<u>(62,759,387)</u>	<u>(4,023,333)</u>	<u>14,810,760</u>	<u>(51,971,960)</u>
Net depreciated assets	<u>\$ 22,490,818</u>	<u>\$ (550,397)</u>	<u>\$ -</u>	<u>\$ 21,940,421</u>
<b>Governmental Activities</b>				
Capital Assets	<u>\$ 22,550,518</u>	<u>\$ (550,397)</u>	<u>\$ -</u>	<u>\$ 22,000,121</u>

Depreciation expense was charged to functions as follows:

Administrative Services Division	\$ 732,413
Public Health Division	458,583
Epidemiology and Response Division	609,359
Scientific Laboratory Division	819,838
Behavioral Health Services Division	42,493
Facilities	68,518
Developmentally Disabled Services Division	1,017,545
Division of Health Improvement	274,584
	<u>\$ 4,023,333</u>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**6. 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:

	<u>Balance, June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2008</u>
Current portion	\$ 7,339,794	5,676,810	(4,987,784)	8,028,820
Non-current portion	-	-	-	-
<b>Total</b>	<b>\$ <u>7,339,794</u></b>	<b><u>5,676,810</u></b>	<b><u>(4,987,784)</u></b>	<b><u>8,028,820</u></b>

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

**7. 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, 2008 consist of the following:

• **Due From Other State Agencies**

<u>DOH SHARE Fund No.</u>	<u>Agency</u>	<u>Other Agency's Fund No.</u>	<u>Amount</u>
06100	Human Services Division	05200	\$ 7,827,438
06100	Energy, Minerals & Natural Resources Department	19900	68,741
06100	Dept. of Education	05700	4,571
06100	Dept. of Corrections	76100	175,588
06100	Environment Department	06400	328
05900	State Board of Finance	41000	445,413
05900	General Services Department	17400	1,300,000
21900	Dept. of Finance & Admin.	34100	91,074
26100	Dept. of Finance & Admin.	34100	<u>3,832</u>
	<b>Total</b>		<b>\$ <u>9,916,985</u></b>

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

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

• **Due To Other State Agencies**

DOH SHARE Fund No.	Agency	Other Agency's Fund No.	Amount
06100	Human Services Department – Behavioral Health transfer	05200	\$ 100,000
06100	Human Services Department – DD Waiver Program	05200	6,057,308
06100	Human Services Department – FIT Program	05200	<u>80,829</u>
	Total Major Funds		<u>6,238,137</u>
50200	Children, Youth and Families Department	91100	49,932
50200	Dept. of Finance & Admin.	85300	<u>67,396</u>
	Total Agency Funds		<u>117,328</u>
	Total All Funds		\$ <u>6,355,462</u>

**8. OPERATING LEASES**

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,

2009	\$ 2,566,185
2010	2,316,047
2011	2,316,047
2012	1,241,502
2013	1,152,699
2014	1,007,621
2015 – 2019	<u>1,596,103</u>
Total	\$ <u>12,196,204</u>

Rental expenditures for the fiscal year ended June 30, 2008 were approximately \$4,367,846.

The Department did not enter into any capitalized leases in FY08 or have leases that are required to be capitalized.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**9. OTHER LIABILITIES**

Other liabilities consist of stale dated checks of non reverting funds to be reissued in the amount of \$22,856.

**10. DEFERRED REVENUE**

The Department receives funds from the County Supported Medicaid Fund. These funds are held as deferred revenue and posted to revenue as expenditures are made:

Deferred revenue June 30, 2007	\$ 6,135,900
Adjusted to fund balance (note 14)	(5,118,280)
County Supported Medicaid receipts	1,894,134
Current year expenditures	<u>(1,983,731)</u>
Deferred revenue	<u>\$ 928,023</u>

**11. 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, 2008:

	<b>General Fund</b>
Health programs	\$ 8,743,999
Inventory and prepaid expense	<u>2,666,322</u>
Total reserved fund balance	<u>\$ 11,410,321</u>

**12. 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.

The value of the Department's interest in the State Permanent Fund at June 30, 2008, and the increase in unrealized appreciation and the income received for the year follow:

	<u>Interest in Fund at June 30, 2008</u>	<u>Income Received in 2008</u>
<b>State Permanent Fund:</b>		
Las Vegas Medical Center	\$ 23,231,536	1,805,977
<b>Charitable, Penal and Reformatory Act:</b>		
Las Vegas Medical Center	\$ 12,040,678	614,383
Los Lunas Community Programs	\$ 12,605,524	914,911

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**13. REVERSIONS**

The following reversions are special appropriations accrued during fiscal year 2008:

Laws of 2007, Ch. 28, Section 5 (Item 67)	\$	103,293
Laws of 2007, Ch. 28, Section 5 (Item 71)		12,813
Laws of 2007, Ch. 28, Section 5 (Item 73)		21
Laws of 2007, Ch. 28, Section 7 (Sub Section 24)		128
Laws of 2004, Ch. 114, Section 8 (Item 27)		2,680
Laws of 2007, Ch. 21, Section 26 (Item 2)		290,000
Laws of 2007, Ch.21, Section 26 (Item 4)		275
Laws of 2007, Ch. 21, Section 26 (Item 5)		6,807
Laws of 2007, Ch. 21, Section 26 (Item 18)		10,250
Laws of 2007, Ch. 21, Section 26 (Item 24)		17,080
Laws of 2007, Ch.21, Section 26 (Item 28)		12,608
Laws of 2007, Ch. 21, Section 26 (Item 34)		4,400
Laws of 2007, Ch. 21, Section 26 (Item 40)		<u>25,000</u>
FY2008 Reversions		485,355
Unpaid FY2007 Reversions		<u>271,584</u>
	\$	<u><u>756,939</u></u>

The Department did not have any additional reversions for FY2008. The amounts above are payable within 45 days of the release of this audit by the Office of the State Auditor. Total reversions related to special appropriations equal \$485,355. The Department's general funds revert.

**14. INTERFUND ACTIVITY**

The interfund activity is 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 Transferred To Other Funds		Amounts Transferred From Other Funds	
DOH Fund No.	Amount	DOH Fund No.	Amount
55800	\$ <u>3,759,002</u>	06100	\$ <u>3,759,002</u>

**15. FUND BALANCE RESTATEMENT**

To comply with Governmental Accounting Standards Board Statement No. 33 (GASBS 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the Department has changed its accounting treatment of capital project appropriations financed with bond proceeds.

Prior to the change, the Department recognized—in the year the capital project appropriations were authorized by the Legislature—the entire amount of bond proceeds related to capital project appropriations. It also recognized a corresponding liability, due to project recipients, and the expenditure related to that. It did not take into account the impact of eligibility requirements: Under the modified accrual basis of accounting, GASBS 33 requires that the recognition of revenues and expenditures occur only when all applicable eligibility requirements have been met. Since all of the eligibility requirements established by the State Board of Finance had not been met by the end of last fiscal year, the Department's recognition of bond proceeds and the related liability to recipients was premature. As a result of the restatement, the June 30, 2007 fund balance in the Capital Projects fund (05900) was increased by \$3,718,280.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**16. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

• **Plan Description**

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

• **Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$22,770,530, \$21,035,552, and \$20,321,350, respectively, which equal the amount of the required contributions for each fiscal year.

**17. PENSION PLAN – EDUCATIONAL RETIREMENT BOARD**

• **Plan Description**

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978). The Educational Retirement Board (ERB) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members (certified teachers, and other employees of State public school districts, colleges and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at [www.nmerb.org](http://www.nmerb.org).

• **Funding Policy**

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 10.9% of the gross covered salary. Effective July 1, 2008, plan members are required to contribute 7.9% of their gross salary. The employer contribution will increase .75% each year until July 1, 2011 when the employer contribution will be 13.9%. The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2008, 2007, and 2006, were \$39,030, \$36,056, and \$0, respectively, which equal the amount of the required contributions for each fiscal year.

**18. 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

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**18. DEFERRED COMPENSATION - continued**

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.

**19. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

• **Plan Description**

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

• **Funding Policy**

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

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**19. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN - continued**

• **Funding Policy - continued**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$1,741,882, \$1,633,214 and \$1,597,452, respectively, which equal the required contributions for each year.

**20. 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, 2008, total insurance premiums paid to the Risk Management Division were \$3,629,140.

**21. 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.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**21. 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

**SUPPLEMENTARY STATEMENTS**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
General Fund by Program  
For the Year Ended June 30, 2008

Program P001 - Administration	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 5,650,200	\$ 6,050,974	\$ 6,537,450	\$ 486,476
General Fund Appropriations	7,232,000	7,232,000	7,232,000	-
Fees, Penalties and Other	204,100	956,794	200,147	(756,647)
Other Financing Sources	1,040,900	307,400	327,300	19,900
	<u>14,127,200</u>	<u>14,547,168</u>	<u>14,296,897</u>	<u>(250,271)</u>
Fund Balance Budgeted	350,000	350,000	-	(350,000)
Total Revenues	<u>\$ 14,477,200</u>	<u>\$ 14,897,168</u>	<u>\$ 14,296,897</u>	<u>\$ (600,271)</u>
<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 10,429,600	\$ 10,725,761	\$ 10,716,313	\$ 9,448
Contractual Services	1,949,600	2,423,407	2,150,715	272,692
Other	2,098,000	1,748,000	2,245,130	(497,130)
Total Expenditures	<u>\$ 14,477,200</u>	<u>\$ 14,897,168</u>	<u>\$ 15,112,158</u>	<u>\$ (214,990)</u>
Program P002 - Public Health	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 84,122,900	\$ 90,292,878	\$ 86,610,051	\$ (3,682,827)
General Fund Appropriations	78,932,300	78,932,300	78,932,300	-
Patient Service Revenue	29,516,100	30,287,211	12,818,345	(17,468,866)
Fees, Penalties and Other	3,070,300	3,070,300	6,938,547	3,868,247
Other Financing Sources	1,106,600	1,106,600	11,184,919	10,078,319
	<u>196,748,200</u>	<u>203,689,289</u>	<u>196,484,162</u>	<u>(7,205,127)</u>
Fund Balance Budgeted	50,000	50,000	-	(50,000)
Total Revenues	<u>\$ 196,798,200</u>	<u>\$ 203,739,289</u>	<u>\$ 196,484,162</u>	<u>\$ (7,255,127)</u>
<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 52,935,100	\$ 53,497,551	\$ 53,494,587	\$ 2,964
Contractual Services	59,551,100	59,332,403	53,683,674	5,648,729
Other	83,325,200	89,922,535	92,008,225	(2,085,690)
Total Expenditures	<u>195,811,400</u>	<u>202,752,489</u>	<u>199,186,486</u>	<u>3,566,003</u>
Other Financing Uses	986,800	986,800	888,195	98,605
Total Expenditures and Financing Uses	<u>\$ 196,798,200</u>	<u>\$ 203,739,289</u>	<u>\$ 200,074,681</u>	<u>\$ 3,664,608</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
General Fund by Program  
For the Year Ended June 30, 2008

Program P003 - Epidemiology and Response	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 18,240,700	\$ 20,719,703	\$ 16,138,296	\$ (4,581,407)
General Fund Appropriations	6,493,800	6,493,800	6,493,800	-
Patient Service Revenue	799,100	797,889	393,466	(404,423)
Fees, Penalties and Other	609,700	611,960	829,024	217,064
Other Financing Sources	168,500	168,500	211,000	42,500
	<u>26,311,800</u>	<u>28,791,852</u>	<u>24,065,586</u>	<u>(4,726,266)</u>
Fund Balance Budgeted	1,050,000	1,050,000	-	(1,050,000)
Total Revenues	<u>\$ 27,361,800</u>	<u>29,841,852</u>	<u>\$ 24,065,586</u>	<u>\$ (5,776,266)</u>

<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 11,852,000	\$ 12,352,000	\$ 11,303,657	\$ 1,048,343
Contractual Services	8,079,500	9,113,633	6,958,319	2,155,314
Other	7,430,300	8,376,219	6,704,535	1,671,684
Total Expenditures	<u>27,361,800</u>	<u>29,841,852</u>	<u>24,966,511</u>	<u>4,875,341</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 27,361,800</u>	<u>\$ 29,841,852</u>	<u>\$ 24,966,511</u>	<u>\$ 4,875,341</u>

Program P004 - Lab Services	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 2,709,600	\$ 2,691,761	\$ 1,916,621	\$ (775,140)
General Fund Appropriations	6,005,100	6,005,100	6,005,100	-
Patient Service Revenue	-	-	-	-
Fees, Penalties and Other	2,727,900	2,745,739	2,847,341	101,602
Other Financing Sources	412,800	412,800	412,800	-
	<u>11,855,400</u>	<u>11,855,400</u>	<u>11,181,862</u>	<u>(673,538)</u>
Fund Balance Budgeted	-	-	-	-
Total Revenues	<u>\$ 11,855,400</u>	<u>11,855,400</u>	<u>\$ 11,181,862</u>	<u>\$ (673,538)</u>

<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 7,255,800	\$ 7,600,800	\$ 7,599,518	\$ 1,282
Contractual Services	424,800	474,800	465,677	9,123
Other	4,174,800	3,779,800	3,376,781	403,019
Total Expenditures	<u>11,855,400</u>	<u>11,855,400</u>	<u>11,441,976</u>	<u>413,424</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 11,855,400</u>	<u>\$ 11,855,400</u>	<u>\$ 11,441,976</u>	<u>\$ 413,424</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
General Fund by Program  
For the Year Ended June 30, 2008

Program P006 - Facilities Management	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 3,290,100	\$ 3,195,677	\$ 3,942,761	\$ 747,084
General Fund Appropriations	46,159,900	46,159,900	46,159,900	-
Patient Service Revenue	80,367,500	80,461,923	48,593,837	(31,868,086)
Fees, Penalties and Other	4,913,800	4,913,800	2,295,381	(2,618,419)
Other Financing Sources	1,319,700	1,319,700	1,318,902	(798)
	<u>136,051,000</u>	<u>136,051,000</u>	<u>102,310,781</u>	<u>(33,740,219)</u>
Fund Balance Budgeted	-	-	-	-
Total Revenues	<u>\$ 136,051,000</u>	<u>136,051,000</u>	<u>102,310,781</u>	<u>\$ (33,740,219)</u>

<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 87,897,400	\$ 87,897,400	\$ 87,893,832	\$ 3,568
Contractual Services	30,376,900	30,975,900	10,088,913	20,886,987
Other	17,776,700	17,177,700	16,018,023	1,159,677
Total Expenditures	<u>136,051,000</u>	<u>136,051,000</u>	<u>114,000,768</u>	<u>22,050,232</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 136,051,000</u>	<u>\$ 136,051,000</u>	<u>\$ 114,000,768</u>	<u>\$ 22,050,232</u>

Program P007 - Developmental Disabilities Support Services

Program P007 - Developmental Disabilities Support Services	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 2,571,700	\$ 2,561,913	\$ 8,314,892	\$ 5,752,979
General Fund Appropriations	120,143,100	120,143,100	120,143,100	-
Patient Service Revenue	21,973,800	21,983,587	14,004,796	(7,978,791)
Fees, Penalties and Other	1,099,700	1,099,700	-	(1,099,700)
Other Financing Sources	208,600	208,600	208,838	238
	<u>145,996,900</u>	<u>145,996,900</u>	<u>142,671,626</u>	<u>(3,325,274)</u>
Fund Balance Budgeted	200,000	200,000	-	(200,000)
Total Revenues	<u>\$ 146,196,900</u>	<u>\$ 146,196,900</u>	<u>\$ 142,671,626</u>	<u>\$ (3,525,274)</u>
<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 23,553,300	\$ 26,089,636	\$ 25,686,370	\$ 403,266
Contractual Services	34,189,700	15,587,700	14,959,443	628,257
Other	6,039,000	24,505,064	24,029,596	475,468
Total Expenditures	<u>63,782,000</u>	<u>66,182,400</u>	<u>64,675,409</u>	<u>1,506,991</u>
Other Financing Uses	82,414,900	80,014,500	80,014,500	-
Total Expenditures and Financing Uses	<u>\$ 146,196,900</u>	<u>\$ 146,196,900</u>	<u>\$ 144,689,909</u>	<u>\$ 1,506,991</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
General Fund by Program  
For the Year Ended June 30, 2008

Program P008 - Health Certification and Licensing	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ 1,944,000	\$ 1,938,353	\$ 7,057,689	\$ 5,119,336
General Fund Appropriations	5,223,600	5,223,600	5,223,600	-
Patient Service Revenue	4,907,400	5,649,373	-	(5,649,373)
Fees, Penalties and Other	1,758,500	2,350,474	1,904,520	(445,954)
Other Financing Sources	170,100	170,100	170,100	-
	<u>14,003,600</u>	<u>15,331,900</u>	<u>14,355,909</u>	<u>(975,991)</u>
Fund Balance Budgeted	-	1,147,893	-	(1,147,893)
Total Revenues	<u>\$ 14,003,600</u>	<u>16,479,793</u>	<u>\$ 14,355,909</u>	<u>\$ (2,123,884)</u>

<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 10,924,700	\$ 10,924,700	\$ 10,773,725	\$ 150,975
Contractual Services	846,400	1,160,400	1,148,081	12,319
Other	2,232,500	4,394,693	3,445,279	949,414
Total Expenditures	<u>14,003,600</u>	<u>16,479,793</u>	<u>15,367,085</u>	<u>1,112,708</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 14,003,600</u>	<u>\$ 16,479,793</u>	<u>\$ 15,367,085</u>	<u>\$ 1,112,708</u>

Special Appropriations

Special Appropriations	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal Funds	\$ -	\$ -		\$ -
General Fund Appropriations	3,199,000	5,274,000	5,274,000	-
Patient Service Revenue	-	-	-	-
Fees, Penalties and Other	-	-	-	-
Other Financing Sources	-	500,000	500,000	-
	<u>3,199,000</u>	<u>5,774,000</u>	<u>5,774,000</u>	<u>-</u>
Fund Balance Budgeted	-	1,728,745	-	(1,728,745)
Total Revenues	<u>\$ 3,199,000</u>	<u>7,502,745</u>	<u>\$ 5,774,000</u>	<u>\$ (1,728,745)</u>

<b>EXPENDITURES</b>				
Personal Services/Employee Benefits	\$ 137,500	\$ 1,093,000	\$ 1,089,791	\$ 3,209
Contractual Services	1,958,500	5,136,645	3,451,346	1,685,299
Other	1,103,000	1,256,300	1,194,888	61,412
Total Expenditures	<u>3,199,000</u>	<u>7,485,945</u>	<u>5,736,025</u>	<u>1,749,920</u>
Other Financing Uses	-	16,800	16,800	-
Total Expenditures and Financing Uses	<u>\$ 3,199,000</u>	<u>\$ 7,502,745</u>	<u>\$ 5,752,825</u>	<u>\$ 1,749,920</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

All Projects	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriations	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Other Financing Sources (Re-Auths)	1,350,000	1,350,000	1,350,000	-
Bond Proceeds	2,260,950	2,260,950	453,535	(1,807,415)
	<u>4,360,950</u>	<u>4,360,950</u>	<u>2,553,535</u>	<u>(1,807,415)</u>
Fund Balance Budgeted	3,750,017	3,750,017	-	(3,750,017)
Total Revenues	<u>\$ 8,110,967</u>	<u>\$ 8,110,967</u>	<u>\$ 2,553,535</u>	<u>\$ (5,557,432)</u>
<b>EXPENDITURES</b>				
Contractual Services	\$ 1,455,129	\$ 1,455,129	\$ 1,273,242	\$ 181,887
Other	6,655,838	6,655,838	1,725,056	4,930,782
Total Expenditures	<u>\$ 8,110,967</u>	<u>\$ 8,110,967</u>	<u>\$ 2,998,298</u>	<u>\$ 5,112,669</u>

Project A030031 - Roosevelt County Medical Equipment

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Contractual Services	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

Project A032680 - DOH Cemetary Restoration

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	<u>\$ 24,838</u>	<u>\$ 24,838</u>	<u>\$ -</u>	<u>\$ -</u>
<b>EXPENDITURES</b>				
Other Costs	<u>\$ 24,838</u>	<u>\$ 24,838</u>	<u>\$ -</u>	<u>\$ (24,838)</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

Project A040601 - NM Veterans Home Renovation

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 63,179	\$ 63,179		\$ (63,179)
<b>EXPENDITURES</b>				
Contractual Services	\$ 63,179	\$ 63,179	\$ 63,092	\$ 87

Project A050148 - School Based Health Facilities Improvement

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Bond Proceeds	\$ 260,950	\$ 260,950	\$ 246,000	\$ (14,950)
<b>EXPENDITURES</b>				
Contractual Services	\$ 260,950	\$ 260,950	\$ 246,000	\$ 14,950

Project A051219 - School Based Health Facilities Improvement

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 345,000	\$ 345,000	\$ -	\$ (345,000)
<b>EXPENDITURES</b>				
Contractual Services	\$ 345,000	\$ 345,000	\$ 328,150	\$ 16,850

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

Project A051218 - Tele-Health

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 136,000	\$ 136,000	\$ -	\$ -
<b>EXPENDITURES</b>				
Contractual Services	\$ 136,000	\$ 136,000	\$ 136,000	\$ -

Project A052343 - DOH Cancer Support Services

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriation	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
<b>EXPENDITURES</b>				
Contractual Services	\$ 50,000	\$ 50,000	\$ -	\$ 50,000

Project A051820 - School Based Health Equipment

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 500,000	\$ 500,000	\$ -	\$ -
<b>EXPENDITURES</b>				
Contractual Services	\$ 500,000	\$ 500,000	\$ 400,000	\$ 100,000

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

Project A061290 - Chaves Lincoln County Schools

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 25,000	\$ 25,000	\$ -	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 25,000	\$ 25,000	\$ 24,434	\$ 566

Project A061291 - DOH School Based Health Facilities

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 2,000,000	\$ 2,000,000	\$ -	\$ 2,000,000

Project A073704 - Public Health Clinics Improvements

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Bond Proceeds	\$ 2,000,000	\$ 2,000,000	\$ 207,535	\$ (1,792,465)
<b>EXPENDITURES</b>				
Other costs	\$ 2,000,000	\$ 2,000,000	\$ 207,535	\$ 1,792,465

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

Project A073922 - Bernalillo County Alternative Meds

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Other Financing Sources	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 50,000	\$ 50,000	\$ 50,000	\$ -

Project A073872- Scientific Laboratory Equipment

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Other Financing Sources	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 1,000,000	\$ 1,000,000	\$ 993,087	\$ 6,913

Project A073885 - Alzheimers Veterans

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Other Financing Sources	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 300,000	\$ 300,000	\$ -	\$ 300,000

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

Project A074210 - Hagerman Health Clinic

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriations	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 100,000	\$ 100,000	\$ -	\$ 100,000

Project A074624 - Bernalillo County MRI Equipment

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriations	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
<b>EXPENDITURES</b>				
Other Financing Uses	\$ 500,000	\$ 500,000	\$ 500,000	\$ -

Project A074625 - Family Respite

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 500,000	\$ 500,000	\$ -	\$ -
<b>EXPENDITURES</b>				
Other Costs	\$ 500,000	\$ 500,000	\$ -	\$ 500,000

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2008

Project A074626 - Mobile Dental Unit

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
Fund Balance	\$ 56,000	\$ 56,000	\$ -	\$ -
<b>EXPENDITURES</b>				
Other Costs	\$ 56,000	\$ 56,000	\$ -	\$ 56,000

Project A083959 - DOH Brain Function

	Budgeted Amounts		Actual Amounts Current Year	Variance from Final Budget
	Original	Final		
<b>REVENUES</b>				
General Fund Appropriations	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
<b>EXPENDITURES</b>				
Other costs	\$ 100,000	\$ 100,000	\$ -	\$ 100,000

See accompanying notes to financial statements.

**OTHER SUPPLEMENTARY SCHEDULES**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1  
Page 1 of 3

Schedule of Individual Deposits  
For the Year Ended June 30, 2008

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
<b>Health District Offices Petty Cash in Banks (checking accounts):</b>				
Alamogordo	First National Bank of Alamogordo \$	600	-	600
Artesia	Wells Fargo Bank	375	-	375
Carlsbad	Carlsbad National Bank	802	(2)	800
Clovis	NM Bank & Trust - Clovis	600	-	600
Deming	Wells Fargo Bank	647	353	1,000
Dona Ana County	Wells Fargo Bank	310	840	1,150
Hobbs	Wells Fargo Bank	800	-	800
Las Cruces	Wells Fargo Bank	573	127	700
Rio Arriba	Valley National Bank, Espanola	500	-	500
Roswell	Wells Fargo Bank	1,000	-	1,000
San Miguel	Bank of Las Vegas	237	263	500
Santa Fe	Bank of Santa Fe	500	-	500
Silver City	Wells Fargo Bank	600	-	600
Sunland	Wells Fargo Bank	596	4	600
Taos	First State Bank of Taos	400	-	400
Tucumcari	Wells Fargo Bank	593	7	600
<b>Total Petty Cash</b>		<b>9,133</b>	<b>1,592</b>	<b>10,725</b>
<b>The X/Family Planning Depository Clearing (checking accounts):</b>				
Alamogordo	Wells Fargo Bank	1,108	-	1,108
Anthony/Chaparral	First Security/Wells Fargo Bank	285	-	285
Artesia	First National Bank of Artesia	1,074	-	1,074
Carlsbad	Carlsbad National Bank	1,192	-	1,192
Clayton	Farmers' and Stockmen's Bank	100	-	100
Clovis	Wells Fargo Bank	461	-	461
Espanola	Community Bank - Espanola	302	-	302
Estancia	Wells Fargo Bank	176	-	176
Farmington	Bank of America	536	-	536
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	112	-	112
Gallup	Western Bank of Gallup	192	-	192
Grants	Grants State Bank	353	-	353
Hobbs	Lea County State Bank	913	-	913
Las Cruces	Wells Fargo Bank	100	-	100
Las Vegas	Bank of Las Vegas	105	-	105
Lordsburg	Western Bank, Lordsburg	100	-	100
Los Alamos	Los Alamos National Bank	206	-	206
Los Lunas	Wells Fargo Bank	1,198	-	1,198
Lovington	Lea County State Bank	1,178	-	1,178
Portales	Portales National Bank	205	-	205
Raton	International State Bank, Raton	262	-	262

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1  
Page 2 of 3

Schedule of Individual Deposits  
For the Year Ended June 30, 2008

The X/Family Planning Depository Clearing (checking accounts)(continued):

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Roswell	Wells Fargo Bank	1,148	-	1,148
Ruidoso	Compass Bank	489	-	489
SE Heights/NE Valley	Wells Fargo Bank	790	-	790
Silver City	Wells Fargo Bank	160	-	160
Socorro	First State Bank, Socorro	716	-	716
Sunland Park	First Security/Wells Fargo Bank	169	-	169
T or C	Bank of the Southwest, T or C	116	-	116
Taos	First State Bank of Taos	130	-	130
Tucumcari	Wells Fargo Bank	225	-	225
<b>Total Title X/Family Planning</b>		<b>14,101</b>	<b>-</b>	<b>14,101</b>
<b>District Health Office Totals</b>		<b>23,233</b>	<b>1,592</b>	<b>24,826</b>
<b>General Fund Bank Accounts (checking accounts):</b>				
NMBHI-Foster Gran.	Bank of Las Vegas	567	17,251	17,818
NMBHI-Managed Care	Bank of Las Vegas	10,000	(10,000)	-
NMBHI-Revolving	First National Bank of Las Vegas	1,284,514	(1,284,514)	-
FBMC	Bank of America	457	16	473
Los Lunas	Wells Fargo Bank	-	-	-
Los Lunas	Wells Fargo Bank	6,167	(467)	5,700
NM Rehab Center	Bank of America	(91)	-	(91)
Scientific Lab	Bank of the West	685	-	685
Turquoise Lodge	Bank of the West	387	-	387
Veterans Center	Bank of the Southwest, T or C	9,915	(9,410)	505
<b>Total General Fund Banks</b>		<b>1,312,601</b>	<b>(1,287,124)</b>	<b>25,477</b>
<b>Total General Fund, including District Health Offices</b>		<b>1,335,834</b>	<b>(1,285,532)</b>	<b>50,303</b>
<b>General Fund - State Treasurer (with CAS fund numbers):</b>				
Capital Project - 059	State Treasurer	2,913,461	-	2,913,461
Operating Fund - 061	State Treasurer	16,255,210	(10,721,062)	5,534,148
CMS Fund - 219	State Treasurer	964,411	-	964,411
Trauma Fund - 257	State Treasurer	40,911	-	40,911
Save Our Children - 261	State Treasurer	26,580	-	26,580
Medicaid Waiver - 558	State Treasurer	(10,721,062)	10,721,062	-
EMS - 756	State Treasurer	473,563	-	473,563
<b>Total General Fund - State Treasurer</b>		<b>9,953,074</b>	<b>-</b>	<b>9,953,074</b>
<b>Total General Fund</b>		<b>11,288,908</b>	<b>(1,285,532)</b>	<b>10,003,377</b>
				<b>Reconciled</b>

See accompanying notes to financial statements.



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1  
Page 3 of 3

Schedule of Individual Deposits  
For the Year Ended June 30, 2008

Account Title	Depository	Balance per Bank	Reconciling Items	Balance per Books
<b>Trust and Agency Funds - Banks (checking accounts):</b>				
BHI - LV	Bank of Las Vegas	46,330	(471)	45,859
BHI - LV	Bank of Las Vegas	249,120	(20,276)	228,844
BHI - LV	Bank of Las Vegas	77,217	(7,632)	69,585
NMBHI-Foster Gran.	Bank of Las Vegas	8,869	-	8,869
FBMC	Bank of America - Silver City	8,683	(284)	8,398
FBMC	Bank of America - Silver City	43,399	(1,440)	41,958
FBMC	Bank of America - Silver City	160,254	(26,750)	133,503
Los Lunas Hospital	Wells Fargo Bank of NM - Los Lunas	40,771	(4,312)	36,459
Los Lunas Hospital	Wells Fargo Bank of NM - Los Lunas	1,544	(1,008)	536
Veterans Center	Bank of the Southwest, T or C	17,350	-	17,350
Veterans Center	Bank of the Southwest, T or C	109,469	(4,575)	104,894
Veterans Center	Bank of the Southwest, T or C	38,303	(298)	38,005
Sequoyah	Bank of America - Silver City	1,449	(338)	1,111
		<u>802,758</u>	<u>(67,385)</u>	<u>735,372</u>
<b>Vital Statistics Depository Clearing (checking accounts):</b>				
Alamogordo	First National Bank of Alamogordo	1,230	-	1,230
Albuquerque	Wells Fargo Bank	4,001	-	4,001
Carlsbad	Carlsbad National Bank	1,630	-	1,630
Clayton	Farmers & Stockmens	350	-	350
Clovis	Wells Fargo Bank	768	-	768
Deming	Wells Fargo Bank	1,457	-	1,457
Farmington	Bank of America	4,250	-	4,250
Gallup	Western Bank of Gallup	1,722	-	1,722
Hobbs	Lea County State Bank	1,793	-	1,793
Las Cruces	First Security/Wells Fargo Bank	6,760	-	6,760
Las Vegas	First National Bank of Las Vegas	910	-	910
Lovington	Lea County State Bank	720	-	720
Raton	International State Bank, Raton	100	-	100
Roswell	Wells Fargo Bank	4,860	-	4,860
Santa Rosa	Wells Fargo Bank	488	-	488
Silver City	Wells Fargo Bank	443	-	443
Socorro	First State Bank, Socorro	-	-	-
Taos	First State Bank of Taos	270	-	270
		<u>31,752</u>	<u>-</u>	<u>31,752</u>
Birth & Death - 502	State Treasurer	<u>85,576</u>	<u>-</u>	<u>85,576</u>
<b>Total Trust and Agency Funds - Banks</b>		<u>920,086</u>	<u>(67,385)</u>	<u>852,700</u>
Department Total - all funds		\$ <u>12,208,994</u>	<u>(1,352,917)</u>	10,856,077
Petty cash				14,518
Department Total Cash				<u>\$ 10,870,595</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

Schedule 2

**Schedule of Pledged Collateral  
June 30, 2008**

<b>Cash in Other Banks</b>	<b>Balance at 30-Jun-08</b>	<b>FDIC</b>	<b>Unisured</b>	<b>Pledged Collateral</b>	
First National Bank of Las Vegas	\$ 1,285,424	100,000	1,185,424	-	A
Bank of Las Vegas	392,445	100,000	292,445	500,000	
Bank of America	224,088	100,000	124,088	-	A
Bank of the Southwest, T or C	175,154	100,000	75,154	-	A
Wells Fargo Bank of NM - Los Lunas	42,315	42,315	-	-	
Wells Fargo Bank	29,329	29,329	-	-	
Other Banks	21,589	21,589	-	-	
	<b>2,170,344</b>	<b>493,233</b>	<b>1,677,111</b>	<b>500,000</b>	
 Total FDIC	 (493,233)				
 Bonds:					
US Treasury Notes CUSIP #912828DR8, maturity 04/15/10	(500,000)				
 Uninsured Public Funds	 1,177,111				
 Interest in the State Treasurer Investment Pool	 10,038,650	B			
 Monitored by the State Treasurer's Office	\$ 11,215,761				

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 3

**Schedule of Transfers  
June 30, 2008**

<b>Agency</b>	<b>Fund</b>	<b>Inter-Agency Transfers Out</b>	
66500	06100	Human Services Department -Medicaid match state share	\$ 80,062,147
66500	06100	Human Services Department -Mi Via Waiver	48,346
66500	06100	Human Services Department -Maximus	88,203
66500	06100	Human Services Department-FQHC	500,000
66500	05900	Appropriation -Reauthorization	500,000
66500	06100	Human Services Department-Children's Medical Services Program	204,000
66500	06100	Commission on the Status of Women	16,800
66500	06100	Human Services Division-special appropriation	<u>100,000</u>
			81,519,495
		<b>Inter-Fund Transfers Out (to close out fund 558)</b>	<b>3,759,002</b>
			<u><u>\$ 85,278,497</u></u>

<b>Agency</b>	<b>Fund</b>	<b>Inter-Agency Transfers In</b>	
34100	85200	Computer Enhancement Fund	\$ 500,000
34100	62000	DFA - Compensation Package	3,683,000
33300	82500	MVD Distributions	30,412
		<b>Total Inter - Agency Transfers</b>	<u>4,213,412</u>
		<b>Inter-Fund Transfers In (to close out fund 558)</b>	<b>3,759,002</b>
		<b>Total Transfers In</b>	<u><u>\$ 7,972,414</u></u>

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements  
For the Period Ended June 30, 2008

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
06.665.JPA.0002	Department of Health (DOH) Environment Department (ED)	To conduct a Waterborne Disease Surveillance Project. (Both receive 1/2 of Federal Fund.s)	4/7/2006	6/30/2008	210,060	-	-	DOH, ED	DOH, ED	DOH, ED
99.665.6800.0020	Department of Health (DOH) School for the Visually Handicapped (NMSVH)	To support and coordinate services to children under 4 who have a vision loss and their families.	7/1/2004	Ongoing	60,000	60,000	-	DOH, SVH	SVH	SVH
JPA 95-29	Human Services Department (HSD) Department of Health (DOH)	For Service Coordination, Early Intervention Developmental Services, Early Intervention Therapy Services.	6/1/1995	Ongoing	4,513,782	4,513,782	4,513,782	HSD, DOH	Not Stated	HS, DOH
04.665.4200.0185	Department of Health (DOH) Sandoval County (SC)	For Sandoval County - DOH will provide health services to Sandoval County residents.	9/8/2003	Ongoing	700,010	300,010	-	SCC	Not Stated	SCC, DOH

STATE OF NEW MEXICO  
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Schedule of Joint Powers Agreements  
For the Period Ended June 30, 2008

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
04.665.4200.0504	Department of Health (DOH) San Miguel County (SMC)	For San Miguel County - DOH will provide health services to San Miguel County residents.	6/1/2004	Ongoing	50,000	50,000	-	SMC	Not Stated	DOH, SMC
04.665.1100.0019	Department of Health (DOH) Department of Transportation (DOT)	For Coordinated Transportation Services in Valencia County.	6/17/2004	Ongoing	5,000	5,000	-	DOT	DOT	DOT
06.665.0100.0013A3	Department of Health (DOH) Navajo Nation (NN)	To control the Transmission of Sexually Transmitted Diseases on the Navajo Reservation and Northwest New Mexico.	9/13/2005	6/30/2009	94,715	47,376	43,725	NN, DOH	Not Stated	NN, DOH
01.665.6800.0260	Department of Health (DOH) New Mexico School for the Deaf (NMSD)	To support and coordinate services to children and their families under four who have hearing losses.	7/1/2005	Ongoing	50,760	50,760	-	DOH/SFD	SFD	SFD

STATE OF NEW MEXICO  
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Schedule of Joint Powers Agreements  
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JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
95.665.6200.0949	Department of Health (DOH) University of New Mexico (UNM) Public Education Department	To provide training and technical assistance to providers in developmental evaluations for individuals under age four.	8/16/2001	Ongoing	1,119,750	1,119,750	1,119,750	DOH	Not Stated	DOH
MASTER SERVICES AGREEMENT UNM	Department of Health (DOH) University of New Mexico (UNM)	The Department (DOH) and UNM are engaged in the delivery of health care and related education and research for the benefit of citizens of the State of New Mexico.	10/19/2005	6/30/2008	19,579,147	19,579,147	15,293,111	DOH	Not Stated	DOH
05.665.0100.0014	Department of Health (DOH) Lincoln County (LC)	For Lincoln County - DOH will provide health services to Lincoln County residents.	9/24/2004	Ongoing	20,000	20,000	-	DOH, LC	DOH, LC	DOH, LC
05.665.0100.0008	Department of Health (DOH) Socorro County (SC)	For Socorro County - DOH will provide health services to Socorro County residents.	9/21/2004	Ongoing	20,000	20,000	-	DOH, SC	DOH, SC	DOH, SC
04.665.4200.0311A1	Department of Health (DOH)	For the Village of Hatch - DOH will	11/14/2003	12/31/2033	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH

See Independent Auditors' Report.

STATE OF NEW MEXICO  
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Schedule of Joint Powers Agreements  
For the Period Ended June 30, 2008

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
	Village of Hatch (Hatch)	provide health services to Village of Hatch County residents.								
06.665.0009.0013	Human Services Department (HSD) Department of Health (DOH)	For DOH to receive Medicaid reimbursement for services DOH provides at its facilities and offices.	11/30/2005	6/30/2009	196,200	448,963	448,963	DOH, HS	DOH	DOH
0630.8114.03.37 (JPA 03-37)	Human Services Department (HSD) Department of Health (DOH)	To designate the administrative, fiscal and programmatic responsibilities for the operations of the Home and Community Based Waiver Program.	10/14/2003	-	-	-	-	DOH, HSD	HSD	DOH, HSD
				AIDS WAIVER	91,653	91,653	91,653			
				MEDICAID WAIVE	78,775,501	78,775,501	78,775,501			
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) Aging & Long Term Services Dept (ALTSD)	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AIDS statewide.	5/3/2006	Ongoing	50,000	50,000	50,000	AA, DOH	AA, DOH	AA, DOH
07.665.0200.0173	New Mexico Department of Health The County of Bernalillo	For DOH's WIC Program activities for the benefit of the	7/13/2006	11/8/2009	193,000	193,000	-	DOH, COB	Not Stated	DOH, COB

See Independent Auditors' Report.

STATE OF NEW MEXICO  
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Schedule of Joint Powers Agreements  
For the Period Ended June 30, 2008

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
JPA 82-14	New Mexico HSD New Mexico Department of Health	residents of the For Medicare and Medicaid Programs; Preadmission Screening and Annual Resident Review. **HSD SENDS MEDICAID MONEY TO DOH, NO TRANSFER FROM DOH TO HSD.	5/27/1994	Ongoing	-	-	-	HSD	Not Stated	DOH,HSD
08.630.7903.0019	New Mexico Human Services Department New Mexico Department of Health	To Fund Turquoise Lodge, an entity of DOH to provide residential drug medical detoxification services.	7/1/2007	6/30/2008	715,958	-	-	HSD/DOH	HSD	HSD/DOH



STATE OF NEW MEXICO  
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Schedule of Joint Powers Agreements  
For the Period Ended June 30, 2008

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
08.630.8000.0001	New Mexico Human Services Department New Mexico Department of Health	To provide for DOH and HSD to jointly exercise their respective duties and obligations to women, children and families under Titles V, XIX and XXI of the Social Security Act.	6/25/2007	6/30/2012	561,048	-	-	HSD/DOH	HSD	HSD/DOH
08.770.1200.0001	New Mexico Corrections Department New Mexico Department of Health	To provide medications as prescribed by the DOH clinician and NMCD primary care providers.	7/1/2007	6/30/2008	548,000	-	-	NMCD/DOH	NMCD/DOH	NMCD
07.630.1000.0009	New Mexico Human Services Department New Mexico Department of Health	To provide funding by HSD to DOH of 75% of the salary and benefits of a state employee whose job responsibilities shall be transferred to the HSD from DOH.	7/1/2007	6/30/2008	75,079	-	-	Not Stated	Not Stated	Not Stated

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Schedule of Joint Powers Agreements  
For the Period Ended June 30, 2008

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
08.630.9000.0009	New Mexico Human Services Department New Mexico Department of Health	To provide funding for Administering DOH'S refugee health screening services to newly arrived refugees and asylees who have been resettled in New Mexico.	9/25/2007	6/30/2008	112,546	-	-	HSD/DOH	Not Stated	HSD/DOH
08.630.7903.0023	New Mexico Human Services Department New Mexico Department of Health	To provide prevention staffing, training and reporting for the Behavioral Health Purchasing Collaborative.	11/26/2007	6/30/2008	439,487	-	-	HSD/DOH	HSD	HSD/DOH
06.630.8000.0006A2	New Mexico Human Services Department Public Education Department Department of Health and Children, Youth and Families Department	In a collaborative effort for the benefit of the Medicaid School-Based Services program and school based health centers that serve Medicaid eligible children and youth in New Mexico.	7/1/2005	6/30/2008	940,318	-	-	HSD/DOH	HSD	HSD/DOH

See Independent Auditors' Report.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Memoranda of Understanding

MOAMOU No.	Participants	Description of Activity	Term	Total Amount of Agreement	Amount DOH Contributed in FY08	Responsible for Audit	Fiscal Agent	Agency Reporting
MOAs								
8.4824	DOH/Veterinary Diagnostic Serv.	Veterinary Diagnostic Serv/Eppie	7/01/07-8/31/07	\$ 48,000	\$ 48,000	None	None	None
8.4664	DOH/Luna County	Continued work Cnty. or Tribal	7/01/07-6/30/08	84,000	84,000	None	None	None
8.4659	DOH/Harding County	Support comm. health improv.process	7/01/07-6/30/08	30,000	30,000	None	None	None
8.4669	DOH/Rio Arriba County	DOH/Rio Arriba County	7/01/07-6/30/08	53,400	53,400	None	None	None
8.4657	DOH/Gila Regional Medical Center	Support comm. health improv.process	7/01/07-6/30/08	195,000	195,000	None	None	None
8.4678	DOH/Torrance County	Support comm health improv prog	7/01/07-6/30/08	97,000	97,000	None	None	None
8.4668	DOH/Tucumanari Public School	Support comm health improv prog	7/01/07-6/30/08	150,000	150,000	None	None	None
8.4654	DOH/Curry County	CHIP/CHCs	7/01/07-6/30/08	72,000	72,000	None	None	None
8.5904	DOH/Albuquerque Public Schools	Tobacco use prevention	7/01/07-6/30/08	97,000	97,000	None	None	None
8.4650	DOH/Catron County	Positive Health Outcomes	7/01/07-6/30/08	70,000	70,000	None	None	None
8.4761	DOH/Rio Rancho Public School	Tobacco Prevention Program	7/01/07-6/30/08	93,200	93,200	None	None	None
8.4576	DOH/Eastern NM University	Tobacco Prevention Program	7/01/07-6/30/08	76,650	76,650	None	None	None
8.5180	DOH/REGION IX EDUCATION	Tobacco Prevention Program	7/01/07-6/30/08	92,505	92,505	None	None	None
8.4746	DOH/Socorro Consolidated Schools	TUPAC	7/01/07-6/30/08	29,100	29,100	None	None	None
8.5143	DOH/Navajo Preparatory	SBHC Operations	7/01/07-6/30/08	35,000	35,000	None	None	None
8.5077	DOH/Berantillo Public Schools	SBHC Operations	7/01/07-6/30/08	62,500	62,500	None	None	None
8.5110	DOH/Dulce Independent Schools	SBHC Operations	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5196	DOH/Roswell Independent Schools	SBHC Operations	7/01/07-6/30/08	150,000	150,000	None	None	None
8.4629	DOH/Taos Municipal School	TUPAC	7/01/07-6/30/08	41,650	41,650	None	None	None
8.4739	DOH/Laguna, Pueblo of	TUPAC	7/01/07-6/30/08	10,200	10,200	None	None	None
8.4901	DOH/Quay County	RPHCA Primary Care Services	7/01/07-6/30/08	145,200	145,200	None	None	None
8.5203	DOH/Taos Municipal School	SBHC Operations	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5174	DOH/Pueblo de San Felipe	SBHC Operations	7/01/07-6/30/08	60,000	60,000	None	None	None
8.4653	DOH/Coffax County	Comm health improvement	7/01/07-6/30/08	55,300	55,300	None	None	None
8.5111	DOH/Eastern New Mexico University	SBHC Operations	7/01/07-6/30/08	65,000	65,000	None	None	None
8.5138	DOH/Mescalero Apache School	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.4849	DOH/Santa Fe Public Schools	Tobacco Use Prevention Serv.	7/01/07-6/30/08	111,150	111,150	None	None	None
8.4666	DOH/Mora County	Support for Positive Health Outcome	7/01/07-6/30/08	50,000	50,000	None	None	None
8.4915	DOH/Mescalero Apache Tribe	Tobacco Use Prevention Serv.	7/01/07-6/30/08	33,200	33,200	None	None	None
8.4902	DOH/Torrance County	Provision of primary care services	7/01/07-6/30/08	132,000	132,000	None	None	None
8.5081	DOH/Cobre Consolidated Schools	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.4885	DOH/Guadalupe County	Provision of primary care services	7/01/07-6/30/08	160,000	160,000	None	None	None
8.4733	DOH/Southwest Regional Education Center	Tobacco Use Prevention Serv.	7/01/07-6/30/08	37,785	37,785	None	None	None
8.4583	DOH/Gila Regional Medical Center	Community-Based Cancer Survivor	7/01/07-6/30/08	45,998	45,998	None	None	None
8.4504	DOH/Harding, County of	Tobacco Use Prevention Serv.	7/01/07-6/30/08	7,100	7,100	None	None	None
8.5140.	DOH/Mora Independent Schools	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5122	DOH/Gallup McKinley County Schools	Quality Direct Care	7/01/07-6/30/08	150,000	150,000	None	None	None
8.4592	DOH/Gila Regional Medical Center	Focused on Health Education	7/01/07-6/30/08	56,110	56,050	None	None	None
8.4893	DOH/Village of Logan	Primary Care Services	7/01/07-6/30/08	158,700	158,700	None	None	None
8.4660	DOH/Hidalgo County	Positive Health Outcomes	7/01/07-6/30/08	64,928	64,928	None	None	None
8.5255	DOH/NM Medical Insurance Pool	CMS of New Mexico	7/01/07-6/30/08	500,000	210,000	None	None	None
8.5202	DOH/Taos Municipal School	Quality Direct Care	7/01/07-6/30/08	35,000	35,000	None	None	None
8.5202A1	DOH/Taos Municipal School	SBHC	7/01/07-6/30/08	20,000	20,000	None	None	None
8.4656	DOH/Eddy County	Positive Health Outcomes	7/01/07-6/30/08	63,000	63,000	None	None	None
8.4894	DOH/Luna County	Primary Care Services	7/01/07-6/30/08	80,143	80,143	None	None	None
8.5224	DOH/Las Cruces School District #2	Primary Prevention Home	7/01/07-6/30/08	61,505	61,504	None	None	None

Schedule of Memoranda of Understanding

MOA/MOU No.	Participants	Description of Activity	Term	Total Amount of Agreement	Amount DOH Contributed in FY08	Responsible for Audit	Fiscal Agent	Agency Reporting
8.4681	DOH/Pueblo of Acoma	Positive Health Outcomes	7/01/07-6/30/08	50,000	50,000	None	None	None
8.4671	DOH/Sandoval County	Positive Health Outcomes	7/01/07-6/30/08	140,785	140,785	None	None	None
8.5293	DOH/NMSU	Training for Nurses or Midlevel	7/01/07-6/30/08	198,180	198,180	None	None	None
8.4673	DOH/City of Las Vegas	Positive Health Outcomes	7/01/07-6/30/08	81,232	81,232	None	None	None
8.4685	DOH/Santa Clara Pueblo	Positive Health Outcomes	7/01/07-6/30/08	50,000	50,000	None	None	None
8.4682	DOH/Pueblo de Cochiti	Positive Health Outcomes	7/01/07-6/30/08	50,000	50,000	None	None	None
8.4580	DOH/Guadalupe Co Health Council	TUPAC	7/01/07-6/30/08	36,650	36,650	None	None	None
8.4751	DOH/Zia Pueblo	TUPAC	7/01/07-6/30/08	10,200	10,200	None	None	None
8.4612	DOH/Gila Regional Medical Center	TUPAC	7/01/07-6/30/08	51,650	51,650	None	None	None
8.4613	DOH/Quay County/ Quay County Gov.	Tobacco Use Prev. Serv.	7/01/07-6/30/08	40,983	40,983	None	None	None
8.4749	DOH/Farmingington Municipal School	Tobacco Use Prev. Serv.	7/01/07-6/30/08	89,600	89,600	None	None	None
8.4608	DOH/Eight Northern Indian Pueblos Coun.	Tobacco Use Prev. Serv.	7/01/07-6/30/08	152,850	152,850	None	None	None
8.4614	DOH/Governor's Commission on Disability	Tobacco Use Prev. Serv.	7/01/07-6/30/08	47,650	47,650	None	None	None
8.5130	DOH/Las Cruces School District #2	Quality Direct Care	7/01/07-6/30/08	115,000	115,000	None	None	None
8.4848	DOH/Sandoval County	Enforcement of Tobacco Policies	7/01/07-6/30/08	42,000	42,000	None	None	None
8.4538	DOH/Santo Domingo Tribe	Media Literacy Presentation	7/01/07-6/30/08	10,200	10,200	None	None	None
8.5076	DOH/Belen Consolidated Schools	Level 3 SBHC	7/01/07-6/30/08	150,000	150,000	None	None	None
8.5198	DOH/Roy Municipal Schools	Level 1 SBHC	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5082	DOH/Cuba Independent Schools	Level 2 SBHC	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5176	DOH/Quemado Independent School	Level 1 SBHC	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5670	DOH/Quay County	Janitorial	7/01/07-6/30/08	9,180	9,180	None	None	None
8.5133	DOH/Lovington Municipal Schools	Quality Direct Care	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5128	DOH/Jemez Valley Public Schools	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5340	DOH/Torrance County	Teen pregnancy prevention	8/01/07-6/30/08	30,500	30,500	None	None	None
8.5134	DOH/Maxwell Municipal Schools	Quality Direct Care	7/01/07-6/30/08	35,000	35,000	None	None	None
8.5134A1	DOH/Maxwell Municipal Schools	SBHC	7/01/07-6/30/08	20,000	20,000	None	None	None
8.5131	DOH/Lordsburg Municipal schools	Level one SBHC	7/01/07-6/30/08	60,000	60,000	None	None	None
8.4672	DOH/San Juan County	Positive Health Outcomes	7/01/07-6/30/08	86,000	86,000	None	None	None
8.4683	DOH/Pueblo de San ldefonso	Positive Health Outcomes	7/01/07-6/30/08	50,000	50,000	None	None	None
8.4847	DOH/Region IX Education	Tobacco Policies	7/01/07-6/30/08	57,000	57,000	None	None	None
8.5341	DOH/West Las Vegas Schools	Teen pregnancy prevention	7/01/07-6/30/08	50,000	50,000	None	None	None
8.4674	DOH/Santa Fe County	Positive Health Outcomes	7/01/07-6/30/08	132,523	132,523	None	None	None
8.4679	DOH/Union County	Ongoing Development CHC	7/01/07-6/30/08	50,000	50,000	None	None	None
8.5119	DOH/FT. Sumner Municipal Schools	Quality direct care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5621	DOH/San Jon Municipal Schools	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5980	DOH/Mora Valley Community Health Center	Electronic medical records	7/01/07-6/30/08	25,000	25,000	None	None	None
8.5080	DOH/Central Consolidated School Dist.#22	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5141	DOH/Mountainair Public Schools	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5195	DOH/Robert F. Kennedy Charter School	Quality Direct Care	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5118	DOH/Espanola Public Schools	Quality Direct Care Level one	7/01/07-6/30/08	70,000	70,000	None	None	None
8.5112	DOH/Espanola Public Schools	Quality Direct Care Level two	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5200	DOH/Socorro Consolidated Schools	Quality Direct Care	7/01/07-6/30/08	150,000	150,000	None	None	None
8.5207	DOH/West Las Vegas Schools	Quality Direct Care	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5175	DOH/Raton Public Schools	Quality Direct Care	7/01/07-6/30/08	50,000	50,000	None	None	None
8.5658	DOH/Sandoval County	Provide WIC Staff	7/01/07-6/30/08	133,500	133,500	None	None	None
8.5729	DOH/NMBHI	TUPAC	7/01/07-6/30/08	52,650	52,650	None	None	None
8.6084	DOH/Jemez Valley Public Schools	Fire Alarm Installation & Inspection	7/01/07-6/30/08	6,650	6,650	None	None	None

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**Schedule of Memoranda of Understanding**

MOAMOU No.	Participants	Description of Activity	Term	Total Amount of Agreement	Amount DOH Contributed in FY'08	Responsible for Audit	Fiscal Agent	Agency Reporting
8.5078	DOH/Carlsbad Municipal Schools	SBHC Operations	7/01/07-6/30/08	85,000	85,000	None	None	None
8.5199	DOH/Santa Rosa Consolidated Schools	SBHC Operations	7/01/07-6/30/08	85,000	85,000	None	None	None
8.4772	DOH/Gila Regional Medical Center	SBHC Operations	7/01/07-6/30/08	30,000	30,000	None	None	None
8.6074	DOH/San Jon Municipal Schools	SBHC Operations	7/01/07-6/30/08	100,000	100,000	None	None	None
8.6075	DOH/Gadsden Independent Schools	SBHC Operations	7/01/07-6/30/08	100,000	100,000	None	None	None
8.4582	DOH/NMSU	Cooking school for people w/diabetes	7/01/07-6/30/08	465,000	465,000	None	None	None
8.6227	DOH/Mora County	Construction of Facility PHD	7/01/07-6/30/08	500,000	500,000	None	None	None
8.6287	DOH/New Mexico State University	NM Dept. of Agriculture	7/01/07-6/30/08	10,000	10,000	None	None	None
8.6079	DOH/Las Cruces School District #2	Install Fire alarm system	7/01/07-6/30/08	16,000	16,000	None	None	None
8.6435	DOH/Sierra County	design, construct PHD office	7/01/07-6/30/08	35,000	35,000	None	None	None
8.6136	DOH/Health Policy/DOH	Improve public health outcomes	7/01/07-6/30/08	10,000	10,000	None	None	None
8.5103	DOH/Sandoval County	Oral Health education	10/1/07-6/30/08	70,000	70,000	None	None	None
8.626	DOH/Deming Public Schools	SBHC	7/01/07-6/30/08	60,000	60,000	None	None	None
8.6601	DOH/Rio Arriba County	22 foot clinics	7/01/07-6/30/08	6,360	6,360	None	None	None
8.6076	DOH/Gadsden Independent Schools	Acquire land for health commons facility	7/01/07-6/30/08	500,000	500,000	None	None	None
8.6081	DOH/Abuquerque Public Schools	SBHC	7/01/07-6/30/08	10,000	10,000	None	None	None
8.6080	DOH/Abuquerque Public Schools	SBHC	7/01/07-6/30/08	100,000	100,000	None	None	None
8.6083	DOH/Laguna, Pueblo of	SBHC	7/01/07-6/30/08	100,000	100,000	None	None	None
8.6624	DOH/NM Comm. for the Deaf and Hard of Hearing	Increase access to hearing screenings	7/01/07-6/30/08	80,000	80,000	None	None	None
8.6662	DOH/Mesa Vista Consolidated Schools	SBHC	7/01/07-6/30/08	60,000	60,000	None	None	None
8.5079	DOH/Commission for the Blind	Provide assistive funding for technology	7/01/07-6/30/08	80,000	80,000	None	None	None
8.4655	DOH/Carlsbad Municipal Schools	Suicide Prev. Grant Evaluation	7/01/07-6/30/08	60,000	60,000	None	None	None
8.4655 A1	DOH/De Baca County	CHIP	7/1/07-6/30/08	50,000	50,000	None	None	None
8.4669 A1	DOH/De Baca County	Community Health Improvement	7/01/07-6/30/08	10,550	10,550	None	None	None
8.4664 A1	DOH/Rio Arriba County	Community Health Improvement	7/01/07-6/30/08	10,360	10,360	None	None	None
8.4654 A1	DOH/County of Luna	Community Health Improvement	7/01/07-6/30/08	10,520	10,520	None	None	None
8.7051	DOH/County of Luna	Community Health Council	7/01/07-6/30/08	10,635	10,635	None	None	None
8.4668 A1	DOH/Luna County	Childhood Injuries Services	7/01/07-6/30/08	17,475	17,475	None	None	None
8.4650 A1	DOH/Tucumanari Public Schools	OHPCHI	7/01/07-6/30/08	10,765	10,765	None	None	None
8.4660 A1	DOH/County of Catron	Community Health Council	7/01/07-6/30/08	10,895	10,895	None	None	None
8.4671 A1	DOH/Hidalgo Medical Services	Community Health Council	7/01/07-6/30/08	10,645	10,645	None	None	None
8.5171	DOH/County of Sandoval	Community Health Council	7/01/07-6/30/08	10,235	10,235	None	None	None
8.4685	DOH/County of Sandoval	Suicide Prevention Services	7/01/07-6/30/08	60,000	60,000	None	None	None
8.6209	DOH/County of Sandoval	Community Health Council	7/01/07-6/30/08	10,460	10,460	None	None	None
8.4674 A1	DOH/Santa Clara Pueblo	EMS Ambulance Service	7/01/07-6/30/08	60,000	60,000	None	None	None
8.4665	DOH/Mora Valley Community Health Center	Community Health Improvement	7/01/07-6/30/08	7,800	7,800	None	None	None
8.4665A1	DOH/McKinley County	Community Health Improvement	7/01/07-6/30/08	75,000	75,000	None	None	None
8.4656 A1	DOH/McKinley County	Support positive health outcomes	7/01/07-6/30/08	3,210	3,210	None	None	None
8.4679 A1	DOH/Eddy County	Office of Health Improvement	7/01/07-6/30/08	10,550	10,550	None	None	None
8.4659 A1	DOH/Gila Regional Medical Center	Community Health Improvement	7/01/07-6/30/08	10,645	10,645	None	None	None
8.4678 A1	DOH/Union Co Treasure	Community Health Improvement	7/01/07-6/30/08	10,870	10,870	None	None	None
8.6917	DOH/County of Harding	Community Health Improvement	7/01/07-6/30/08	11,000	11,000	None	None	None
8.4653A1	DOH/Torrance County	Community Health Improvement	7/01/07-6/30/08	10,675	10,675	None	None	None
8.4649A1	DOH/Taos County	PHD renovations and maintenance	7/01/07-6/30/08	75,000	75,000	None	None	None
	DOH/Coffax County	Community Health Improvement	7/01/07-6/30/08	10,620	10,620	None	None	None
	DOH/Bernalillo County	Community Health Improvement	7/01/07-6/30/08	10,235	10,235	None	None	None

Schedule of Memoranda of Understanding

MOA/MOU No.	Participants	Description of Activity	Term	Total Amount of Agreement	Amount DOH Contributed in FY08	Responsible for Audit	Fiscal Agent	Agency Reporting
8.4673 A1	DOH/City of Las Vegas	CHC's	7/01/07-6/30/08	10,300	10,300	None	None	None
8.5170'	DOH/Popaque Valley School District	SBHC	7/01/07-6/30/08	78,600	78,600	None	None	None
8.4666 A1	DOH/Mora County	Community Health Improvement	7/01/07-6/30/08	10,410	10,410	None	None	None
8.4683 A1	DOH/San Ildefonso Pueblo	CHIP	7/01/07-6/30/08	5,460	5,460	None	None	None
8.5601 A1	DOH/Dona Ana County	Provide licensed nurses	7/01/07-6/30/08	40,000	20,000	None	None	None
8.4684 A1	DOH/Canoncio Band of Navajos Health Center	CHIP	7/01/07-6/30/08	10,460	10,460	None	None	None
8.5123	DOH/Gallup McKinley County Schools	School Based Health Centers	12/01/07-6/30/08	60,000	60,000	None	None	None
8.4681 A1	DOH/Acoma Pueblo Of	Community Health Improvement	7/01/07-6/30/08	10,460	10,460	None	None	None
8.6082	DOH/T'ohajilee	OSAH	7/01/07-6/30/08	20,000	20,000	None	None	None
8.6077	DOH/Lovington Municipal Schools	Fiscal Support for SBHC	7/01/07-6/30/08	90,500	90,500	None	None	None
8.6913	DOH/Pueblo of Laguna	Teen Outreach Program	7/01/07-6/30/08	56,180	56,180	None	None	None
8.7049	DOH/City of Albuquerque	Strategic National Stockpile	3/23/08-6/30/08	100,000	100,000	None	None	None
8.7124	DOH/Taos Municipal School	SBHC	7/01/07-6/30/08	20,000	20,000	None	None	None
8.6904	DOH/The City of Raton	Recruit and retention for PHD	7/01/07-6/30/08	10,150	10,150	None	None	None
8.7012	DOH/McKinley County	Renovation of PHD office	7/01/07-6/30/08	250,000	250,000	None	None	None
8.6896	DOH/The Village of Fort Sumner	Recruit and retention for PHD	7/01/07-6/30/08	10,150	10,150	None	None	None
8.7207	DOH/Gadsden Independent Schools	Teen Outreach Program	7/01/07-6/30/08	96,350	60,000	None	None	None
8.5121	DOH/Gadsden Independent Schools	Suicide Prevention Services	7/01/07-6/30/08	60,000	60,000	None	None	None
8.7681	DOH/Eastern New Mexico Uni Roswell	Natural Helpers program	7/01/07-6/30/08	10,000	10,000	None	None	None
8.768	DOH/Mesa Visia Consolidated Schools	Natural Helpers program	7/01/07-6/30/08	10,000	10,000	None	None	None
8.7678	DOH/Navajo Preparatory School Inc.	Natural Helpers program	7/01/07-6/30/08	10,000	10,000	None	None	None
8.7125	DOH/City of Las Vegas	Sustance abuse & suicide prev	7/01/07-6/30/08	15,000	15,000	None	None	None
8.07400.	DOH/Roswell Independent School Dist	Fiscal Support for SBHC	7/01/07-6/30/08	116,000	116,000	None	None	None
8.7676	DOH/Belen Consolidated Schools	Natural Helpers program	7/01/07-6/30/08	10,000	10,000	None	None	None
8.7687	DOH/Santa Fe Community College	Native Hope Program	7/01/07-6/30/08	10,000	10,000	None	None	None
8.6078	DOH/Des Moines Municipal Schools	Fire Alarm Installation & Inspection	7/01/07-6/30/08	20,000	20,000	None	None	None
7.0186	DOH/Espanola Public Schools	School Based Health Centers	11/20/06-6/30/10	140,000	140,000	None	None	None
8.5359	DOH/Sickle Cell Council	SickleCell Education	7/1/07-6/30/08	195,800	195,800	None	None	None
8.6150'	DOH/Valencia County	Public Health Facility	9/28/07-6/30/10	175,000	175,000	None	None	None
8.6730'	DOH/Socorro County	Public Health Facility	11/1/07-6/30/10	750,000	750,000	None	None	None
8.6514	DOH/Lin Television	Marketing Media Immun	10/31/2007-6/30/08	60,000	60,000	None	None	None
8.5293 A1	DOH/NMSU	Train for environmental disasters	7/1/07-6/30/08	40,000	19,995	None	None	None
8.5200A1	DOH/Socorro Consolidated Schools	Health care services	7/1/07-6/30/08	(65,000)	-	None	None	None
<b>MOUs</b>								
6871	DOH/Roosevelt Co Special Hospital	Medical Operational Equipment	12/04/08-6/30/08	100,000	100,000	None	None	None
	DOH/14 other Agencies	Federal Lobbyist	5/4/05-ongoing	8,800	8,800	None	None	None
	DOH/7 other agencies	Collective Bargaining	6/27/05-ongoing	21,852	21,852	None	None	None
8.6731	DOH/Bernalillo County	Improvements to Public Health Office	2/13/08-6/30/10	2,000,000	2,000,000	None	None	None
8.0002	DOH/Regents of UNM	Building maint and utilities	7/1/07-6/30/08	523,370	340,191	None	None	None

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**Schedule of Special Appropriations  
For the Year Ended June 30, 2008**

DESCRIPTION	Appropriation	Balance as of 06/30/2007	Current Year Revenue	Expended as of 6/30/2008	REVERT TO G.F. FY08	ADJ.	Balance as of 06/30/2008
Laws of 2007, Ch. 28, Section 5 (Item 67) Autism Respite Center in Albuquerque	200,000	200,000	-	96,707	103,293	-	-
Laws of 2007, Chapter 28, Section 5 (item 69) Telehealth Services to School-based Health Centers and Rural Health Clinics	750,000	389,359	-	389,359	-	-	-
Laws of 2007, Ch. 28, Section 5 (Item 70) Adult Influenza Vaccine	500,000	240,950	-	240,950	-	-	-
Laws of 2007, Ch. 28, Section 5 (Item 71) Mercury Study	50,000	50,000	-	37,187	12,813	-	-
Laws of 2007, Ch. 28, Section 5 (Item 72) Community-based Cancer Patient Support Services	50,000	50,000	-	50,000	-	-	-
Laws of 2007, Ch. 28, Section 5 (Item 73) Anti- Viral Medication for Pandemic Flu	1,000,000	1,000,000	-	999,980	21	-	-
Laws of 2007, Ch. 28, Section 5 (Item 75) Expansion of Health Info. Exchange Network	350,000	350,000	-	350,000	-	-	-
Laws of 2007, Ch. 28 Section 7 (Subsection 24) To Facilitate Adoption of Electronic Medical Records	500,000	-	500,000	499,872	128	-	-
Laws of 2007, Ch. 28 Section 7 (Item 25) Computer Systems Enhancement Fund	1,000,000	831,598	-	76,298	-	-	755,301

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DESCRIPTION	Appropriation	Balance as of 06/30/2007	Current Year Revenue	Expended as of 6/30/2008	REVERT TO G.F. FY08	ADJ.	Balance as of 06/30/2008
Laws of 2007, Ch. 28 Section 7 (Item 26) Implementation of an Electronic Web-Enabled Vital Records System	1,000,000	266,838	-	264,158	2,680	-	-
Laws of 2007, Ch. 21, Section 26 (Item 1) Parent Training for Autism	377,000	-	377,000	377,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 2) Respite Home-Autism (Senate Dist. 23)	290,000	-	290,000	-	290,000	-	-
Laws of 2007, Ch. 21, Section 26 (Item 3) Environment Assessments of Public Schools	27,000	-	27,000	27,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 4) Treatment of Sexually Abusive Youth Training Program	110,000	-	110,000	109,725	275	-	-
Laws of 2007, Ch. 21, Section 26 (Item 5) Health Registry-Military Veterans Exposed to Isotopes	40,000	-	40,000	33,193	6,807	-	-
Laws of 2007, Ch. 21, Section 26 (Item 6) Fetal Alcohol Syndrome Prevention Program	30,000	-	30,000	30,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 8) Services for Indigent Cancer	92,000	-	92,000	92,000	-	-	-

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Schedule of Special Appropriations  
For the Year Ended June 30, 2008

DESCRIPTION	Appropriation	Balance as of 06/30/2007	Current Year Revenue	Expended as of 6/30/2008	REVERT TO G.F. FY08	ADJ.	Balance as of 06/30/2008
Laws of 2007, Ch. 21, Section 26 (Item 9) Perinatal Services	75,000	-	75,000	75,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 12) To address needs of uninsured in Dona Ana County	40,000	-	40,000	40,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 13) Ambulance Services in Mora County	60,000	-	60,000	60,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 14) Women's Health Services in Santa Fe	100,000	-	100,000	100,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 15) Ambulance Services in Pecos	60,000	-	60,000	60,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 16) San Miguel Health Professional Center	30,000	-	30,000	30,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 18) Preventive Health Pilot Program	130,000	-	130,000	119,750	10,250	-	-
Laws of 2007, Ch. 21, Section 26 (Item 19) Telehealth Program	50,000	-	50,000	50,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 20) Telemedicine Programs	20,000	-	20,000	20,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 21) Training for Primary Care Residents in Southwestern NM	73,000	-	73,000	73,000	-	-	-

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**Schedule of Special Appropriations  
For the Year Ended June 30, 2008**

DESCRIPTION	Appropriation	Balance as of 06/30/2007	Current Year Revenue	Expended as of 6/30/2008	REVERT TO G.F. FY08	ADJ.	Balance as of 06/30/2008
Laws of 2007, Ch. 21, Section 26 (Item 22) Non Profit Organization Providing Dance Instruction	25,000	-	25,000	25,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 23) Teen Pregnancy Prevention Program	300,000	-	300,000	300,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 24) Implementing Electronic Patient Health Records	150,000	-	150,000	132,920	17,080	-	-
Laws of 2007, Ch. 21, Section 26 (Item 28) Children's Medical Specialty Clinics	500,000	-	500,000	487,392	12,608	-	-
Laws of 2007, Ch. 21, Section 26 (Item 29) Trauma Services Statewide	1,000,000	-	1,000,000	1,000,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 30) Women's Health Advisory Council	80,000	-	80,000	80,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 32) Dental Care for Indigent People	75,000	-	75,000	75,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 34) Sexual Violence Prevention Programs	225,000	-	225,000	220,600	4,400	-	-
Laws of 2007, Ch. 21, Section 26 (Item 37) Dental Care for Indigent People in Lea County	25,000	-	25,000	25,000	-	-	-

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**Schedule of Special Appropriations  
For the Year Ended June 30, 2008**

DESCRIPTION	Appropriation	Balance as of 06/30/2007	Current Year Revenue	Expended as of 6/30/2008	REVERT TO G.F. FY08	ADJ.	Balance as of 06/30/2008
Laws of 2007, Ch. 21, Section 26 (Item 38) Ambulance and Related Emergency Services in Columbus	100,000	-	100,000	100,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 39) Ambulance Services in Cuba	75,000	-	75,000	75,000	-	-	-
Laws of 2007, Ch. 21, Section 26 (Item 40) Electronic Health Records Software-Mora Valley Center	25,000	-	25,000	-	25,000	-	-
Laws of 2007, Ch. 21, Section 26 (Item 41) Youth Program in Las Vegas	15,000	-	15,000	15,000	-	-	-
Laws of 2008, Ch. 3, Section 5 (Item 76) To purchase Analytical Equipment to Support DWI and Autopsy Testing	375,000	-	375,000	-	-	-	375,000
Laws of 2008, Ch. 3, Section 5 (Item 77) To Provide Operational Support and Services at the Women's Health Services Facility in Santa Fe	250,000	-	250,000	-	-	-	250,000
Laws of 2008, Ch. 3, Section 6 (Item 21) Receivership Expense	500,000	-	500,000	500,000	-	-	-
Laws of 2008, Ch. 3, Section 6 (Item 22) Cover Shortfalls at the Los Lunas Community Program	750,000	-	750,000	750,000	-	-	-

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Schedule of Special Appropriations  
For the Year Ended June 30, 2008

DESCRIPTION	Appropriation	Balance as of 06/30/2007	Current Year Revenue	Expended as of 6/30/2008	REVERT TO G.F. FY08	ADJ.	Balance as of 06/30/2008
Laws of 2008, Ch. 3, Section 6 (Item 23) To Increase the Number of Licensing Surveys Conducted in Health Care Facilities	200,000	-	200,000	200,000	-	-	-
	<u>11,674,000</u>	<u>3,378,745</u>	<u>6,774,000</u>	<u>8,287,090</u>	<u>485,355</u>	<u>-</u>	<u>1,380,301</u>

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Schedule 7

**Schedule of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2008**

<b>Fund 50200 Vital Statistics</b>	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Asset - Birth & Death Cash (STO)	\$ 176,321	189,349	(280,094)	\$ 85,576
Asset - Vital Statistics Cash (Auth Bank Accounts)	103,376	79,976	(151,600)	31,752
<b>Total Assets - Agency Funds</b>	<b>\$ 279,697</b>	<b>269,325</b>	<b>(431,694)</b>	<b>\$ 117,328</b>
Liability - Due to other agencies	\$ 279,697	269,325	(431,694)	117,328
<b>Total Liabilities - Agency Funds</b>	<b>\$ 279,697</b>	<b>269,325</b>	<b>(431,694)</b>	<b>\$ 117,328</b>

<b>Fund 51000 Patient's Trust Fund</b>	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
Cash	\$ 806,088	\$ 1,063,663	\$ (1,134,379)	\$ 735,372
Liabilities - Agency Funds	\$ 806,088	\$ 1,063,663	\$ (1,134,379)	\$ 735,372

**SINGLE AUDIT SECTION**

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH  
Supplemental Schedule of Expenditures of Federal Awards**

**AS OF JUNE 30, 2008**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
<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	10.557	\$ 43,428,685
WIC Infrastructure EBT	10.557	2,143,093
WIC Special Breastfeeding Peer Counselor	10.557	137,151
WIC Rebate Program	10.557	<u>13,237,411</u>
		58,946,340
 Commodity Supplemental Food Program	 10.565	 996,127
 WIC Farmer's Market Nutrition Program:		
Farmer's Market Food Program 2008	10.572	410,122
 TOTAL U.S. DEPARTMENT OF AGRICULTURE		 <u>60,352,589</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>		
<b>Occupant Protection:</b>		
TSB Occupant Protection 2008	20.602	123,327
 TOTAL U.S. DEPARTMENT OF TRANSPORTATION		 <u>123,327</u>
<b>U.S. DEPARTMENT OF ENERGY:</b>		
<b>Transport of Transuranic Wastes to the Waste Isolation Pilot Plant:</b>		
WIPP Emergency Response	81.106	\$ 126,540
 TOTAL U.S. DEPARTMENT OF ENERGY		 <u>126,540</u>
<b>U.S. DEPARTMENT OF EDUCATION:</b>		
<b>Special Education - Grants for Infants and Families:</b>		
Infants and Toddlers with Disabilities 2007	84.181	2,851,591
 Safe and Drug-Free Schools & Communities - State Grants:	 84.186	 472,137
 TOTAL U.S. DEPARTMENT OF EDUCATION		 <u>3,323,728</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH  
Supplemental Schedule of Expenditures of Federal Awards**

**AS OF JUNE 30, 2008**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
COST REIMBURSEMENT GRANTS - continued:		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
State and Territorial and Technical Assistance Capacity Development:		
Minority Health State Partnership Grant	93.006	\$ 196,934
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission:		
New Mexico - Chihuahua Border Grant 2007	93.018	271,381
Maternal and Child Health Federal Consolidated Programs:		
Children's Oral Healthcare Access	93.110	4,918
CISS-SECCS Planning	93.110	122,136
State Systems Development Initiative	93.110	98,011
		<hr style="width: 100%; border: 1px solid black;"/> 225,065 <hr style="width: 100%; border: 1px solid black;"/>
Project Grants and Cooperative Agreements for Tuberculosis:		
Tuberculosis Elimination	93.116	427,812
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices:		
Primary Care 2007	93.130	139,079
Injury Prevention and Control Research and State and Community-Based Programs:		
Injury Surveillance and Prevention 2007	93.136	172,412
Rape Prevention and Education	93.136	226,037
Violent Death Reporting	93.136	144,397
		<hr style="width: 100%; border: 1px solid black;"/> 542,846 <hr style="width: 100%; border: 1px solid black;"/>
Projects for Assistance in Transition from Homelessness (PATH):		
Projects to Assist in Transition from Homelessness 2007	93.150	
Disabilities Prevention:		
Capacity Building to Prevent Disability 2007	93.184	42,214

See Independent Auditors' Report.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH  
Supplemental Schedule of Expenditures of Federal Awards**

**AS OF JUNE 30, 2008**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
COST REIMBURSEMENT GRANTS - continued:		
Family Planning Services:		
Family Planning	93.217	\$ 3,635,904
Abstinence Education Program:		
Abstinence Education Program 2006	93.235	300,699
State Rural Hospital Flexibility Program:		
Rural Hospital Flexibility Program	93.241	241,102
Substance Abuse and Mental Health Services:		
Data Infrastructure Grant Phase II 2007	93.243	(729)
Develop & Implement Administrative & Clinical Services 2007	93.243	(6,593)
Screening, Brief Intervention, Referral and Treatment 2007	93.243	113,472
Strategic Prevention Framework	93.243	2,335,483
Youth Suicide Prevention	93.243	414,391
		<u>2,856,024</u>
Universal Newborn Hearing Screening:		
Newborn Hearing Screening	93.251	218,501
Immunization Grants:		
Immunizations and Vaccines for Children	93.268	2,848,861
Centers for Disease Control and Prevention - Investigations and Technical Assistance:		
Addressing Asthma	93.283	367,753
CDC Assessment Initiatives	93.283	185,815
Chronic Disease Prevention	93.283	2,190,683
Emerging Infections Program	93.283	1,045,644

See Independent Auditors' Report.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH  
Supplemental Schedule of Expenditures of Federal Awards**

**AS OF JUNE 30, 2008**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
COST REIMBURSEMENT GRANTS - continued:		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - continued:		
Centers for Disease Control and Prevention - Investigations and Technical Assistance - continued:		
Environmental Health Tracking	93.283	\$ 926,143
Epi & Lab Capacity for Infectious Diseases	93.283	660,452
Adult Hepatitis Collaboration	93.283	36,166
National Cancer Prevention and Control	93.283	3,638,193
Public Health Laboratory Biomonitoring	93.283	383,492
Public Health Preparedness & Response Bioterrorism	93.283	11,534,934
		<u>20,969,275</u>
Small Rural Hospital Improvement Grant Program:		
Small Rural Hospital Improvement	93.301	97,812
Refugee and Entrant Assistance - Discretionary Grants:		
Refugee Resettlement Health Program 2008	93.576	87,700
Refugee Health Program	93.576	42,956
		<u>130,656</u>
State Survey and Certification of Health Care Providers and Suppliers:		
Clinical Laboratory Improvement Amendments	93.777	102,715
Title 18 Inspection of Health Care Providers 2007	93.777	1,730,965
		<u>1,833,680</u>
Centers for Medicare and Medicaid Services (CMS) Research:		
Background Checks Pilot Program 2006	93.779	290,601
National Bioterrorism Hospital Preparedness Program:		
Bioterrorism Hospital Preparedness Program	93.889	2,582,275
Grants to States for Operation of Offices of Rural Health:		
State Office of Rural Health 2008	93.913	97,638

See Independent Auditors' Report.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH  
Supplemental Schedule of Expenditures of Federal Awards**

**AS OF JUNE 30, 2008**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
COST REIMBURSEMENT GRANTS - continued:		
HIV Care Formula Grants:		
Ryan White Title II HIV Care	93.917	\$ 4,198,304
HIV Prevention Activities - Health Department Based:		
HIV Prevention Projects	93.940	2,603,709
Human Immunodeficiency Virus (HIV) / Acquired Immune Deficiency Syndrome (AIDS) Surveillance:		
HIV/AIDS Surveillance	93.944	207,354
Cooperative Agreements to Support State-Based Safe Motherhood:		
Pregnancy Risk Assessment Monitoring	93.946	141,956
Block Grants for Prevention and Treatment of Substance Abuse:		
Substance Abuse Prevention and Treatment 2008	93.959	276,322
Preventive Health Services - Sexually Transmitted Diseases:		
Comprehensive STD Prevention Systems	93.977	\$ 643,489
STD Screening in Long Haul Truckers 2006	93.977	20,857
		<u>664,346</u>
Cooperative Agreements for State-Based Diabetes Control:		
Diabetes Prevention and Control	93.988	453,125
Preventive Health and Health Services Block Grant:		
Preventive Health Services	93.991	1,312,647
Maternal and Child Health Services Block Grant to the States:		
Maternal and Child Health Services 2005	93.994	3,513,747
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>51,319,870</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH  
Supplemental Schedule of Expenditures of Federal Awards**

**AS OF JUNE 30, 2008**

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
TOTAL COST REIMBURSEMENT GRANTS		\$ 115,246,054
OTHER GRANTS:		
U.S. DEPARTMENT OF VETERANS' AFFAIRS:		
Veterans' State Nursing Home Care:		
VA Reimbursement	64.015	<u>3,524,478</u>
TOTAL U.S. DEPARTMENT OF VETERANS' AFFAIRS		3,524,478
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE:		
Foster Grandparent Program:		
Foster Grandparent Program	94.011	<u>402,093</u>
TOTAL U.S. CORP. FOR NATIONAL & COMMUNITY SERVICE		<u>402,093</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Joint Powers Agreements		
Flow-through Federal Grants	93.778	<u>11,345,135</u>
TOTAL OTHER GRANTS		<u>15,271,706</u>
TOTAL GRANT EXPENDITURES		130,517,760 *
NON-CASH ASSISTANCE:		
U.S. CENTERS FOR DISEASE CONTROL (IN KIND)		
Immunization Grants:		
Immunization Program Vaccine FFY 2007	93.268	9,615,769
Immunization Program Vaccine FFY 2008	93.268	<u>24,879,463</u>
TOTAL U.S. CENTERS FOR DISEASE CONTROL		<u>34,495,232</u> **
TOTAL EXPENDITURES CASH/NON-CASH FEDERAL AWARDS		\$ <u>165,012,992</u>
NOTE: Exhibit 5, page 3 of 3, under revenue heading presents:		
* Federal Grants		\$ 130,517,760
** In Kind		<u>34,495,232</u>
		\$ <u>165,012,992</u>

See Independent Auditors' Report.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

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 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, 2008, 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, 2008, as listed in the table of contents. 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 deficiencies in internal control over financial reporting: 08-1 to 08-6, 07-1, 07-3, 07-8, 07-9, 07-12, 07-13, 07-14 and 07-15.

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 internal control over financial reporting that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described is a material weakness.



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

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 08-2 through 08-6, 07-1, 07-3, 07-8, 07-9, and 07-12 through 07-15.

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 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, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Mayhew + Company, LLC*

December 5, 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, 2008. 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. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, 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, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-6 to 08-9, 07-3, 07-4 and 07-15.

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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

### **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.

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.

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.

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 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.

*Meyers + Company, LLC*

December 5, 2008

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Schedule of Findings and Questioned Costs**

**YEAR ENDED JUNE 30, 2008**

**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. Fourteen 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*.
3. There were no instances of noncompliance material to the financial statements disclosed during the audit of the Department.
4. Seven 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 unqualified opinion.
6. 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>	
Veterans' State Nursing Home Care	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>	
Substance Abuse and Mental Health Services	93.243
Immunization Grants	93.268
Medical Assistance Program – Behavioral Health	93.778
HIV Prevention Activities	93.940
Preventive Health and Health Services Block Grant	93.991
Maternal and Child Health Services	93.994
7. The threshold for distinguishing Types A and B programs was \$3,000,000.
8. The Department was not determined to be a low-risk auditee.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**08-1 INVENTORY - LOS LUNAS MAINTENANCE WAREHOUSE**

**Condition:** At the Los Lunas maintenance warehouse, we noted a significant amount of supply inventory for maintenance and repairs of the Los Lunas Community-based homes that is being expensed when purchased instead of being expensed as used. Furthermore, an inventory observation was performed on the internal inventory count kept at the warehouse. During our test counts, we encountered three exceptions out of six items. We also noted two metal cabinets and various shelving of miscellaneous electrical parts that appear to be usable that were excluded from the inventory count.

**Criteria:** Inventory must be recognized and recorded in accordance with Generally Accepted Accounting Principles and the Manual of Model Accounting Practices (MAPs). As described in MAPs FIN 10 and Sections 6-5-2, NMSA 1978.

**Cause:** Based on the criteria above, the Department does not have effective procedures in place to correctly and consistently account for on-hand inventory.

**Effect:** Possible misstatement of financial statements. Furthermore, lack of proper controls on the supply inventory can result in undetected theft.

**Recommendation:** We recommend that the Department implement more effective internal controls to track supply inventory. We also recommend performing more frequent physical inventories in order to monitor any shrinkage of the supply inventory.

**Management's Response:** The Department is in the process of implementing procedures to more effectively manage its inventory activity. The new procedures will require a secondary review of all inventory counts and periodic review of all inventory related system transactions.

**08-2 RECORDING OF CONFISCATED NARCOTICS**

**Condition:** It was noted that one bottle of narcotics confiscated from a patient upon admittance to be destroyed by the pharmacist was not logged with the quantity. Furthermore, all nurses have keys and access to the lockbox.

**Criteria:** Per pharmacy narcotic procedures, accurate records should be kept on all narcotics stored in the lockbox, whether purchased or confiscated.

**Cause:** Established internal controls were not followed.

**Effect:** When the established internal controls are not followed, theft or illegal distribution of controlled substances may occur.

**Recommendation:** We recommend that more effective controls be implemented where lacking; for example, limit the access of the narcotics by reducing the number of nurses with keys during each shift, and mandate established controls to be followed.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**08-2 RECORDING OF CONFISCATED NARCOTICS - continued**

**Management's Response:** The Department will utilize industry best practice to implement procedures that adequately reduce the risk of improper handling of all narcotic drugs and medication.

**08-3 TIMELY CASH DEPOSITS**

**Condition:** During the test work on cash receipts, it was noted that 12 deposit batches out of 40 tested, containing checks totaling \$191,916, were not deposited by the end of the next business day after receipt.

**Criteria:** Section 6-10-3, NMSA, states that all monies collected by agencies shall be deposited with the New Mexico State Treasurer's Office or with an authorized banking institution by the end of the next business day after receipt.

**Cause:** Lack of effective internal controls associated with the cash receipts cycle and inadequate training on the state's requirement associated with cash receipts.

**Effect:** Cash receipts not deposited on the prescribed basis reduce the amount of interest the state can earn in its cash investment pool.

**Recommendation:** We recommend the internal controls associated with the cash receipts function be reviewed and those individuals performing the cash deposit functions be trained to ensure deposits are made timely.

**Management's Response:** The Administrative Services Division of the Department makes deposits for other divisions and strictly complies with the 24 hour rule. Problems occur when individual divisions do not present cash or checks, received directly by them, for deposit within the allowable timeframe. The Department will implement the use of disciplinary actions for any employee who knowingly holds deposits past the statutory limit.

**08-4 DISPOSITION OF PROPERTY**

**Condition:** A written notice to the State Auditor was not sent at least 30 days before the disposition of property totaling \$14,810,760. This disposition also included computers, for which a sanitization certification was not provided.

**Criteria:** State Auditor Rule 2.2.2.10 states that at least thirty days prior to any disposition of property on the agency inventory list described in Subsection Y of 2.2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor. In the event a computer is included in the planned disposition, the agency shall "sanitize" all licensed software and any electronic media pertaining to the agency. Hard drive erasure certification is still required even if the asset originally cost less than \$5,000 and was not included in the capital asset inventory.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**08-4 DISPOSITION OF PROPERTY - continued**

**Cause:** Lack of effective internal controls associated with the disposition of property.

**Effect:** Not in compliance with the State Auditor Rule 2.2.2.10 requirements pertaining to the disposition of property.

**Recommendation:** We recommend that internal controls associated with the disposition of property be established and followed.

**Management's Response:** The computers were removed from the capital asset inventory as they were fully depreciated and under the current capitalization threshold; they are still in use by the Department. It is Department policy to sanitize computers no longer in use by the Department.

Other items removed from the list were items that are no longer held by the Department and were not held at the start of fiscal year 2008. All items were fully depreciated. Policies and procedures will be monitored to ensure that the Department is correctly accounting for capital assets and to verify existence of all items on the capital assets list.

**08-5 LACK OF DISASTER RECOVERY PLAN AND FORMAL BACKUP PROCEDURES**

**Condition:** The Department does not have a finalized Disaster Recovery Plan (DRP) and does not have formal backup procedures.

**Criteria:** The Department should have a finalized DRP that has been tested, as well as formal standardized backup procedures in place.

**Cause:** Management oversight.

**Effect:** Possible financial loss, fiduciary breach and risk of patient health data.

**Recommendation:** We recommend that standardization of backup procedures and off-site storage of the DRP should be of high priority in being implemented.

**Management's Response:** The Information Technology Division is in the process of preparing a disaster recovery and risk assessment. Once the assessment is complete, a formal plan will be prepared and implemented.

**08-6 IMMUNIZATION GRANTS - 93.238 - SAFEGUARDING OF VACCINE**

**Condition:** In July of 2007, the Department experienced a refrigerator failure during which the alarm auto-call was not functional and the refrigerator temperature fell to 32 degrees for an unknown period of time. The total amount of Federally funded vaccines was \$3,898,112 and the total amount of State funded vaccines was \$371,618.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**08-6 IMMUNIZATION GRANTS - 93.238 - SAFEGUARDING OF VACCINE – continued**

**Criteria:** Per A-133 compliance supplement for CFDA 93.268 compliance requirements III.N.1, effective control and accountability must be maintained for all vaccine. Vaccine must be adequately safeguarded.

**Cause:** Lack of effective procedures associated with the safeguarding of vaccines.

**Effect:** A loss of Federal and State-funded vaccines and loss of service to the community during the time period required to replace the vaccines

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

**Management's Response:** The Department no longer holds vaccines for distribution. The Center for Disease Control has contracted with McKesson Corp. to store and distribute vaccines for all states in the region. However, the Department has undergone extensive risk assessments in all areas to ensure that the Department has adequate loss control coverage.

**07-1 PERSONNEL AND PAYROLL – BACKGROUND CHECKS ON CAREGIVERS – Repeated/  
Updated**

**Condition:** Of the forty employee personnel files sampled, one of the files did not contain evidence of a caregivers criminal history screening.

**Criteria:** Employees who have direct interaction with patients are required to have a background check in accordance with the Caregivers Criminal History Screening Act, 29-17-2 to 19-17-5 NMSA 1978.

**Cause:** A new employee commenced employment prior to the Department scheduling a background check. Once the employee started, the Department failed to follow up on the background check.

**Effect:** The state requirement of a background check for caregivers was created to reduce the risk for the state in this environment. The state's contingency risk increases if the background checks are not performed.

**Recommendation:** We recommend the Department review all caregiver files in order to ensure the background checks have been performed. A check list or other system of tracking the background checks must be incorporated into the paperwork associated with the hiring process.

**Management's Response:** The Department will review all caregiver files in order to ensure the background checks have been performed.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**07-3 FEDERAL CASH TRANSACTIONS REPORT FILING – UNTIMELY FILING – Repeated/Updated**

**Condition:** The Federal Cash Transactions Report (PSC 272) was not filed timely for the third quarter of FY08.

**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 over timely filing of the Federal Cash Transactions Report.

**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.

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

**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 flow and decrease the accrual 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 receivables 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**07-8 PAST DUE ACCOUNTS RECEIVABLE – Repeated - 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.

**07-09 BUDGET OVERAGES – Repeated/Updated**

**Condition:** In FY08, the Department overspent budget in the Other category in the Administration Program by \$497,128. The Department overspent budget in the Other category in the Public Health Program by \$2,085,690.

**Criteria:** According to State Auditor Rule 2.2.2.10, 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 over-expenditures are directly related to the adjustment of inventory to current value. The adjustments of \$5,331,060 to Program 002, Public Health were related to immunizations; \$689,133 was related to other inventory items in Program 001, Administrative Services. The adjustments were audit entries and do not represent cash disbursements during the current budget year.

**07-12 JOURNAL ENTRY REVIEW – Repeated/Updated**

**Condition:** Seven out of 40 JE packets did not have evidence of appropriate review and approval.

**Criteria:** As a state agency, the Department must follow the existing 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 has 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.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**07-12 JOURNAL ENTRY REVIEW – Repeated/Updated - continued**

**Recommendation:** We recommend 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 discrepancies were related to internal Operating Transfers. There is no option to approve these transactions in the system therefore the transactions evidence only the DFA Financial Control Approval. Currently, the Department is not using this type of transaction for internal transfers; all transfers are made with the system Journal Entry which does allow for an internal, online approval. In addition, all hard copies of journal entries are signed by the approver.

**07-13 RECORDING AND RECONCILIATION OF CASH AND ACCOUNTS RECEIVABLE - Repeated**

**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 MAPs 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 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 MAPs 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 create, implement and monitor a 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. The Department will continue to improve procedures that require monthly reconciliation of all cash accounts and accounts receivable and book the appropriate entries to the SHARE accounting system.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

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

**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 FY08. There are no entries recorded in FY08 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.
- (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 of 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 accounts receivable 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 past due receivables and identifying bad accounts. As 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:** The Department 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. The Department will continue to work to ensure that these procedures are adhered to on an on-going basis with periodic review by the Financial Accounting.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**7-15 WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM - 10.557 – FNS 798 RECONCILIATION**

**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:** All activities reported in a reporting system and summarized in SHARE through journal entries should be reconciled on a monthly basis.

**Cause:** Lack of effective procedures to prepare reconciliations.

**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 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**08-6 IMMUNIZATION GRANTS - 93.238 - SAFEGUARDING OF VACCINE**

**Condition:** In July of 2007, the Department experienced a refrigerator failure during which the alarm auto-call was not functional and the refrigerator temperature fell to 32 degrees for an unknown period of time. The total amount of Federally funded vaccines was \$3,898,112 and the total amount of State funded vaccines was \$371,618.

**Criteria:** Per A-133 compliance supplement for CFDA 93.268 compliance requirements III.N.1, effective control and accountability must be maintained for all vaccine. Vaccine must be adequately safeguarded.

**Cause:** Lack of effective procedures associated with the safeguarding of vaccines.

**Effect:** A loss of Federal and State-funded vaccines and loss of service to the community during the time period required to replace the vaccines

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

**Management's Response:** The Department no longer holds vaccines for distribution. The Center for Disease Control has contracted with McKesson Corp. to store and distribute vaccines for all states in the region. However, the Department has undergone extensive risk assessments in all areas to ensure that the Department has adequate loss control coverage.

**08-7 WIC - 10.557 - REVIEW AND FOLLOW-UP ON QUESTIONABLE FOOD INSTRUMENTS**

**Condition:** Review of food instrument reports showed some food instruments with a status of 'Over-Redeemed'

**Criteria:** Per A-133 compliance supplement for CFDA 10.557 compliance requirements III.N.2, a state agency operating a retail food delivery system must have a food instrument review process and follow-up on erroneous or questionable food instruments within 120 days following detection.

**Cause:** Lack of effective procedures to ensure food instruments are reviewed and questionable food instruments are followed up on.

**Effect:** An internal control deficiency over compliance with food instrument review requirements.

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

**Management's Response:** The Department plans to provide training to the appropriate personnel and implement procedures to ensure that all food instruments are reviewed and concerns addressed within 120 days.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**08-8 WIC – 10.557 - FOOD INSTRUMENT DISPOSITION – UNRECONCILED FOOD INSTRUMENTS**

**Condition:** As of June 30, 2008, there was a total of \$6,564 of un-reconciled EBT transactions that had an initial validity date greater than 120 days.

**Criteria:** Per A-133 compliance supplement for CFDA 10.557 compliance requirements III.N.1, a state agency is required to account for the disposition of all food instruments within 120 days of the food instrument's first valid date for participant use.

**Cause:** Lack of effective procedures to ensure all food instruments are reconciled and the ultimate disposition determined within the required time frame.

**Effect:** An internal control deficiency over compliance with food instrument disposition requirements.

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

**Management's Response:** The Department plans to provide training to the appropriate personnel and implement procedures to ensure that all food instruments are reviewed within 120 days.

**08-9 WIC – 10.557 - ABOVE-50 % VENDORS – QUARTERLY COST NEUTRALITY ASSESSMENTS**

**Condition:** The WIC program did not conduct any of the required Quarterly Cost Neutrality Assessments.

**Criteria:** Per A-133 compliance supplement for CFDA 10.557 compliance requirements III.N.4, the state agency is required to conduct quarterly statewide cost neutrality assessments by calculating and comparing the average redemption amounts for food instruments redeemed by regular vendors against those of above-50-percent vendors.

**Cause:** Lack of effective procedures to ensure timely completion of the required quarterly cost neutrality assessment.

**Effect:** The average price per food instrument type that the above-50-percent vendors charge WIC participants may exceed the price charged by regular vendors, either within their peer groups or statewide.

**Recommendation:** We recommend stronger internal control procedures through education, and instruction on pertinent information with regard to the above-50-percent vendor requirements provided in the compliance supplement.

**Management's Response:** The Department plans to implement and monitor procedures to ensure that all required assessments are performed quarterly.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**07-3 ALL PROGRAMS - FEDERAL CASH TRANSACTIONS REPORT FILING – UNTIMELY FILING - Repeated**

**Condition:** The Federal Cash Transactions Report (PSC 272) was not filed timely for the third quarter of FY08.

**Criteria:** The PSC 272 is supposed to be filed quarterly so as to alert the federal awarding agency of the cash positions for the various grants and to request funding for any deficits.

**Cause:** Lack of effective procedures over timely filing of the Federal Cash Transactions Report.

**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 staff turnover in the Grants Management Bureau. Currently the Bureau is under new management and plans to strengthen staff training procedures.

**07-4 WIC - 10.557 - HIGH RISK VENDORS – LACK OF COMPLIANCE INVESTIGATIONS – Repeated/Updated**

**Condition:** The Women, Infants and Children (WIC) program failed to meet the high risk vendor requirement of auditing at least five percent of the total vendor population, or at least 12 of the 229 vendors.

**Criteria:** Per A-133 compliance supplement for CFDA 10.557 compliance requirements III.N.4, 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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**07-4 WIC - 10.557 - HIGH RISK VENDORS – LACK OF COMPLIANCE INVESTIGATIONS – Repeated/Updated - 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 229 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.

**7-15 WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM - 10.557 – FNS 798 RECONCILIATION**

**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:** All activities reported in a reporting system and summarized in SHARE through journal entries should be reconciled on a monthly basis.

**Cause:** Lack of effective procedures to prepare reconciliations.

**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.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

**YEAR ENDED JUNE 30, 2008**

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

**7-15 WOMEN, INFANTS AND CHILDREN (WIC) PROGRAM - 10.557 – FNS 798 RECONCILIATION  
- continued**

**Recommendation:** Policies and procedures 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.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Summary Schedule of Prior Year Audit Findings**

- 06-1 Federal Expenditure, Drawdown and Receipts Reconciliation – Resolved
- 06-6 Recognition and Recording of Revenue – Resolved
- 07-1 Personnel and Payroll – Repeated/Updated
- 07-2 Statistical Reports Filing – Untimely Filing – Resolved
- 07-3 Federal Cash Transactions Report Filing – Repeated
- 07-4 High Risk Vendors – Lack of Compliance Investigations – Repeated
- 07-5 Independent Peer Review of Service Providers – Resolved
- 07-6 Special Revenue Fund – Resolved
- 07-7 Contractual Allowance – Resolved
- 07-8 Past Due Accounts Receivable – Repeated
- 07-9 Budget Overages – Repeated
- 07-10 Cash Controls - Resolved
- 07-11 Late Filing of Audit Report – Resolved
- 07-12 Journal Entry Review – Repeated
- 07-13 Recording and Reconciliation of Cash and Accounts Receivable – Repeated
- 07-14 Accounts Receivable – Public Health Division – Repeated
- 07-15 Women, Infants and Children (WIC) Program – Repeated
- 07-16 General Ledger Transactions – Resolved

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Exit Conference**

An exit conference was held with the Department on December 9, 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 (In absentia of Dr. Alfredo Vigil, M.D., Cabinet Secretary)
Donna Trujillo, CPA, CSIA	Deputy ASD Director
Michael J. Mulligan	Acting ASD Director
Robert Ortiz	Deputy ASD Director

**MEYNER + COMPANY, LLC**

Georgie Ortiz, CPA, CGFM	Audit Partner
Javier Machuca, CPA, CGFM	Audit Manager
Matthew Bone	In-Charge Accountant

**PREPARATION OF FINANCIAL STATEMENTS**

These financial statements were primarily prepared by the management of the Department of Health with assistance from Meyners + Company, LLC. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.