



**FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION**

JUNE 30, 2009

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Financial Statements
for the Year Ended
June 30, 2009,
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, 2009

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 - Acting	Michael Mulligan
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

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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 financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue fund 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, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds and the program budgetary comparisons of the Department presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. 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. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, or the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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, 2009, and the respective changes in financial position thereof, and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Department as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparisons for all non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, 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 considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 11 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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, the budgetary comparisons, and the combining and individual fund financial statements. 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. The additional 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 financial statements. 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.

Magness + Company LLC

November 13, 2009



MANAGEMENT'S DISCUSSION AND ANALYSIS

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis
Year Ended June 30, 2009**

INTRODUCTION

The following Management's Discussion and Analysis, or MD&A, for the State of New Mexico's 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, 2009 (FY09). 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, 2009**

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**

	2009 Governmental Activities	2008 Governmental Activities	Increase (Decrease)	Percentage Change
Assets:				
Cash, restricted and non-restricted	\$ 27,063,909	10,017,895	17,046,014	170%
Other current assets	52,882,904	56,697,031	(3,814,127)	-7%
Non-current assets	<u>19,277,047</u>	<u>22,000,121</u>	<u>(2,723,074)</u>	<u>-12%</u>
Total Assets	\$ <u>99,223,860</u>	<u>88,715,047</u>	<u>10,508,813</u>	<u>12%</u>
Liabilities:				
Current liabilities	\$ 78,005,410	63,333,425	14,671,985	23%
Long-term liabilities	-	-	-	0%
Total Liabilities	\$ <u>78,005,410</u>	<u>63,333,425</u>	<u>14,671,985</u>	<u>23%</u>
Net Assets:				
Invested in capital assets	\$ 19,277,047	22,000,121	(2,723,074)	-12%
Restricted for grantors and other	1,941,403	3,381,501	(1,440,098)	-43%
Unrestricted (deficit)	-	-	-	0%
Total Net Assets	\$ <u>21,218,450</u>	<u>25,381,622</u>	<u>(4,163,172)</u>	<u>-16%</u>

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2009 are as follows:

NET ASSETS

Current Assets increased by approximately \$13.2 million, or 20%. This increase was the result of the following:

- Cash increased by approximately \$17.2 million or 170% resulting from
 - The change in the federal funds draw schedule from quarterly to monthly which caused a corresponding reduction to the federal receivable of approximately \$9 million; and
 - An increase in the Federal Medical Assistance Percentages (FMAP) which created a savings and overall increase to cash of approximately \$10.5 million. Medical Assistance Percentages are used in determining the amount of Federal matching funds for state's expenditures for assistance payments for Medicaid. This FMAP decrease was part of the Federal Stimulus package affecting 2009.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2009**

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE – continued

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

	2009 Governmental Activities	2008 Governmental Activities	Increase (Decrease)	Percentage Change
Revenue:				
Program revenue:				
Federal Grants	\$ 130,443,134	130,517,760	(74,626)	0%
In-kind Assistance	32,191,891	34,495,232	(2,303,341)	-7%
Patient Service Revenue	80,929,265	75,810,444	5,118,821	7%
Other	<u>12,330,034</u>	<u>15,041,657</u>	<u>(2,711,624)</u>	<u>-18%</u>
	255,894,324	255,865,093	29,230	0%
General revenue:				
General fund appropriations	307,543,100	285,786,900	21,756,200	8%
General fund reversion	(12,917,863)	(485,355)	(12,432,508)	2562%
Other appropriations	<u>16,921,845</u>	<u>18,151,537</u>	<u>(1,229,691)</u>	<u>-7%</u>
Total Revenue	311,547,082	303,453,082	8,094,001	3%
Expenses:				
Public Health	535,260,182	542,609,288	(7,349,106)	-1%
In-kind Assistance	32,191,891	34,495,232	(2,303,341)	-7%
Depreciation	3,814,635	4,023,333	(208,698)	-5%
Loss on Capital Assets	368,463	-	368,463	100%
Increase (decrease) in compensated absences	<u>(30,593)</u>	<u>689,026</u>	<u>(719,619)</u>	<u>-104%</u>
Total Expenses	<u>571,604,578</u>	<u>581,816,879</u>	<u>(10,212,301)</u>	<u>-2%</u>
Increase (decrease) in Net Assets	(4,163,172)	(22,498,704)	18,335,532	-84%
Beginning Net Assets	<u>25,381,622</u>	<u>47,880,326</u>	<u>(22,498,704)</u>	<u>-47%</u>
Ending Net Assets	\$ <u>21,218,450</u>	<u>25,381,622</u>	<u>(4,163,172)</u>	<u>-16%</u>

NET ASSETS - continued

- An increase in Patient Accounts Receivable of approximately \$5.1 million resulting from a more consistent application of billing procedure; and
- A minimal combined decrease of approximately \$.5 million in the-- Due from Other State Agencies, Inventory, and Prepaid Expenses --categories which is the result of normal fluctuation.
- Capital Assets and Investment in Capital Assets decreased by approximately \$2.7 million, or 19%, due to approximately \$3.8 million in depreciation expenses that were offset by approximately \$1.5 million in additional capitalized assets. Additional purchased items included computer and laboratory equipment. During FY09, the Department deleted approximately \$1.9 million of capital assets from the capital assets list. All assets deleted were fully depreciated and either below the current capitalization threshold or no longer held by the Department.

Overall, Total Assets increased by approximately \$10.5 million or 12%, due to the factors noted above.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2009**

NET ASSETS - continued

- Current Liabilities saw an increase of approximately \$14.7 million or 23%. This was due to the following:
 - The reporting of approximately \$10.3 million due as a reversion to Fund 890 of the Department of Finance and Administration and classified as Due to Other Agencies. This reversion is related to the increase in the FMAP as discussed above;
 - An increase in deferred revenue related to an increase in service prepayments and the re-class of unexpended DOH County Supported Medicaid funds; and
 - An increase of approximately \$3 million in accounts payable which will mean a decrease in the amount of prior year payment requests for the Department in fiscal year 2010.

- Total liabilities increased by approximately \$14.7 million, or 23% as indicated above.

CHANGE IN NET ASSETS

Overall, the financial position of the Department did not change significantly. Program revenues remained unchanged when compared to 2008. There was an increase in Patient Revenue of \$6 million; however this was offset by a decrease in Fees, Penalties and Interest as well as a reduction of In-Kind Assistance. Fiscal Year 2010 should see an increase in Program Income due to increased funding for Novel H1N1 and pursuant to the American Recovery and Reinvestment Act (ARRA). General revenue also experienced only a modest net increase of \$8 million or 3% where Special Appropriations were cut by \$1.3 million and reversions were made in the amount of \$13.0 million which is an increase of \$12.5 million over last year's reversion.

BUDGETARY HIGHLIGHTS

The Department's operating budget for Fiscal Year 2009 totaled approximately \$573.5 million, including approximately \$301.2 million in General Fund. In accordance with Laws 2009, Chapter 2, House Bill 10, the Department's General Fund budget was decreased by approximately \$7.5 million for a revised General Fund operating budget amount of approximately \$293.7 million and a revised total operating budget of \$565.9 million. Budget increases totaling approximately \$11.4 million during the fiscal year from various funding sources resulted in a final operating budget amount for the Department of approximately \$577.3 million.

Significant adjustments to the FY08 appropriated operating budget included:

- An increase of approximately \$.8 million in Federal Funds under the Maternal Child Health Program to assist families in adopting healthy behaviors and physical health services;
- An increase of approximately \$1.2 million in Other Revenue for private vaccines;
- An increase of approximately \$4.4 million in Federal Funds under the Women, Infants, and Children (WIC) Food Grant;
- An increase of approximately \$1.4 million in Other State Funds for the WIC Formula Rebate Program;
- An increase of approximately \$.8 million in Cash Balance for the Newborn Screening Program;
- An increase of approximately \$.9 million in Cash Balance for the County Supported Medicaid Fund;
- A budget adjustment between programs and categories in the amount of approximately \$5.5 million of General Fund, as a result of Laws 2009, Chapter 2, House Bill 10;
- A transfer of approximately \$.85 million from the Contractual Services category to Other category for emergency preparedness grants to hospitals;
- A transfer of approximately \$4.5 million in Federal Funds from the Contractual Services category to the Personal Services/Employee Benefits category and the Other category, for the WIC Program to cover costs for provider agreements and personnel;
- A transfer of approximately \$.7 million in General Fund from the Contractual Services category to the Other category for the Dental Health Services Program;

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2009**

BUDGETARY HIGHLIGHTS - continued

- A transfer of approximately \$.5 million in General Fund from the Other category to the Personal Services/Employee Benefits category and Contractual Services category for the Chronic Disease Bureau's Breast and Cervical Cancer Early Detection Program.

Actual results for revenues were generally negative due to a decrease in interest and other funding sources as well as appropriation reductions occurring during the year. Expenditure variances however were positive due to a decrease in many spending areas of the Department. Decreased spending did not however impact patient care or direct care programs. The Department continued to implement programs and serve the health needs of New Mexicans during FY09. 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 5,351 teens between the ages of 15 and 17 with family planning services ;
- Provided 26,740 prevention interventions for individuals at risk of contracting HIV/AIDS;
- Enrolled 3,641 clients in hepatitis C disease management programs;
- Provided more that 42,421 student visits to school-based health centers statewide, serving 22,130 students;
- Fielded 18,717 calls to the DOH-funded crisis line; and
- Enrolled 1,111 new clients in the needle-exchange program.

Also during FY09, the Epidemiology and Response Division:

- Conducted 53 actual and simulated health emergency exercises to assess and improve local capabilities, and
- Enrolled 17 hospitals in the state trauma registry.

During the same period, the Scientific Laboratory Division:

- Performed 355,948 chemical and biological tests for communicable diseases and other threatening illnesses within specified turnaround times, and
- Reported 63.5% of the results of blood alcohol tests for DWI cases within seven days.

In the Department's Facilities Program

- 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 548 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 967 individuals.
- The New Mexico Behavioral Health Institute in Las Vegas provided in-patient forensic and adult psychiatric care to 1,031 individuals, and outpatient psychiatric services to 3,621 individuals;
- The Sequoyah Adolescent Treatment Center provided residential treatment to 79 adolescents with violent behaviors;
- The New Mexico Rehabilitation Center provided medical rehabilitation services to 206 individuals; and
- The Los Lunas Community Programs provided residential services for 70 individuals, family-based services for 25 individuals, and Day Habilitation services for 83 individuals with developmental disabilities.

The Developmental Disabilities Support Division:

- Served 12,625 individuals under the Family, Infant, and Toddler Program;
- Served 3,792 individuals under the Developmentally Disabled Medicaid Waiver Program;
- Provided supported employment to 944 developmentally disabled individuals; and
- Contracted with more than 302 providers under its Developmentally Disabled and Medically Fragile service programs.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis - continued
Year Ended June 30, 2009**

BUDGETARY HIGHLIGHTS - continued

Also during FY09, the Department's Division of Health Improvement:

- Investigated 1,501 reports of abuse, neglect, or exploitation in nursing and other medical facilities statewide;
- Conducted 131 unannounced surveys of service providers under the developmentally disabled program;
- Conducted 843 regulatory compliance surveys for licensed medical facilities; and
- Completed 33,932 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 20% of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2009 are approximately \$8 million. The estimated amount to be paid from General Fund appropriations within one year is approximately \$8 million 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, 2009.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The Department expects to continue to cut expenditures and costs while still maintaining the same high quality of care and support for the health and welfare of New Mexicans. We expect to see additional funding in response to Novel H1N1 and funding pursuant to American Recovery and Reinvestment Act. However the national and state financial situation for the upcoming Fiscal Year 2010 is anticipated to be significantly bleaker than that experienced during Fiscal Year 2009. For the Department of Health, this means that operating budgets will likely end up much lower than the levels appropriated during February 2009 for fiscal year 2010. The projected shortfall in reduced state revenue will impact the Department and may 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
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Santa Fe, NM 87502
Phone 505-827-2555

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BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Exhibit 1

**Statement of Net Assets
June 30, 2009**

	<u>Total Governmental Funds</u>
ASSETS	
Current Assets	
Investment in State Treasurer Investment Pool	\$ 26,875,590
Cash	159,101
Accounts Receivable, net	22,662,684
Receivable From Federal Government	18,167,773
Receivable From Other State Agencies	9,402,604
Inventory	2,549,051
Prepaid expenses and others	100,792
Total Current Assets	<u>79,917,595</u>
Noncurrent Assets	
Capital Assets, net of accumulated depreciation	<u>19,277,047</u>
Total Assets	<u>\$ 99,194,642</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 35,104,696
Accrued Payroll	10,075,046
Payable To State General Fund	569,512
Payable to the Federal Government	354,230
Funds held for others	408,801
Payable To Other State Agencies	18,423,402
Deferred Revenues	4,987,909
Other Liabilities	54,369
Compensated Absences	7,998,227
Total Current Liabilities	<u>77,976,192</u>
Noncurrent Liabilities	
Compensated Absences	-
Total Noncurrent Liabilities	-
Total Liabilities	<u>77,976,192</u>
NET ASSETS	
Invested in Capital assets	19,277,047
Restricted For:	
Public health	(344,388)
County supported medicaid activity	-
Trauma system activity	1,000,472
Save our children's sight fund	77,743
Emergency medical services	210,619
Capital projects	956,157
Other Governmental Activity	40,800
Total Net Assets	<u>21,218,450</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 99,194,642</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, 2009**

Functions/Programs	Expenses	Charges For Service	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
Administration	\$ 19,541,511	\$ 247,583	\$ 6,057,223	\$ (13,236,705)
Public Health	199,399,154	17,656,048	88,887,151	(92,855,955)
Public Health In Kind	32,191,891	-	32,191,891	-
Epidemiology and Response	25,052,599	1,097,048	12,470,188	(11,485,363)
Laboratory services	11,802,576	2,163,991	1,704,682	(7,933,903)
Facilities management	131,166,709	70,300,309	3,668,015	(57,198,385)
Developmental disabilities supports services	47,614,499	6,953,149	2,668,219	(37,993,131)
Health certification, licensing and oversight	13,980,848	5,956,756	2,504,905	(5,519,187)
Other health initiatives	15,632,133	-	-	(15,632,133)
Total Governmental Activities	\$ 496,381,920	\$ 104,374,884	\$ 150,152,274	(241,854,762)
General Revenues				
State General Fund Appropriations				305,713,700
STB Appropriations				1,595,076
Tobacco Settlement Funds				12,614,400
County Supported Medicaid				2,665,038
Interest Income				1,367,166
Reversion - Fiscal Year 2009				(12,917,863)
Transfers in				1,876,731
Transfers out				(75,222,658)
Total General Revenues, Reversions and Transfers				237,691,590
Changes in Net Assets				(4,163,172)
Net Assets at beginning of period				25,381,622
Net Assets at the end of the period				\$ 21,218,450

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Balance Sheets - Governmental Funds
June 30, 2009**

	<u>General Fund</u>	<u>ARRA Fund 89000</u>	<u>Other Non-Major Funds</u>
ASSETS			
Investment in State Treasurer Investment Pool	\$ 23,879,127	\$ -	\$ 2,996,463
Cash	159,101	-	-
Accounts Receivable, net	22,662,684	-	-
Receivable From Federal Government	18,138,555	29,218	-
Receivable From Other State Agencies	8,486,915	-	915,689
Receivable From Other Funds	29,218	-	975,338
Inventory	2,549,051	-	-
Prepaid Expenses	100,792	-	-
Other Assets	-	-	-
Total Assets	<u><u>\$ 76,005,443</u></u>	<u><u>\$ 29,218</u></u>	<u><u>\$ 4,887,490</u></u>
LIABILITIES			
Accounts Payable	\$ 34,510,975	\$ -	\$ 593,722
Accrued Payroll	10,058,890	-	16,156
Payable To State General Fund	246,108	-	323,404
Payable To Other Funds	975,338	29,218	-
Funds Held for Others	142,669	-	266,131
Payable To Other State Agencies	18,423,402	-	-
Payable To Federal Government	354,230	-	-
Deferred Revenues	3,564,733	-	1,423,176
Other Liabilities	35,259	-	19,110
Total Liabilities	<u><u>68,311,604</u></u>	<u><u>29,218</u></u>	<u><u>2,641,699</u></u>
FUND BALANCES			
Reserved For:			
Inventory and Prepaid	2,649,843	-	-
Health Programs	5,043,996	-	2,245,791
Total Fund Balances	<u><u>7,693,839</u></u>	<u><u>-</u></u>	<u><u>2,245,791</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 76,005,443</u></u>	<u><u>\$ 29,218</u></u>	<u><u>\$ 4,887,490</u></u>

	Total Governmental Funds
ASSETS	
Investment in State Treasurer Investment Pool	\$ 26,875,590
Cash	159,101
Accounts Receivable, net	22,662,684
Receivable From Federal Government	18,167,773
Receivable From Other State Agencies	9,402,604
Receivable From Other Funds	1,004,556
Inventory	2,549,051
Prepaid Expenses	100,792
Other Assets	-
Total Assets	\$ 80,922,151
LIABILITIES	
Accounts Payable	\$ 35,104,697
Accrued Payroll	10,075,046
Payable To State General Fund	569,512
Payable To Other Funds	1,004,556
Funds Held for Others	408,800
Payable To Other State Agencies	18,423,402
Payable To Federal Government	354,230
Deferred Revenues	4,987,909
Other Liabilities	54,369
Total Liabilities	70,982,521
FUND BALANCES	
Reserved For:	
Inventory and Prepaid	2,649,843
Health Programs	7,289,787
Total Fund Balances	9,939,630
Total Liabilities and Fund Balances	\$ 80,922,151

See accompanying notes to financial statements.

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**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Exhibit 4

**Reconciliation of the Government Fund
Balance Sheets to the Statement of Net Assets
June 30, 2009**

Total fund balances - governmental funds (Exhibit 3)		\$ 9,939,630
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	73,520,947	
Accumulated depreciation	<u>(54,243,900)</u>	
Total capital assets - net		<u>19,277,047</u>
Liabilities are not due and payable in the current period and therefore are not reported in the funds.		
These liabilities consist of:		
Compensated absences		(7,998,227)
Net assets of governmental activities (Exhibit 1)		<u><u>\$ 21,218,450</u></u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Fund
For the Period Ended June 30, 2009**

	<u>General Fund Fund 06100</u>	<u>ARRA Fund 89000</u>	<u>Other Non-major Funds</u>
REVENUES			
Federal Grants	\$ 129,897,090	\$ 546,044	\$ -
In-Kind Assistance	32,191,891	-	-
Patient Service Charges	80,929,265	-	-
Fees, Licenses and Penalties	5,565,299	-	20,034
Private Grants	165,868	-	-
Rental Income	1,966,576	-	-
Sales and Service	3,245,091	-	-
Interest Income	1,367,166	-	-
Total Revenues	<u>255,328,246</u>	<u>546,044</u>	<u>20,034</u>
EXPENDITURES			
Current Operating:			
Administration	14,164,617	-	186,593
Public Health	195,964,804	-	2,665,038
Public Health In-Kind Assistance	32,191,891	-	-
Epidemiology and Response	20,934,815	546,044	8,123,266
Laboratory Services	10,921,972	-	-
Facilities Management	129,680,603	-	-
Developmental Disabilities Supports Services	47,605,252	-	-
Health Certification, Licensing and Oversight	13,980,848	-	-
Other Health Initiatives	12,871,838	-	2,391,834
Capital Outlay	1,460,024	-	-
Total Expenditures	<u>479,776,664</u>	<u>546,044</u>	<u>13,366,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(224,448,418)</u>	<u>-</u>	<u>(13,346,697)</u>
OTHER FINANCING SOURCES (USES)			
General Fund Appropriation	296,201,500	-	9,512,200
Tobacco Settlement Appropriation	12,614,400	-	-
County Supported Medicaid	-	-	2,665,038
STB Appropriation	-	-	1,595,076
Reversion - Fiscal Year 2009	(10,575,414)	-	(2,342,449)
Transfers In:	-	-	-
Interfund	-	-	-
Other	1,829,400	-	47,331
Transfers Out:	-	-	-
Interfund	-	-	-
Other	(75,222,658)	-	-
Total Other Financing Sources and Uses	<u>224,847,228</u>	<u>-</u>	<u>11,477,196</u>
Net Change in Fund Balance	398,810	-	(1,869,501)
Fund Balance-Beginning of Year	<u>7,295,029</u>	<u>-</u>	<u>4,115,292</u>
Fund Balance-End of Year	<u>\$ 7,693,839</u>	<u>\$ -</u>	<u>\$ 2,245,791</u>

	Total Governmental Funds
REVENUES	
Federal Grants	\$ 130,443,134
In-Kind Assistance	32,191,891
Patient Service Charges	80,929,265
Fees, Licenses and Penalties	5,585,333
Private Grants	165,868
Rental Income	1,966,576
Sales and Service	3,245,091
Interest Income	1,367,166
Total Revenues	<u>255,894,324</u>
EXPENDITURES	
Current Operating:	
Administration	14,351,210
Public Health	198,629,842
Public Health In-Kind Assistance	32,191,891
Epidemiology and Response	29,604,125
Laboratory Services	10,921,972
Facilities Management	129,680,603
Developmental Disabilities Supports Services	47,605,252
Health Certification, Licensing and Oversight	13,980,848
Other Health Initiatives	15,263,672
Capital Outlay	1,460,024
Total Expenditures	<u>493,689,439</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(237,795,115)</u>
OTHER FINANCING SOURCES (USES)	
General Fund Appropriation	305,713,700
Tobacco Settlement Appropriation	12,614,400
County Supported Medicaid	2,665,038
STB Appropriation	1,595,076
Reversion - Fiscal Year 2009	(12,917,863)
Transfers In:	-
Interfund	-
Other	1,876,731
Transfers Out:	-
Interfund	-
Other	(75,222,658)
Total Other Financing Sources and Uses	<u>236,324,424</u>
Net Change in Fund Balance	(1,470,691)
Fund Balance-Beginning of Year	<u>11,410,321</u>
Fund Balance-End of Year	<u>\$ 9,939,630</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Exhibit 6

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2009

Net Change in Fund Balances (Exhibit 5)	\$ (1,470,691)
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	1,460,024
Depreciation expense is not recognized in the governmental funds but is recognized in the Statement of Activities	(3,814,635)
Unrealized loss from disposals of capital assets is not recognized in the governmental funds but is recognized in the Statement of Activities	(368,463)
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. Deductions in compensated absences are expended from current resources, but are a reduction in liability in the Statement of Net Assets	
Net change in compensated absences	<u>30,593</u>
Change in Net Assets (Exhibit 2)	<u>\$ (4,163,172)</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**
**Statement of Revenues and Expenditures -
Budget and Actual**
Major Governmental Funds
For the Period Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
General Fund - All Programs Combined				
REVENUES				
Federal Funds	\$ 102,956,100	\$ 109,159,636	\$ 119,773,177	\$ 10,613,541
General Fund Appropriations	305,220,600	297,952,400	298,030,900	78,500
Federal Flow-through Revenue	13,452,200	13,452,200	10,669,957	(2,782,243)
Patient Service Revenue	125,095,100	126,567,978	91,343,695	(35,224,283)
Fees, Penalties and Other	27,346,600	28,909,356	10,378,850	(18,530,506)
Other Financing Sources	2,600,100	2,600,100	3,585,076	984,976
	<u>576,670,700</u>	<u>578,641,670</u>	<u>533,781,655</u>	<u>(44,860,015)</u>
Fund Balance Budgeted	-	1,742,613	-	(1,742,613)
Total Revenues	<u>\$ 576,670,700</u>	<u>580,384,283</u>	<u>533,781,655</u>	<u>(46,602,628)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 223,303,300	\$ 226,714,507	\$ 221,031,868	\$ 5,682,639
Contractual Services	123,689,900	118,015,559	90,520,352	27,495,207
Other	139,175,800	151,066,617	136,093,976	14,972,641
Total Expenditures	<u>486,169,000</u>	<u>495,796,683</u>	<u>447,646,196</u>	<u>48,150,487</u>
Other Financing Uses	90,501,700	84,587,600	75,222,658	9,364,942
Total Expenditures and Financing Uses	<u>\$ 576,670,700</u>	<u>\$ 580,384,283</u>	<u>522,868,854</u>	<u>\$ 57,515,429</u>
Net Budgetary Activity			\$ 10,912,801	
Other Activity				
2009 Reversion			(10,575,414)	
Fiscal 2008 bills paid out of Fiscal 2009 budget			105,512	
Fiscal 2009 bills paid out of Fiscal 2010 budget			(44,089)	
Net change in fund balance			<u>\$ 398,810</u>	

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
ARRA Fund				
REVENUES				
Federal Funds	\$ -	\$ 546,044	\$ 546,044	\$ -
EXPENDITURES				
Other Costs	\$ -	\$ 546,044	\$ 546,044	\$ -

See accompanying notes to financial statements.

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STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Exhibit 8

Statement of Fiduciary Net Assets
June 30, 2009

<u>Assets</u>	<u>Agency Funds</u>
Investment in State Treasurer Investment Pool	\$ 204,623
Cash in Banks	830,711
Total Assets	\$ 1,035,334
<u>Liabilities</u>	
Funds Held for Others	\$ 774,444
Due to Other State Agencies	260,890
Total Liabilities	\$ 1,035,334

See accompanying notes to financial statements

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

The Department is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. The Department has implemented these standards beginning with the fiscal year ended June 30, 2002. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis, (MD&A), which precedes the basic financial statements. The 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

The Department of Health's budget is appropriated by the Legislature during the State's annual legislative session. For fiscal 2008 (FY08), the Legislature passed and the Governor enacted the budget, and the Operating Budget was approved, in eight Program Areas, as shown below:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Reporting Entity – continued**

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.

Program Area Three (P003) – Epidemiology and Response:

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Reporting Entity – continued**

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

Program Area Five (P005) - Behavioral Health Services – moved to HSD for fiscal year 2008:

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 seven facilities across New Mexico.

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

Los Lunas Community Programs
Home-based Living for the Disabled

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• **Reporting Entity – continued**

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

Division of Health Improvement
Health Facility Licensing and Certification
Incident Management
Quality Management
Caregiver's Criminal History 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 are the governing body's ability to exercise oversight responsibility. The most significant aspects of this responsibility are the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters. A second criteria used in evaluating potential component units is the scope of public service. Application of the criteria involves considering whether the activity benefits the Department. A third criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. In the financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Department. Based on the application of these criteria, there are no component units included in these financial statements.

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

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

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type, and exclude fiduciary 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 receivable as well as long-term debt and obligations.

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

**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

The net cost by function is normally covered by general revenue. The Department operates seven 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 and fiduciary funds. The Department has no proprietary funds to report.

The governmental funds in the fund financial statements are presented on a current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources, and to demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on pages 18 and 21, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation. The Department's General Fund is a reverting fund.

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

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

The following describes the individual funds used by the Department:

Governmental Funds

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. 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**

Major Funds

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 General Fund combines activities for all the programs of the Department. The DOH General Fund is funded from appropriations from the State of New Mexico General Fund, special appropriations, Federal grants, and other revenue.

ARRA Fund

The Department of Health ARRA Special Revenue Fund (fund 8900) is used to account for the activity related to the funding provided by the federal government under the American Recovery and Reinvestment Act. All activity is segregated to ensure:

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Other Non-major Funds

Special Revenue Funds

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

- The DOH 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. These funds are non reverting.
- The 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. These funds are non reverting.
- The Save Our Children's Sight 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. These funds are non reverting.
- The 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 and FY08. This activity was reversed through correcting journal entries. These funds are non reverting.

**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**

Other Non-major Funds - continued

Special Revenue Funds - continued

- The 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. These funds are non reverting.
- The Birthing Workforce Retention Fund (Fund 95800) – The fund was created by Section 41-5-26.1 NMSA 1978. The purpose of this fund is to provide malpractice insurance premium assistance for certified nurse-midwives or physicians whose insurance premium costs jeopardize their ability to continue their obstetrics practices in New Mexico. These funds are non reverting.

Capital Projects Fund

The DOH Capital Projects Fund (Fund 05900) is used to account for appropriations and expenditures relating to capital construction and improvement projects appropriated by the Legislature for long-term care and other facilities. The Capital Projects reported in this fund are funded through General Fund Appropriation or Severance Tax Bond sales. The debt for the Severance Tax bonds are recognized and reported in the report of the State Treasurer's Office of New Mexico.

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.

- The 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.
- The Facilities' Trust 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.

**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**

Measurement Focus and Classification of Funds - continued

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.

Basis of accounting refers to the point at which revenue and 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" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally 60 days.

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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- **Reservations and Designations**

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 are summarized below:

- Reserved for statutory purposes - These reservations 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 \$250,000. Amounts over \$250,000 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.

Beginning with FY07, the Department of Finance & Administration directed that agency cash accounts maintained in the State treasury now be referred to as "Investment in the State General Fund Investment Pool," or investment in SGFIP, to reflect the fact that State agencies do not maintain cash per se but rather agencies' cash accounts are actually interest in the State General Fund that is invested with other State monies in investment accounts.

- **Inventory and Prepaid Items**

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

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

2. ASSETS, LIABILITIES, AND EQUITY - continued

• **Capital Assets**

Property, buildings, and equipment purchased or acquired at a value of \$1,000 or greater prior to July 1, 2005 is capitalized. Capital Assets acquired after June 30, 2005, are only capitalized if the acquisition amount was \$5,000 or more. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful live of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed when incurred. Depreciation on all assets, including software, is provided on the straight-line basis over the following estimated useful lives with no salvage value:

	<u>Years</u>
Furniture/Fixtures	7 to 10
Data Processing Equipment	3 to 5
Equipment	5 to 10
Vehicles	5 to 10
Building 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 1,000, 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) 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

• **Budgetary Data – continued**

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 appropriate funds to the Department before an operating budget can be legally approved by the Department of Finance and Administration.
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 requested budget adjustments 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). This practice became effective beginning July 1, 2004. In prior years, the budgetary basis was not considered to be consistent with the GAAP basis of accounting. Budgetary comparisons presented in the financial statements are now presented on a basis which is consistent with generally accepted accounting principles.
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 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 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 2008.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – continued

Program Revenue - continued

Patient Service Revenue and Contractual Adjustments-continued

Amounts receivable and payable under reimbursement from “third-party payer” agreements, primarily Medicare and Medicaid, are subject to examination and retroactive adjustment by a third-party payer. Provisions for estimated retroactive adjustments by third-party payers 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, 2009, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
General Fund:			
Public Health Division	\$ 1,441,714	\$ -	\$ 1,441,714
Scientific Laboratory	480,183	8,177	472,006
Turquoise Lodge	11,103,853	11,046,109	57,744
Behavioral Health Institute	14,887,275	5,072,218	9,815,057
New Mexico Rehabilitation Center	1,206,405	932,409	273,996
Sequoyah Adolescent Treatment Center	1,273,827	114,644	1,159,183
New Mexico Veterans Home	2,099,736	331,534	1,768,202
Fort Bayard Medical Center	5,690,496	1,559,239	4,131,257
Los Lunas Community Programs	4,000,750	483,708	3,517,042
Other	<u>26,483</u>	<u>-</u>	<u>26,483</u>
Total	\$ <u>42,210,722</u>	\$ <u>19,548,038</u>	\$ <u>22,662,684</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 6/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2009</u>
Capital Assets Not Being Depreciated:				
Land	\$ 59,700	\$ -	\$ -	\$ 59,700
Capital Assets Being Depreciated:				
Land improvements	230,577	-	-	230,577
Buildings & structures	42,697,072	57,376	-	42,754,448
Machinery & equipment	14,267,443	569,452	(760,297)	14,076,598
Aircraft, autos & trucks	2,684,878	-	(867,616)	1,817,262
Information technology	11,791,447	788,637	(2,545)	12,577,539
Furniture & fixtures	2,240,964	44,559	(280,700)	2,004,823
Total cost	<u>73,912,381</u>	<u>1,460,024</u>	<u>(1,911,158)</u>	<u>73,461,247</u>
 Total Capital Assets	 73,972,081	 1,460,024	 (1,911,158)	 73,520,947
<u>Accumulated depreciation</u>				
Land improvements	(226,569)	(2,533)	-	(229,102)
Buildings & structures	(31,130,343)	(1,055,648)	-	(32,185,991)
Machinery & equipment	(8,201,560)	(1,250,969)	698,123	(8,754,406)
Aircraft, autos & trucks	(1,911,607)	(220,327)	651,070	(1,480,864)
Information technology	(9,236,630)	(1,103,627)	2,545	(10,337,712)
Furniture & fixtures	(1,265,251)	(181,531)	190,957	(1,255,825)
Total Accum. Depreciation	<u>(51,971,960)</u>	<u>(3,814,635)</u>	<u>1,542,695</u>	<u>(54,243,900)</u>
	<u>\$ 21,940,421</u>	<u>\$ (2,354,611)</u>	<u>\$ (368,463)</u>	<u>\$ 19,217,347</u>
 Governmental Activities Capital Assets	 <u>\$ 22,000,121</u>	 <u>\$ (2,354,611)</u>	 <u>\$ (368,463)</u>	 <u>\$ 19,277,047</u>

Depreciation expense was charged to functions as follows:

Administrative Services Division	\$ 1,153,377
Public Health Division	223,270
Epidemiology and Response Division	62,031
Scientific Laboratory Division	880,604
Facilities	1,486,106
Division of Health Improvement	<u>9,247</u>
	<u>\$ 3,814,635</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 is disclosed in the financial statements. The changes in compensated absences are recorded in the financial statements as follows:

	<u>Balance, June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2009</u>
Current portion	\$ 8,028,820	8,083,549	(8,114,142)	7,998,227
Non-current portion	-	-	-	-
Total	\$ <u>8,028,820</u>	<u>8,083,549</u>	<u>(8,114,142)</u>	<u>7,998,227</u>

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, 2009 consist of the following:

• **Due From Other State Agencies**

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
06100	Human Services Department	05200	\$ 8,268,387
06100	Department of Finance & Administration	01000	191,089
06100	Corrections Department	76100	27,439
05900	DFA - State Board of Finance	73000	737,303
21900	Department of Finance & Administration	02100	<u>178,386</u>
Total All Funds			\$ <u>9,402,604</u>

• **Due To Other State Agencies**

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
06100	Human Services Department - Behavioral	05200	\$ 12,079
06100	Human Services Department - DD Waiver	05200	5,249,893
06100	Human Services Department - CMS	05200	1,372,072
06100	Human Services Department - Early Int.	05200	1,211,648
06100	Children, Youth & Families Department	91100	160,000

**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 - continued**

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
Governmental Funds:			
06100	Long Term and Aging	85500	\$ 117,710
06100	Department of Finance and Administration - reversion	10820	<u>10,300,000</u>
	Total Governmental Funds		18,423,402
Agency Funds:			
50200	Children, Youth & Families Department	91100	<u>260,890</u>
	Total All Funds		\$ <u>18,684,292</u>

8. INTERFUND ACTIVITY

Due To/From Other Funds at June 30, 2009 were the result of expenditures within the same program area originally charged to the Trauma Fund and subsequently transferred to the General Fund in the amount of \$975,338, and a cash overdraft of \$29,218 that was the result of the federal draw activity related to American Recovery and Reinvestment Act funds that are to be drawn subsequent to disbursement:

Due From	Due To	Amount
Fund 89000	Fund 06100	\$ 29,218
Fund 06100	Fund 25700	<u>975,338</u>
	Total	<u>1,004,556</u>

9. OTHER LIABILITIES

Other liabilities consist of stale dated checks of non reverting funds to be reissued in the amount of \$19,876 and an amount due back to a local emergency management region in the amount of \$34,493.

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, 2008	\$ 928,023
County Supported Medicaid receipts	4,088,214
Current year expenditures	(2,665,038)
Payments received in advance	<u>2,636,710</u>
Deferred revenue	\$ <u>4,987,909</u>

11. OPERATING LEASES

The Department leases equipment and building office space 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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

11. OPERATING LEASES - continued

appropriations and are cancellable by the Department at the end of the fiscal year. The Department has commitments for lease obligations for the following periods for the following amounts:

<u>Years ending June 30,</u>	<u>Amount</u>
2010	\$ 4,196,084
2011	3,924,662
2012	2,979,117
2013	2,692,468
2014	2,584,903
2015 and thereafter	<u>9,386,461</u>
Total	\$ <u>25,763,695</u>

Rental expenditures for the fiscal year ended June 30, 2009 were approximately \$4,623,238. The Department did not enter into any capitalized leases in FY09 or have leases that are required to be capitalized.

12. RESERVED FUND BALANCE

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

Reserved fund balances consisted of the following at June 30, 2009:

	<u>General Fund</u>
Health programs	\$ 7,289,787
Inventory and prepaid expense	<u>2,649,843</u>
Total reserved fund balance	\$ <u>9,939,630</u>

13. REVERSIONS

The following reversions are special appropriations accrued during fiscal year 2009:

Laws of 2008, Ch. 3, Section 5 (Item 76)	\$ 8,081
Laws of 2008, Ch. 6, Section 26 (Item 26)	147
Laws of 2008, Ch. 6, Section 26 (Item 8)	13,900
Laws of 2007, Ch. 6, Section 26 (Item 12)	27,800
Laws of 2004, Ch. 6, Section 26 (Item 1)	96,300
Laws of 2007, Ch. 6, Section 26 (Item 6)	110,962
Laws of 2007, Ch. 6, Section 26 (Item 4)	100
Laws of 2007, Ch. 6, Section 26 (Item 21)	25
Laws of 2007, Ch. 6, Section 26 (Item 20)	4,600
Laws of 2009, Ch. 2, Section 1	171,500
Laws of 2008, Ch. 6, Section 26 (Item 7)	3,200
Laws of 2009, Ch. 5, Section 1	2,000,000
Section 1 Ch. 6, Art 4 NMSA 1978	10,300,000
Laws of 2008, Ch 6 Section 26	13,499
Prior year capital projects	<u>167,749</u>
Total	\$ <u>12,917,863</u>

The Department did not have any additional reversions for FY09. The amounts above are payable within 45 days of the release of this audit by the Office of the State Auditor. In accordance with statute, unexpended funds in the Department's General Fund revert.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

14. 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 2/7th 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, 2009, and the increase in unrealized appreciation and the income received for the year follow:

	Interest in Fund at June 30, 2009	Income Received in 2009
State Permanent Fund:		
Behavioral Health Institute	\$ 24,872,134	\$ 1,640,598
Charitable, Penal and Reformatory Act:		
Behavioral Health Institute	\$ 12,799,736	\$ 759,058
Los Lunas Community Programs	\$ 13,515,574	\$ 910,050

15. RETIREMENT PLANS

Public Employees Retirement Association (PERA)

• **Plan Description**

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employee's Retirement Association Act (PERA) (Chapter 10, Article 11, NMSA 1978). The PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement 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.

• **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. From the 2009 legislative session House Bill 854 temporarily shifts the burden of 1.5% of employer PERA contributions to state employees whose annual salaries exceed \$20,000. For the two-year period from July 1, 2009 to June 30, 2011, the employer contribution rates will be reduced by 1.5% and the employee contribution rates will be increased by 1.5%. After this temporary shift the burden will return to the employer. The Department's contributions to PERA for the years ending June 30, 2009, 2008, and 2007 were \$24,066,044, \$22,770,530 and \$21,035,552, respectively, equal to the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

15. RETIREMENT PLANS - continued

Educational Retirement Board (ERB)

• **Plan Description**

Some 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, disability benefits, survivor benefits and cost-of-living adjustments to plan members 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.

• **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 contributions will be 13.9%. The contribution requirements of plan members and the Department are established under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the years ending June 30, 2009, 2008 and 2007 were \$45,308, \$39,030 and \$36,056, respectively, which equal the amount of the required contributions for each fiscal year.

16. DEFERRED COMPENSATION

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

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

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

17. POST-EMPLOYMENT BENEFITS

State Retiree Health Care Plan (RHCA)

• **Plan Description**

Department of Health 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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

17. POST-EMPLOYMENT BENEFITS - continued

State Retiree Health Care Plan (RHCA) - continued

• **Plan Description - continued**

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's 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.

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 January 1, 1998 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, 2009, 2008, and 2007 were \$1,850,179, \$1,741,882 and \$1,633,214, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

18. 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, 2009, total insurance premiums paid to the Risk Management Division were \$4,417,004.

19. 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:

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

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

A Settlement Agreement has been reached after an investigation into conditions of resident care and treatment at Fort Bayard Medical Center (FBMC), pursuant to the Civil Rights of Institutionalized Persons Act (CRIPA); and a linked investigation of Olmstead (The 'integration mandate' of the Americans with Disabilities Act) issues. A Settlement was signed by then U.S. Attorney General Alberto Gonzales and entered by Judge Williams on May 16, 2007. In April 2008, the DOJ entered into a Stipulated Disengagement of two areas of the original Settlement Agreement, Environment and Least Restrictive Environment. FBMC continues to collaborate with DOJ on effective corrective action plan. Although this is significant litigation involving the federal government, there are no claims for damages and no estimate for potential loss. US Attorney seeks improved conditions only.

The Department of Health is engaged in litigation whereby the plaintiff is a former resident of the Los Lunas Hospital and Training School (LLHTS). This matter concerns the previous placement of persons with developmental disabilities from LLHTS and Ft. Stanton into substitute placements, allegedly without proper discharge planning, monitoring or services. This litigation seeks class action status. Currently there are only two plaintiffs; estimated damages in the range of \$200,000.00. Plaintiff attorney fees claimed to date of 1 million. State defendants will defend vigorously and oppose both damage estimate and attorney fees. Federal Judge will hold mediation December 14 and 15, 2009. State will not agree to class status, attorney fees or damages as currently estimated. This will go to trial. Loss estimate could be millions but State defendants are cautiously optimistic that no class action will be awarded, no excessive damages and attorney fees will be less than current demand. If there is no class action there is potential for unasserted claims of the all members of proposed class. The Department is unable to estimate the number of claims at this time.

In 1987, P&A filed a civil rights class action lawsuit, Jackson v. Ft. Stanton Hospital and Training School, et. al., 757 F. Supp. 1243 (D.N.M. 1990), on behalf of 43 specific individuals and the class of residents residing at Los Lunas Hospital and Training School (LLH&TS) and Fort Stanton Hospital and Training School. The Plaintiffs alleged both statutory (Rehab Act and ADA) and constitutional (14th Amendment due process) violations. The lawsuit was litigated in Federal District Court before Judge James A. Parker. Subsequent to

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Notes to Financial Statements - continued

19. CONTINGENCIES - continued

judgment against defendants, there has been elaborate monitoring and oversight by plaintiff's counsel and Judge Parker. This longstanding class action continues. State defendants pay approximately \$ 500,000 in attorney fees annually which are budgeted in Program area 7. Rigorous efforts to disengage have been employed all year, however costs are estimated to continue until case is finally resolved.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Balance Sheets -
Other Non-major Governmental Funds
June 30, 2009**

	DOH County Supported Medicaid Fund 21900	Trauma System Fund 25700	Save Our Children's Slight Fund 26100
ASSETS			
Investment in State Treasurer Investment Pool	\$ 1,420,979	\$ 103,932	\$ 77,743
Cash	-	-	-
Accounts Receivable, net	-	-	-
Receivable From Federal Government	-	-	-
Receivable From Other State Agencies	178,386	-	-
Receivable From Other Funds	-	975,338	-
Inventory	-	-	-
Prepaid Expenses	-	-	-
Other Assets	-	-	-
Total Assets	<u>\$ 1,599,365</u>	<u>\$ 1,079,270</u>	<u>\$ 77,743</u>
LIABILITIES			
Accounts Payable	174,300	66,403	-
Accrued Payroll	1,889	2,779	-
Payable To State General Fund	-	-	-
Payable To Other Funds	-	-	-
Funds Held for Others	-	-	-
Payable To Other State Agencies	-	-	-
Payable To Federal Government	-	-	-
Deferred Revenues	1,423,176	-	-
Other Liabilities	-	9,616	-
Total Liabilities	<u>1,599,365</u>	<u>78,798</u>	<u>-</u>
FUND BALANCES			
Reserved For:			
Inventory and Prepaid	-	-	-
Health Programs	-	1,000,472	77,743
Total Fund Balances	<u>-</u>	<u>1,000,472</u>	<u>77,743</u>
Total Liabilities and Fund Balances	<u>\$ 1,599,365</u>	<u>\$ 1,079,270</u>	<u>\$ 77,743</u>

Emergency Medical Services Fund 75600	Birthing Fund 95000	Capital Projects Fund 05900	Total Other Non-major Governmental Funds
\$ 508,755	\$ 40,800	\$ 844,254	\$ 2,996,463
-	-	-	-
-	-	-	-
-	-	737,303	915,689
-	-	-	975,338
-	-	-	-
-	-	-	-
<u>\$ 508,755</u>	<u>\$ 40,800</u>	<u>\$ 1,581,557</u>	<u>\$ 4,887,490</u>
11,023	40,000	301,996	593,722
11,488	-	-	16,156
-	-	323,404	323,404
-	-	-	-
266,131	-	-	266,131
-	-	-	-
-	-	-	-
-	-	-	1,423,176
9,494	-	-	19,110
<u>298,136</u>	<u>40,000</u>	<u>625,400</u>	<u>2,641,699</u>
-	-	-	-
210,619	800	956,157	2,245,791
210,619	800	956,157	2,245,791
<u>\$ 508,755</u>	<u>\$ 40,800</u>	<u>\$ 1,581,557</u>	<u>\$ 4,887,490</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues, Expenditures and Changes in
Fund Balances-
Other Non-major
Governmental Funds
For the Period Ended June 30, 2009**

	DOH County Supported Medicaid Fund 21900	Trauma System Fund 25700	Save Our Children's Sight Fund 26100
REVENUES			
Federal Grants	\$ -	\$ -	\$ -
Patient Service Charges	-	-	-
Fees, Licenses and Penalties	-	-	-
Private Grants	-	-	-
Rental Income	-	-	-
Sales and Service	-	-	-
Interest Income	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Current Operating:			
Administration	-	186,593	-
Public Health	2,665,038	-	-
Epidemiology and Response	-	4,254,106	-
Laboratory Services	-	-	-
Facilities Management	-	-	-
Developmental Disabilities Supports Services	-	-	-
Health Certification, Licensing and Oversight	-	-	-
Other Health Initiatives	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>2,665,038</u>	<u>4,440,699</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,665,038)</u>	<u>(4,440,699)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
General Fund Appropriation	-	5,592,300	-
Tobacco Settlement Appropriation	-	-	-
County Supported Medicaid	2,665,038	-	-
STB Appropriation	-	-	-
Reversion - Fiscal Year 2009	-	(171,500)	-
Transfers In:			
Interfund	-	-	-
Other	-	-	47,331
Transfers Out:			
Interfund	-	-	-
Other	-	-	-
Total Other Financing Sources and Uses	<u>2,665,038</u>	<u>5,420,800</u>	<u>47,331</u>
Net Change in Fund Balance	-	980,101	47,331
Fund Balance-Beginning of Year	<u>-</u>	<u>20,371</u>	<u>30,412</u>
Fund Balance-End of Year	<u>\$ -</u>	<u>\$ 1,000,472</u>	<u>\$ 77,743</u>

Emergency Medical Services Fund 75600	Birthing Fund 95000	Capital Projects Fund 05900	Total Other Non-major Governmental Funds
\$ -	\$ -	\$ -	\$ -
20,034	-	-	20,034
-	-	-	-
-	-	-	-
-	-	-	-
<u>20,034</u>	<u>-</u>	<u>-</u>	<u>20,034</u>
-	-	-	186,593
3,869,160	-	-	2,665,038
-	-	-	8,123,266
-	-	-	-
-	-	-	-
-	40,000	2,351,834	2,391,834
<u>3,869,160</u>	<u>40,000</u>	<u>2,351,834</u>	<u>13,366,731</u>
<u>(3,849,126)</u>	<u>(40,000)</u>	<u>(2,351,834)</u>	<u>(13,346,697)</u>
3,875,900	44,000	-	9,512,200
-	-	-	-
-	-	-	2,665,038
-	-	1,595,076	1,595,076
-	(3,200)	(2,167,749)	(2,342,449)
-	-	-	-
-	-	-	47,331
-	-	-	-
<u>3,875,900</u>	<u>40,800</u>	<u>(572,673)</u>	<u>11,477,196</u>
26,774	800	(2,924,507)	(1,869,501)
<u>183,845</u>	<u>-</u>	<u>3,880,664</u>	<u>4,115,292</u>
<u>\$ 210,619</u>	<u>\$ 800</u>	<u>\$ 956,157</u>	<u>\$ 2,245,791</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -
Budget and Actual (Budgetary Basis)
Non-major Special Revenue Funds
For the Year Ended June 30, 2009**

County Supported Medicaid Fund

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other Financing Sources	\$ 2,600,000	\$ 2,600,000	\$ 2,665,038	\$ 65,038
Fund Balance Budgeted		928,000		(928,000)
Total Revenues	<u>\$ 2,600,000</u>	<u>\$ 3,528,000</u>	<u>\$ 2,665,038</u>	<u>\$ (862,962)</u>
EXPENDITURES				
Personal Services and Benefits	\$ 78,000	\$ 78,000	\$ 69,195	\$ 8,805
Contractual Services	2,522,000	3,124,500	2,595,843	528,657
Other	-	325,500	-	325,500
Other Financing Uses	-	-	-	-
Total Expenditures	<u>\$ 2,600,000</u>	<u>\$ 3,528,000</u>	<u>\$ 2,665,038</u>	<u>\$ 862,962</u>

Trauma System

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Fund Appropriations	\$ 5,697,200	\$ 5,420,800	\$ 5,592,300	\$ 171,500
Fund Balance Budgeted		17,979		(17,979)
Total Revenues	<u>\$ 5,697,200</u>	<u>\$ 5,438,779</u>	<u>\$ 5,592,300</u>	<u>\$ 153,521</u>
EXPENDITURES				
Personal Services and Benefits	\$ 121,000	\$ 121,000	\$ 120,999	\$ 1
Contractual Services	115,000	115,000	115,000	-
Other	5,461,200	5,202,779	4,204,700	998,079
Total Expenditures	<u>\$ 5,697,200</u>	<u>\$ 5,438,779</u>	<u>\$ 4,440,699</u>	<u>\$ 998,080</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -
Budget and Actual (Budgetary Basis)
Non-major Special Revenue Funds
For the Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance from final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Save Our Children's Slight				
REVENUES				
MVD Tax Distributions	\$ -	\$ -	\$ 47,331	\$ 47,331
EXPENDITURES				
Total Expenditures	\$ -	\$ -	\$ -	\$ -
Emergency Medical Services				
			Actual Amounts (Budgetary Basis)	Variance from final Budget Favorable (Unfavorable)
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Fund Appropriations	\$ 3,875,900	\$ 3,875,900	\$ 3,875,900	\$ -
Fees, Penalties and Other		9,239	20,034	10,795
Fund Balance Budgeted		178,600		(178,600)
	<u>\$ 3,875,900</u>	<u>\$ 4,063,739</u>	<u>\$ 3,895,934</u>	<u>\$ (167,805)</u>
EXPENDITURES				
Personal Services and Benefits	\$ 205,400	\$ 205,400	\$ 200,725	\$ 4,675
Contractual Services	46,600	225,200	42,158	183,042
Other	3,623,900	3,633,139	3,626,277	6,862
Total Expenditures	<u>\$ 3,875,900</u>	<u>\$ 4,063,739</u>	<u>\$ 3,869,160</u>	<u>\$ 194,579</u>
Birthing Workforce Retention				
			Actual Amounts (Budgetary Basis)	Variance from Final Budget
	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Fund Appropriations	\$ 44,000	\$ 40,800	\$ 44,000	\$ 3,200
EXPENDITURES				
Contractual Services	\$ 44,000	\$ 40,800	\$ 40,000	\$ 800

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -
Budget and Actual
Capital Projects by Project
For the Year Ended June 30, 2009**

All Projects	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Bond Proceeds	2,286,798	2,089,768	479,353	1,595,076	(15,339)
	2,286,798	2,089,768	479,353	1,595,076	(15,339)
Fund Balance Budgeted	6,606,000	6,606,000	6,606,000	-	-
Total Revenues	<u>\$ 8,892,798</u>	<u>\$ 8,695,768</u>	<u>\$ 7,085,353</u>	<u>\$ 1,595,076</u>	<u>\$ (15,339)</u>
EXPENDITURES					
Contractual Services	\$ 4,836,798	\$ 4,836,768	\$ 2,171,818	\$ 650,000	\$ 2,014,950
Other	4,056,000	3,859,000	1,200,622	1,701,834	956,544
Total Expenditures	<u>\$ 8,892,798</u>	<u>\$ 8,695,768</u>	<u>\$ 3,372,440</u>	<u>\$ 2,351,834</u>	<u>\$ 2,971,494</u>

Project A050148 - School Based Health Facilities Improvement	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Bond Proceeds	\$ 286,798	\$ 286,768	\$ 271,818	\$ -	\$ (14,950)
EXPENDITURES					
Contractual Services	\$ 286,798	\$ 286,768	\$ 271,818	\$ -	\$ 14,950

Project A052343 - DOH Cancer Support Services	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Fund Balance	\$ 50,000	\$ 50,000	\$ 50,000		\$ -
EXPENDITURES					
Contractual Services	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -

See accompanying notes to financial statements.

Statement of Revenues and Expenditures -
Budget and Actual
Capital Projects by Project
For the Year Ended June 30, 2009

Project A051820 - School Based Health Equipment

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

Project A061291 - DOH School Based Health Facilities

	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Fund Balance	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ -	\$ -
EXPENDITURES					
Contractual Services	\$ 4,000,000	\$ 4,000,000	\$ 1,500,000	\$ 500,000	\$ 2,000,000

Project A073704 - Public Health Clinics Improvements

	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Bond Proceeds	\$ 2,000,000	\$ 1,803,000	\$ 207,535	\$ 1,595,076	\$ (389)
EXPENDITURES					
Other costs	\$ 2,000,000	\$ 1,803,000	\$ 207,535	\$ 1,595,076	\$ 389

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -
Budget and Actual
Capital Projects by Project
For the Year Ended June 30, 2009**

Project A073872- Scientific Laboratory Equipment

	<u>Budgeted Amounts</u>		<u>Actual Amounts Prior Year</u>	<u>Actual Amounts Current Year</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Fund Balance	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES					
Other costs	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 993,087</u>	<u>\$ 5,074</u>	<u>\$ 1,839</u>

Project A073885 - Alzheimers Veterans

	<u>Budgeted Amounts</u>		<u>Actual Amounts Prior Year</u>	<u>Actual Amounts Current Year</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Fund Balance	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES					
Other costs	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>

Project A074210 - Hagerman Health Clinic

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

See accompanying notes to financial statements.

Statement of Revenues and Expenditures -
Budget and Actual
Capital Projects by Project
For the Year Ended June 30, 2009

Project A074625 - Family Respite

	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Fund Balance	\$ 500,000	\$ 500,000	\$ 500,000	\$ -	\$ -
EXPENDITURES					
Other Costs	\$ 500,000	\$ 500,000	\$ -	\$ 1,684	\$ 498,316

Project A074626 - Mobile Dental Unit

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

Project A083959 - DOH Brain Function

	Budgeted Amounts		Actual Amounts Prior Year	Actual Amounts Current Year	Variance from Final Budget
	Original	Final			
REVENUES					
Fund Balance	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -
EXPENDITURES					
Other costs	\$ 100,000	\$ 100,000	\$ -	\$ -	\$ 100,000

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -
Budget and Actual
Combining General Fund by Program
For the Year Ended June 30, 2009**

Program P001 - Administration	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
REVENUES				
Federal Funds	\$ 5,388,800	\$ 5,388,800	\$ 5,286,523	\$ (102,277)
General Fund Appropriations	7,761,100	8,801,100	8,801,100	-
Fees, Penalties and Other	343,500	343,500	247,583	(95,917)
Other Financing Sources	940,500	940,500	940,500	-
Total Revenues	<u>\$ 14,433,900</u>	<u>\$ 15,473,900</u>	<u>\$ 15,275,706</u>	<u>\$ (198,194)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 10,993,500	\$ 11,252,500	\$ 11,204,120	\$ 48,380
Contractual Services	1,334,100	1,315,100	969,115	345,985
Other	2,106,300	2,906,300	2,128,489	777,811
Total Expenditures	<u>\$ 14,433,900</u>	<u>\$ 15,473,900</u>	<u>\$ 14,301,724</u>	<u>\$ 1,172,176</u>
Program P002 - Public Health	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
REVENUES				
Federal Funds*	\$ 71,918,300	\$ 77,716,021	\$ 91,707,178	\$ 13,991,157
General Fund Appropriations	84,962,100	80,419,300	80,419,300	-
Patient Service Revenue	31,978,600	33,451,478	23,969,834	(9,481,644)
Fees, Penalties and Other	14,410,300	15,973,056	120,169	(15,852,887)
Other Financing Sources	656,100	656,100	1,641,076	984,976
	203,925,400	208,215,955	197,857,557	(10,358,398)
Fund Balance Budgeted		856,713	-	(856,713)
Total Revenues	<u>\$ 203,925,400</u>	<u>209,072,668</u>	<u>197,857,557</u>	<u>\$ (11,215,111)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 54,883,000	\$ 57,490,173	\$ 56,579,904	\$ 910,269
Contractual Services	63,536,000	56,422,259	53,316,100	3,106,159
Other	84,519,600	94,502,136	86,442,229	8,059,907
Total Expenditures	202,938,600	208,414,568	196,338,233	12,076,335
Other Financing Uses	986,800	658,100	638,000	20,100
Total Expenditures and Financing Uses	<u>\$ 203,925,400</u>	<u>\$ 209,072,668</u>	<u>\$ 196,976,233</u>	<u>\$ 12,096,435</u>

* WIC Rebate reclassified to federal revenue.

See accompanying notes to financial statements.

**Statement of Revenues and Expenditures -
Budget and Actual
Combining General Fund by Program
For the Year Ended June 30, 2009**

Program P003 - Epidemiology and Response

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal Funds	\$ 15,679,600	\$ 16,085,415	\$ 12,272,008	\$ (3,813,407)
General Fund Appropriations	8,026,300	7,418,500	7,418,500	-
Patient Service Revenue	680,900	680,900	408,349	(272,551)
Fees, Penalties and Other	600,500	600,500	866,845	266,345
Other Financing Sources	114,500	114,500	114,500	-
	<u>25,101,800</u>	<u>24,899,815</u>	<u>21,080,202</u>	<u>(3,819,613)</u>
Fund Balance Budgeted			-	-
Total Revenues	<u>\$ 25,101,800</u>	<u>24,899,815</u>	<u>\$ 21,080,202</u>	<u>\$ (3,819,613)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 12,628,400	\$ 12,881,934	\$ 10,975,296	\$ 1,906,638
Contractual Services	8,932,000	8,154,800	7,258,148	896,652
Other	3,541,400	3,863,081	3,012,284	850,797
Total Expenditures	<u>25,101,800</u>	<u>24,899,815</u>	<u>21,245,728</u>	<u>3,654,087</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 25,101,800</u>	<u>\$ 24,899,815</u>	<u>\$ 21,245,728</u>	<u>\$ 3,654,087</u>

Program P004 - Lab Services

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance from Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal Funds	\$ 2,439,600	\$ 2,439,600	\$ 1,704,682	\$ (734,918)
General Fund Appropriations	6,950,600	7,150,600	7,150,600	-
Patient Service Revenue			1,014	1,014
Fees, Penalties and Other	2,727,900	2,727,900	2,162,977	(564,923)
Other Financing Sources	103,700	103,700	103,700	-
	<u>12,221,800</u>	<u>12,421,800</u>	<u>11,122,973</u>	<u>(1,298,827)</u>
Fund Balance Budgeted			-	-
Total Revenues	<u>\$ 12,221,800</u>	<u>12,421,800</u>	<u>\$ 11,122,973</u>	<u>\$ (1,298,827)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 7,541,900	\$ 7,891,900	\$ 7,778,429	\$ 113,471
Contractual Services	424,800	424,800	362,669	62,131
Other	4,255,100	4,105,100	2,879,661	1,225,439
Total Expenditures	<u>12,221,800</u>	<u>12,421,800</u>	<u>11,020,759</u>	<u>1,401,041</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 12,221,800</u>	<u>\$ 12,421,800</u>	<u>\$ 11,020,759</u>	<u>\$ 1,401,041</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Statement of Revenues and Expenditures -
Budget and Actual
Combining General Fund by Program
For the Year Ended June 30, 2009**

Program P006 - Facilities Management	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
REVENUES				
Federal Funds	\$ 3,375,700	\$ 3,375,700	\$ 3,629,662	\$ 253,962
General Fund Appropriations	53,282,300	53,282,300	53,282,300	-
Patient Service Revenue	92,435,600	92,435,600	66,964,491	(25,471,109)
Fees, Penalties and Other	6,652,300	6,652,300	4,741,337	(1,910,963)
Other Financing Sources	601,200	601,200	601,200	-
	<u>156,347,100</u>	<u>156,347,100</u>	<u>129,218,990</u>	<u>(27,128,110)</u>
Fund Balance Budgeted	-	-	-	-
Total Revenues	<u>\$ 156,347,100</u>	<u>\$ 156,347,100</u>	<u>\$ 129,218,990</u>	<u>\$ (27,128,110)</u>

EXPENDITURES				
Personal Services/Employee Benefits	\$ 103,749,800	\$ 103,749,800	\$ 101,878,758	\$ 1,871,042
Contractual Services	30,238,800	30,238,800	8,816,758	21,422,042
Other	22,358,500	22,358,500	19,084,528	3,273,972
Total Expenditures	<u>156,347,100</u>	<u>156,347,100</u>	<u>129,780,044</u>	<u>26,567,056</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 156,347,100</u>	<u>\$ 156,347,100</u>	<u>\$ 129,780,044</u>	<u>\$ 26,567,056</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		
REVENUES				
Federal Funds	\$ 2,571,700	\$ 2,571,700	\$ 2,668,219	\$ 96,519
General Fund Appropriations	122,908,900	119,837,700	119,837,700	-
Federal Flow-through Revenue	8,499,700	8,499,700	6,953,142	(1,546,558)
Other Financing Sources	78,400	78,400	78,400	-
	<u>134,058,700</u>	<u>130,987,500</u>	<u>129,537,461</u>	<u>(1,450,039)</u>
Fund Balance Budgeted	-	-	-	-
Total Revenues	<u>\$ 134,058,700</u>	<u>\$ 130,987,500</u>	<u>\$ 129,537,461</u>	<u>\$ (1,450,039)</u>

EXPENDITURES				
Personal Services/Employee Benefits	\$ 9,972,200	\$ 10,581,400	\$ 10,224,583	\$ 356,817
Contractual Services	17,525,400	18,780,400	17,745,661	1,034,739
Other	19,546,200	20,196,200	19,719,241	476,959
Total Expenditures	<u>47,043,800</u>	<u>49,558,000</u>	<u>47,689,485</u>	<u>1,868,515</u>
Other Financing Uses	87,014,900	81,429,500	72,084,658	9,344,842
Total Expenditures and Financing Uses	<u>\$ 134,058,700</u>	<u>\$ 130,987,500</u>	<u>\$ 119,774,143</u>	<u>\$ 11,213,357</u>

See accompanying notes to financial statements.

**Statement of Revenues and Expenditures -
Budget and Actual
Combining General Fund by Program
For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget
	Original	Final		
Program P008 - Health Certification and Licensing				
REVENUES				
Federal Funds	\$ 1,582,400	\$ 1,582,400	\$ 2,504,905	\$ 922,505
General Fund Appropriations	5,953,900	5,681,000	5,681,000	-
Federal Flow-through Revenue	4,952,500	4,952,500	3,716,822	(1,235,678)
Fees, Penalties and Other	2,612,100	2,612,100	2,239,939	(372,161)
Other Financing Sources	105,700	105,700	105,700	-
	<u>15,206,600</u>	<u>14,933,700</u>	<u>14,248,366</u>	<u>(685,334)</u>
Fund Balance Budgeted	-	130,600	-	(130,600)
Total Revenues	<u>\$ 15,206,600</u>	<u>\$ 15,064,300</u>	<u>\$ 14,248,366</u>	<u>\$ (815,934)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 11,694,500	\$ 11,016,500	\$ 10,550,778	\$ 465,722
Contractual Services	663,400	963,400	711,440	251,960
Other	2,848,700	3,084,400	2,783,019	301,381
Total Expenditures	<u>15,206,600</u>	<u>15,064,300</u>	<u>14,045,237</u>	<u>1,019,063</u>
Other Financing Uses	-	-	-	-
Total Expenditures and Financing Uses	<u>\$ 15,206,600</u>	<u>\$ 15,064,300</u>	<u>\$ 14,045,237</u>	<u>\$ 1,019,063</u>
Special Appropriations				
REVENUES				
General Fund Appropriations	\$ 15,375,400	\$ 15,361,900	\$ 15,440,400	\$ 78,500
Other Financing Sources	-	-	-	-
	<u>15,375,400</u>	<u>15,361,900</u>	<u>15,440,400</u>	<u>78,500</u>
Fund Balance Budgeted	-	755,300	-	(755,300)
Total Revenues	<u>\$ 15,375,400</u>	<u>\$ 16,117,200</u>	<u>\$ 15,440,400</u>	<u>\$ (676,800)</u>
EXPENDITURES				
Personal Services/Employee Benefits	\$ 11,840,000	\$ 11,850,300	\$ 11,840,000	\$ 10,300
Contractual Services	1,035,400	1,716,000	1,340,461	375,539
Other	-	50,900	44,525	6,375
Total Expenditures	<u>12,875,400</u>	<u>13,617,200</u>	<u>13,224,986</u>	<u>392,214</u>
Other Financing Uses	2,500,000	2,500,000	2,500,000	-
Total Expenditures and Financing Uses	<u>\$ 15,375,400</u>	<u>\$ 16,117,200</u>	<u>\$ 15,724,986</u>	<u>\$ 392,214</u>

See accompanying notes to financial statements.

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OTHER SUPPLEMENTARY SCHEDULES

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Individual Deposits
For the Year Ended June 30, 2009

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Health District Offices Petty Cash in Banks (checking accounts):				
Alamogordo	First National Bank of Alamogordo	\$ 600	-	600
Artesia	Wells Fargo Bank	375	-	375
Carlsbad	Carlsbad National Bank	800	-	800
Clovis	NM Bank & Trust - Clovis	600	-	600
Deming	Wells Fargo Bank	1,000	-	1,000
Dona Ana County	Wells Fargo Bank	1,007	143	1,150
Hobbs	Wells Fargo Bank	801	(1)	800
Las Cruces	Wells Fargo Bank	625	75	700
Rio Arriba	Valley National Bank, Espanola	208	292	500
Roswell	Wells Fargo Bank	1,000	-	1,000
San Miguel	Bank of Las Vegas	574	(74)	500
Santa Fe	Bank of Santa Fe	536	(36)	500
Silver City	Wells Fargo Bank	208	392	600
Sunland	Wells Fargo Bank	547	53	600
Taos	First State Bank of Taos	317	83	400
Tucumcari	Wells Fargo Bank	600	-	600
Total Petty Cash		9,798	927	10,725
The X/Family Planning Depository Clearing (checking accounts):				
Alamogordo	Wells Fargo Bank	412	-	412
Anthony/Chaparral	First Security/Wells Fargo Bank	177	-	177
Artesia	First National Bank of Artesia	907	-	907
Carlsbad	Carlsbad National Bank	616	-	616
Clayton	Farmers' and Stockmen's Bank	100	-	100
Clovis	Wells Fargo Bank	793	-	793
Espanola	Community Bank - Espanola	100	-	100
Estancia	Wells Fargo Bank	125	-	125
Farmington	Bank of America	139	-	139
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	100	-	100
Gallup	Western Bank of Gallup	100	-	100
Grants	Grants State Bank	203	-	203
Hobbs	Lea County State Bank	422	-	422
Las Cruces	Wells Fargo Bank	401	-	401
Las Vegas	Bank of Las Vegas	107	-	107
Lordsburg	Western Bank, Lordsburg	100	-	100
Los Alamos	Los Alamos National Bank	140	-	140
Los Lunas	Wells Fargo Bank	222	-	222
Lovington	Lea County State Bank	132	-	132
Portales	Portales National Bank	174	-	174
Raton	International State Bank, Raton	271	-	271

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Schedule of Individual Deposits
For the Year Ended June 30, 2009**

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

<u>Account Title</u>	<u>Depository</u>	<u>Balance per Bank</u>	<u>Reconciling Items</u>	<u>Reconciled Balance per Books</u>
Roswell	Wells Fargo Bank	667	(225)	442
Ruidoso	State National Bank	132	-	132
SE Heights/NE Valley	Wells Fargo Bank	430	-	430
Silver City	Wells Fargo Bank	108	-	108
Sunland Park	First Security/Wells Fargo Bank	160	-	160
T or C	Bank of the Southwest, T or C	151	-	151
Taos	First State Bank of Taos	246	-	246
Tucumcari	Wells Fargo Bank	380	-	380
Total Title X/Family Planning		<u>8,015</u>	<u>(225)</u>	<u>7,790</u>
District Health Office Totals		17,813	702	18,515
General Fund Bank Accounts (checking accounts):				
NMBHI-Revolving	First National Bank of Las Vegas	121,780	-	121,780
FBMC	Bank of America	1,518	-	1,518
Los Lunas	Wells Fargo Bank	500	-	500
Scientific Lab	Bank of the West	500	-	500
Turquoise Lodge	Bank of the West	387	-	387
Veterans Center	Bank of the Southwest, T or C	1,906	-	1,906
Total General Fund Banks		<u>126,591</u>	<u>-</u>	<u>126,591</u>
Total General Fund, including District Health Offices		144,404	702	145,106
General Fund - State Treasurer (with SHARE fund numbers):				
Capital Project - 059	State Treasurer	844,254	-	844,254
Operating Fund - 061	State Treasurer	23,908,345	-	23,908,345
CMS Fund - 219	State Treasurer	1,420,979	-	1,420,979
Trauma Fund - 257	State Treasurer	103,932	-	103,932
Save Our Children - 261	State Treasurer	77,743	-	77,743
ARRA - 890	State Treasurer	(29,218)	-	(29,218)
EMS - 756	State Treasurer	508,755	-	508,755
Birthing Workforce - 958	State Treasurer	40,800	-	40,800
Total General Fund - State Treasurer		<u>26,875,590</u>	<u>-</u>	<u>26,875,590</u>
Total General Fund		<u>27,019,994</u>	<u>702</u>	<u>27,020,696</u>
Petty cash				<u>13,995</u>
Total Governmental Cash				<u>27,034,691</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Schedule of Individual Deposits
For the Year Ended June 30, 2009**

<u>Account Title</u>	<u>Depository</u>	<u>Balance per Bank</u>	<u>Reconciling Items</u>	<u>Reconciled Balance per Books</u>
Trust and Agency Funds - Banks (checking accounts):				
NMBHI	Bank of Las Vegas	93,827	-	93,827
NMBHI	Bank of Las Vegas	248,619	-	248,619
NMBHI	Bank of Las Vegas	52,738	-	52,738
NMBHI-Foster Gran.	Bank of Las Vegas	7,692	-	7,692
FBMC	Bank of America - Silver City	8,519	(1,677)	6,842
FBMC	Bank of America - Silver City	28,319	-	28,319
FBMC	Bank of America - Silver City	116,140	3,259	119,399
Los Lunas Hospital	Wells Fargo Bank - Los Lunas	16,688	280	16,968
Los Lunas Hospital	Wells Fargo Bank - Los Lunas	9,649	63	9,712
Los Lunas Hospital	Wells Fargo Bank - Los Lunas	250	-	250
Veterans Center	Bank of the Southwest, T or C	42,520	511	43,031
Veterans Center	Bank of the Southwest, T or C	9,533	-	9,533
Veterans Center	Bank of the Southwest, T or C	130,222	4,977	135,199
Sequoyah	Bank of America - Silver City	2,316	-	2,316
		<u>767,032</u>	<u>7,413</u>	<u>774,445</u>
Vital Statistics Depository Clearing (checking accounts):				
Alamogordo	First National Bank of Alamogordo	1,540	-	1,540
Albuquerque	Wells Fargo Bank	26,122	(1)	26,121
Carlsbad	Carlsbad National Bank	1,830	-	1,830
Clayton	Farmers & Stockmens	190	-	190
Clovis	Wells Fargo Bank	955	-	955
Deming	Wells Fargo Bank	1,183	-	1,183
Farmington	Bank of America	4,000	-	4,000
Gallup	Western Bank of Gallup	1,940	-	1,940
Hobbs	Lea County State Bank	2,056	-	2,056
Las Cruces	First Security/Wells Fargo Bank	7,157	-	7,157
Las Vegas	First National Bank of Las Vegas	1,150	-	1,150
Lovington	Lea County State Bank	460	-	460
Raton	International State Bank, Raton	520	-	520
Roswell	Wells Fargo Bank	4,550	-	4,550
Santa Rosa	Wells Fargo Bank	254	-	254
Silver City	Wells Fargo Bank	1,430	-	1,430
Socorro	First State Bank, Socorro	630	200	830
Taos	First State Bank of Taos	100	-	100
		<u>56,067</u>	<u>199</u>	<u>56,266</u>
Birth & Death - 502	State Treasurer	<u>204,623</u>	-	<u>204,623</u>
Total Trust and Agency Funds - Banks		<u>1,027,722</u>	<u>7,612</u>	<u>1,035,334</u>
Department Total - all funds		<u>\$ 28,047,716</u>	<u>8,314</u>	<u>28,070,025</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule 2

**Schedule of Pledged Collateral
June 30, 2009**

Cash in Other Banks	Balance at 30-Jun-09	FDIC	Uninsured	Pledged Collateral	
First National Bank of Las Vegas	\$ 122,930	122,930	-	-	A
Bank of Las Vegas	403,483	250,000	153,483	500,000	
Bank of America	162,532	162,532	-	-	A
Bank of the Southwest, T or C	189,821	189,821	-	-	A
Wells Fargo Bank	72,289	72,289	-	-	
Bank of the West	887	887	-	-	
Other Banks	15,561	15,561	-	-	
	<u>967,503</u>	<u>814,020</u>	<u>153,483</u>	<u>500,000</u>	
 Total FDIC	 (814,020)				
 Bonds:					
US Treasury Notes CUSIP #912828DR8, maturity 04/15/10	<u>(500,000)</u>				
 Uninsured Public Funds	 -				
 Investment in the State Treasurer Investment Pool	 27,080,213	 B			
 Monitored by the State Treasurer's Office	 <u>\$ 27,080,213</u>				

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.

See Independent Auditors' Report.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule 3

Schedule of Transfers
June 30, 2009

Agency Fund Inter-Agency Transfers Out

66500	06100	Human Services Department -Medicaid match state share	\$	72,084,658
66500	06100	Human Services Department -Aids Waiver		100,000.00
66500	06100	Human Services Department -Governor's Information Technology		38,000.00
66500	06100	Human Services Department-FQHC		500,000.00
66500	06100	Human Services Division- DD Waiver Special Appropriation		2,500,000.00
Total Transfers Out				<u>75,222,658</u>

Agency Fund Inter-Agency Transfers In

34100	62000	DFA - Compensation Package	\$	1,829,400
33300	82500	MVD Distributions		47,331
Total Transfers In				<u>\$ 1,876,731</u>

See Independent Auditors' Report.

Joint Powers Agreements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements
For the Period Ended June 30, 2009

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
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.	07/01/2004	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.	06/01/1995	Ongoing	4,653,137	4,653,137	4,653,137	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.	09/08/2003	Ongoing	700,010	300,010	-	SCC	Not Stated	SCC, DOH
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.	06/01/2004	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.	06/17/2004	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	09/13/2005	06/30/2009	47,358	47,358	32,442	NN, DOH	Not Stated	NN, DOH

See Independent Auc

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements
For the Period Ended June 30, 2009

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 Contibuted in FY 08	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
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.	07/01/2005	Ongoing	50,760	50,760	-	DOH/SFD	SFD	SFD
UNM.007.0018 MO	Department of Health (DOH) University of New Mexico (UNM) Public Education	To provide training and technical assistance to providers in developmental evaluations for	07/01/2008	06/30/2009	1,299,750	1,149,750	1,149,750	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	06/30/2009	18,681,879	18,681,879	17,855,080	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.	09/24/2004	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.	09/21/2004	Ongoing	20,000	20,000	-	DOH, SC	DOH, SC	DOH, SC

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STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements
For the Period Ended June 30, 2009

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
4.665.4200.0311A1	Department of Health (DOH) Village of Hatch (Hatch)	For the Village of Hatch - DOH will provide health services to Village of Hatch County residents.	11/14/2003	12/31/2033	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH
0630.8114.03.37 (JPA 03-37)	Human Services Department (HSD) Department of Health	To designate the administrative, fiscal and programmatic responsibilities for the operations of the Home	10/14/2003	- AIDS WAIVER MEDICAID WAIVER	- 90,283 69,075,593	- 90,283 69,075,593	- 90,283 69,075,593	DOH,HSD	HSD	DOH,HSD
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) (Aging & Long Term Services)	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV	05/03/2006	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 residents of the County of Bernalillo.	07/13/2006	11/08/2009	193,000	193,000	-	DOH,COB	Not Stated	DOH,COB
JPA 82-14	New Mexico Human Services Department New Mexico Department of Health	For Medicare and Medicaid Programs; Preadmission Screening and Annual Resident Review.**HSD SENDS MEDICAID MONEY TO DOH, NO TRANSFER FROM DOH TO HSD	05/27/1994	Ongoing	-	-	-	HSD	Not Stated	DOH,HSD

See Independent Auditors' Report.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements
For the Period Ended June 30, 2009

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 Contibuted 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.	06/25/2007	06/30/2012	561,048	-	-	HSD/DOH	HSD	HSD/DOH
06.630.8000.00035	New Mexico Department of Agriculture New Mexico Department of Health	Provide farmers' market food vouchers and administer a program that allows New Mexico Senior Citizens participating in the Commodity Supplemental Food Program to purchase fresh fruits and vegetables at select New Mexico Farmers' Markets.	09/08/2008	05/15/2009	30,400	-	-	DOA/DOH	Not Stated	DOA/DOH

See Independent Auditors' Report.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements
For the Period Ended June 30, 2009

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
08-630-9000-0013	New Mexico Department of Health New Mexico Human Services Department	In consistent with the Governor's Information Technology Consolidation Initiative, HSD is the lead agency of seven state agencies wishing to develop a single web based portal for the citizens of the state of New Mexico to access health and human services programs administered by these agencies.	07/01/2007	06/30/2008	38,000	38,000.00	38,000.00	DOH/HSD	Not Stated	DOH
08-665-8305	New Mexico Department of Health The Navajo Nation	To improve the management of tuberculosis (TB) infection and disease in populations cared for collaboratively by the DOH TB/Refugee Health Program (DOH TB PROGRAM) and the PROVIDER	11/17/2008	12/31/2008	14,994	14,994.00	4,992.56	DOH	Not Stated	DOH

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STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

Schedule of Joint Powers Agreements
For the Period Ended June 30, 2009

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
09-630-9000-0084	New Mexico Department of Health New Mexico Human Services Department	To provide innovative nutrition education approaches which will motivate Food Stamp Program (FSP) eligible New Mexicans to establish eating habits and a physically active lifestyle that promote health and prevent obesity.	11/19/2008	09/30/2009	153,085	-	-	HSD	Not Stated	HSD
09-630-9000-0010	New Mexico Department of Health New Mexico Human Services Department	To provide funding for administering the DOH refugee health screening services to newly arrived refugees and asylees who have been resettled in New Mexico.	06/27/2008	06/30/2009	129,990	129,990.00	36,984.60	HSD/DOH	Not Stated	HSD/DOH
96/665.42.344 (#96-22)	New Mexico Human Services Department New Mexico Department of Health	To establish responsibilities for certification of health care facilities and the nurse aide training and competency evaluation program as required under the Medicaid Program.	02/08/1996	Ongoing	-	-	-	HSD/DOH	Not Stated	HSD/DOH

See Independent Au

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**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Schedule of Special Appropriations
For the Year Ended June 30, 2009**

DESCRIPTION	Appropriation	Balance as of 06/30/2008	Current Year Revenue	Expended as of 06/30/2009	REVERT TO G.F. FY09	ADJ.	Balance as of 06/30/2009
Laws of 2008, Ch. 6, Section 26 (Item 6) Medical Marijuana Legal Services	125,000	-	125,000	14,038	110,962		-
Laws of 2008, Chapter 6, Section 26 (item 1) Telehealth services to school-based health centers and rural health clinics	216,300	-	216,300	120,000	96,300		-
Laws of 2008, Chapter 6, Section 26 (Item 3) Nurse Advice Line	97,600	-	97,600	97,600	-		-
Laws of 2008, Chapter 6, Section 26 (Item 4) Cardiovascular Disease Prevention	9,900	-	9,900	9,800	100		-
Laws of 2008, Ch. 6, Section 26 (Item 5) Healthy NM Task Force	50,000	-	50,000	50,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 7) Birthing Service Provider Assistance	40,800	-	40,800	40,000	-		800
Laws of 2008, Ch. 6, Section 26 (Item 11) Cancer patient or Caregiver Assistance	12,000	-	12,000	12,000	-		-
Laws of 2008, Ch. 6 Section 26 (Item 14) Primary Care Residency Program in SW NM	19,000	-	19,000	19,000	-		-
Laws of 2008, Ch. 6 Section 26 (Item 15) Bernalillo County off- reservation Native American Health Care Commission	60,000	-	60,000	60,000	-		-

See Independent Auditors' Report.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Schedule of Special Appropriations
For the Year Ended June 30, 2009**

DESCRIPTION	Appropriation	Balance as of 06/30/2008	Current Year Revenue	Expended as of 06/30/2009	REVERT TO G.F. FY09	ADJ.	Balance as of 06/30/2009
Laws of 2008, Ch. 6 Section 26 (Item 16) Service to Indigent Cancer Patients in Chaves County	55,000	-	55,000	55,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 17) Pre- and Perinatal Services for Low Income Pregnant Women in Dona Ana County	18,500	-	18,500	18,500	-		-
Laws of 2008, Ch. 6, Section 26 (Item 19) Telehealth Psychiatry Conferencing in Eddy	20,000	-	20,000	20,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 21) Teen Pregnancy Prevention Program.	4,900	-	4,900	4,875	25		-
Laws of 2008, Ch. 6, Section 26 (Item 22) Smoking Cessation Program for Otero County youth	4,300	-	4,300	4,300	-		-
Laws of 2008, Ch. 6, Section 26 (Item 25) Santa Fe Women's Health Services	75,000	-	75,000	75,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 26) Perinatal Health Care Contract with Socorro County	32,400	-	32,400	32,253	147		-
Laws of 2008, Ch. 6, Section 26 (Item 27) Contract for Community Education and Wellness Programs in Penasco- Pueblo of Picuris	10,800	-	10,800	10,800	-		-

See Independent Auditors' Report.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule 5
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**Schedule of Special Appropriations
For the Year Ended June 30, 2009**

DESCRIPTION	Appropriation	Balance as of 06/30/2008	Current Year Revenue	Expended as of 06/30/2009	REVERT TO G.F. FY09	ADJ.	Balance as of 06/30/2009
Laws of 2008, Ch. 6, Section 26 (Item 12) Services for Veterans exposed to Uranium	27,800	-	27,800	-	27,800		-
Laws of 2008, Ch. 6, Section 26 (Item 13) Rape Crisis Services in Central NM	35,000	-	35,000	35,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 20) Health study on effects of Past Uranium Mining	4,600	-	4,600	-	4,600		-
Laws of 2008, Ch. 3, Section 7 (Item 30) Computer Systems Enhancement Fund	-	755,300	-	-	-		755,300
Laws of 2008, Ch. 6, Section 26 (Item 8) Horseback Riding Pilot Project	13,900	-	-	-	13,900		(13,900)
Laws of 2008, Ch. 6, Section 26 (Item 9) Autism Residential Summer Camp	18,500	-	18,500	18,500	-		-
Laws of 2008, Ch. 6, Section 26 (Item 10) Autism Support Services	1,000	-	1,000	1,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 18) Treatment Center for	30,000	-	30,000	30,000	-		-
Laws of 2008, Ch. 6, Section 26 (Item 23) NM Traditional	50,000	-	50,000	25,001	-		24,999
Laws of 2008, Ch. 6, Section 26 (Item 24) Las Vegas Special Olympics	15,000	-	1,600	-	-		1,600

See Independent Auditors' Report.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule 5
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**Schedule of Special Appropriations
For the Year Ended June 30, 2009**

DESCRIPTION	Appropriation	Balance as of 06/30/2008	Current Year Revenue	Expended as of 06/30/2009	REVERT TO G.F. FY09	ADJ.	Balance as of 06/30/2009
Laws of 2008, Ch. 6, Section 26 (Item 28) Taos County Alcohol Treatment Services	7,700	-	7,700	7,700	-		-
Laws of 2008, Ch. 6, Section 26 (Item 29) Taos County Alcohol Treatment Services in Talpa	7,700	-	7,700	7,700	-		-
Laws of 2008, Ch. 3, Section 5 (Item 76) To purchase Analytical Equipment to support driving while intoxicated and autopsy testing	375,000	375,000	-	366,919	8,081		-
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 2009, Ch. 124, Section 5 (Item 49) Autism Summer Camp in Bernalillo County	15,000	-	15,000	-	-		15,000
Laws of 2009, Ch. 124, Section 5 (Item 50) For Cancer Patients in Chaves, Lincoln, Lea and Eddy Counties	50,000	-	50,000	-	-		50,000
Laws of 2009, Ch. 124, Section 6 (Item 17) For Developmentally Disabled Medicaid Waiver Program Costs and Facilities Management	4,000,000	-	4,000,000	4,000,000	-		-

See Independent Auditors' Report.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule 5
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**Schedule of Special Appropriations
For the Year Ended June 30, 2009**

DESCRIPTION	Appropriation	Balance as of 06/30/2008	Current Year Revenue	Expended as of 06/30/2009	REVERT TO G.F. FY09	ADJ.	Balance as of 06/30/2009
Laws of 2009, Ch. 124, Section 6 (Item 18) For fulltime equivalent positions at Fort Bayard Medical Center	180,000	-	180,000	180,000	-		-
Laws of 2009, Ch. 124, Section 6 (Item 19) For fulltime positions related to developmental disabilities at Los Lunas Community Program.	260,000	-	260,000	260,000	-		-
Laws of 2009, Ch. 124, Section 6 (Item 20) For patient pharmaceuticals and facility operations	1,900,000	-	1,900,000	1,900,000	-		-
Laws of 2009, Ch. 124, Section 6 (Item 21) To provide care to clients at Ft. Bayard Medical Center	4,000,000	-	4,000,000	4,000,000	-		-
Laws of 2009, Ch. 124, Section 6 (Item 22) To provide care to clients at New Mexico Behavioral Health Institute	4,000,000	-	4,000,000	4,000,000	-		-
	<u>\$ 16,092,700</u>	<u>\$ 1,380,300</u>	<u>\$ 15,440,400</u>	<u>\$ 15,724,986</u>	<u>\$ 261,915</u>	<u>\$ -</u>	<u>\$ 833,799</u>

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**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule 6

**Schedule of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2009**

Fund 50200 Vital Statistics	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Asset - Birth & Death Cash (STO)	\$ 85,576	2,002,677	(1,883,630)	\$ 204,622
Asset - Vital Statistics Cash (Auth Bank Accounts)	31,752	599,454	(574,939)	56,267
Total Assets - Agency Funds	\$ 117,328	2,602,131	(2,458,569)	\$ 260,889
Liability - Due to other agencies	\$ 117,328	2,602,131	(2,458,569)	260,889
Total Liabilities - Agency Funds	\$ 117,328	2,602,131	(2,458,569)	\$ 260,889

Fund 51000 Patient's Trust Fund	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Cash	\$ 735,372	\$ 5,889,783	\$ (5,850,711)	\$ 774,444
Liabilities - Agency Funds	\$ 735,372	\$ 5,889,783	\$ (5,850,711)	\$ 774,444

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SINGLE AUDIT SECTION

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

AS OF JUNE 30, 2009

<u>Federal Agency/ Pass-Through Agency</u>	<u>Federal CFDA Number</u>	<u>Federal Participating Expenditures</u>
COST REIMBURSEMENT GRANTS:		
U.S. DEPARTMENT OF AGRICULTURE:		
Special Supplemental Nutrition Program for Women, Infants and Children:		
WIC Food and Administration	10.557	\$ 45,158,961
WIC Infrastructure EBT	10.557	300,929
WIC Special Breastfeeding Peer Counselor	10.557	121,653
WIC Rebate Program	10.557	14,494,493
American Recovery and Reinvestment Act - WIC Food	10.557	546,044
		<hr/> 60,622,080
Commodity Supplemental Food Program	10.565	1,059,510
WIC Farmer's Market Nutrition Program:		
Farmer's Market Food Program 2008	10.572	193,127
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<hr/> 61,874,717
U.S. DEPARTMENT OF TRANSPORTATION:		
Occupant Protection:		
TSB Occupant Protection 2008	20.602	106,705
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		<hr/> 106,705
U.S. ENVIRONMENTAL PROTECTION AGENCY		
Infant Toxic Blood Screening	77.61	65,001
U.S. ENVIRONMENTAL PROTECTION AGENCY		<hr/> 65,001
U.S. DEPARTMENT OF ENERGY:		
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant:		
WIPP Emergency Response	81.106	120,415
TOTAL U.S. DEPARTMENT OF ENERGY		<hr/> 120,415

See Independent Auditors' Report.

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

AS OF JUNE 30, 2009

<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 EDUCATION:		
Special Education - Grants for Infants and Families:		
Infants and Toddlers with Disabilities 2007	84.181	\$ 2,721,453
Safe and Drug-Free Schools & Communities - State Grants:	84.186	532,739
TOTAL U.S. DEPARTMENT OF EDUCATION		3,254,192
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
State and Territorial and Technical Assistance Capacity Development:		
Minority Health State Partnership Grant	93.006	\$ 187,963
Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission:		
New Mexico - Chihuahua Border Grant 2007	93.018	86,753
FLU Data	93.069	270,777
Asthma	93.070	307,658
Maternal and Child Health Federal Consolidated Programs:		
Children's Oral Healthcare Access	93.110	3,795
CISS-SECCS Planning	93.110	125,541
State Systems Development Initiative	93.110	128,230
		257,566
Project Grants and Cooperative Agreements for Tuberculosis:		
Tuberculosis Elimination	93.116	321,878
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices:		
Primary Care 2007	93.130	107,494

See Independent Auditors' Report.

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

AS OF JUNE 30, 2009

<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:		
Injury Prevention and Control Research and State and Community-Based Programs:		
Rape Prevention and Education	93.136	\$ 146,211
Violent Death Reporting	93.136	182,808
		<u>329,019</u>
Family Planning Services:		
Family Planning	93.217	3,633,780
Abstinence Education Program:		
Abstinence Education Program 2006	93.235	-
State Rural Hospital Flexibility Program:		
Rural Hospital Flexibility Program	93.241	225,154
Substance Abuse and Mental Health Services:		
Launch	93.243	566,424
Develop & Implement Administrative & Clinical Services 2007	93.243	10,821
Screening, Brief Intervention, Referral and Treatment 2007	93.243	-
Strategic Prevention Framework	93.243	2,564,210
Youth Suicide Prevention	93.243	391,434
		<u>3,532,889</u>
Universal Newborn Hearing Screening:		
Newborn Hearing Screening	93.251	107,449
Occupational Health	93.262	90,204
Immunization Grants:		
Immunizations and Vaccines for Children	93.268	2,883,238

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

AS OF JUNE 30, 2009

<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:		
Addressing Asthma	93.283	\$ 81,814
CDC Assessment Initiatives	93.283	132,688
Chronic Disease Prevention	93.283	1,972,380
Emerging Infections Program	93.283	1,186,294
Environmental Health Tracking	93.283	959,594
Epi & Lab Capacity for Infectious Diseases	93.283	454,145
Adult Hepatitis Collaboration	93.283	69,841
National Cancer Prevention and Control	93.283	3,777,594
Public Health Laboratory Biomonitoring	93.283	13,146
Public Health Preparedness & Response Bioterrorism	93.283	7,647,759
		<hr/> 16,295,255 <hr/>
Small Rural Hospital Improvement Grant Program:		
Small Rural Hospital Improvement	93.301	116,032
Refugee and Entrant Assistance - Discretionary Grants:		
Refugee Resettlement Health Program 2008	93.576	47,773
Refugee Health Program	93.576	290,681
		<hr/> 338,454 <hr/>
State Survey and Certification of Health Care Providers and Suppliers:		
Clinical Laboratory Improvement Amendments	93.777	2,034,832
Centers for Medicare and Medicaid Services (CMS) Research:		
Background Checks Pilot Program 2006	93.779	-
National Bioterrorism Hospital Preparedness Program:		
Bioterrorism Hospital Preparedness Program	93.889	3,307,034
Grants to States for Operation of Offices of Rural Health:		
State Office of Rural Health 2008	93.913	144,586

See Independent Auditors' Report.

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

AS OF JUNE 30, 2009

<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:		
HIV Care Formula Grants:		
Ryan White Title II HIV Care	93.917	\$ 3,942,047
HIV Prevention Activities - Health Department Based:		
HIV Prevention Projects	93.940	2,253,331
Human Immunodeficiency Virus (HIV) / Acquired Immune Deficiency Syndrome (AIDS) Surveillance:		
HIV/AIDS Surveillance	93.944	258,983
Cooperative Agreements to Support State-Based Safe Motherhood:		
Pregnancy Risk Assessment Monitoring	93.946	131,236
Preventive Health Services - Sexually Transmitted Diseases:		
Comprehensive STD Prevention Systems	93.977	859,497
STD Screening in Long Haul Truckers 2006	93.977	-
		<u>859,497</u>
Cooperative Agreements for State-Based Diabetes Control:		
Diabetes Prevention and Control	93.988	441,214
Preventive Health and Health Services Block Grant:		
Preventive Health Services	93.991	1,257,883
Maternal and Child Health Services Block Grant to the States:		
Maternal and Child Health Services 2005	93.994	4,297,082
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>48,019,288</u>
TOTAL COST REIMBURSEMENT GRANTS		\$ 113,440,318

See Independent Auditors' Report.

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

AS OF JUNE 30, 2009

Federal Agency/ <u>Pass-Through Agency</u>	Federal CFDA <u>Number</u>	Federal Participating <u>Expenditures</u>
OTHER GRANTS:		
U.S. DEPARTMENT OF VETERANS' AFFAIRS:		
Veterans' State Nursing Home Care:		
VA Reimbursement	64.015	<u>3,218,745</u>
TOTAL U.S. DEPARTMENT OF VETERANS' AFFAIRS		3,218,745
U.S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE:		
Foster Grandparent Program:		
Foster Grandparent Program	94.011	<u>410,917</u>
TOTAL U.S. CORP. FOR NATIONAL & COMMUNITY SERVICE		<u>410,917</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Joint Powers Agreements		
Flow-through Federal Grants	93.778	<u>13,373,154</u>
TOTAL OTHER GRANTS		<u>17,002,816</u>
TOTAL GRANT EXPENDITURES		130,443,134
NON-CASH ASSISTANCE:		
U.S. CENTERS FOR DISEASE CONTROL		
Immunization Grants:		
Immunization Program Vaccine FFY 2008	93.268	<u>32,191,891</u>
TOTAL U.S. CENTERS FOR DISEASE CONTROL		<u>32,191,891</u>
TOTAL EXPENDITURES CASH/NON-CASH FEDERAL AWARDS		\$ <u>162,635,025</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 financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds presented as supplemental information of the State of New Mexico Department of Health (the Department) as of and for the year ended June 30, 2009, which comprise the Department's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Department's non-major governmental funds and the program budgetary comparisons of the Department presented as supplementary information as of and for the year ended June 30, 2009, 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 auditing 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.

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

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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 09-01, 09-03, 09-05 and 09-06.

MEYNERS COMPANY, LLC

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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 Financial Reporting - continued

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in 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.

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 08-05, 09-02 and 09-04.

We noted no matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978.

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.

Meyers + Company, LLC

November 13, 2009

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, 2009. 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, 2009. 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 09-05 and 09-06.

MEYNEERS COMPANY, LLC

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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 in an 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.

McGuire & Company LLC

November 13, 2009



**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule of Findings and Questioned Costs

YEAR ENDED JUNE 30, 2009

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. Four 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. Two 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:

U.S. Department of Agriculture:	
Women, Infants & Children (WIC)	10.557
U.S. Department of Veterans' Affairs:	
Veterans' State Nursing Home Care	64.015
U.S. Department of Health and Human Services:	
Immunization Grants	93.268
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program – Behavioral Health	93.778
Centers for Disease Control and Prevention	93.283
HIV Care Formula Grants	93.917
National Bioterrorism Hospital Preparedness Program	93.889

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, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT

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.

09-1 SAFEGUARDING OF MONIES COLLECTED

Condition: During the period of September 2006 to October 2008 the department had an estimated \$83,623 in cash receipts within the Public Health Division stolen and deposited by an employee of the department.

Criteria: As a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures regarding adequate safeguards for monies collected. MAPs (FIN 2.3), authorized by Section 6-10-3, NMSA 1978 states all monies collected by agencies should be adequately safeguarded to ensure they are deposited with the STO or with an authorized banking institution

Cause: Lack of effective procedures and controls over the handling of mail containing payments.

Effect: Without effective procedures and controls the department is at risk for fraud as evidenced by the condition.

Recommendation: Subsequent to the discovery of the fraud, the department implemented new procedures for the handling of all mail containing payments to mitigate the risk of future fraud. Furthermore, it is recommended that the Department continue to monitor the effectiveness of these procedures and implement additional procedures and controls surrounding cash receipts as needed.

Management's Response: The Department has enhanced the process for depositing checks that are received in the mail. All mail is now opened in a centralized location for the entire Department. Checks and cash that are received are noted and verified by two persons in the mailroom and deposited by a third staff person independent of the mail opening process. Deposit journals are prepared by the Divisions that are in receipt of the credit and verified against the original daily count.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

09-2 CONTROLLED SUBSTANCES RECORD KEEPING AND INVENTORY – TURQUOISE LODGE HOSPITAL PHARMACY

Condition: During the physical inventory observation at Turquoise Lodge Hospital Pharmacy it was noted that 3 of the 20 narcotics in the locked vault within the pharmacy didn't agree to the perpetual log kept by the pharmacist.

Criteria: As outlined in the facility controlled substance policy, a controlled substance log will be maintained by the pharmacist in charge and will contain the following: Date Received/Dispensed, Routing, Medication Name, Dosage Form, Strength, Quantity (Received/Dispensed) and quantity on hand. Furthermore, as required by the State of New Mexico Department of Health a monthly inventory is to be conducted on all controlled substances.

Cause: Lack of effective procedures and controls to ensure the pharmacy staff is in compliance with the controlled substance policy.

Effect: Theft, illegal distribution of controlled substances, or non-compliance with laws and regulations surrounding the record keeping of controlled substances.

Recommendation: We recommend the department follow the existing controlled substance policy and implement controls to ensure the policy is being followed.

Management's Response: Administrative Services Division and management of Turquoise Lodge investigated the discrepancy and noted that it was an error in recordkeeping. We have reviewed policies and procedures with all pharmacy staff to ensure on-going compliance with all controlled substances and will continue to monitor throughout the year.

09-3 INVENTORY MANAGEMENT SYSTEM

Condition: During the physical inventory observation of the Public Health Division Pharmacy it was noted that the current inventory management system does not accurately track the inventory during the course of the fiscal year.

Criteria: As a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures regarding the tracking of significant inventory and safeguarding of inventory. MAPs (FIN 10.7-.10.8), authorized by Section 6-5-2, NMSA 1978 states that an agency must maintain timely and accurate inventory records and that they must establish formal internal control structures to safeguard inventory.

Cause: Lack of appropriate inventory management system to accurately track inventory records.

Effect: Without an accurate inventory count during the year the pharmacy is unable to provide an accurate valuation of the inventory, furthermore the management is unable to effectively management the inventory levels to determine the necessary items to order. In addition, there is a potential for theft that may go undetected until the pharmacy performs an annual physical inventory.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

09-3 INVENTORY MANAGEMENT SYSTEM - continued

Recommendation: Evaluate the current inventory management system to correct the issues noted or implement the use of an effective inventory management system.

Management's Response: The inventory system being used by the pharmacy does not have the capability to track inventory transactions on a perpetual basis; therefore a physical count must be performed to determine the cost of pharmaceuticals dispensed. The Department is currently exploring available systems with the capabilities required for proper tracking of all pharmacy activities.

09-4 DDSD PROVIDER ANNUAL FINANCIAL STATEMENTS

Condition: It was noted that the DDSD providers are not submitting their annual financial statements to the Office of Internal Audit for financial review.

Criteria: Per DDSD provider agreement the provider is required to submit a copy of their annual financial statements to: Department of Health, Office of Internal Audit, ATTN: Financial Review, P.O. Box 26110, Santa Fe, NM 87502-6110.

Cause: Lack of effective controls and procedures to ensure that all providers as required are submitting their financial statements on an annual basis.

Effect: If the department is not receiving and reviewing the financial statements of the providers on annual basis, the department may not be aware of potential issues of non-compliance that may indicate the need for a review of the provider.

Recommendation: We recommend the department implement controls and procedures to ensure that all providers as required are submitting their financial statements to the Office of Internal Audit on annual basis for review by the department.

Management's Response: Management is reviewing the provider agreements and current policy to determine and implement the most effective procedure for monitoring provider activity and compliance.

09-05 WOMEN, INFANTS, AND CHILDREN (WIC) PROGRAM – 10.557 – GRANT OVER-DRAWN

Condition: The Department had over-drawn the WIC program federal grant by approximately \$231,000 for FFY08.

Criteria: The Department should have effective controls and procedures in place to ensure the grant is only drawn for actual expenditures.

Cause: Lack of effective controls and procedures to ensure the grant was only drawn on for actual expenditures.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2009

B. FINDINGS – FINANCIAL STATEMENT AUDIT - continued

09-05 WOMEN, INFANTS, AND CHILDREN (WIC) PROGRAM – 10.557 – GRANT OVER-DRAWN - continued

Effect: The Department over-drawn the grant and subsequently reimbursed the USDA for the approximate \$231,000. Non-compliance with grant regulations.

Recommendation: We recommend the Department implement effective procedures and controls to ensure that a grant is not over-drawn.

Management's Response: Management has implemented cohesive reconciliation procedures based on thorough research of regulations and requirements and with input from WIC federal program management for all areas of the WIC program. This activity is monitored daily.

09-06 CDC – PUBLIC HEALTH PREPAREDNESS & RESPONSE BIOTERRORISM – 93.286 – SUPPORT OF SALARIES AND WAGES

Condition: It was noted during our test work of IT staff working on federal grants that the activity reports on 2 of the 5 IT staff tested had used estimated hours worked for each type of activity for the first 2 quarters of the fiscal year instead of actual hours. Based on test work performed there were no questioned costs noted.

Criteria: Pursuant to OMB Circular A-87 Attach B, Para 8.h(5), personnel activity reports or equivalent documentation must meet the following standards (in part):

- a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- b) they must account for the total activity for which each employee is compensated,
- c) they must be prepared at least monthly and must coincide with one or more pay periods, and
- d) they must be signed by the employee.

Cause: Prior to January 2009 there wasn't a policy implemented that required an actual activity report using actual hours for staff working on federal grants.

Effect: The result is non-compliance with federal requirements for documentation of Employee Time and Effort.

Recommendation: Although the Department has implemented effective procedures and controls to ensure proper documentation of personnel activity reports to ensure compliance with the federal grant requirements, the Department should continue to monitor these procedures for effectiveness and implement additional controls and procedures to ensure compliance with the federal grant requirements.

Management's Response: Management now requires signed timesheets for all staff that are partially charged to any grant.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2009

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

09-05 WOMEN, INFANTS, AND CHILDREN (WIC) PROGRAM – 10.557 – GRANT OVER-DRAWN

Condition: The Department had over-drawn the WIC program federal grant by approximately \$231,000 for FFY08.

Criteria: The Department should have effective controls and procedures in place to ensure the grant is only drawn for actual expenditures.

Cause: Lack of effective controls and procedures to ensure the grant was only drawn on for actual expenditures.

Effect: The Department over-drawn the grant and subsequently reimbursed the USDA for the approximate \$231,000. Non-compliance with grant regulations.

Recommendation: We recommend the Department implement effective procedures and controls to ensure that a grant is not over-drawn.

Questioned Costs: None.

Management's Response: Management has implemented cohesive reconciliation procedures based on thorough research of regulations and requirements and with input from WIC federal program management for all areas of the WIC program. This activity is monitored daily.

09-06 CDC – PUBLIC HEALTH PREPAREDNESS & RESPONSE BIOTERRORISM – 93.286 – SUPPORT OF SALARIES AND WAGES

Condition: It was noted during our test work of IT staff working on federal grants that the activity reports on 2 of the 5 IT staff tested had used estimated hours worked for each type of activity for the first 2 quarters of the fiscal year instead of actual hours. Based on test work performed there were no questioned costs noted.

Criteria: Pursuant to OMB Circular A-87 Attach B, Para 8.h(5), personnel activity reports or equivalent documentation must meet the following standards (in part):

- a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- b) they must account for the total activity for which each employee is compensated,
- c) they must be prepared at least monthly and must coincide with one or more pay periods, and
- d) they must be signed by the employee.

Cause: Prior to January 2009 there wasn't a policy implemented that required an actual activity report using actual hours for staff working on federal grants.

Effect: The result is non-compliance with federal requirements for documentation of Employee Time and Effort.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2009

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

09-06 CDC – PUBLIC HEALTH PREPAREDNESS & RESPONSE BIOTERRORISM – 93.286 – SUPPORT OF SALARIES AND WAGES - continued

Recommendation: Although the Department has implemented effective procedures and controls to ensure proper documentation of personnel activity reports to ensure compliance with the federal grant requirements, the Department should continue to monitor these procedures for effectiveness and implement additional controls and procedures to ensure compliance with the federal grant requirements.

Questioned Costs: None.

Management's Response: Management now requires signed timesheets for all staff that are partially charged to any grant.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Summary Schedule of Prior Year Audit Findings

- 07-1 Personnel and Payroll – Resolved
- 07-3 Federal Cash Transactions Report Filing – Untimely Filing – Resolved
- 07-4 High Risk Vendors – Lack of Compliance Investigations – Resolved
- 07-8 Past Due Accounts Receivable – Resolved
- 07-9 Budget Overages – Resolved
- 07-12 Journal Entry Review – Resolved
- 07-13 Recording and Reconciliation of Cash and Accounts Receivable – Resolved
- 07-14 Accounts Receivable – Public Health Division – Resolved
- 07-15 Women, Infants and Children (WIC) Program – Resolved
- 08-1 Inventory – Los Lunas Maintenance Warehouse – Resolved
- 08-2 Recording of Confiscated Narcotics – Resolved
- 08-3 Timely Cash Deposits – Resolved
- 08-4 Disposition of Property – Resolved
- 08-5 Lack of Disaster Recovery Plan and Formal Backup Procedures – Repeated
- 08-6 Immunization Grants – 93.238 – Safeguarding of Vaccine – Resolved
- 08-7 WIC – 10.557 – Review and Follow-up on Questionable Food Instruments – Resolved
- 08-8 WIC – 10.557 – Food Instrument Disposition – Unreconciled Food Instruments – Resolved
- 08-9 WIC – 10.557 – Above-50% Vendors – Quarterly Cost Neutrality Assessments – Resolved

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

Exit Conference

An exit conference was held with the Department on November 23, 2009, at the Department's offices in Santa Fe, New Mexico. In attendance were:

DEPARTMENT OF HEALTH

Alfredo Vigil, M.D.	Cabinet Secretary
Duffy Rodriguez	Deputy Secretary of Finance and Administration / CFO
Donna Trujillo, CPA, CSIA	Deputy ASD Director
Michael J. Mulligan, CGFM	Deputy ASD Director
Vikki Sanchez	Administrative Operations Manager

MEYNER + COMPANY, LLC

Georgie Ortiz, CPA, CGFM	Audit Partner
Javier Machuca, CPA, CGFM	Audit Senior Manager
Matthew Bone	Senior Accountant
Tasha Bochkova	Staff Accountant

PREPARATION OF FINANCIAL STATEMENTS

These financial statements were prepared by the management of the Department of Health.

