

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Financial Statements  
for the Year Ended  
June 30, 2010,  
and Independent  
Auditors' Report**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Table of Contents



**Official Roster**..... 1

**Independent Auditors' Report**..... 2 – 4

**Management's Discussion and Analysis** ..... 5 – 13

**Basic Financial Statements:**

**Government-wide Financial Statements:**

Statement of Net Assets ..... 15

Statement of Activities ..... 16

**Fund Financial Statements:**

Balance Sheet - Governmental Funds ..... 17

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets ..... 18

Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds ..... 19

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities ..... 20

Statement of Revenues and Expenditures -  
General Fund - Budget and Actual (Modified Accrual  
Budgetary GAAP Basis) ..... 21

Statement of Revenues and Expenditures -  
ARRA Fund - Budget and Actual (Modified Accrual  
Budgetary GAAP Basis) ..... 22

Statement of Fiduciary Assets and Liabilities – Agency Funds ..... 23

Notes to the Financial Statements ..... 24 – 52

**Supplementary Information:**

Combining Balance Sheet - By Fund Type -  
Non-Major Governmental Funds ..... 54 – 55

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - By Fund Type - Non-Major  
Governmental Funds ..... 56 – 57

Statement of Revenues and Expenditures – Other Non-major  
Governmental Funds - Budget and Actual (Modified Accrual  
Budgetary GAAP Basis) ..... 58 – 62

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Table of Contents - continued

**Supplementary Information - continued:**

|   |         |
|---|---------|
| Statement of Revenues and Expenditures – Capital Projects –<br>Budget and Actual (Modified Accrual Budgetary GAAP Basis) .....                  | 63      |
| Statement of Revenues and Expenditures – Combining General Fund by Program –<br>Budget and Actual (Modified Accrual Budgetary GAAP Basis) ..... | 64 – 71 |

**Supplemental Schedules:**

|  |         |
|--|---------|
| Schedule 1 – Supplemental Schedule of Individual Deposits.....                                 | 73 – 76 |
| Schedule 2 – Supplemental Schedule of Pledged Collateral .....                                 | 77      |
| Schedule 3 – Supplemental Schedule of Transfers.....   | 78      |
| Schedule 4 – Supplemental Schedule of Joint Powers Agreements.....                             | 79 – 81 |
| Schedule 5 – Supplemental Schedule of Memoranda of Understanding.....                          | 82 – 86 |
| Schedule 6 – Supplemental Schedule of Special Appropriations .....                             | 87      |
| Schedule 7 – Supplemental Schedule of Severance Tax Bonds .....                                | 88      |
| Schedule 8 – Supplemental Schedule of Changes in Assets<br>and Liabilities – Agency Funds..... | 89      |

**Single Audit:**

|   |           |
|---|-----------|
| Schedule of Expenditures of Federal Awards.....   | 91 – 97   |
| Notes to Schedule of Expenditures of Federal Awards .....   | 98        |
| Report on Internal Control Over Financial<br>Reporting and on Compliance and Other<br>Matters Based on an Audit of Financial<br>Statements Performed in Accordance with<br><i>Government Auditing Standards</i> ..... | 99 – 101  |
| Report on Compliance with Requirements<br>That Could Have a Direct and Material<br>Effect on Each Major Program and<br>on Internal Control Over Compliance<br>in Accordance with <i>OMB Circular A-133</i> .....      | 102 – 104 |
| Schedule of Findings and Questioned Costs.....  | 105 – 125 |
| Summary Schedule of Prior Year Audit Findings .....   | 126       |
| Exit Conference.....  | 127       |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Official Roster

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Year Ended June 30, 2010

Department Officials

|                                  |                           |
|----------------------------------|---------------------------|
| Cabinet Secretary                | Dr. Alfredo Vigil         |
| Deputy Secretary – Finance (CFO) | Michael Mulligan (Acting) |
| Deputy Secretary - Facilities    | Katrina Hotrum            |
| Deputy Secretary - Programs      | Jessica Sutin             |
| Chief Medical Officer            | Dr. Karen Armitage        |
| General Counsel                  | Gregory Lauer (Acting)    |
| Chief Information Officer        | Sean Pearson (Acting)     |

Division Directors

|   |                    |
|---|--------------------|
| Administrative Services Division            | Vacant             |
| Public Health Division                      | Dr. Jack Callaghan |
| Epidemiology & Response Division            | Dr. Mack Sewell    |
| Scientific Laboratory Division              | Dr. David Mills    |
| Developmentally Disabled Community Services | Mikki Rogers       |
| Division of Health Improvement              | David Rodriguez    |

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue fund of the State of New Mexico Department of Health (the Department) as of and for the year ended June 30, 2010, 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 and fiduciary funds and the budgetary comparisons for the non-major governmental funds and the program budgetary comparisons for the General Fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and results of operations of only that portion of the governmental activities, each major fund, the respective budgetary comparisons and the aggregate remaining fund information of the State that is attributable to the transactions of the Department. They do not purport to and do not present fairly the financial



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

position of the State of New Mexico as of June 30, 2010, 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, 2010, 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. 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 and fiduciary funds of the Department as of June 30, 2010, and the respective changes in financial position thereof, and the respective budgetary comparisons for all non-major governmental funds and the program budgeting comparisons for the General Fund 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 December 7, 2010, 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, 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 5 through 13 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

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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 basic 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 basic financial statements taken as a whole.

*Maynard + Company, LLC*

December 7, 2010

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010**

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**Introduction**

The following Management's Discussion and Analysis, or MD&A, for the State of New Mexico, Department of Health (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations as of and for the year ended June 30, 2010 (FY10). 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 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 fund 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.



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued**

**Overview of the Basic Financial Statements - continued**

- 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.
- 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**

|   |           | 2010<br>Governmental<br><u>Activities</u> | 2009<br>Governmental<br><u>Activities</u> | Increase<br>(Decrease)     | Percentage<br>Change |
|---|-----------|---|---|----------------------------|----------------------|
| <b>Assets:</b>                          |           |   |   |                            |                      |
| Cash, restricted and non-restricted     | \$        | 33,971,633                                | 27,063,909                                | 6,907,724                  | 25.5%                |
| Other current assets                    |           | 40,096,576                                | 52,882,904                                | (12,786,328)               | -24.2%               |
| Non-current assets                      |           | <u>14,845,611</u>                         | <u>19,277,047</u>                         | <u>(4,431,436)</u>         | -23.0%               |
| <b>Total Assets</b>                     | <b>\$</b> | <b><u>88,913,820</u></b>                  | <b><u>99,223,860</u></b>                  | <b><u>(10,310,040)</u></b> | <b>-10.4%</b>        |
| <b>Liabilities:</b>                     |           |   |   |                            |                      |
| Current liabilities                     | \$        | 70,059,334                                | 78,005,410                                | (7,946,076)                | -10.2%               |
| Long-term liabilities                   |           | -   | -   | -                          | 0%                   |
| <b>Total Liabilities</b>                | <b>\$</b> | <b><u>70,059,334</u></b>                  | <b><u>78,005,410</u></b>                  | <b><u>(7,946,076)</u></b>  | <b>-10.2%</b>        |
| <b>Net Assets:</b>                      |           |   |   |                            |                      |
| Invested in capital assets              | \$        | 14,845,611                                | 19,277,047                                | (4,431,436)                | -23.0%               |
| Restricted, net of related debt         |           | 4,008,875                                 | 1,941,403                                 | 2,067,472                  | 106.5%               |
| Unrestricted                            |           | -   | -   | -                          | 0%                   |
| <b>Total Net Assets</b>                 | <b>\$</b> | <b><u>18,854,486</u></b>                  | <b><u>21,218,450</u></b>                  | <b><u>(2,363,964)</u></b>  | <b>-11.1%</b>        |
| <b>Total Net Assets and Liabilities</b> |           | <b><u>88,913,820</u></b>                  | <b><u>99,223,860</u></b>                  | <b><u>(10,310,040)</u></b> | <b>-10.4%</b>        |

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2010 are as follows:

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued**

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**Financial Analysis of the Department as a Whole - continued**

**Net Assets:**

**Current assets** decreased by \$5,878,604, or 7.3%. This decrease was the result of the following:

- Cash increased by approximately \$7 million or 25%, resulting from outstanding expenditures that had not been paid at year-end;
- A decrease in Patient Accounts Receivable and Federal Receivable of approximately \$10.9 million, resulting from increases in the allowance for doubtful accounts and changes in billing systems and methods; and,
- A minimal combined decrease of approximately \$2.7 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 \$4.4 million, or 23%, due to approximately \$5.3 million in depreciation expenses that were offset by approximately \$1.2 million in additional capitalized assets. Additional purchased items included computer and laboratory equipment. During FY10, the Department deleted approximately \$1 million of capital assets from the capital assets list.

**Overall, total assets** decreased by approximately \$10.3 million, or 10.4%, due to the factors noted above.

**Change in Net Assets:**

Overall, the Department experienced a decrease in total revenues of 1.2%. Program revenues increased overall by 3.8% when compared to 2009. There was a decrease in services revenue of \$9.1 million. It is not anticipated that service revenues will increase significantly in fiscal year 2011 due to economic conditions and phase-out of ARRA funding. For fiscal year 2010, general revenue experienced a decline of 6.6% or \$15.8 million.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued**

**Financial Analysis of the Department as a Whole - continued**

**Governmental Activities:** The table below summarizes the changes in the Department's net assets for the fiscal years ending June 30, 2010 and 2009. Total change in net assets from the previous fiscal year was a decrease of \$2.4 million.

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

| <u>Category</u>                             | <u>2010<br/>Governmental<br/>Activities</u> | <u>2009<br/>Governmental<br/>Activities</u> | <u>Increase<br/>(Decrease)</u> | <u>Percentage<br/>Change</u> |
|---|---|---|--------------------------------|------------------------------|
| <b>Revenue:</b>                             |   |   |                                |                              |
| Program revenue:                            |   |   |                                |                              |
| Charges for services                        | \$ 95,254,922                               | 104,374,884                                 | (9,119,962)                    | -8.7%                        |
| Operating grants and contributions          | <u>168,940,287</u>                          | <u>150,152,274</u>                          | <u>18,788,013</u>              | 12.5%                        |
| Total program revenue                       | 264,195,209                                 | 254,527,158                                 | 9,668,051                      | 3.8%                         |
| General revenue:                            |   |   |                                |                              |
| Transfers, net                              | (61,743,138)                                | (73,345,927)                                | 11,602,789                     | -15.8%                       |
| Bond proceeds/appropriations                | 299,492,083                                 | 322,588,214                                 | (23,096,131)                   | -7.2%                        |
| Investment income                           | 1,301,898                                   | 1,367,166                                   | (65,268)                       | -4.8%                        |
| Reversions                                  | (11,902,510)                                | (12,917,863)                                | 1,015,353                      | -7.9%                        |
| Bad debt expense<br>(increase in allowance) | <u>(5,250,938)</u>                          | -   | <u>(5,250,938)</u>             | -100%                        |
| Total general revenue                       | 221,897,395                                 | 237,691,590                                 | (15,794,195)                   | -6.6%                        |
| Total revenues                              | 486,092,604                                 | 492,218,748                                 | (6,126,144)                    | -1.2%                        |
| <b>Expenses:</b>                            |   |   |                                |                              |
| Total governmental                          | <u>485,507,840</u>                          | <u>496,381,920</u>                          | <u>(10,874,080)</u>            | -2.2%                        |
| <b>Changes in net assets</b>                | 584,764                                     | (4,163,172)                                 | 4,747,936                      | -114.0%                      |
| <b>Beginning net assets</b>                 | 21,218,450                                  | 25,381,622                                  | (4,163,172)                    | -16.4%                       |
| <b>Restatement</b>                          | <u>(2,948,728)</u>                          | -   | <u>(2,948,728)</u>             | -100%                        |
| <b>Beginning net assets, restated</b>       | <u>18,269,722</u>                           | <u>25,381,622</u>                           | <u>(7,111,900)</u>             | -28.0%                       |
| <b>Ending Net Assets</b>                    | \$ <u>18,854,486</u>                        | <u>21,218,450</u>                           | <u>(2,363,964)</u>             | -11.1%                       |

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued**

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**Budgetary Highlights**

The Department's final adjusted operating budget for Fiscal Year 2010 (FY10) totaled \$560,326,946, including General Fund appropriations of \$285,434,300. However, the Department of Finance and Administration, through Executive Order 2009-044, reduced available General Fund appropriations for the Department by \$11,344,101 due to decreased state revenue collections during FY10. When the budget reductions imposed by the Executive Order are included, the final authorized expenditure amounts in the operating budget for Fiscal Year 2010 totaled \$548,982,846, including \$274,090,200 in General Fund appropriations. Because DFA did not formally reduce operating budgets under the Executive Order, the approved operating budget amounts appear in the financial statements as the higher of the amounts listed above. However, for practical purposes, the Department was only authorized to spend the amounts of total budget and General Fund after the reductions had been imposed. The unexpended General Fund amounts resulting from the Executive Order appear as reversion amounts in the budget-to-actual statements of the financial statements. The amounts listed above do not include funding budgeted under the American Recovery and Reinvestment Act (ARRA); these funds are budgeted for multi-fiscal year periods in a separate fund maintained by the Department of Finance and Administration.

Another significant budget reduction imposed by the Department of Finance and Administration, under statutory authority governing the Tobacco Settlement Permanent Fund (6-4-9C NMSA 1978) was a reduction of \$850,332 in appropriations from tobacco settlement revenue due to lower-than-budgeted actual revenue collections at the state level from that funding source.

During the course of FY10, the operating budget was adjusted through the Budget Adjustment Request (BAR) process by a total of \$20,695,546, not including ARRA budget increases. The amounts listed above include these non-ARRA budget increases. Significant budget adjustment requests (those in excess of \$700,000) submitted to and approved by the Department of Finance and Administration, and reviewed by the Legislative Finance Committee, during FY10 included:

- A category transfer of approximately \$5.1 million in General Fund between categories in the Administration Program and the Epidemiology & Response Program to correct technical errors in the General Appropriation Act associated with the transfer of the Sexual Assault Program to Administration and with the Trauma Program
- A category transfer of approximately \$3.1 million from the Other category to the Contractual Services category in the Public Health Program to realign the operating budget to correct funding amounts for professional services contracts that were incorrectly included in the Other category during the budget preparation process
- An increase of approximately \$7.4 million in federal funds for the Administration Program and the Public Health Program in all categories for services related to colorectal cancer screening, comprehensive STD prevention, immunizations for children, and other public health programs
- A category transfer of approximately \$700.0 thousand in General Fund for Epidemiology & Response Program to correct a technical error in the General Appropriation Act

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued**

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**Budgetary Highlights - continued**

- An increase of approximately \$4.6 million in federal funds for the Public Health, Epidemiology & Response, and Scientific Lab Programs for additional federal grants that provided funding for responding to the H1N1 virus outbreak
- An increase of approximately \$1.1 million in federal funds in the Contractual Services and Other categories for the WIC Special Supplemental Nutrition Program
- An increase of budget authority of approximately \$800.0 thousand in unexpended fund balances in the Trauma System Fund to provide grants to organizations to support the development of new trauma centers and to enhance the overall statewide trauma centers
- An increase of approximately \$5.7 million in federal funds in the Public Health and Epidemiology & Response Programs for implementing an H1N1 mass vaccination campaign
- An increase of approximately \$1.9 million in federal funds in the Contractual Services and Other categories for WIC program expenditures
- An increase of approximately \$900.0 thousand in federal funds for Family Health Bureau and WIC nutrition program expenditures, and
- A category transfer of approximately \$1.9 million between categories and funds in the Public Health Program, the Epidemiology & Response Program, and the Health Certification, Licensing, and Oversight Program to realignment budget.

The following significant budget increases (those in excess of \$700,000) submitted to and approved by the Department of Finance and Administration for multi-state fiscal year periods for funding awarded to the Department under ARRA:

- An increase of approximately \$1.4 million in federal funds in the Other category in the Developmental Disabilities Support Program for the Family Infant Toddler Program for additional services
- An increase of approximately \$1.1 million in federal funds in all categories for revenue and expenditures for monitoring and investigating healthcare-associated infections, and
- An increase of approximately \$5.8 million in federal funds in the Contractual Services and Other categories for Family Infant Toddler (FIT) program costs.

**FY10 Program Accomplishments:**

**Administration:**

- Administered approximately \$4.1 million in funding for the Statewide Trauma Program;
- Administered approximately \$1.6 million in funding for the Sexual Assault Prevention and Treatment Program;
- Reviewed and approved more than 14,000 Purchase Requisitions;
- Created more than 13,400 Purchase Order;

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued

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**Budgetary Highlights - continued**

**FY10 Program Accomplishments - continued:**

**Administration - continued:**

- Processed 45,200 Payment Vouchers;
- Processed more than 1,420 Contracts, provider agreements, Memoranda of Understanding, and Joint Powers Agreements;
- Processed 1,400 requests for legal services and more 1,000 disciplinary actions in the Office of General Counsel;
- Supported more than 3,500 computer workstations, 300 computer services, and 100 IT sites;

**Public Health:**

- Served more than 5,380 teens between the ages of 15 and 17 with family planning services;
- Increased the number of providers using the statewide immunization registry to 453;
- Provided 26,288 prevention interventions for individuals at risk of contracting HIV/AIDS;
- Served 29,414 students with more than 60,817 student visits and 6,730 behavioral health visits at 84 school-based health centers statewide;
- Answered 23,580 calls to the DOH-funded crisis line;
- Assisted in reducing the percent of adults that use tobacco from 19.3% to 17.9%;
- Enrolled 1,309 new clients in the needle exchange program.

**Epidemiology and Response:**

- Conducted 105 health emergency exercises to assess and improve local capability;
- Response to the H1N1 pandemic validated the state's readiness for pandemic flu emergencies.

**Laboratory Services:**

- Performed 316,851 laboratory tests;
- Analyzed 97.3% of public health threat samples for communicable diseases and other threatening illnesses within specified turnaround times;
- Developed full testing capabilities for respond to the H1N1 virus.

**Facilities Management:**

- Provided long-term in-patient nursing care to 542 individuals at New Mexico Behavioral Health Institute, the State Veteran's Home and the Fort Bayard Medical Center;
- Provided substance abuse treatment and drug and alcohol detoxification services to 1,981 individuals at Turquoise Lodge Hospital, the Yucca Lodge at Fort Bayard and the New Mexico Rehabilitation Center;

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued

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**Budgetary Highlights - continued**

**FY10 Program Accomplishments - continued:**

**Facilities Management - continued:**

- Provided in-patient forensic and adult psychiatric care to 716 individuals and outpatient psychiatric services to 2,615 individuals at New Mexico Behavioral Health Institute in Las Vegas;
- Provided residential treatment to 75 adolescents with violent behaviors at Sequoyah Adolescent Treatment Center;
- Provided medical rehabilitation services to 141 individuals at New Mexico Rehabilitation Center;
- Provided residential services for 77 individuals, family-based services for 27 individuals and Day Habilitation services for 91 individuals with developmental disabilities at the Los Lunas Community Programs.

**Developmental Disabilities Support Services:**

- Served 13,715 individuals under the Family, Infant and Toddler Program;
- Served 3,848 individuals under the Developmentally Disabled Medicaid Waiver Program;
- Provided support employment to 965 developmentally disabled individuals;
- Contracted with more than 348 providers under its Developmentally Disabled (305) and Medically Fragile (43) service programs.

**Health Certification and Licensing**

- Investigated 1,185 reports of abuse, neglect or exploitation in nursing and other medical facilities statewide;
- Conducted 145 unannounced surveys of service providers under the developmentally disabled program;
- Conducted 627 regulatory compliance surveys for licensed medical facilities;
- Completed 32,876 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 16.7% of the Department's total assets. The Department has no infrastructure assets.

Total compensated absences at June 30, 2010 are approximately \$7.6 million. The estimated amount to be paid from General Fund appropriations within one year is approximately \$7.6 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, 2010.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Management's Discussion and Analysis -  
Fiscal Year Ended June 30, 2010 - continued

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**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 the American Recovery and Reinvestment Act. However the national and state financial situation for the upcoming Fiscal Year 2011 is anticipated to be significantly bleaker than that experienced during Fiscal Year 2010. For the Department, this means that operating budgets will likely end up much lower than the levels appropriated during February 2010 for fiscal year 2011. 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 Department'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:

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



**BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Net Assets

AS OF JUNE 30, 2010

|  | <u>Total<br/>Governmental<br/>Activities</u> |
|--|--|
| <b>ASSETS:</b>                                   |  |
| <b>CURRENT ASSETS:</b>                           |  |
| Investment in State General Fund Investment Pool | \$ 33,764,749                                |
| Cash   | 206,884                                      |
| Accounts receivable, net                         | 16,616,563                                   |
| Due from federal government                      | 13,518,328                                   |
| Due from other state agencies                    | 6,748,567                                    |
| Inventory  | 3,113,572                                    |
| Prepaid expenses and others                      | <u>99,546</u>                                |
| <b>TOTAL CURRENT ASSETS</b>                      | <b>74,068,209</b>                            |
| <b>NON-CURRENT ASSETS:</b>                       |  |
| Capital assets                                   | 73,658,550                                   |
| Less accumulated depreciation                    | <u>(58,812,939)</u>                          |
| <b>TOTAL NON-CURRENT ASSETS</b>                  | <b><u>14,845,611</u></b>                     |
| <b>TOTAL ASSETS</b>                              | <b>\$ <u>88,913,820</u></b>                  |
| <b>LIABILITIES:</b>                              |  |
| <b>CURRENT LIABILITIES:</b>                      |  |
| Accounts payable                                 | \$ 28,664,523                                |
| Accrued payroll                                  | 10,304,666                                   |
| Due to State General Fund                        | 11,587,871                                   |
| Due to other state agencies                      | 9,680,345                                    |
| Due to the federal government                    | 21,634                                       |
| Deferred revenues                                | 2,174,880                                    |
| Other liabilities                                | 38,645                                       |
| Compensated absences - Due within one year       | <u>7,586,770</u>                             |
| <b>TOTAL CURRENT LIABILITIES</b>                 | <b><u>70,059,334</u></b>                     |
| <b>TOTAL LIABILITIES</b>                         | <b>70,059,334</b>                            |
| <b>NET ASSETS:</b>                               |  |
| Invested in capital assets                       | 14,845,611                                   |
| Restricted                                       | 4,008,875                                    |
| Unrestricted                                     | <u>-</u>                                     |
| <b>TOTAL NET ASSETS</b>                          | <b><u>18,854,486</u></b>                     |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>          | <b>\$ <u>88,913,820</u></b>                  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Activities

YEAR ENDED JUNE 30, 2010

| Functions/Programs                            | Expenses                     | Charges<br>for Service   | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|---|------------------------------|--------------------------|--|--|--|
| <b>GOVERNMENTAL ACTIVITIES:</b>               |                              |                          |  |  |  |
| Administration                                | \$ 18,983,678                | 448,744                  | 5,685,248.0                              | -                                      | (12,849,686)   |
| Public health                                 | 193,677,153                  | 16,521,896               | 90,583,949                               | -                                      | (86,571,308)   |
| Public health in-kind                         | 37,425,020                   | -                        | 37,425,020                               | -                                      | -  |
| Epidemiology and response                     | 25,321,098                   | 1,771,530                | 15,542,440                               | -                                      | (8,007,128)  |
| Laboratory services                           | 10,738,034                   | 1,925,746                | 1,648,784                                | -                                      | (7,163,504)  |
| Facilities management                         | 139,178,727                  | 70,231,777               | 4,413,729                                | -                                      | (64,533,221)   |
| Developmental disabilities supports services  | 45,268,999                   | 1,516,521                | 8,839,578                                | -                                      | (34,912,900)   |
| Health certification, licensing and oversight | 12,157,427                   | 2,838,708                | 4,801,539                                | -                                      | (4,517,180)  |
| Other health initiatives                      | <u>2,757,704</u>             | <u>-</u>                 | <u>-</u>                                 | <u>-</u>                               | <u>(2,757,704)</u>                                       |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>          | <b>\$ <u>485,507,840</u></b> | <b><u>95,254,922</u></b> | <b><u>168,940,287</u></b>                | <b><u>-</u></b>                        | <b>(221,312,631)</b>                                     |
| <b>GENERAL REVENUES AND TRANSFERS:</b>        |                              |                          |  |  |  |
| General revenues:                             |                              |                          |  |  |  |
| State General Fund appropriations             |                              |                          |  |  | 285,434,300  |
| STB appropriations                            |                              |                          |  |  | 1,986,195  |
| Tobacco settlement funds                      |                              |                          |  |  | 10,142,760   |
| County-supported medicaid                     |                              |                          |  |  | 1,928,828  |
| Interest income                               |                              |                          |  |  | 1,301,898  |
| Bad debt expense (increase in allowance)      |                              |                          |  |  | (5,250,938)  |
| Reversion - FY2010 - Transfer out             |                              |                          |  |  | (11,902,510)   |
| Other transfers out                           |                              |                          |  |  | (100,000)  |
| Inter-agency transfers, net                   |                              |                          |  |  | <u>(61,643,138)</u>                                      |
| <b>TOTAL GENERAL REVENUES AND TRANSFERS</b>   |                              |                          |  |  | <b><u>221,897,395</u></b>                                |
| <b>CHANGE IN NET ASSETS</b>                   |                              |                          |  |  | <b>584,764</b>   |
| <b>NET ASSETS, BEGINNING</b>                  |                              |                          |  |  | <b>21,218,450</b>  |
| <b>RESTATEMENT</b>                            |                              |                          |  |  | <u>(2,948,728)</u>                                       |
| <b>NET ASSETS, BEGINNING, RESTATED</b>        |                              |                          |  |  | <u>18,269,722</u>  |
| <b>NET ASSETS, ENDING</b>                     |                              |                          |  | <b>\$</b>                              | <b><u>18,854,486</u></b>                                 |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2010

|  | Major Funds           |                    | Other<br>Non-major<br>Funds | Total<br>Governmental<br>Funds |
|--|-----------------------|--------------------|-----------------------------|--------------------------------|
|  | General<br>Fund 06100 | ARRA<br>Fund 89000 |                             |                                |
| <b>ASSETS:</b>                                 |                       |                    |                             |                                |
| Investment in State General Fund               |                       |                    |                             |                                |
| Investment Pool                                | \$ 30,050,621         | -                  | 3,714,128                   | 33,764,749                     |
| Cash   | 206,884               | -                  | -                           | 206,884                        |
| Accounts receivable, net                       | 16,616,563            | -                  | -                           | 16,616,563                     |
| Due from federal government                    | 12,682,472            | 835,856            | -                           | 13,518,328                     |
| Due from other state agencies                  | 6,179,420             | -                  | 569,147                     | 6,748,567                      |
| Due from other funds                           | 19,349                | -                  | -                           | 19,349                         |
| Inventory                                      | 3,113,572             | -                  | -                           | 3,113,572                      |
| Prepaid expenses and others                    | 99,546                | -                  | -                           | 99,546                         |
| <b>TOTAL ASSETS</b>                            | <b>\$ 68,968,427</b>  | <b>835,856</b>     | <b>4,283,275</b>            | <b>74,087,558</b>              |
| <b>LIABILITIES:</b>                            |                       |                    |                             |                                |
| Accounts payable                               | \$ 27,627,242         | 806,805            | 230,476                     | 28,664,523                     |
| Accrued payroll                                | 10,281,070            | 9,702              | 13,894                      | 10,304,666                     |
| Due to State General Fund                      | 11,348,819            | -                  | 239,052                     | 11,587,871                     |
| Due to other funds                             | -                     | 19,349             | -                           | 19,349                         |
| Due to other state agencies                    | 9,680,345             | -                  | -                           | 9,680,345                      |
| Due to federal government                      | 21,634                | -                  | -                           | 21,634                         |
| Deferred revenues                              | 180,974               | -                  | 1,993,906                   | 2,174,880                      |
| Other liabilities                              | 19,535                | -                  | 19,110                      | 38,645                         |
| <b>TOTAL LIABILITIES</b>                       | <b>59,159,619</b>     | <b>835,856</b>     | <b>2,496,438</b>            | <b>62,491,913</b>              |
| <b>FUND BALANCES:</b>                          |                       |                    |                             |                                |
| Reserved for:                                  |                       |                    |                             |                                |
| Inventory and prepaid expenses                 | 3,213,118             | -                  | -                           | 3,213,118                      |
| Health programs                                | 6,595,690             | -                  | 1,786,837                   | 8,382,527                      |
| <b>TOTAL FUND BALANCES</b>                     | <b>9,808,808</b>      | <b>-</b>           | <b>1,786,837</b>            | <b>11,595,645</b>              |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b> | <b>\$ 68,968,427</b>  | <b>835,856</b>     | <b>4,283,275</b>            | <b>74,087,558</b>              |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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

---

AS OF JUNE 30, 2010

Total Fund Balance - Governmental Funds  
(Governmental Fund Balance Sheet) \$ 11,595,645

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

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

The cost of capital assets is: 73,658,550  
Accumulated depreciation is: (58,812,939)

Total capital assets 14,845,611

Long-term and certain other liabilities are not due and payable  
in the current period and therefore are not reported as liabilities  
in the funds. Long-term and other liabilities  
at year end consist of:

Compensated absences payable (7,586,770)

Total long-term and other liabilities (7,586,770)

Net assets of governmental activities (Statement of Net Assets) \$ 18,854,486

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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

YEAR ENDED JUNE 30, 2010

|  | Major Funds                  |                         | Other<br>Non-major<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------------------|-------------------------|-----------------------------|--------------------------------|
|  | General<br>Fund 06100        | ARRA<br>Fund 89000      |                             |                                |
| <b>REVENUES:</b>   |                              |                         |                             |                                |
| Federal grant revenue  | \$ 109,520,152               | 3,072,049               | -                           | 112,592,201                    |
| In-kind assistance   | 37,425,020                   | -                       | -                           | 37,425,020                     |
| Charges for services   | 89,445,113                   | -                       | -                           | 89,445,113                     |
| Investment earnings  | 1,301,898                    | -                       | -                           | 1,301,898                      |
| Fees, penalties, rentals and other                           | <u>24,094,295</u>            | <u>-</u>                | <u>638,580</u>              | <u>24,732,875</u>              |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>261,786,478</u></b> | <b><u>3,072,049</u></b> | <b><u>638,580</u></b>       | <b><u>265,497,107</u></b>      |
| <b>EXPENDITURES:</b>   |                              |                         |                             |                                |
| Current operating:   |                              |                         |                             |                                |
| Administration   | \$ 13,580,974                | -                       | 4,661,243                   | 18,242,217                     |
| Public health  | 190,391,869                  | 1,168,026               | 1,967,628                   | 193,527,523                    |
| Public health in-kind assistance                             | 37,425,020                   | -                       | -                           | 37,425,020                     |
| Epidemiology and response                                    | 20,683,997                   | 707,119                 | 3,845,532                   | 25,236,648                     |
| Laboratory services  | 9,778,775                    | -                       | -                           | 9,778,775                      |
| Facilities management  | 135,915,171                  | -                       | -                           | 135,915,171                    |
| Development Disabilities Supports Services                   | 44,171,030                   | 1,094,930               | -                           | 45,265,960                     |
| Health, Certification, Licensing and Oversight               | 12,128,974                   | 23,362                  | -                           | 12,152,336                     |
| Other health initiatives                                     | 816,209                      | -                       | 1,941,495                   | 2,757,704                      |
| Capital outlay   | <u>1,063,195</u>             | <u>78,612</u>           | <u>44,700</u>               | <u>1,186,507</u>               |
| <b>TOTAL EXPENDITURES</b>                                    | <b><u>465,955,214</u></b>    | <b><u>3,072,049</u></b> | <b><u>12,460,598</u></b>    | <b><u>481,487,861</u></b>      |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(204,168,736)</b>         | <b>-</b>                | <b>(11,822,018)</b>         | <b>(215,990,754)</b>           |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |                              |                         |                             |                                |
| General fund appropriation                                   | 277,374,200                  | -                       | 8,060,100                   | 285,434,300                    |
| Tobacco Settlement appropriation                             | 10,142,760                   | -                       | -                           | 10,142,760                     |
| County-supported Medicaid                                    | -                            | -                       | 1,928,828                   | 1,928,828                      |
| STB appropriation  | -                            | -                       | 1,986,195                   | 1,986,195                      |
| Bad debt expense (increase in allowance)                     | (5,250,938)                  | -                       | -                           | (5,250,938)                    |
| Reversion - FY2010 - transfer out                            | (11,348,192)                 | -                       | (554,318)                   | (11,902,510)                   |
| Other transfers  | -                            | -                       | (100,000)                   | (100,000)                      |
| Inter-agency transfers, net                                  | <u>(61,685,397)</u>          | <u>-</u>                | <u>42,259</u>               | <u>(61,643,138)</u>            |
| <b>TOTAL OTHER FINANCING<br/>SOURCES AND USES</b>            | <b><u>209,232,433</u></b>    | <b><u>-</u></b>         | <b><u>11,363,064</u></b>    | <b><u>220,595,497</u></b>      |
| <b>NET CHANGE IN FUND BALANCE</b>                            | <b><u>5,063,697</u></b>      | <b><u>-</u></b>         | <b><u>(458,954)</u></b>     | <b><u>4,604,743</u></b>        |
| <b>FUND BALANCES, BEGINNING</b>                              | <b>7,693,839</b>             | <b>-</b>                | <b>2,245,791</b>            | <b>9,939,630</b>               |
| <b>RESTATEMENT</b>   | <b><u>(2,948,728)</u></b>    | <b><u>-</u></b>         | <b><u>-</u></b>             | <b><u>(2,948,728)</u></b>      |
| <b>FUND BALANCES, BEGINNING, RESTATED</b>                    | <b><u>4,745,111</u></b>      | <b><u>-</u></b>         | <b><u>2,245,791</u></b>     | <b><u>6,990,902</u></b>        |
| <b>FUND BALANCES, ENDING</b>                                 | <b>\$ <u>9,808,808</u></b>   | <b><u>-</u></b>         | <b><u>1,786,837</u></b>     | <b><u>11,595,645</u></b>       |

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

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

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**YEAR ENDED JUNE 30, 2010**

**Net Changes in Fund Balances - Total Governmental Funds**  
**(Statement of Revenues, Expenditures, and Changes in Fund Balances)** \$ 4,604,743

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

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amounts actually paid). The decrease in the liabilities for the fiscal year was: 411,457

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

|                      |                    |
|----------------------|--------------------|
| Capital outlay       | 1,186,507          |
| Depreciation expense | <u>(5,345,504)</u> |

Excess of depreciation expense over capital outlay (4,158,997)

The Statement of Activities reports the loss on the sale of equipment, while the the Statement of Revenues, Expenditures and Changes in Fund Balance reports the proceeds. The reconciling amount is the difference: (272,439)

**Change in net assets of governmental activities**  
**(Statement of Activities)** \$ 584,764

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures - General Fund  
Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2010

| GENERAL FUND - TOTAL   |                       |                    |                     |                               |
|--|-----------------------|--------------------|---------------------|-------------------------------|
|  | Budgeted Amounts      |                    | Actual<br>Amounts   | Variance From<br>Final Budget |
|  | Original              | Final              | (Budgetary Basis)   | Positive (Negative)           |
| <b>REVENUES:</b>   |                       |                    |                     |                               |
| Federal funds  | \$ 100,454,500        | 120,394,352        | 98,276,422          | (22,117,930)                  |
| General Fund   | 277,374,200           | 277,374,200        | 277,374,200         | -                             |
| Other State funds  | 118,936,500           | 119,599,741        | 106,113,415         | (13,486,326)                  |
| Inter-agency transfers *   | 31,138,285            | 31,198,285         | 30,114,381          | (1,083,904)                   |
| Budgeted fund balance  | 820,300               | 820,300            | 816,209             | (4,091)                       |
| <b>TOTAL REVENUES</b>  | <b>\$ 528,723,785</b> | <b>549,386,878</b> | <b>512,694,627</b>  | <b>(36,692,251)</b>           |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                       |                    |                     |                               |
| Personal services and employee benefits  | \$ 220,484,065        | 222,775,169        | 213,253,461         | 9,521,708                     |
| Contractual services   | 92,525,903            | 102,212,342        | 86,935,503          | 15,276,839                    |
| Other  | 145,979,017           | 154,664,567        | 128,385,319         | 26,279,248                    |
| Other financing uses   | 69,734,800            | 69,734,800         | 61,685,397          | 8,049,403                     |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 528,723,785</b> | <b>549,386,878</b> | <b>490,259,680</b>  | <b>59,127,198</b>             |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                       |                    | 22,434,947          |                               |
| <b>FISCAL 2009 BILLS PAID OUT OF FISCAL 2010 BUDGET</b>                            |                       |                    | 44,089              |                               |
| <b>BUDGETED FUND BALANCE</b>   |                       |                    | (816,209)           |                               |
| <b>BAD DEBT EXPENSE (INCREASE IN ALLOWANCE)</b>                                    |                       |                    | (5,250,938)         |                               |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                       |                    | (11,348,192)        |                               |
| <b>NET CHANGE IN FUND BALANCE</b>  |                       |                    | <b>\$ 5,063,697</b> |                               |

\* Federal funds passed through to the Department from the NM Human Services Department in the amount of \$11,243,730 is budgeted as other inter-agency transfers and is classified as federal grant revenue on the statement of revenues, expenditures and changes in fund balances.

Public Health in-kind assistance not included in budget.



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures - ARRA Fund  
Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2010

|  | ARRA FUND        |                   |                   |                               |
|--|------------------|-------------------|-------------------|-------------------------------|
|  | Budgeted Amounts |                   | Actual<br>Amounts | Variance From<br>Final Budget |
|  | Original         | Final             | (Budgetary Basis) | Positive (Negative)           |
| <b>REVENUES:</b>   |                  |                   |                   |                               |
| Federal funds  | \$ -             | 14,184,592        | 3,072,049         | (11,112,543)                  |
| General Fund   | -                | -                 | -                 | -                             |
| Other State funds  | -                | -                 | -                 | -                             |
| Inter-agency transfers   | -                | -                 | -                 | -                             |
| Budgeted fund balance  | -                | -                 | -                 | -                             |
| <b>TOTAL REVENUES</b>  | <b>\$ -</b>      | <b>14,184,592</b> | <b>3,072,049</b>  | <b>(11,112,543)</b>           |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                  |                   |                   |                               |
| Personal services and employee benefits  | \$ -             | 382,055           | 52,725            | 329,330                       |
| Contractual services   | -                | 4,787,506         | 864,467           | 3,923,039                     |
| Other  | -                | 9,015,031         | 2,154,857         | 6,860,174                     |
| Other financing uses   | -                | -                 | -                 | -                             |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ -</b>      | <b>14,184,592</b> | <b>3,072,049</b>  | <b>11,112,543</b>             |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                  |                   | -                 |                               |
| <b>NET CHANGE IN FUND BALANCE</b>  |                  |                   | <b>\$ -</b>       |                               |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Fiduciary Assets and Liabilities -  
Agency Funds

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AS OF JUNE 30, 2010

|  | <u>Agency<br/>Funds</u>    |
|--|----------------------------|
| <b>ASSETS:</b>                                   |                            |
| Investment in State General Fund Investment Pool | \$ 281,786                 |
| Cash   | <u>846,944</u>             |
| <b>TOTAL ASSETS</b>                              | <b>\$ <u>1,128,730</u></b> |
| <b>LIABILITIES:</b>                              |                            |
| Fund held for others                             | \$ 799,963                 |
| Due to other state agencies                      | <u>328,767</u>             |
| <b>TOTAL LIABILITIES</b>                         | <b>\$ <u>1,128,730</u></b> |

## REPORTING ENTITY

The State of New Mexico Department of Health (the 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 2010 (FY10), the Legislature passed and the Governor enacted the budget, and the Operating Budget was approved, in seven Program Areas, as shown below:

**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.

**REPORTING ENTITY - continued**

Program Area Three (P003) – Epidemiology and Response:

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

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

**REPORTING ENTITY - continued**

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

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

Los Lunas Community Programs  
Home-based Living for the Disabled

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

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

Division of Health Improvement  
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 14, modified by 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 14/39 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.

## REPORTING ENTITY - continued

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.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Department of Health 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 has elected not to apply pronouncements of the Financial Accounting Standards Board issued subsequent to November 30, 1989.

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.

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 economic resources measurement focus and the accrual basis of accounting, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost-per-functional category, which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program

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

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

revenues, operating and capital grants. The program revenues must be directly associated with the function. All internal activity has been removed from the financial statements.

The net cost by function is normally covered by general revenue. The Department operates 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 20, 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.



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

**Governmental Funds - continued**

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:

**Major Funds**

**General Fund.** The 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 General Fund is funded from appropriations from the State of New Mexico State General Fund, special appropriations, Federal grants and other revenue. These funds are reverting.

**ARRA Fund.** The Department of Health ARRA Special Revenue Fund (fund 89000) was administratively created by NM Department of Finance and Administration. The fund is used to account for the activity related to the funding provided by the federal government under the American Recovery and Reinvestment Act. These funds are non-reverting. 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.

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

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

**Other Non-major Funds**

**Special Revenue Funds.** DOH maintains five non-major Special Revenue Funds and one Capital Project Fund to account for funding and appropriations that are restricted by law. Those funds are:

- The 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 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 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 New Mexico State Treasurer’s Office. These funds are reverting.

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

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

**Fiduciary Funds**

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

- 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 New Mexico Children, Youth, and Families Department.
- The Patients' Trust Fund (Fund 51000) – This fund is used for patient trust monies that are held on behalf of the residents of the Department'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 six Special Revenue Funds described above; and the Capital Projects Fund.

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

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

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

**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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

- Measurement Focus, Basis of Accounting and Basis of Presentation – 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 health programs - 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, other reservations of fund balance consist of amounts reserved for future expenditures on health programs of the Department; and
- Reserved for inventories and prepaid expenses - 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.

- **New Pronouncements**

Effective for fiscal years beginning after June 15, 2010, *GASB 54, Fund Balance Reporting and Governmental Fund Type Definitions*, will provide modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds. Although early implementation is encouraged, the State of New Mexico has decided to implement this new pronouncement for fiscal year ending June 30, 2011. The impact on the Department's financial statements has not yet been determined.

Effective for fiscal years beginning after June 15, 2010, *GASB 59, Financial Instruments Omnibus*, will update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This statement provides for the following amendments:

- National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, is updated to be consistent with the amendments to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, regarding certain financial guarantees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

• New Pronouncements - continued

- Statements No. 25, *Financial Reporting for Defined Benefit Pensions Plans and Note Disclosures for Defined Contribution Plans*, and No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.
- Statement 31 is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
- Statement No. 40, *Deposit and Investment Risk Disclosures*, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools – such as bond mutual funds and external bond investment pools – that do not meet the requirements to be reported as a 2a7-like pool.

Statement 53 is amended to:

- Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance.
- Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be *investment* derivative instruments entered into primarily for the purpose of obtaining income or profit.
- Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53.
- Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

Although early implementation is encouraged, the State of New Mexico has decided to implement this new pronouncement for fiscal year ending June 30, 2011. The impact on the Department's financial statements has not yet been determined.

## 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 2 – Pledged Collateral and Schedule 1 – Schedule of Individual Deposits). 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 New Mexico 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.

- **Capital Assets**

Property, buildings, and equipment purchased or acquired at a value of \$1,000 or greater prior to July 1, 2005 are capitalized. Capital Assets acquired after June 30, 2005, are only capitalized if the acquisition amount was \$5,000 or more (Section 12-6-10 NMSA 1978). 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:

2. ASSETS, LIABILITIES, AND EQUITY

- Capital Assets – continued

|                          | <u>Years</u> |
|--------------------------|--------------|
| Land Improvements        | 10 to 20     |
| Buildings and Structures | 10 to 20     |
| Machinery and Equipment  | 5 to 10      |
| Vehicles                 | 5 to 10      |
| Information Technology   | 3 to 5       |
| Furniture/Fixtures       | 7 to 10      |

Effective July 1, 2005, the State changed the value for which an asset may be capitalized from \$1,000 to \$5,000. The Department 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, the Department 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.



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

• **Compensated Absences - continued**

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

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

FSLA-exempt employees may only accrue up to 80 hours a year at a rate of one (1.0) times the hours worked. The exception is supervisory nurses who accrue their hours at the rate of one-and-a-half the normal rate (1½). The Department 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. The government-wide financial statement of net assets reports \$4,008,875 of restricted net assets, of which \$1,786,837 is restricted by enabling legislation.
- **Unrestricted Assets** - Represents assets that do not have third-party limitations on their use.

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

• **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 New Mexico Department of Finance and Administration.

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

1. The Department submits an annual appropriation request (budget) to the New Mexico Legislature and the New Mexico 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 New Mexico 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.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

• **Budgetary Data - continued**

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 New Mexico State General Fund revert to the New Mexico 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. Bond proceeds are recognized when all eligibility requirements have been met.

**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 2010.

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.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statements - continued

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - continued

- Revenue Recognition - continued

Program Revenue - continued

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, 2010, are as follows:

|  | <u>Accounts<br/>Receivable</u> | <u>Allowance for<br/>Uncollectible<br/>Accounts</u> | <u>Net<br/>Accounts<br/>Receivable</u> |
|--|--------------------------------|---|--|
| General Fund:                                  |                                |   |  |
| Fort Bayard Medical Center                     | \$ 5,095,791                   | (1,323,052)   | 3,772,739                              |
| Scientific Laboratory                          | 232,425                        | -   | 232,425                                |
| Sequoyah Adolescent<br>Treatment Center        | 1,051,514                      | (94,636)  | 956,878                                |
| New Mexico Rehabilitation<br>Center            | 356,430                        | (257,185)   | 99,245                                 |
| Los Lunas Community<br>Programs                | 1,790,041                      | (269,770)   | 1,520,271                              |
| New Mexico Behavioral<br>Institute (Las Vegas) | 10,629,522                     | (3,847,280)   | 6,782,242                              |
| Turquoise Lodge                                | 230,421                        | (225,756)   | 4,665                                  |
| New Mexico Veterans Home                       | 1,935,963                      | (364,982)   | 1,570,981                              |
| Other  | <u>1,677,117</u>               | <u>-</u>  | <u>1,677,117</u>                       |
| Total  | <u>\$ 22,999,224</u>           | <u>(6,382,661)</u>                                  | <u>16,616,563</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

A summary of changes in capital assets follows:

| <u>Governmental-type Activities</u> | <u>Balance<br/>June 30, 2009</u> | <u>Additions</u>   | <u>Deletions/<br/>Adjustments</u> | <u>Balance<br/>June 30, 2010</u> |
|-------------------------------------|----------------------------------|--------------------|-----------------------------------|----------------------------------|
| Land                                | \$ 59,700                        | -                  | -                                 | 59,700                           |
| Total non-depreciable assets        | 59,700                           | -                  | -                                 | 59,700                           |
| Land improvements                   | 230,577                          | -                  | -                                 | 230,577                          |
| Buildings and structures            | 42,754,448                       | 39,324             | (302,410)                         | 42,491,362                       |
| Machinery and equipment             | 14,076,598                       | 354,917            | (366,008)                         | 14,065,507                       |
| Vehicles                            | 1,817,262                        | -                  | -                                 | 1,817,262                        |
| Information technology              | 12,577,539                       | 792,266            | (120,096)                         | 13,249,709                       |
| Furniture and fixtures              | <u>2,004,823</u>                 | <u>-</u>           | <u>(260,390)</u>                  | <u>1,744,433</u>                 |
| Total depreciable assets            | 73,461,247                       | 1,186,507          | (1,048,904)                       | 73,598,850                       |
| Less accumulated depreciation:      |                                  |                    |                                   |                                  |
| Land improvements                   | (229,102)                        | (2,913)            | -                                 | (232,015)                        |
| Buildings and structures            | (32,185,991)                     | (2,918,253)        | 183,568                           | (34,920,676)                     |
| Machinery and equipment             | (8,754,406)                      | (1,276,556)        | 276,291                           | (9,754,671)                      |
| Vehicles                            | (1,480,864)                      | (106,046)          | -                                 | (1,586,910)                      |
| Information technology              | (10,337,712)                     | (932,982)          | 120,166                           | (11,150,528)                     |
| Furniture and fixtures              | <u>(1,255,825)</u>               | <u>(108,754)</u>   | <u>196,440</u>                    | <u>(1,168,139)</u>               |
| Total accumulated depreciation      | <u>(54,243,900)</u>              | <u>(5,345,504)</u> | <u>776,465</u>                    | <u>(58,812,939)</u>              |
| Total capital assets, net           | \$ <u>19,277,047</u>             | <u>(4,158,997)</u> | <u>(272,439)</u>                  | <u>14,845,611</u>                |

Depreciation expense was charged to functions as follows:

|   |                     |
|---|---------------------|
| Administration                                | \$ 880,479          |
| Public health                                 | 149,630             |
| Epidemiology and response                     | 84,450              |
| Laboratory services                           | 959,259             |
| Facilities management                         | 3,263,556           |
| Developmental disabilities supports services  | 3,039               |
| Health certification, licensing and oversight | <u>5,091</u>        |
|   | \$ <u>5,345,504</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:

|                     | <b>Balance,<br/>June 30, 2009</b> | <b>Additions</b>        | <b>Deletions</b>          | <b>Balance,<br/>June 30, 2010</b> |
|---------------------|-----------------------------------|-------------------------|---------------------------|-----------------------------------|
| Current portion     | \$ 7,998,227                      | 7,977,207               | (8,388,664)               | 7,586,770                         |
| Non-current portion | <u>-</u>                          | <u>-</u>                | <u>-</u>                  | <u>-</u>                          |
| <b>Total</b>        | <b>\$ <u>7,998,227</u></b>        | <b><u>7,977,207</u></b> | <b><u>(8,388,664)</u></b> | <b><u>7,586,770</u></b>           |

**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, 2010 consist of the following:

- **Due From Other State Agencies**

| <b>DOH<br/>SHARE<br/>Fund No.</b> | <b>Agency</b>                          | <b>Other<br/>Agency's<br/>Fund</b> | <b>Amount</b>              |
|-----------------------------------|--|------------------------------------|----------------------------|
| 06100                             | Human Services Department              | 05200                              | \$ 6,179,420               |
| 05900                             | DFA - State Board of Finance           | 73000                              | 355,337                    |
| 21900                             | Department of Finance & Administration | 02100                              | <u>213,810</u>             |
|                                   | <b>Total All Funds</b>                 |                                    | <b>\$ <u>6,748,567</u></b> |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statements - continued

7. DUE FROM AND DUE TO OTHER AGENCIES - continued

• Due To Other State Agencies

| DOH<br>SHARE<br>Fund No.        | Agency                                  | Other<br>Agency's<br>Fund | Amount               |
|---------------------------------|---|---------------------------|----------------------|
| <b>Governmental Funds:</b>      |   |                           |                      |
| 06100                           | Human Services Department               | 05200                     | \$ <u>9,680,345</u>  |
| <b>Total Governmental Funds</b> |   |                           | 9,680,345            |
| <b>Agency Funds:</b>            |   |                           |                      |
| 50200                           | Children, Youth and Families Department | 91100                     | 116,866              |
| 50200                           | Dept. of Finance and Administration     | 85300                     | <u>211,901</u>       |
| <b>Total Agency Funds</b>       |   |                           | <u>328,767</u>       |
| <b>Total All Funds</b>          |   |                           | \$ <u>10,009,112</u> |

8. INTERFUND ACTIVITY

Due To/From Other Funds at June 30, 2010 were the result of a cash overdraft of \$19,349 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:

| <u>Due From</u> | <u>Due To</u> | <u>Amount</u>    |
|-----------------|---------------|------------------|
| Fund 89000      | Fund 06100    | \$ <u>19,349</u> |

9. OTHER LIABILITIES

Other liabilities consist of stale dated checks of non-reverting funds to be reissued in the amount of \$19,535 and an amount due back to a local emergency management region in the amount of \$19,110.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**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, 2009     | \$ | 4,987,909        |
| County-supported Medicaid receipts |    | 3,922,734        |
| Current year expenditures          |    | (6,916,737)      |
| Payments received in advance       |    | <u>180,974</u>   |
|                                    | \$ | <u>2,174,880</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 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:

| Years ending June 30: | <u>Lease Amounts</u> |
|-----------------------|----------------------|
| 2011                  | \$ 3,831,120         |
| 2012                  | 2,803,342            |
| 2013                  | 2,553,636            |
| 2014                  | 2,482,610            |
| 2015                  | 2,234,391            |
| 2016 and thereafter   | <u>7,504,031</u>     |
|                       | \$ <u>21,409,130</u> |

Rental expenditures for the fiscal year ended June 30, 2010 were \$5,132,254. The Department did not enter into any capitalized leases in FY10 or have leases that are required to be capitalized.

**12. LEASE-PURCHASE AGREEMENT**

The Department entered into a lease-purchase agreement as a lessee with Grant County of New Mexico that was conditionally approved in February 19, 2008 by the New Mexico State Board of Finance. The lease provides that the Department will cause a healthcare facility (the Facility) to be acquired, constructed and equipped on unimproved land in the Village of Santa Clara, New Mexico (the Land),



**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**12. LEASE-PURCHASE AGREEMENT - continued**

financed with proceeds from the County's Project Revenue Bonds (Ft. Bayard Project), Series 2008 (the Bonds). The Facility will be a replacement for the existing Fort Bayard Medical Center. Under the lease and subject to its terms and conditions, the Department will be obligated to make payments, among others, in the amounts and at the times necessary to allow for the timely payment of the principal and interest on the Bonds after the completion of the Facility. The agreement contains an option to purchase shall the Department decide to purchase the Facility during the term of the lease with the approval of the New Mexico State Board of Finance. The lease and the payments for the lease are to commence December 15, 2010.

**13. RESERVED FUND BALANCE**

Found in the equity section of the balance sheet, the reserved fund balance includes prepaid expenses and inventory, as well as amounts reserved for future expenditures on health programs.

Reserved fund balances consisted of the following at June 30, 2010:

|                                | <u>General Fund</u>  |
|--------------------------------|----------------------|
| Health programs                | \$ 8,382,527         |
| Inventory and prepaid expenses | <u>3,213,118</u>     |
| Total reserved fund balance    | \$ <u>11,595,645</u> |

**14. REVERSIONS**

The following reversions are appropriations accrued during fiscal year 2009:

|  |                      |
|--|----------------------|
| Laws of 2007, Ch. 42, Section 65           | \$ 554,318           |
| Laws of 2008, Ch. 3, Section 7             | 4,091                |
| Executive Order 2009-044                   | <u>11,344,101</u>    |
|  | 11,902,510           |
| Paid during FY2010                         | <u>314,639</u>       |
| Total reversions due to State General Fund | \$ <u>11,587,871</u> |

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds and accounts as reflected in the central accounting system as of June 30 shall revert.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to Financial Statements - continued

14. REVERSIONS - continued

The Department did not have any additional reversions for FY10. A total of \$314,639 was paid to the State General Fund during the year. \$11,587,871 is payable at June 30, 2010 and due by September 30, 2010. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

15. 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, 2010, and the increase in unrealized appreciation and the income received for the year follow:

|   | Interest in<br>Fund at<br>June 30, 2010 | Income<br>Received<br>in 2010 |
|---|---|-------------------------------|
| <b>State Permanent Fund:</b>                  |   |                               |
| Behavioral Health Institute                   | \$ 26,306,507                           | \$ 1,434,373                  |
| <b>Charitable, Penal and Reformatory Act:</b> |   |                               |
| Behavioral Health Institute                   | \$ 13,490,037                           | \$ 690,301                    |
| Los Lunas Community Programs                  | \$ 14,205,875                           | \$ 690,301                    |

16. 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](http://www.pera.state.nm.us).

16. RETIREMENT PLANS - continued

Public Employees Retirement Association (PERA) - continued

• **Funding Policy**

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$21,549,157, \$24,066,044 and \$22,770,530, respectively, equal to the amount of the required contributions for each fiscal year.

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 benefits, 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](http://www.nmerb.org).

• **Funding Policy**

Effective July 1, 2009 plan members were required by statute to contribute 7.9% of their gross salary if they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually were required to contribute 9.4% of their gross salary. The Department was required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 10.9% of the gross covered salary of employees earning more than \$20,000 annually. The employer contribution is increasing by .75% each year until effective July 1, 2011, when the employer contribution will be 13.9% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2010, 2009 and 2008 were \$40,570, \$45,308 and \$39,030, respectively, which equal the amount of the required contributions for each fiscal year.

17. 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

**17. DEFERRED COMPENSATION - continued**

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.

**18. 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 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.

18. POST-EMPLOYMENT BENEFITS - continued

• **Funding Policy**

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan, the contribution rates will be:

| <u>Fiscal Year</u> | <u>Employer Contribution Rate</u> | <u>Employee Contribution Rate</u> |
|--------------------|-----------------------------------|-----------------------------------|
| FY11               | 1.666%                            | .833%                             |
| FY12               | 1.834%                            | .917%                             |
| FY13               | 2.000%                            | 1.000%                            |

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

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

The Department's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$1,823,339, \$1,850,179 and \$1,741,882, respectively, which equal the required contributions for each year.

**19. 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, 2010, total insurance premiums paid to the Risk Management Division were \$4,499,637.

**20. 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. The Department of Justice (DOJ) noted on the previous visit that the Department and FMBC have made remarkable and substantial progress toward final engagement. Final preparations are underway for the move into the new facility. After several years of investigations, litigation and audits, the Department has reached a critical stage in which it is about to be disengaged by the U.S. DOJ. Once disengaged, the Department can proceed with operations at FBMC without federal intervention.

The Department 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. The Department is slated to complete settlement terms ending this litigation by January 31, 2011. If the Department can complete its obligations under the settlement terms, the litigation can be resolved by a final order.

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Notes to Financial Statements - continued**

**20. CONTINGENCIES - continued**

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 judgment against defendants, there has been elaborate monitoring and oversight by plaintiff's counsel and Judge Parker. This longstanding class action continues,; however, disengagement procedures have begun in 2010 for the first time. 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 the case is finally resolved.

**21. RESTATEMENT**

As a result of federal revenue incorrectly recognized in a prior year during the implementation of SHARE, a restatement of the fund balance in fund 06100 in the amount of \$2,948,728 was recorded. The reclassification of fund balance reclassified the fund balance to due to federal government.

|  |        |                             |
|--|--------|-----------------------------|
| Fund balance as originally reported, June 30, 2009 | \$     | 7,693,839                   |
| Restatement  |        | <u>(2,948,728)</u>          |
| <br>Fund balance, July 1, 2009, restated           | <br>\$ | <br><u><u>4,745,111</u></u> |

The net assets had the same restatement. As a result, the June 30, 2009 restatement decreased net assets by \$2,948,728. The net assets' restated balance is \$18,269,722.

**SUPPLEMENTARY INFORMATION**



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AS OF JUNE 30, 2010

|  | <u>County-<br/>supported<br/>Medicaid<br/>Fund 21900</u> | <u>Trauma<br/>System<br/>Fund 25700</u> |
|--|--|---|
| <b>ASSETS:</b>                                   |  |   |
| Investment in State General Fund Investment Pool | \$ 1,923,896   | 576,636                                 |
| Due from other state agencies                    | <u>213,810</u>   | <u>-</u>                                |
| <b>TOTAL ASSETS</b>                              | \$ <u>2,137,706</u>                                      | <u>576,636</u>                          |
| <b>LIABILITIES:</b>                              |  |   |
| Accounts payable                                 | \$ 141,686   | 48,478                                  |
| Accrued payroll                                  | 2,114  | -                                       |
| Due to State General Fund                        | -  | -                                       |
| Deferred revenues                                | 1,993,906  | -                                       |
| Other liabilities                                | <u>-</u>   | <u>9,616</u>                            |
| <b>TOTAL LIABILITIES</b>                         | 2,137,706  | 58,094                                  |
| <b>FUND BALANCES:</b>                            |  |   |
| Reserved for:                                    |  |   |
| Health programs                                  | <u>-</u>   | <u>518,542</u>                          |
| <b>TOTAL FUND BALANCES</b>                       | <u>-</u>   | <u>518,542</u>                          |
| <b>TOTAL LIABILITIES AND<br/>FUND BALANCES</b>   | \$ <u>2,137,706</u>                                      | <u>576,636</u>                          |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Combining Balance Sheet - By Fund Type  
Non-Major Governmental Funds

| Special Revenue                               |  |  |                                   |                                   |                  |
|---|--|--|-----------------------------------|-----------------------------------|------------------|
| Save our<br>Children's<br>Sight<br>Fund 26100 | Emergency<br>Medical<br>Services<br>Fund 75600 | Birthing<br>Workforce<br>Retention<br>Fund 95800 | Total Special<br>Revenue<br>Funds | Capital<br>Projects<br>Fund 05900 | Total            |
| 120,002                                       | 889,775  | 5,800  | 3,516,109                         | 198,019                           | 3,714,128        |
| -   | -  | -  | 213,810                           | 355,337                           | 569,147          |
| <u>120,002</u>                                | <u>889,775</u>                                 | <u>5,800</u>                                     | <u>3,729,919</u>                  | <u>553,356</u>                    | <u>4,283,275</u> |
| -   | 27,847   | -  | 218,011                           | 12,465                            | 230,476          |
| -   | 11,780   | -  | 13,894                            | -                                 | 13,894           |
| -   | -  | -  | -                                 | 239,052                           | 239,052          |
| -   | -  | -  | 1,993,906                         | -                                 | 1,993,906        |
| -   | 9,494  | -  | 19,110                            | -                                 | 19,110           |
| -   | 49,121   | -  | 2,244,921                         | 251,517                           | 2,496,438        |
| <u>120,002</u>                                | <u>840,654</u>                                 | <u>5,800</u>                                     | <u>1,484,998</u>                  | <u>301,839</u>                    | <u>1,786,837</u> |
| <u>120,002</u>                                | <u>840,654</u>                                 | <u>5,800</u>                                     | <u>1,484,998</u>                  | <u>301,839</u>                    | <u>1,786,837</u> |
| <u>120,002</u>                                | <u>889,775</u>                                 | <u>5,800</u>                                     | <u>3,729,919</u>                  | <u>553,356</u>                    | <u>4,283,275</u> |

YEAR ENDED JUNE 30, 2010

|  | <b>County-<br/>supported<br/>Medicaid<br/>Fund 21900</b> | <b>Trauma<br/>System<br/>Fund 25700</b> |
|--|--|---|
| <b>REVENUES:</b>   |  |   |
| Fees, penalties, rentals and other                           | \$ -   | 33,913                                  |
| <b>TOTAL REVENUES</b>  | -  | 33,913                                  |
| <b>EXPENDITURES:</b>   |  |   |
| Current operating:   |  |   |
| Administration   | -  | 4,661,243                               |
| Public Health  | 1,928,828  | -                                       |
| Epidemiology and response                                    | -  | -                                       |
| Other health initiatives                                     | -  | -                                       |
| Capital outlay   | -  | -                                       |
| <b>TOTAL EXPENDITURES</b>                                    | <u>1,928,828</u>   | <u>4,661,243</u>                        |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | (1,928,828)  | (4,627,330)                             |
| <b>OTHER FINANCING SOURCES (USES):</b>                       |  |   |
| General fund appropriations                                  | -  | 4,145,400                               |
| County-supported Medicaid                                    | 1,928,828  | -                                       |
| STB appropriation  | -  | -                                       |
| Reversion - FY2010 - transfers out                           | -  | -                                       |
| Other transfers  | -  | -                                       |
| Inter-agency transfers, net                                  | -  | -                                       |
| <b>TOTAL OTHER FINANCING SOURCES AND USES</b>                | <u>1,928,828</u>   | <u>4,145,400</u>                        |
| <b>NET CHANGE IN FUND BALANCE</b>                            | -  | (481,930)                               |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>                       | -  | 1,000,472                               |
| <b>FUND BALANCE, END OF YEAR</b>                             | \$ <u>-</u>  | <u>518,542</u>                          |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
By Fund Type - Non-Major Governmental Funds

| Special<br>Save our<br>Children's<br>Sight<br>Fund 26100 | Revenue<br>Emergency<br>Medical<br>Services<br>Fund 75600 | Birthing<br>Workforce<br>Retention<br>Fund 95800 | Total Special<br>Revenue<br>Funds | Capital<br>Projects<br>Fund 05900 | Total        |
|--|---|--|-----------------------------------|-----------------------------------|--------------|
| -  | 599,667   | 5,000  | 638,580                           | -                                 | 638,580      |
| -  | 599,667   | 5,000  | 638,580                           | -                                 | 638,580      |
| -  | -   | -  | 4,661,243                         | -                                 | 4,661,243    |
| -  | -   | 38,800   | 1,967,628                         | -                                 | 1,967,628    |
| -  | 3,845,532   | -  | 3,845,532                         | -                                 | 3,845,532    |
| -  | -   | -  | -                                 | 1,941,495                         | 1,941,495    |
| -  | -   | -  | -                                 | 44,700                            | 44,700       |
| -  | 3,845,532   | 38,800   | 10,474,403                        | 1,986,195                         | 12,460,598   |
| -  | (3,245,865)   | (33,800)   | (9,835,823)                       | (1,986,195)                       | (11,822,018) |
| -  | 3,875,900   | 38,800   | 8,060,100                         | -                                 | 8,060,100    |
| -  | -   | -  | 1,928,828                         | -                                 | 1,928,828    |
| -  | -   | -  | -                                 | 1,986,195                         | 1,986,195    |
| -  | -   | -  | -                                 | (554,318)                         | (554,318)    |
| -  | -   | -  | -                                 | (100,000)                         | (100,000)    |
| 42,259   | -   | -  | 42,259                            | -                                 | 42,259       |
| 42,259   | 3,875,900   | 38,800   | 10,031,187                        | 1,331,877                         | 11,363,064   |
| 42,259   | 630,035   | 5,000  | 195,364                           | (654,318)                         | (458,954)    |
| 77,743   | 210,619   | 800  | 1,289,634                         | 956,157                           | 2,245,791    |
| 120,002  | 840,654   | 5,800  | 1,484,998                         | 301,839                           | 1,786,837    |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Other Non-major Governmental Funds -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2010

| COUNTY-SUPPORTED MEDICAID FUND 21900   |                     |                  |                              |                                     |
|--|---------------------|------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts    |                  | Actual                       | Variance From                       |
|  | Original            | Final            | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                     |                  |                              |                                     |
| Federal funds  | \$ -                | -                | -                            | -                                   |
| General Fund   | -                   | -                | -                            | -                                   |
| Other state funds  | -                   | -                | -                            | -                                   |
| Inter-agency transfers   | 2,800,000           | 2,800,000        | 1,928,828                    | (871,172)                           |
| Budgeted fund balance  | -                   | -                | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ 2,800,000</b> | <b>2,800,000</b> | <b>1,928,828</b>             | <b>(871,172)</b>                    |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                     |                  |                              |                                     |
| Personal services and employee benefits  | \$ 69,500           | 69,500           | 66,794                       | 2,706                               |
| Contractual services   | 2,730,500           | 2,730,500        | 1,862,034                    | 868,466                             |
| Other  | -                   | -                | -                            | -                                   |
| Other financing uses   | -                   | -                | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 2,800,000</b> | <b>2,800,000</b> | <b>1,928,828</b>             | <b>871,172</b>                      |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                     |                  | -                            |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                     |                  | <b>\$ -</b>                  |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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

YEAR ENDED JUNE 30, 2010

| TRAUMA SYSTEM FUND 25700   |                            |                         |                              |                                     |
|--|----------------------------|-------------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts           |                         | Actual                       | Variance From                       |
|  | Original                   | Final                   | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                            |                         |                              |                                     |
| Federal funds  | \$ -                       | -                       |                              | -                                   |
| General Fund   | 4,145,400                  | 4,145,400               | 4,145,400                    | -                                   |
| Other state funds  | -                          | -                       | 33,913                       | 33,913                              |
| Inter-agency transfers   | -                          | -                       | -                            | -                                   |
| Budgeted fund balance  | -                          | <u>900,268</u>          | <u>481,930</u>               | <u>(418,338)</u>                    |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>4,145,400</u></b> | <b><u>5,045,668</u></b> | <b>4,661,243</b>             | <b><u>(384,425)</u></b>             |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                            |                         |                              |                                     |
| Personal services and employee benefits  | \$ 126,400                 | 92,200                  | 88,325                       | 3,875                               |
| Contractual services   | -                          | 115,000                 | 115,000                      | -                                   |
| Other  | 4,019,000                  | 4,838,468               | 4,457,918                    | 380,550                             |
| Other financing uses   | -                          | -                       | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>4,145,400</u></b> | <b><u>5,045,668</u></b> | <b><u>4,661,243</u></b>      | <b><u>384,425</u></b>               |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                            |                         |                              |                                     |
|  |                            |                         |                              | -                                   |
| <b>BUDGETED FUND BALANCE</b>   |                            |                         | <u>(481,930)</u>             |                                     |
| <b>NET CHANGE IN FUND BALANCE *</b>  |                            |                         | <u>\$ (481,930)</u>          |                                     |

\* Ending fund balance as of June 30, 2010 is \$518,542

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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

YEAR ENDED JUNE 30, 2010

| SAVE OUR CHILDREN'S SIGHT FUND 26100   |                  |          |                              |                                     |
|--|------------------|----------|------------------------------|-------------------------------------|
|  | Budgeted Amounts |          | Actual                       | Variance From                       |
|  | Original         | Final    | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                  |          |                              |                                     |
| Federal funds  | \$ -             | -        | -                            | -                                   |
| General Fund   | -                | -        | -                            | -                                   |
| Other state funds  | -                | -        | -                            | -                                   |
| Inter-agency transfers   | -                | -        | 42,259                       | 42,259                              |
| Budgeted fund balance  | -                | -        | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ -</b>      | <b>-</b> | <b>42,259</b>                | <b>42,259</b>                       |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                  |          |                              |                                     |
| Personal services and employee benefits  | \$ -             | -        | -                            | -                                   |
| Contractual services   | -                | -        | -                            | -                                   |
| Other  | -                | -        | -                            | -                                   |
| Other financing uses   | -                | -        | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ -</b>      | <b>-</b> | <b>-</b>                     | <b>-</b>                            |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                  |          | <u>42,259</u>                |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                  |          | <b>\$ <u>42,259</u></b>      |                                     |

\* No legally adopted budget for FY10

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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

YEAR ENDED JUNE 30, 2010

| EMERGENCY MEDICAL SERVICES FUND 75600  |                     |                  |                              |                                     |
|--|---------------------|------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts    |                  | Actual                       | Variance From                       |
|  | Original            | Final            | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                     |                  |                              |                                     |
| Federal funds  | \$ -                | -                | -                            | -                                   |
| General Fund   | 3,875,900           | 3,875,900        | 3,875,900                    | -                                   |
| Other state funds  | -                   | -                | 599,667                      | 599,667                             |
| Inter-agency transfers   | -                   | -                | -                            | -                                   |
| Budgeted fund balance  | -                   | -                | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ 3,875,900</b> | <b>3,875,900</b> | <b>4,475,567</b>             | <b>599,667</b>                      |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                     |                  |                              |                                     |
| Personal services and employee benefits  | \$ 205,400          | 205,400          | 200,920                      | 4,480                               |
| Contractual services   | 46,600              | 46,600           | 46,600                       | -                                   |
| Other  | 3,623,900           | 3,623,900        | 3,598,012                    | 25,888                              |
| Other financing uses   | -                   | -                | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 3,875,900</b> | <b>3,875,900</b> | <b>3,845,532</b>             | <b>30,368</b>                       |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                     |                  | <b>630,035</b>               |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                     |                  | <b>\$ 630,035</b>            |                                     |



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

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

YEAR ENDED JUNE 30, 2010

| BIRTHING WORKFORCE RETENTION FUND 95800  |                  |               |                              |                                     |
|--|------------------|---------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts |               | Actual                       | Variance From                       |
|  | Original         | Final         | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                  |               |                              |                                     |
| Federal funds  | \$ -             | -             | -                            | -                                   |
| General Fund   | 38,800           | 38,800        | 38,800                       | -                                   |
| Other state funds  | -                | -             | 5,000                        | 5,000                               |
| Inter-agency transfers   | -                | -             | -                            | -                                   |
| Budgeted fund balance  | -                | -             | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ 38,800</b> | <b>38,800</b> | <b>43,800</b>                | <b>5,000</b>                        |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                  |               |                              |                                     |
| Personal services and employee benefits  | \$ -             | -             | -                            | -                                   |
| Contractual services   | 38,800           | 38,800        | 38,800                       | -                                   |
| Other  | -                | -             | -                            | -                                   |
| Other financing uses   | -                | -             | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 38,800</b> | <b>38,800</b> | <b>38,800</b>                | <b>-</b>                            |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                  |               | <u>5,000</u>                 |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                  |               | <u>\$ 5,000</u>              |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Capital Projects

Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2010

**CAPITAL PROJECTS FUND 05900**

|  | Budgeted Amounts           |                         | Actual<br>Amounts          | Variance From<br>Final Budget |
|--|----------------------------|-------------------------|----------------------------|-------------------------------|
|  | Original                   | Final                   | (Budgetary Basis)          | Positive (Negative)           |
| <b>REVENUES:</b>   |                            |                         |                            |                               |
| Federal funds  | \$ -                       | -                       | -                          | -                             |
| General Fund   | -                          | -                       | -                          | -                             |
| Other state funds  | -                          | -                       | -                          | -                             |
| Inter-agency transfers   | 6,187,720                  | 6,187,720               | 1,986,195                  | (4,201,525)                   |
| Budgeted fund balance  | <u>956,157</u>             | <u>956,157</u>          | <u>100,000</u>             | <u>(856,157)</u>              |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>7,143,877</u></b> | <b><u>7,143,877</u></b> | <b>2,086,195</b>           | <b><u>(5,057,682)</u></b>     |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                            |                         |                            |                               |
| Personal services and employee benefits  | \$ -                       | -                       | -                          | -                             |
| Contractual services   | 6,943,877                  | 6,943,877               | 1,894,131                  | 5,049,746                     |
| Other  | 100,000                    | 100,000                 | 92,064                     | 7,936                         |
| Other financing uses   | <u>100,000</u>             | <u>100,000</u>          | <u>100,000</u>             | <u>-</u>                      |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>7,143,877</u></b> | <b><u>7,143,877</u></b> | <b><u>2,086,195</u></b>    | <b><u>5,057,682</u></b>       |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                            |                         |                            | -                             |
| <b>BUDGETED FUND BALANCE</b>   |                            |                         | (100,000)                  |                               |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                            |                         | <u>(554,318)</u>           |                               |
| <b>NET CHANGE IN FUND BALANCE *</b>  |                            |                         | <b>\$ <u>(654,318)</u></b> |                               |

\* Ending fund balance as of June 30, 2010 is \$301,839

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis)

YEAR ENDED JUNE 30, 2010

| PROGRAM P001 - ADMINISTRATION  |                             |                          |                              |                                     |
|--|-----------------------------|--------------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts            |                          | Actual                       | Variance From                       |
|  | Original                    | Final                    | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                             |                          |                              |                                     |
| Federal funds  | \$ 5,347,400                | 5,801,348                | 4,817,324                    | (984,024)                           |
| General Fund   | 8,843,800                   | 8,843,800                | 8,843,800                    | -                                   |
| Other state funds  | 1,155,800                   | 1,155,800                | 414,842                      | (740,958)                           |
| Inter-agency transfers   | 370,000                     | 370,000                  | 867,921                      | 497,921                             |
| Budgeted fund balance  | -                           | -                        | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>15,717,000</u></b> | <b><u>16,170,948</u></b> | <b>14,943,887</b>            | <b><u>(1,227,061)</u></b>           |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                             |                          |                              |                                     |
| Personal services and employee benefits  | \$ 14,743,700               | 11,383,744               | 10,503,534                   | 880,210                             |
| Contractual services   | 947,500                     | 3,212,916                | 2,652,567                    | 560,349                             |
| Other  | 25,800                      | 1,574,288                | 1,031,205                    | 543,083                             |
| Other financing uses   | -                           | -                        | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>15,717,000</u></b> | <b><u>16,170,948</u></b> | <b><u>14,187,306</u></b>     | <b><u>1,983,642</u></b>             |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                             |                          | 756,581                      |                                     |
| <b>FISCAL 2009 BILLS PAID OUT OF FISCAL 2010 BUDGET</b>                            |                             |                          | 44,089                       |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                             |                          | <u>(536,926)</u>             |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                             |                          | <b>\$ <u>263,744</u></b>     |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

| PROGRAM P002 - PUBLIC HEALTH   |                              |                           |                              |                                     |
|--|------------------------------|---------------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts             |                           | Actual                       | Variance From                       |
|  | Original                     | Final                     | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                              |                           |                              |                                     |
| Federal funds  | \$ 75,019,100                | 87,991,446                | 70,805,124                   | (17,186,322)                        |
| General Fund   | 80,072,000                   | 80,072,000                | 80,072,000                   | -                                   |
| Other state funds  | 27,657,900                   | 28,405,182                | 27,415,196                   | (989,986)                           |
| Inter-agency transfers   | 17,178,585                   | 17,238,585                | 17,761,646                   | 523,061                             |
| Budgeted fund balance  | -                            | -                         | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>199,927,585</u></b> | <b><u>213,707,213</u></b> | <b>196,053,966</b>           | <b><u>(17,653,247)</u></b>          |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                              |                           |                              |                                     |
| Personal services and employee benefits  | \$ 53,627,365                | 57,369,987                | 54,490,994                   | 2,878,993                           |
| Contractual services   | 51,469,403                   | 58,717,652                | 54,455,947                   | 4,261,705                           |
| Other  | 94,230,817                   | 97,019,574                | 81,466,703                   | 15,552,871                          |
| Other financing uses   | <u>600,000</u>               | <u>600,000</u>            | <u>599,997</u>               | <u>3</u>                            |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>199,927,585</u></b> | <b><u>213,707,213</u></b> | <b><u>191,013,641</u></b>    | <b><u>22,693,572</u></b>            |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                              |                           | 5,040,325                    |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                              |                           | <u>(1,067,895)</u>           |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                              |                           | <b>\$ <u>3,972,430</u></b>   |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

|  | PROGRAM P003 - EPIDEMIOLOGY AND RESPONSE |                          |                              |                                     |
|--|--|--------------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts                         |                          | Actual                       | Variance From                       |
|  | Original                                 | Final                    | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |  |                          |                              |                                     |
| Federal funds  | \$ 14,118,100                            | 20,196,960               | 14,693,196                   | (5,503,764)                         |
| General Fund   | 5,974,400                                | 5,974,400                | 5,974,400                    | -                                   |
| Other state funds  | 1,009,600                                | 1,156,678                | 1,171,863                    | 15,185                              |
| Inter-agency transfers   | 311,700                                  | 311,700                  | 142,125                      | (169,575)                           |
| Budgeted fund balance  | -  | -                        | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>21,413,800</u></b>              | <b><u>27,639,738</u></b> | <b>21,981,584</b>            | <b><u>(5,658,154)</u></b>           |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |  |                          |                              |                                     |
| Personal services and employee benefits  | \$ 10,698,300                            | 12,790,851               | 11,620,096                   | 1,170,755                           |
| Contractual services   | 7,685,800                                | 7,877,674                | 4,742,044                    | 3,135,630                           |
| Other  | 3,029,700                                | 6,971,213                | 4,321,857                    | 2,649,356                           |
| Other financing uses   | -  | -                        | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>21,413,800</u></b>              | <b><u>27,639,738</u></b> | <b><u>20,683,997</u></b>     | <b><u>6,955,741</u></b>             |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |  |                          | 1,297,587                    |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |  |                          | <u>(479,460)</u>             |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |  |                          | <b>\$ <u>818,127</u></b>     |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

|  | PROGRAM P004 - LAB SERVICES |                          |                              |                                     |
|--|-----------------------------|--------------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts            |                          | Actual                       | Variance From                       |
|  | Original                    | Final                    | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                             |                          |                              |                                     |
| Federal funds  | \$ 1,740,000                | 1,943,579                | 1,648,784                    | (294,795)                           |
| General Fund   | 6,534,300                   | 6,534,300                | 6,534,300                    | -                                   |
| Other state funds  | 2,498,500                   | 2,498,500                | 1,925,746                    | (572,754)                           |
| Inter-agency transfers   | -                           | -                        | -                            | -                                   |
| Budgeted fund balance  | -                           | -                        | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>10,772,800</u></b> | <b><u>10,976,379</u></b> | <b>10,108,830</b>            | <b><u>(867,549)</u></b>             |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                             |                          |                              |                                     |
| Personal services and employee benefits  | \$ 7,742,300                | 7,743,487                | 7,125,748                    | 617,739                             |
| Contractual services   | 421,800                     | 490,800                  | 473,702                      | 17,098                              |
| Other  | 2,608,700                   | 2,742,092                | 2,373,194                    | 368,898                             |
| Other financing uses   | -                           | -                        | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>10,772,800</u></b> | <b><u>10,976,379</u></b> | <b><u>9,972,644</u></b>      | <b><u>1,003,735</u></b>             |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                             |                          | 136,186                      |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                             |                          | <u>(87,785)</u>              |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                             |                          | <b>\$ <u>48,401</u></b>      |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

| PROGRAM P006 - FACILITIES MANAGEMENT   |                              |                           |                              |                                     |
|--|------------------------------|---------------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts             |                           | Actual                       | Variance From                       |
|  | Original                     | Final                     | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                              |                           |                              |                                     |
| Federal funds  | \$ -                         | 231,119                   | 3,433,236                    | 3,202,117                           |
| General Fund   | 63,551,500                   | 63,551,500                | 63,551,500                   | -                                   |
| Other state funds  | 82,777,600                   | 82,546,481                | 71,588,559                   | (10,957,922)                        |
| Inter-agency transfers   | 716,000                      | 716,000                   | 940,602                      | 224,602                             |
| Budgeted fund balance  | -                            | -                         | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>147,045,100</u></b> | <b><u>147,045,100</u></b> | <b>139,513,897</b>           | <b><u>(7,531,203)</u></b>           |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                              |                           |                              |                                     |
| Personal services and employee benefits  | \$ 112,956,100               | 112,956,100               | 110,375,158                  | 2,580,942                           |
| Contractual services   | 11,572,300                   | 11,572,300                | 7,098,823                    | 4,473,477                           |
| Other  | 22,516,700                   | 22,516,700                | 18,669,181                   | 3,847,519                           |
| Other financing uses   | -                            | -                         | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>147,045,100</u></b> | <b><u>147,045,100</u></b> | <b><u>136,143,162</u></b>    | <b><u>10,901,938</u></b>            |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                              |                           | <b>3,370,735</b>             |                                     |
| <b>BAD DEBT EXPENSE (INCREASE IN ALLOWANCE)</b>                                    |                              |                           | <b>(5,250,938)</b>           |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                              |                           | <b><u>(832,555)</u></b>      |                                     |
| <b>NET CHANGE IN FUND BALANCE *</b>  |                              |                           | <b>\$ <u>(2,712,758)</u></b> |                                     |

\* Ending fund balance as of June 30, 2010 is \$9,808,808 for the General Fund (06100)

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

| <b>PROGRAM P007 -</b>  |                              |                           |                            |  |
|--|------------------------------|---------------------------|----------------------------|--|
| <b>DEVELOPMENT DISABILITIES SUPPORT SERVICES</b>                                   |                              |                           |                            |  |
|  | <u>Budgeted Amounts</u>      |                           | <u>Actual</u>              | <u>Variance From</u>                       |
|  | <u>Original</u>              | <u>Final</u>              | <u>(Budgetary Basis)</u>   | <u>Final Budget</u><br>Positive (Negative) |
| <b>REVENUES:</b>   |                              |                           |                            |  |
| Federal funds  | \$ 2,571,700                 | 2,571,700                 | 1,255,402                  | (1,316,298)                                |
| General Fund   | 107,073,500                  | 107,073,500               | 107,073,500                | -  |
| Other state funds  | 1,200,000                    | 1,200,000                 | 1,516,521                  | 316,521                                    |
| Inter-agency transfers   | 7,299,700                    | 7,299,700                 | 6,489,246                  | (810,454)                                  |
| Budgeted fund balance  | -                            | -                         | -                          | -  |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>118,144,900</u></b> | <b><u>118,144,900</u></b> | <b>116,334,669</b>         | <b><u>(1,810,231)</u></b>                  |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                              |                           |                            |  |
| Personal services and employee benefits  | \$ 10,104,800                | 10,104,800                | 9,525,639                  | 579,161                                    |
| Contractual services   | 19,065,900                   | 19,065,900                | 16,643,939                 | 2,421,961                                  |
| Other  | 19,839,400                   | 19,839,400                | 18,058,769                 | 1,780,631                                  |
| Other financing uses   | <u>69,134,800</u>            | <u>69,134,800</u>         | <u>61,085,400</u>          | <u>8,049,400</u>                           |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>118,144,900</u></b> | <b><u>118,144,900</u></b> | <b><u>105,313,747</u></b>  | <b><u>12,831,153</u></b>                   |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                              |                           | 11,020,922                 |  |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                              |                           | <u>(8,170,820)</u>         |  |
| <b>NET CHANGE IN FUND BALANCE</b>  |                              |                           | <b>\$ <u>2,850,102</u></b> |  |



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

**PROGRAM P008 -  
HEALTH CERTIFICATION AND LICENSING**

|  | Budgeted Amounts            |                          | Actual                       | Variance From                       |
|--|-----------------------------|--------------------------|------------------------------|-------------------------------------|
|  | Original                    | Final                    | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                             |                          |                              |                                     |
| Federal funds  | \$ 1,658,200                | 1,658,200                | 1,623,356                    | (34,844)                            |
| General Fund   | 5,324,700                   | 5,324,700                | 5,324,700                    | -                                   |
| Other state funds  | 2,637,100                   | 2,637,100                | 2,080,688                    | (556,412)                           |
| Inter-agency transfers   | 5,262,300                   | 5,262,300                | 3,912,841                    | (1,349,459)                         |
| Budgeted fund balance  | -                           | -                        | -                            | -                                   |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>14,882,300</u></b> | <b><u>14,882,300</u></b> | <b>12,941,585</b>            | <b><u>(1,940,715)</u></b>           |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                             |                          |                              |                                     |
| Personal services and employee benefits  | \$ 10,601,200               | 10,426,200               | 9,612,292                    | 813,908                             |
| Contractual services   | 553,200                     | 468,200                  | 64,081                       | 404,119                             |
| Other  | 3,727,900                   | 3,987,900                | 2,452,601                    | 1,535,299                           |
| Other financing uses   | -                           | -                        | -                            | -                                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>14,882,300</u></b> | <b><u>14,882,300</u></b> | <b><u>12,128,974</u></b>     | <b><u>2,753,326</u></b>             |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                             |                          | 812,611                      |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                             |                          | <u>(168,660)</u>             |                                     |
| <b>NET CHANGE IN FUND BALANCE</b>  |                             |                          | <b>\$ <u>643,951</u></b>     |                                     |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Statement of Revenues and Expenditures -  
Combining General Fund by Program -  
Budget and Actual (Modified Accrual Budgetary GAAP Basis) - continued

YEAR ENDED JUNE 30, 2010

|  | SPECIAL APPROPRIATIONS   |                       |                              |                                     |
|--|--------------------------|-----------------------|------------------------------|-------------------------------------|
|  | Budgeted Amounts         |                       | Actual                       | Variance From                       |
|  | Original                 | Final                 | Amounts<br>(Budgetary Basis) | Final Budget<br>Positive (Negative) |
| <b>REVENUES:</b>   |                          |                       |                              |                                     |
| Federal funds  | \$ -                     | -                     | -                            | -                                   |
| General Fund   | -                        | -                     | -                            | -                                   |
| Other state funds  | -                        | -                     | -                            | -                                   |
| Inter-agency transfers   | -                        | -                     | -                            | -                                   |
| Budgeted fund balance  | <u>820,300</u>           | <u>820,300</u>        | <u>816,209</u>               | <u>(4,091)</u>                      |
| <b>TOTAL REVENUES</b>  | <b>\$ <u>820,300</u></b> | <b><u>820,300</u></b> | <b>816,209</b>               | <b><u>(4,091)</u></b>               |
| <b>EXPENDITURES - current &amp; capital outlay:</b>                                |                          |                       |                              |                                     |
| Personal services and employee benefits  | \$ 10,300                | -                     | -                            | -                                   |
| Contractual services   | 810,000                  | 806,900               | 804,400                      | 2,500                               |
| Other  | -                        | 13,400                | 11,809                       | 1,591                               |
| Other financing uses   | <u>-</u>                 | <u>-</u>              | <u>-</u>                     | <u>-</u>                            |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ <u>820,300</u></b> | <b><u>820,300</u></b> | <b><u>816,209</u></b>        | <b><u>4,091</u></b>                 |
| <b>EXCESS OF REVENUES OVER EXPENDITURES<br/>AND OTHER FINANCING SOURCES (USES)</b> |                          |                       | -                            |                                     |
| <b>BUDGETED FUND BALANCE</b>   |                          |                       | (816,209)                    |                                     |
| <b>REVERSIONS (NOT BUDGETED)</b>   |                          |                       | <u>(4,091)</u>               |                                     |
| <b>NET CHANGE IN FUND BALANCE *</b>  |                          |                       | <b>\$ <u>(820,300)</u></b>   |                                     |

\* Ending fund balance as of June 30, 2010 is \$9,808,808 for the General Fund (06100)

**SUPPLEMENTAL SCHEDULES**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1

Supplemental Schedule of Individual Deposits

AS OF JUNE 30, 2010

| Account Title   | Depository                          | Bank<br>Balance | Reconciling<br>Items | Book<br>Amount |
|---|-------------------------------------|-----------------|----------------------|----------------|
| <b>Health District Offices Cash in Banks (checking accounts):</b>       |                                     |                 |                      |                |
| Alamogordo  | First National Bank of Alamogordo   | \$ 365          | 235                  | 600            |
| Artesia   | Wells Fargo Bank                    | 354             | 21                   | 375            |
| Carlsbad  | Carlsbad National Bank              | 800             | -                    | 800            |
| Clovis  | NM Bank & Trust - Clovis            | 500             | 100                  | 600            |
| Deming  | Wells Fargo Bank                    | 724             | 276                  | 1,000          |
| Dona Ana County   | Wells Fargo Bank                    | 1,150           | -                    | 1,150          |
| Hobbs   | Wells Fargo Bank                    | 464             | 336                  | 800            |
| Las Cruces  | Wells Fargo Bank                    | 700             | -                    | 700            |
| Rio Arriba  | Valley National Bank, Espanola      | 137             | 363                  | 500            |
| Roswell   | Wells Fargo Bank                    | 275             | 725                  | 1,000          |
| San Miguel  | Bank of Las Vegas                   | 412             | 88                   | 500            |
| Santa Fe  | Wells Fargo Bank                    | 339             | 161                  | 500            |
| Silver City   | Wells Fargo Bank                    | 177             | 423                  | 600            |
| Sunland   | Wells Fargo Bank                    | 600             | -                    | 600            |
| Taos  | First Community Bank                | 400             | -                    | 400            |
| Tucumcari   | Wells Fargo Bank                    | 611             | (11)                 | 600            |
| <b>Total Health District Offices Cash in Banks (checking accounts):</b> |                                     | <b>8,008</b>    | <b>2,717</b>         | <b>10,725</b>  |
| <b>Title X/Family Planning Depository Clearing (checking accounts):</b> |                                     |                 |                      |                |
| Alamogordo  | Wells Fargo Bank                    | 435             | -                    | 435            |
| Anthony/Chaparral   | First Security/Wells Fargo Bank     | 184             | -                    | 184            |
| Artesia   | First National Bank of Artesia      | 596             | -                    | 596            |
| Carlsbad  | Carlsbad National Bank              | 1,144           | -                    | 1,144          |
| Clayton   | Farmers' and Stockmen's Bank        | 131             | -                    | 131            |
| Clovis  | Wells Fargo Bank                    | 908             | -                    | 908            |
| Espanola  | Community Bank - Espanola           | 100             | -                    | 100            |
| Estancia  | Wells Fargo Bank                    | 148             | -                    | 148            |
| Farmington  | Bank of America                     | 129             | -                    | 129            |
| Ft. Sumner  | Citizens Bank of Clovis, Ft. Sumner | 100             | -                    | 100            |
| Gallup  | Pinnacle Bank                       | 100             | -                    | 100            |
| Grants  | Grants State Bank                   | 145             | 20                   | 165            |
| Hobbs   | Lea County State Bank               | 1,718           | -                    | 1,718          |
| Las Cruces  | Wells Fargo Bank                    | 781             | -                    | 781            |
| Las Vegas   | Bank of Las Vegas                   | 100             | -                    | 100            |
| Lordsburg   | Western Bank, Lordsburg             | 100             | -                    | 100            |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1 - continued

Supplemental Schedule of Individual Deposits - continued

AS OF JUNE 30, 2010

| Account Title  | Depository                         | Bank<br>Balance | Reconciling<br>Items | Book<br>Amount |
|--|------------------------------------|-----------------|----------------------|----------------|
| <b>Title X/Family Planning Depository Clearing (checking accounts) - continued:</b>  |                                    |                 |                      |                |
| Los Alamos   | Los Alamos National Bank           | \$ 58           | 42                   | 100            |
| Los Lunas  | Wells Fargo Bank                   | 413             | -                    | 413            |
| Lovington  | Lea County State Bank              | 266             | -                    | 266            |
| Portales   | The James Polk Stone National Bank | 370             | -                    | 370            |
| Raton  | International State Bank, Raton    | 100             | -                    | 100            |
| Roswell  | Wells Fargo Bank                   | 504             | -                    | 504            |
| Ruidoso  | State National Bank                | 330             | -                    | 330            |
| SE Heights/NE Valley   | Wells Fargo Bank                   | 309             | -                    | 309            |
| Silver City  | Wells Fargo Bank                   | 119             | -                    | 119            |
| Sunland Park   | Wells Fargo Bank                   | 106             | -                    | 106            |
| T or C   | Bank of the Southwest, T or C      | 100             | -                    | 100            |
| Taos   | First Community Bank               | 100             | -                    | 100            |
| Tucumcari  | Wells Fargo Bank                   | 105             | -                    | 105            |
| <b>Total Title X/Family Planning</b>   |                                    | <u>9,699</u>    | <u>62</u>            | <u>9,761</u>   |
| <b>Total District Health Office &amp; Title X/Family Planning</b>  |                                    | 17,707          | 2,779                | 20,486         |
| <b>Facility Operating Bank Accounts (checking accounts):</b>   |                                    |                 |                      |                |
| NMBHI-Revolving  | First National Bank of Las Vegas   | 640,229         | (639,729)            | 500            |
| FBMC   | Bank of America                    | 260,691         | (125,865)            | 134,826        |
| 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      | 36,048          | (183)                | 35,865         |
| <b>Total Facility Operating Bank Accounts</b>  |                                    | <u>938,355</u>  | <u>(765,777)</u>     | <u>172,578</u> |
| <b>Total Facility Operating Bank Accounts,<br/>District Health Offices and<br/>Title X/Family Planning (checking accounts)</b> |                                    | 956,062         | (762,998)            | 193,064        |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1 - continued

Supplemental Schedule of Individual Deposits - continued

AS OF JUNE 30, 2010

| Account Title  | Depository                    | Bank<br>Balance   | Reconciling<br>Items | Book<br>Amount    |
|--|-------------------------------|-------------------|----------------------|-------------------|
| <b>Governmental Funds - State Treasurer (with SHARE fund numbers):</b> |                               |                   |                      |                   |
| Capital Project - 05900  | State Treasurer               | \$ 198,019        | -                    | 198,019           |
| Operating Fund - 06100   | State Treasurer               | 30,050,621        | -                    | 30,050,621        |
| CMS Fund - 21900   | State Treasurer               | 1,923,896         | -                    | 1,923,896         |
| Trauma Fund - 25700  | State Treasurer               | 576,636           | -                    | 576,636           |
| Save Our Children - 26100  | State Treasurer               | 120,002           | -                    | 120,002           |
| ARRA - 89000   | State Treasurer               | -                 | -                    | -                 |
| EMS - 75600  | State Treasurer               | 889,775           | -                    | 889,775           |
| Birthing Workforce - 95800   | State Treasurer               | 5,800             | -                    | 5,800             |
| <b>Total Governmental Funds - State Treasurer</b>                      |                               | <u>33,764,749</u> | <u>-</u>             | <u>33,764,749</u> |
| <b>Total Governmental Funds</b>  |                               | 34,720,811        | (762,998)            | 33,957,813        |
| <b>Petty Cash</b>  |                               | <u>13,820</u>     | <u>-</u>             | <u>13,820</u>     |
| <b>Total Governmental Cash (including petty cash)</b>                  |                               | 34,734,631        | (762,998)            | 33,971,633        |
| <b>Agency Funds</b>  |                               |                   |                      |                   |
| <b>Patients' Trust Fund - Banks (checking accounts)</b>                |                               |                   |                      |                   |
| NMBHI  | Bank of Las Vegas             | 9,767             | -                    | 9,767             |
| NMBHI  | Bank of Las Vegas             | 56,946            | -                    | 56,946            |
| NMBHI  | Bank of Las Vegas             | 85,240            | -                    | 85,240            |
| NMBHI  | Bank of Las Vegas             | 321,278           | -                    | 321,278           |
| FBMC   | Bank of America - Silver City | 8,017             | -                    | 8,017             |
| FBMC   | Bank of America - Silver City | 21,066            | -                    | 21,066            |
| FBMC   | Bank of America - Silver City | 91,605            | -                    | 91,605            |
| Los Lunas Hospital   | Wells Fargo Bank - Los Lunas  | 229               | -                    | 229               |
| Los Lunas Hospital   | Wells Fargo Bank - Los Lunas  | 9,663             | -                    | 9,663             |
| Los Lunas Hospital   | Wells Fargo Bank - Los Lunas  | 12,266            | -                    | 12,266            |
| Veterans Center  | Bank of the Southwest, T or C | 11,529            | -                    | 11,529            |
| Veterans Center  | Bank of the Southwest, T or C | 38,104            | -                    | 38,104            |
| Veterans Center  | Bank of the Southwest, T or C | 131,755           | -                    | 131,755           |
| Sequoyah   | Bank of America - Silver City | 2,498             | -                    | 2,498             |
| <b>Total Patients' Trust Fund - Banks (checking accounts)</b>          |                               | 799,963           | -                    | 799,963           |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 1 - continued

Supplemental Schedule of Individual Deposits - continued

AS OF JUNE 30, 2010

| Account Title  | Depository                        | Bank<br>Balance      | Reconciling<br>Items | Book<br>Amount    |
|--|-----------------------------------|----------------------|----------------------|-------------------|
| <b>Birth &amp; Death Certificate Fund</b>                                |                                   |                      |                      |                   |
| <b>Vital Statistics Depository Clearing - Banks (checking accounts):</b> |                                   |                      |                      |                   |
| Alamagordo   | First National Bank of Alamagordo | \$ 1,180             | -                    | 1,180             |
| Albuquerque  | Wells Fargo Bank                  | 20,586               | -                    | 20,586            |
| Carlsbad   | Carlsbad National Bank            | 1,210                | -                    | 1,210             |
| Clayton  | Farmers' and Stockmen's Bank      | 100                  | -                    | 100               |
| Clovis   | Wells Fargo Bank                  | 2,075                | -                    | 2,075             |
| Deming   | Wells Fargo Bank                  | 313                  | -                    | 313               |
| Farmington   | Bank of America                   | 4,310                | -                    | 4,310             |
| Gallup   | Pinnacle Bank                     | 1,590                | -                    | 1,590             |
| Hobbs  | Lea County State Bank             | 2,020                | -                    | 2,020             |
| Las Cruces   | Wells Fargo Bank                  | 6,047                | -                    | 6,047             |
| Las Vegas  | First National Bank of Las Vegas  | 810                  | -                    | 810               |
| Lovington  | Lea County State Bank             | 120                  | -                    | 120               |
| Raton  | International State Bank, Raton   | 460                  | -                    | 460               |
| Roswell  | Wells Fargo Bank                  | 4,050                | -                    | 4,050             |
| Santa Rosa   | Wells Fargo Bank                  | 510                  | -                    | 510               |
| Silver City  | Wells Fargo Bank                  | 920                  | -                    | 920               |
| Socorro  | First State Bank, Socorro         | 580                  | -                    | 580               |
| Taos   | First Community Bank              | 92                   | 8                    | 100               |
|  |                                   | 46,973               | 8                    | 46,981            |
| <b>Total Agency Funds - Banks (checking accounts):</b>                   |                                   | <u>846,936</u>       | <u>8</u>             | <u>846,944</u>    |
| <b>Agency Funds - State Treasurer (with SHARE fund numbers):</b>         |                                   |                      |                      |                   |
| Birth & Death -50200   | State Treasurer                   | 281,786              | -                    | 281,786           |
| <b>Total Agency Funds (Banks and State Treasurer)</b>                    |                                   | <u>1,128,722</u>     | <u>8</u>             | <u>1,128,730</u>  |
| <b>Total Governmental and Agency Cash<br/>(including petty cash)</b>     |                                   | \$ <u>35,863,353</u> | <u>(762,990)</u>     | <u>35,100,363</u> |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 2

Supplemental Schedule of Pledged Collateral

AS OF JUNE 30, 2010

|  | First<br>National<br>Bank of Las<br>Vegas | Bank of<br>Las Vegas | Bank of<br>America | Bank of<br>the<br>Southwest,<br>T or C | Other<br>Banks  | Accounts at<br>State<br>Treasurer | Total              |
|--|---|----------------------|--------------------|--|-----------------|-----------------------------------|--------------------|
| Total amount of deposit                                  | 641,039                                   | 473,742              | 388,317            | 217,536                                | 82,364          | 34,046,535                        | 35,849,533         |
| Less FDIC  | <u>(250,000)</u>                          | <u>(250,000)</u>     | <u>(250,000)</u>   | <u>(217,536)</u>                       | <u>(82,364)</u> | -                                 | <u>(1,049,900)</u> |
| Total uninsured public money                             | 391,039                                   | 223,742              | 138,317            | -                                      | -               | 34,046,535                        | 34,799,633         |
| 50% collateral requirement                               | 195,520                                   | 111,871              | 69,159             | -                                      | -               | 17,023,268                        | 17,399,817         |
| State Agency Collateral Listing:                         | A   |                      | A                  |  |                 | B                                 | A & B              |
| Bonds:   |   |                      |                    |  |                 |                                   |                    |
| US Treasury Notes CUSIP<br>#3133XTAV8, maturity 03/06/13 | -   | <u>750,000</u>       | -                  | -                                      | -               | -                                 | <u>750,000</u>     |
| Total pledged  | -   | <u>750,000</u>       | -                  | -                                      | -               | -                                 | <u>750,000</u>     |
| Over (under) pledged                                     | <u>A</u>                                  | <u>638,129</u>       | <u>A</u>           | <u>-</u>                               | <u>-</u>        | <u>B</u>                          | <u>638,129</u>     |

A: Collateral for the balance is provided by the collateral pledged to the New Mexico State Treasurer to secure state deposits in accordance with 6-10-17 NMSA 1978. Detail of pledged collateral to this agency is unavailable because the bank commingles pledged collateral for all state funds it holds. However, the State Treasurer's Office of 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

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



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 3

Supplemental Schedule of Transfers

YEAR ENDED JUNE 30, 2010

Interagency transfers as of June 30, 2010 are as follows:

**Inter-agency Transfers Out**

| DOH<br>Fund | Agency                            | Other<br>Agency's<br>Fund | Description                | Amount               |
|-------------|-----------------------------------|---------------------------|----------------------------|----------------------|
| 06100       | Human Services Department - 63000 | 97600                     | Medicaid match state share | \$ 61,085,400        |
| 06100       | Human Services Department - 63000 | 97600                     | Aids Waiver                | 99,997               |
| 06100       | Human Services Department - 63000 | 97600                     | FQHC                       | <u>500,000</u>       |
|             |                                   |                           |                            | \$ <u>61,685,397</u> |

**Inter-agency Transfers In**

| DOH<br>Fund | Agency                             | Other<br>Agency's<br>Fund | Description       | Amount           |
|-------------|------------------------------------|---------------------------|-------------------|------------------|
| 26100       | Taxation and Revenue Dept. - 33300 | 85200                     | MVD Distributions | \$ <u>42,259</u> |
|             |                                    |                           |                   | \$ <u>42,259</u> |

**Other Transfers**

|      |   |  |  |                   |
|------|---|--|--|-------------------|
| 6100 | Project Reauth. - UNM, Laws of 2008, Ch. 22, Section 53 |  |  | \$ <u>100,000</u> |
|------|---|--|--|-------------------|

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 4

Supplemental Schedule of Joint Powers Agreements

YEAR ENDED JUNE 30, 2010

| 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 FY10 | Participant Responsible for Audit | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|------------------|---|---|-----------------------------|-----------------------|-------------------------------------|----------------------------|--------------------------------|-----------------------------------|--------------|--|
| 99.665.6800.0020 | Department of Health (DOH)<br>School for the Visually Handicapped (NMSVH) | To support and coordinate services to children under 4 who have a vision loss and their families.         | 7/1/2004                    | Ongoing               | 60,000                              | 60,000                     | -                              | DOH, SVH                          | SVH          | SVH  |
| JPA 95-29        | Human Services Department (HSD)<br>Department of Health (DOH)             | For Service Coordination, Early Intervention Developmental Services, Early Intervention Therapy Services. | 6/1/1995                    | Ongoing               | 4,653,137                           | 4,653,137                  | 4,653,137                      | HSD, DOH                          | Not Stated   | HS, DOH                                    |
| 04.665.4200.0185 | Department of Health (DOH)<br>Sandoval County (SC)                        | For Sandoval County - DOH will provide health services to Sandoval County residents.                      | 9/8/2003                    | Ongoing               | 700,010                             | 300,010                    | -                              | SCC                               | Not Stated   | SCC, DOH                                   |
| 04.665.4200.0504 | Department of Health (DOH)<br>San Miguel County (SMC)                     | For San Miguel County - DOH will provide health services to San Miguel County residents.                  | 6/1/2004                    | Ongoing               | 50,000                              | 50,000                     | -                              | SMC                               | Not Stated   | DOH, SMC                                   |
| 04.665.1100.0019 | Department of Health (DOH)<br>Department of Transportation (DOT)          | For Coordinated Transportation Services in Valencia County.   | 6/17/2004                   | Ongoing               | 5,000                               | 5,000                      | -                              | DOT                               | DOT          | DOT  |
| 01.665.6800.0260 | Department of Health (DOH)<br>New Mexico School for the Deaf (SFD)        | To support and coordinate services to children under four who have hearing losses and their families.     | 7/2/2005                    | Ongoing               | 50,760                              | 50,760                     |                                | DOH/SFD                           | SFD          | SFD  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 4 - continued

Supplemental Schedule of Joint Powers Agreements - continued

YEAR ENDED JUNE 30, 2010

| 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 FY10 | Participant Responsible for Audit | Fiscal Agent | Agency Reporting Revenues and Expenditures |  |
|--------------------|---|--|-----------------------------|-----------------------|-------------------------------------|----------------------------|--------------------------------|-----------------------------------|--------------|--|--|
| 05.665.0100.0014   | Department of Health (DOH)<br>Lincoln County (LC)   | For Lincoln County - DOH will provide health services to   | 9/24/2004                   | Ongoing               | 20,000                              | 20,000                     | -                              | DOH, LC                           | DOH, LC      | DOH, LC                                    |  |
| 05.665.0100.0008   | Department of Health (DOH)<br>Socorro County (SC)   | For Socorro County - DOH will provide health services to Socorro County residents.   | 9/21/2004                   | Ongoing               | 20,000                              | 20,000                     | -                              | DOH, SC                           | DOH, SC      | DOH, SC                                    |  |
| 04.665.4200.0311A1 | Department of Health (DOH)<br>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    | Human Services Department (HSD)   | To designate the administrative, fiscal and programmatic responsibilities for the operations of the Home and Community Based Waiver Program. | 10/14/2003                  | AIDS WAIVER           | -                                   | -                          | -                              | DOH,HSD                           | HSD          | DOH,HSD                                    |  |
| (IPA 03-37)        | Department of Health (DOH)  |  |                             |                       | MEDICAID WAIVER                     | 90,283                     | 90,283                         | 90,283                            |              |  |  |
|                    |   |  |                             |                       |                                     | 69,075,593                 | 69,075,593                     | 69,075,593                        |              |  |  |
| 06.665.0100.0029   | Department of Health (DOH)<br>State Agency on Aging (SAA) (Aging & Long Term Services Dept. (ALTS)) | To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AIDS statewide.  | 5/3/2006                    | Ongoing               | 50,000                              | 50,000                     | 50,000                         | AA, DOH                           | AA, DOH      | AA, DOH                                    |  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 4 - continued

Supplemental Schedule of Joint Powers Agreements - continued

YEAR ENDED JUNE 30, 2010

| 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 FY10 | Participant Responsible for Audit | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|---------------------------|---|---|-----------------------------|-----------------------|-------------------------------------|----------------------------|--------------------------------|-----------------------------------|--------------|--|
| JPA 82-14                 | New Mexico Human Services Department<br>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                            | 5/27/1994                   | Ongoing               | -                                   | -                          | -                              | HSD                               | Not Stated   | DOH,HSD                                    |
| 08.630.8000.0001          | New Mexico Human Services Department<br>New Mexico Department of Health   | To provide for DOH and HSD to jointly exercise their respective duties and obligations to women, children and families under Titles V, XIX and XXI of the Social Security Act.  | 6/25/2007                   | 6/30/2012             | 561,048                             | -                          | -                              | HSD/DOH                           | HSD          | HSD/DOH                                    |
| 96/665.42.344<br>(#96-22) | New Mexico Human Services Department<br>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. | 2/8/1996                    | Ongoing               | -                                   | -                          | -                              | HSD/DOH                           | Not Stated   | HSD/DOH                                    |
| 10.10724                  | New Mexico Department of Health<br>New Mexico Department of Public Safety | Enforce the New Mexico State tobacco products and liquor control act and educate merchants in New Mexico in an effort to decrease youth access.                                 | 4/8/2010                    | 6/30/2010             | 100,000                             | 100,000                    | 100,000                        | -                                 | -            | -  |

See Independent Auditors' Report.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 5

Supplemental Schedule of Memoranda of Understanding

YEAR ENDED JUNE 30, 2010

| MOU # | Participants                             | Description of Activity   | Begin Agreement Term | End Agreement Term | Contract Amount | Amount Applicable to DOH | Amount DOH Contributed in FY 10 | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|-------|--|---|----------------------|--------------------|-----------------|--------------------------|---------------------------------|--------------|--|
| 10.10 | DOH/ Loving Municipal Schools            | (H1N1) Contractor shall provide the State of New Mexico with the ability to manage public health emergencies in a manner that protects civil rights. Preparing for a public health emergency and provide access to appropriate care, if needed for an indefinite number of infected, exposed or endangered people in the event of a public emergency in Eddy County.  | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.11 | DOH/ Tatum Municipal Schools             | ((H1N1)Contractor shall provide for emergency and public health emergency response planning by the Department and for the coordination and expeditious delivery of emergency resources support and assistance for the citizens of Lea City New Mexico including members of Indian Pueblos and Tribes if needed in response to a transmissible disease emergency or disaster.  | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.12 | DOH/ Lovington Municipal Schools         | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Lea City., New Mexico including members of Indian pueblos and tribes, if needed in response to a transmissible disease or other condition of emergency.   | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.13 | DOH/ Roswell Independent School District | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Chaves City., New Mexico including members of Indian pueblos and tribes, if needed in response to a transmissible disease or other condition of public health significance, a declared emergency. | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 5 - continued

Supplemental Schedule of Memoranda of Understanding - continued

YEAR ENDED JUNE 30, 2010

| MOU # | Participants                     | Description of Activity   | Begin Agreement Term | End Agreement Term | Contract Amount | Amount Applicable to DOH | Amount DOH Contributed in FY 10 | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|-------|----------------------------------|---|----------------------|--------------------|-----------------|--------------------------|---------------------------------|--------------|--|
| 10.14 | DOH/ Dexter Consolidated Schools | (H1N1) Contractor shall provide for emergency and public health response planning by the Department and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Chaves City., New Mexico, including members of Indian pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster.        | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.15 | DOH/ Texico Municipal Schools    | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Curry City., New Mexico including members of Indian pueblos and tribes, if needed in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster. | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.16 | DOH/ Jal Public Schools          | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Lea City., New Mexico including members of Indian pueblos and tribes, if needed in response to a transmissible disease or other condition of public health significance or disaster.                        | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.17 | DOH/ Tucumcari Public Schools    | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Quay City., New Mexico including members of Indian pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster. | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 5 - continued

Supplemental Schedule of Memoranda of Understanding - continued

YEAR ENDED JUNE 30, 2010

| MOU # | Participants                    | Description of Activity   | Begin Agreement Term | End Agreement Term | Contract Amount | Amount Applicable to DOH | Amount DOH Contributed in FY 10 | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|-------|---------------------------------|---|----------------------|--------------------|-----------------|--------------------------|---------------------------------|--------------|--|
| 10.18 | DOH/ Mosquero Municipal Schools | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Harding City., New Mexico, including members of Indian pueblos and tribes, if needed in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster. | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.19 | DOH/ Carlsbad Municipal Schools | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Eddy City., New Mexico including members of Indian pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, declared emergency or disaster.      | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.20 | DOH/ Eunice Public Schools      | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Lea City., New Mexico, including members of Indian pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster.    | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.21 | DOH/ Roy Municipal Schools      | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the citizens of Harding City., New Mexico, including members of Indian pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster.   | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 5 - continued

Supplemental Schedule of Memoranda of Understanding - continued

YEAR ENDED JUNE 30, 2010

| MOU # | Participants                     | Description of Activity  | Begin Agreement Term | End Agreement Term | Contract Amount | Amount Applicable to DOH | Amount DOH Contributed in FY 10 | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|-------|----------------------------------|--|----------------------|--------------------|-----------------|--------------------------|---------------------------------|--------------|--|
| 10.22 | DOH/ Hagerman Municipal Schools  | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Chaves, City., New Mexico, including members of Indian Pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster. | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.23 | DOH/ Artesia Public Schools      | (H1N1) Contractor shall provide for emergency and public health emergency response planning by the Department, and for the coordination and expeditious delivery of emergency resources, support and assistance for the citizens of Eddy City., New Mexico, including members of Indian Pueblos and tribes, if needed, in response to a transmissible disease or other condition of public health significance, a declared emergency or disaster.    | 10/19/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.24 | DOH/ Permian Basin Regional      | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians.   | 3/16/2010            | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.25 | DOH/ Hobbs Municipal Schools     | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians.   | 3/16/2010            | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.26 | DOH/ Hatch Valley Public Schools | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians.   | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.27 | DOH/ New Mexico State University | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians.   | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |

See Independent Auditors' Report.



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 5 - continued

Supplemental Schedule of Memoranda of Understanding - continued

YEAR ENDED JUNE 30, 2010

| MOU # | Participants  | Description of Activity  | Begin Agreement Term | End Agreement Term | Contract Amount | Amount Applicable to DOH | Amount DOH Contributed in FY 10 | Fiscal Agent | Agency Reporting Revenues and Expenditures |
|-------|---|--|----------------------|--------------------|-----------------|--------------------------|---------------------------------|--------------|--|
| 10.28 | DOH/ House Municipal Schools                            | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians. | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.29 | DOH/ New Mexico State University of New Mexico Carlsbad | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians. | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.3  | DOH/ Clovis Municipal Schools                           | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians. | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.31 | DOH/ Melrose Public School                              | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians. | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.32 | DOH/ Floyd Municipal Schools                            | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians. | 12/21/2009           | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| 10.33 | DOH/ First Christian Church                             | (H1N1) Contractor shall provide emergency and public health emergency response planning by the department and the coordination and expeditious delivery of emergency resources to include tribal and pueblo Indians. | 1/6/2010             | Ongoing            | \$ -            | \$ -                     | \$ -                            | DOH          | DOH  |
| N/A   | DOH/ Dept. of Finance and Administration                | Cooperative funding and representation for New Mexico's federal lobbyists  | 5/4/2005             | Ongoing            | \$ 14,600       | \$ 14,600                | \$ -                            | DOH          | DOH  |
| N/A   | DOH/ Dept. of Finance and Administration                | Collective bargaining  | 5/7/2005             | Ongoing            | \$ 21,832       | \$ 21,832                | \$ -                            | DOH          | DOH  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 6

Supplemental Schedule of Special Appropriations

YEAR ENDED JUNE 30, 2010

| Description  | Reversion Date | Appropriation       | Prior Year<br>Expenditures | Current Year<br>Expenditures | Current Year<br>Reversions/<br>Transfers | Balance<br>as of<br>June 30, 2010 |
|--|----------------|---------------------|----------------------------|------------------------------|--|-----------------------------------|
| <b>General Fund -06100</b>   |                |                     |                            |                              |  |                                   |
| Laws of 2008, Ch. 3, Section 7<br>(Item 30) Computer Systems<br>Enhancement Fund                                       | 6/30/2010      | \$ 1,000,000        | (244,700)                  | (751,209)                    | (4,091)                                  | -                                 |
| Laws of 2009, Ch. 124, Section<br>5 (Item 49) Autism Summer<br>Camp in Bernalillo County                               | 6/30/2010      | 15,000              | -                          | (15,000)                     | -  | -                                 |
| Laws of 2009, Ch. 124, Section<br>5 (Item 50) for Cancer<br>Patients in Chaves, Lincoln,<br>Lea and Eddy Counties      | 6/30/2010      | 50,000              | -                          | (50,000)                     | -  | -                                 |
| <b>Capital Projects Fund -05900</b>  |                |                     |                            |                              |  |                                   |
| Laws of 2007, Ch. 42, Section<br>1 for scientific lab equipment.   | 6/30/2011      | 1,000,000           | (998,161)                  | -                            | -  | 1,839                             |
| Laws of 2007, Ch. 42, Section<br>38 for facilities patient health<br>and safety improvement<br>(Alzheimer's Veterans). | 6/30/2011      | 300,000             | -                          | -                            | -  | 300,000                           |
| Laws of 2007, Ch. 42, Section<br>65 for home for DD and<br>autistic children.  | 6/30/2011      | 500,000             | (1,682)                    | -                            | (498,318)                                | -                                 |
| Laws of 2007, Ch. 42, Section<br>65 for Dona Ana County<br>mobile dental clinic.                                       | 6/30/2011      | 56,000              | -                          | -                            | (56,000)                                 | -                                 |
| Laws of 2008, Ch. 22, Section<br>53 for brain function<br>assessment equipment.  | 6/30/2010      | <u>100,000</u>      | <u>-</u>                   | <u>-</u>                     | <u>(100,000)</u>                         | <u>-</u>                          |
|  |                | \$ <u>3,021,000</u> | <u>(1,244,543)</u>         | <u>(816,209)</u>             | <u>(658,409)</u>                         | <u>301,839</u>                    |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 7

Supplemental Schedule of Severance Tax Bonds

YEAR ENDED JUNE 30, 2010

| Laws | Chapter | Amount<br>Sold      | Amount<br>Reverted | Art in Public<br>Places | Amount<br>Available | Expenditures<br>Reported<br>Prior Years | Expenditures<br>Reported<br>Current Years | 6/30/10<br>Balance<br>Available |
|------|---------|---------------------|--------------------|-------------------------|---------------------|---|---|---------------------------------|
| 2007 | 334     | \$ 1,823,000        | -                  | (20,000)                | 1,803,000           | (1,785,673)                             | (16,938)                                  | 389                             |
| 2008 | 80      | 4,328,000           | -                  | (43,280)                | 4,284,720           | -                                       | (1,877,193)                               | 2,407,527                       |
| 2009 | 125     | <u>100,000</u>      | <u>-</u>           | <u>-</u>                | <u>100,000</u>      | <u>-</u>                                | <u>(92,064)</u>                           | <u>7,936</u>                    |
|      |         | <u>\$ 6,251,000</u> | <u>-</u>           | <u>(63,280)</u>         | <u>6,187,720</u>    | <u>(1,785,673)</u>                      | <u>(1,986,195)</u>                        | <u>2,415,852</u>                |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule 8

Schedule of Changes in Assets and Liabilities - Agency Funds

YEAR ENDED JUNE 30, 2010

|   | <u>Balance</u><br><u>June 30, 2009</u> | <u>Additions</u>        | <u>Deletions</u>          | <u>Balance</u><br><u>June 30, 2010</u> |
|---|--|-------------------------|---------------------------|--|
| <b><u>Fund 50200 - Birth &amp; Death Certificate Fund</u></b> |  |                         |                           |  |
| <b>ASSETS:</b>  |  |                         |                           |  |
| Investment in State General Fund                              |  |                         |                           |  |
| Investment Pool   | \$ 204,622                             | 1,820,012               | (1,742,848)               | 281,786                                |
| Cash  | <u>56,267</u>                          | <u>502,930</u>          | <u>(512,216)</u>          | <u>46,981</u>                          |
| <b>TOTAL ASSETS</b>   | <b>\$ <u>260,889</u></b>               | <b><u>2,322,942</u></b> | <b><u>(2,255,064)</u></b> | <b><u>328,767</u></b>                  |
| <b>LIABILITIES:</b>   |  |                         |                           |  |
| Due to other agencies   | \$ <u>260,889</u>                      | <u>2,322,942</u>        | <u>(2,255,064)</u>        | <u>328,767</u>                         |
| <b>TOTAL LIABILITIES</b>                                      | <b>\$ <u>260,889</u></b>               | <b><u>2,322,942</u></b> | <b><u>(2,255,064)</u></b> | <b><u>328,767</u></b>                  |
| <b><u>Fund 51000 - Patients' Trust Fund</u></b>               |  |                         |                           |  |
| <b>ASSETS:</b>  |  |                         |                           |  |
| Cash  | \$ <u>774,444</u>                      | <u>6,153,059</u>        | <u>(6,127,540)</u>        | <u>799,963</u>                         |
| <b>TOTAL ASSETS</b>   | <b>\$ <u>774,444</u></b>               | <b><u>6,153,059</u></b> | <b><u>(6,127,540)</u></b> | <b><u>799,963</u></b>                  |
| <b>LIABILITIES:</b>   |  |                         |                           |  |
| Funds held for others   | \$ <u>774,444</u>                      | <u>6,153,059</u>        | <u>(6,127,540)</u>        | <u>799,963</u>                         |
| <b>TOTAL LIABILITIES</b>                                      | <b>\$ <u>774,444</u></b>               | <b><u>6,153,059</u></b> | <b><u>(6,127,540)</u></b> | <b><u>799,963</u></b>                  |

**SINGLE AUDIT**

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency  | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|--|---------------------------|--|
| <b>COST REIMBURSEMENT GRANTS:</b>  |                           |  |
| <b>U.S. DEPARTMENT OF AGRICULTURE:</b>   |                           |  |
| Special Supplemental Nutrition Program for Women,<br>Infants and Children:           |                           |  |
| WIC Food and Administration  | 10.557                    | \$ 39,199,501                            |
| WIC Infrastructure EBT   | 10.557                    | 307,076                                  |
| WIC Special Breastfeeding Peer Counselor   | 10.557                    | 173,480                                  |
| WIC Rebate Program   | 10.557                    | <u>13,910,920</u>                        |
|  |                           | 53,590,977                               |
| Commodity Supplemental Food Program  | 10.565                    | 1,255,022                                |
| WIC Farmer's Market Nutrition Program:<br>Farmer's Market Food Program               | 10.572                    | 237,961                                  |
| WIC Senior Farmer's Market Nutrition Program:<br>Senior Farmer's Market Food Program | 10.576                    | 323,215                                  |
| WIC Grants to States   |                           |  |
| ARRA - Electronic Benefits Transfer Grant  | 10.578                    | 384,345                                  |
| ARRA - Miscellaneous Technology Grant  | 10.578                    | <u>580,827</u>                           |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>  |                           | 56,372,347                               |
| <b>U. S. DEPARTMENT OF TRANSPORTATION:</b>   |                           |  |
| Occupant Protection:   |                           |  |
| TSB Occupant Protection 2008   | 20.602                    | <u>112,952</u>                           |
| <b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>                                       |                           | 112,952                                  |
| <b>U. S. ENVIRONMENTAL PROTECTION AGENCY:</b>  |                           |  |
| Infant Toxic Blood Screening   | 66.716                    | <u>13,599</u>                            |
| <b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>                                    |                           | 13,599                                   |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency  | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|--|---------------------------|--|
| <b>COST REIMBURSEMENT GRANTS - continued:</b>  |                           |  |
| <b>U.S. DEPARTMENT OF ENERGY:</b>  |                           |  |
| Transport of Transuranic Wastes to the Waste Isolation<br>Pilot Plant:                                       |                           |  |
| WIPP Emergency Response  | 81.106                    | \$ <u>115,259</u>                        |
| <b>TOTAL U.S. DEPARTMENT OF ENERGY</b>   |                           | 115,259                                  |
| <b>U.S. DEPARTMENT OF EDUCATION:</b>   |                           |  |
| Early Intervention Services (IDEA) Cluster:  |                           |  |
| Special Education - Grants for Infants and Families  |                           |  |
| Infants and Toddlers with Disabilities   | 84.181                    | 1,327,256                                |
| ARRA-Infants and Toddlers with Disabilities  | 84.393                    | 1,675,980                                |
| Safe and Drug-Free Schools & Communities - State Grants  | 84.186                    | <u>445,202</u>                           |
| <b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>   |                           | 3,448,438                                |
| <b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>  |                           |  |
| State & Territorial & Technical Assistance Capacity Development:   |                           |  |
| Minority Health State Partnership Grant  | 93.006                    | 136,377                                  |
| Strengthening Public Health Services at the Outreach Offices of<br>the U.S.-Mexico Border Health Commission: |                           |  |
| New Mexico - Chihuahua Border Grant 2007   | 93.018                    | 63,878                                   |
| US/Mexico Border Health Commission Border Health Improve 2009  | 93.018                    | <u>238,798</u>                           |
|  |                           | 302,676                                  |
| Public Health Emergency Preparedness   |                           |  |
| Electronic Lab Data Exchange to Support Pan Flu Surveillance   | 93.069                    | 106,937                                  |
| Public Health Preparedness & Response Bioterrorism   | 93.069                    | 6,366,237                                |
| Public Health Emergency Response   | 93.069                    | <u>4,913,118</u>                         |
|  |                           | 11,386,292                               |
| Addressing Asthma  | 93.070                    | 287,760                                  |
| Emergency System for Advance Registration of Health Professional Volunteers                                  | 93.089                    | 59,435                                   |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency   | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|---|---------------------------|--|
| <b>COST REIMBURSEMENT GRANTS - continued:</b>   |                           |  |
| Maternal and Child Health Federal Consolidated Programs:  |                           |  |
| Children's Oral Healthcare Access   | 93.110                    | \$ 85,812                                |
| CISS-SECCS Planning   | 93.110                    | 43,452                                   |
| State Systems Development Initiative  | 93.110                    | <u>44,556</u>                            |
|   |                           | 173,820                                  |
| Project Grants and Cooperative Agreements for Tuberculosis:   |                           |  |
| Tuberculosis Elimination  | 93.116                    | 267,049                                  |
| Cooperative Agreements to States/Territories for the Coordination<br>and Development of Primary Care Offices: |                           |  |
| Primary Care  | 93.130                    | 135,563                                  |
| Centers for Research and Demonstration for<br>Health Promotion and Disease Prevention                         |                           |  |
| NM Colorectal Cancer Screening  | 93.135                    | 368,076                                  |
| Injury Prevention and Control Research and State and<br>Community-Based Programs:                             |                           |  |
| Rape Prevention and Education   | 93.136                    | 247,283                                  |
| Injury Surveillance and Prevention  | 93.136                    | 85,981                                   |
| Violent Death Reporting   | 93.136                    | <u>131,389</u>                           |
|   |                           | 464,653                                  |
| Family Planning Services:   |                           |  |
| Family Planning   | 93.217                    | 3,179,142                                |
| Grants for Dental Public Health Residency Training  |                           |  |
| NM Grants to Support Oral Health  | 93.236                    | 32,797                                   |
| State Rural Hospital Flexibility Program:   |                           |  |
| Rural Hospital Flexibility Program  | 93.241                    | 225,342                                  |
| Substance Abuse and Mental Health Services:   |                           |  |
| NM Project Launch   | 93.243                    | 870,546                                  |
| Strategic Prevention Framework  | 93.243                    | 2,537,429                                |
| Youth Suicide Prevention  | 93.243                    | <u>21,652</u>                            |
|   |                           | 3,429,627                                |



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency  | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|--|---------------------------|--|
| <b>COST REIMBURSEMENT GRANTS - continued:</b>  |                           |  |
| Universal Newborn Hearing Screening:<br>Newborn Hearing Screening  | 93.251                    | \$ 169,806                               |
| Occupational Health  | 93.262                    | 99,070                                   |
| Immunization Grant Cluster:<br>Immunizations Grants  | 93.268                    | 3,189,157                                |
| ARRA - Immunizations Grants  | 93.712                    | <u>235,403</u>                           |
|  |                           | 3,424,560                                |
| Centers for Disease Control and Prevention - Investigations<br>and Technical Assistance:                                       |                           |  |
| CDC Assessment Initiatives   | 93.283                    | 140,039                                  |
| Arthritis Program  | 93.283                    | 454,437                                  |
| Chronic Disease Prevention   | 93.283                    | 1,904,265                                |
| Early Hearing Detection & Intervention Tracking  | 93.283                    | 116,277                                  |
| Emerging Infections Program  | 93.283                    | 1,319,224                                |
| Environmental Health Tracking  | 93.283                    | 756,577                                  |
| Epi & Lab Capacity for Infectious Diseases   | 93.283                    | 390,536                                  |
| Adult Hepatitis Collaboration  | 93.283                    | 69,088                                   |
| National Cancer Prevention and Control   | 93.283                    | 3,598,533                                |
| Physical Activity and Nutrition  | 93.283                    | <u>605,482</u>                           |
|  |                           | 9,354,458                                |
| ARRA - State Primary Care Offices  | 93.414                    | 42,765                                   |
| ARRA - Preventing Healthcare-Associated Infections   | 93.717                    | 117,724                                  |
| ARRA - Survey and Certification Ambulatory Surgical Center Healthcare-<br>Associated Infection (ASC-HAI) Prevention Initiative | 93.720                    | 23,362                                   |
| ARRA - Prevention and Wellness-Healthy Kids NM in School   | 93.723                    | 10,000                                   |
| ARRA - Communities Putting Prevention to Work:<br>Chronic Disease Self-Management Program                                      | 93.725                    | 1,643                                    |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency   | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|---|---------------------------|--|
| <b>COST REIMBURSEMENT GRANTS - continued:</b>   |                           |  |
| Refugee and Entrant Assistance Discretionary Grants:<br>Refugee Preventive Health 2010                                      | 93.576                    | \$ 49,209                                |
| Small Rural Hospital Improvement Grant Program:<br>Small Rural Hospital Improvement   | 93.301                    | 91,123                                   |
| State Survey and Certification of Health Care Providers & Suppliers:<br>Clinical Laboratory Improvement Amendments          | 93.777                    | 1,891,970                                |
| Specially Selected Health Projects<br>NM Dental School Feasibility Study 2010   | 93.888                    | 78,375                                   |
| National Bioterrorism Hospital Preparedness Program:<br>Bioterrorism Hospital Preparedness Program                          | 93.889                    | 67,643                                   |
| Assistant Secretary for Preparedness and Response   | 93.889                    | 2,239,910                                |
| Pandemic Influenza Healthcare Preparedness Improvements for States  | 93.889                    | <u>315,587</u>                           |
|   |                           | 2,623,140                                |
| Grants to States for Operation of Offices of Rural Health:<br>State Office of Rural Health                                  | 93.913                    | 167,199                                  |
| HIV Care Formula Grants:<br>Ryan White Title II HIV Care  | 93.917                    | 4,455,284                                |
| HIV Prevention Activities - Health Department Based:<br>HIV Prevention Projects   | 93.940                    | 2,154,993                                |
| Human Immunodeficiency Virus (HIV) / Acquired Immune<br>Deficiency Syndrome (AIDS) Surveillance:<br>HIV / AIDS Surveillance | 93.944                    | 271,456                                  |
| Cooperative Agreements to Support State-Based Safe Motherhood:<br>Pregnancy Risk Assessment Monitoring                      | 93.946                    | 122,241                                  |
| Preventive Health Services - Sexually Transmitted Diseases:<br>Comprehensive STD Prevention Systems                         | 93.977                    | 725,444                                  |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency  | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|--|---------------------------|--|
| <b>COST REIMBURSEMENT GRANTS - continued:</b>  |                           |  |
| Preventive Health Services   | 93.991                    | \$ 1,278,775                             |
| Maternal and Child Health Services Block Grant to the States:<br>Maternal and Child Health Services                          | 93.994                    | <u>4,167,171</u>                         |
| <b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |                           | <u>51,768,377</u>                        |
| <b>TOTAL COST REIMBURSEMENT GRANTS</b>   |                           | 111,830,972                              |
| <b>OTHER GRANTS:</b>   |                           |  |
| <b>U. S. DEPARTMENT OF VETERANS' AFFAIRS:</b>  |                           |  |
| Veterans' State Nursing Care:<br>VA Reimbursement  | 64.015                    | <u>3,200,205</u>                         |
| <b>TOTAL U. S. DEPARTMENT OF VETERANS' AFFAIRS</b>   |                           | 3,200,205                                |
| <b>U. S. CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE:</b>   |                           |  |
| Foster Grandparent/Senior Companion Cluster:<br>Foster Grandparent Program   | 94.011                    | 189,741                                  |
| Senior Companion Program   | 94.016                    | <u>38,473</u>                            |
| <b>TOTAL U. S. CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE:</b>   |                           | 228,214                                  |
| <b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>  |                           |  |
| Joint Powers Agreements:<br>Flow-through Federal Grants via Human Services Department<br>Identifying #'s 03-37, 82-14, 96-22 | 93.778                    | <u>11,243,730</u>                        |
| <b>TOTAL U. S. CORPORATION FOR NATIONAL &amp; COMMUNITY SERVICE:</b>   |                           | <u>11,243,730</u>                        |
| <b>TOTAL OTHER GRANTS</b>  |                           | <u>14,672,149</u>                        |
| <b>TOTAL GRANT EXPENDITURES</b>  |                           | 126,503,121                              |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Expenditures of Federal Awards - continued

YEAR ENDED JUNE 30, 2010

| Federal Agency/<br>Pass-Through<br>Agency                | Federal<br>CFDA<br>Number | Federal<br>Participating<br>Expenditures |
|--|---------------------------|--|
| <b>NON-CASH ASSISTANCE:</b>                              |                           |  |
| <b>U. S. CENTERS FOR DISEASE CONTROL:</b>                |                           |  |
| Immunization Grants:                                     |                           |  |
| Immunization Program Vaccine                             | 93.268                    | \$ <u>37,425,020</u>                     |
| <b>TOTAL U. S. CENTERS FOR DISEASE CONTROL</b>           |                           | <u>37,425,020</u>                        |
| <b>TOTAL EXPENDITURES CASH/NON-CASH FEDERAL AWARDS</b>   |                           | <b>\$ <u>163,928,141</u></b>             |
| <b>RECONCILIATION TO FINANCIAL STATEMENTS:</b>           |                           |  |
| In-kind assistance                                       |                           | \$ 37,425,020                            |
| WIC Rebates received from infant formula manufacturers * |                           | 13,910,920                               |
| Federal grant revenue                                    |                           | <u>112,592,201</u>                       |
|  |                           | <b>\$ <u>163,928,141</u></b>             |

\* WIC Rebates received are recorded as fees, penalties, rentals, and others on the Statement of Revenues, Expenditures and changes in Fund Balance.

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Notes to the Schedule of Expenditures of Federal Awards

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YEAR ENDED JUNE 30, 2010

**Note 1: Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the New Mexico 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 requirements of OMB Circular A-133, *Audits of State and 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.

| Clusters:  | <u>Federal<br/>CFDA No.</u> |
|--|-----------------------------|
| Early Intervention Services (IDEA) Cluster:                |                             |
| Special Education - Grants for Infants and Families        | 84.181                      |
| Special Education - Grants for Infants and Families - ARRA | 84.393                      |
| Immunization Grant Cluster:                                |                             |
| Immunization Grants  | 92.268                      |
| Immunization Grants - ARRA                                 | 93.712                      |
| Medicaid Cluster:  |                             |
| State Survey and Certification of Health Care Providers    | 93.777                      |
| Medical Assistance Program - Behavioral                    | 93.778                      |
| Foster Grandparent/Senior Companion Cluster:               |                             |
| Foster Grandparent Program                                 | 93.011                      |
| Senior Companion Program                                   | 93.016                      |

**Note 2: Loans Outstanding/Non-Cash Assistance** - The Grants Management Bureau does not have any outstanding loans with the federal government or does it make loans to others or provide non-cash assistance.

**Note 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.

**Note 4: Subrecipients:** Of the federal expenditures presented in the schedule, the Department provided federal awards to local agencies of the WIC Food and Administration grant (CFDA 10.557) in the amount of \$1,132,801.

**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, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparisons and the program budgetary comparison for the general fund presented as supplementary information of the State of New Mexico Department of Health (the Department), as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010. 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 opinions 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



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

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

A **deficiency in internal control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 10-07 and 10-08 to be material weaknesses.

A **significant deficiency** is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 08-05, 09-01, 09-04, 10-02, 10-03, 10-04, 10-09, and 10-10 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, and which are described in the accompanying schedule of findings and questioned costs as items 10-01 and 10-11.

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.

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

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

*Maynard + Company, LLC*

December 7, 2010



**REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE  
A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON  
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 State of New Mexico Department of Health's (the Department) compliance with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2010. 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 grant agreements 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 Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 of the Department's compliance with those requirements.

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements,



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

### **Compliance - continued**

which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as item 10-02, 10-05 and 10-06.

### **Internal Control Over Compliance**

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 10-02. A **significant deficiency in internal control over compliance** is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program

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**Internal Control Over Compliance - continued**

that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the responses.

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

*Meyners + Company, LLC*

December 7, 2010

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Schedule of Findings and Questioned Costs**

**YEAR ENDED JUNE 30, 2010**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the New Mexico Department of Health (the Department).
2. Ten significant deficiencies relating to the audit of financial statements were 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*, of which two are considered to be material weaknesses.
3. No instances of non-compliance material to the financial statements of the Department were disclosed during the audit.
4. Three deficiencies were disclosed during the audit of the major federal award programs as reported in the Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for the Department expresses an unqualified opinion.
6. There were three audit findings that the auditor is required to report under 510(a) of Circular A-133.
7. The programs tested as the major programs included:

| <b>Program</b>  | <b>CFDA #</b> |
|---|---------------|
| <b>U.S. Department of Agriculture:</b>  |               |
| Special Supplemental Nutrition Program for<br>Women, Infants and Children (WIC)         | 10.557        |
| <b>U.S. Department of Veterans' Affairs:</b>  |               |
| Veterans' State Nursing Home Care   | 64.015        |
| <b>U.S. Department of Health and Human Services:</b>                                    |               |
| Centers for Disease Control and Prevention –<br>Investigations and Technical Assistance | 93.283        |
| <b>Medicaid Cluster:</b>  |               |
| State Survey and Certification of Health Care Providers                                 | 93.777        |
| Medical Assistance Program – Behavioral Health  | 93.778        |

STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Schedule of Findings and Questioned Costs - continued

YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS - continued

| Program   | CFDA # |
|---|--------|
| HIV Care Formula Grants   | 93.917 |
| Maternal and Child Health Services Block Grant<br>to the States | 93.994 |
| Immunization Grant Cluster:                                     |        |
| Immunization Grants   | 93.268 |
| ARRA – Immunization Grants                                      | 93.712 |
| Family Planning Services  | 93.217 |
| Substance Abuse and Mental Health Services                      | 93.243 |
| Public Health Emergency Preparedness                            | 93.069 |
| Early Intervention Services (IDEA) Cluster:                     |        |
| Special Education – Grants for Infants and Families             | 84.181 |
| ARRA – Special Education – Grants for Infants<br>and Families   | 84.393 |

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

Schedule of Findings and Questioned Costs - continued

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**10-01 TIMELY NOTIFICATION OF MISSING CAPITAL ASSETS**

**Condition:** During our test work of capital assets, we noted a utility trailer had been stolen in April of 2007. The asset was not removed from the capital asset listing until FY10. Furthermore, the Department did not notify the police or State Auditor of the stolen item in a timely manner.

**Criteria:** Per State Audit Rule 2.2.2.10 K. pursuant to Section 12-6-6 NMSA 1978 (Criminal Violations), an agency or IPA shall notify the State Auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs.

In addition, as a state agency, the Department must follow the existing Manual of Model Accounting Practices' (MAPs) procedures regarding disposing of capital assets. MAPs (FIN 6.5), authorized by Chapters 6-5-2, 13-6-1, 13-6-2, 13-6-2.1, 13-6-3, 13-6-4, 13-6-5, NMSA 1978 2.20.1.18 NMAC and 2.2.2.10.V NMAC states that:

1. If asset is missing, notify State Auditor with form evidencing state agency management signature.
2. If asset is stolen, notify State Auditor with form evidencing state agency management signature. Also, notify Police.
3. State agencies shall record in the accounting records the sale, disposition or impairment write-down of capital assets when the related event occurs.

**Cause:** Lack of effective controls over capital asset management and tracking.

**Effect:** Non-compliance with State Audit Rule and MAPs standards and possible misstatement of capital assets.

**Recommendation:** We recommend that management establish effective controls necessary to ensure that capital assets are properly managed and tracked to ensure compliance with all state and federal laws and regulations, and that disposed of/missing capital assets are properly removed in a timely manner from the capital asset listing.

**Management Response:** Management agrees that the stolen item should have been removed from the capital asset listing and that law enforcement should have been notified in a more timely manner. In addition, management agrees that the State Auditor's Office should have been notified of this loss as an asset disposal.

**Corrective Action:** Review and update of the capital asset listing on a quarterly basis.

**Responsible Party:** Financial Accounting Bureau Chief

**Implementation Date:** April 1, 2011

Schedule of Findings and Questioned Costs - continued

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

**10-02 CAPITAL ASSET MANAGEMENT AND TRACKING**

**Condition:** During our test work of capital assets, we noted the following:

- 1) Additions of IT equipment added with a useful life of 10 years. The useful life of these additions should have been 5 years.
- 2) The additions schedule reported additions of 8 units of IT equipment for a total of \$37,600. The actual amount should have been \$59,600. The additions schedule also excluded a capital asset for \$9,815 that was identified by the auditors to be capitalized.
- 3) The Department uses an Excel spreadsheet to track all capital assets. As a result, errors with some of the formulas were noted and an approximately \$1.7m adjustment to accumulated depreciation was necessary.
- 4) During review of the additions of capital assets, we noted that \$543,760 of additions were purchased with federal funds, of which only \$102,897 were assigned a federal project ID within the Department's capital asset listing.

**Criteria:** As a state agency, the Department must follow the existing MAPs procedures regarding asset management, which states the following:

- 1) MAPs (FIN 6.2 Asset Depreciation) states that depreciation of assets should be recorded in compliance with generally accepted accounting practices. The procedure should be that the manager submits useful life, in service date and depreciation convention to the state agency CFO for approval in order to prevent inappropriate depreciation expenses.
- 2) MAPs (FIN 6.4 Recording and Reporting Capital Assets), authorized by Chapters 6-5-2, 13-6-1, NMSA 1978 2.20.1 NMAC states that state agencies shall record and report state owned capital assets in accordance with state law, state rule and Generally Accepted Accounting Principles. Policy requires that in the accounting records, state agencies shall record additions to capital assets at the time acquired, and state agencies should establish procedures and accounting processes to record additions, dispositions, transfers and deletions of capital assets.

Schedule of Findings and Questioned Costs - continued

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

**10-02 CAPITAL ASSET MANAGEMENT AND TRACKING - continued**

**Criteria - continued:**

Additionally, per A-102 Common Rule for capital assets purchased with federal funds, the Department is required to have procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds. The Department is required until disposition takes place to maintain property records that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property.

**Cause:** Lack of effective controls over capital asset management and tracking.

**Effect:** Non-compliance with MAPs standards and federal regulations and misstatement of capital assets.

**Recommendation:** We recommend that management establish effective controls necessary to ensure that capital asset are properly managed and tracked to ensure compliance with all state and federal laws and regulations. Additionally, due to the significant amount of capital assets of the Department, it is recommended that the Department utilize capital asset software to maintain capital assets as opposed to an Excel spreadsheet.

**Management Response:** The Department agrees that these oversights and errors occurred and will ensure that staff in the Financial Accounting Bureau review items that have been added to the capital assets list and entered accurately to ensure accurate recording of assets' useful life. The Department will also explore the possibility of utilizing a different, more sophisticated asset tracking software program to more accurately track its capital assets.

**Corrective Action:** Review and update of the capital asset listing on a quarterly basis.

**Responsible Party:** Financial Accounting Bureau Chief

**Implementation Date:** April 1, 2011



Schedule of Findings and Questioned Costs - continued

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

**10-03 CASH RECEIPTS NOT DEPOSITED IN A TIMELY MANNER**

**Condition:** During the internal controls test work for cash receipts, it was noted that 3 out of 40 cash receipts, for a total of \$109,445, were not deposited within 24 hours of receipt.

**Criteria:** As a state agency, the Department must follow the existing MAPs procedures regarding receipt and deposit of cash receipts. MAPs (FIN 2.1), authorized by Chapter 6-10-2, NMSA 1978, Chapter 6-10-3, NMSA 1978, Chapter 6-1-13, NMSA 1978. According to MAPs, section FIN 2.1, all state agencies must deposit all monies received with the State Treasurer's Office or with the authorized banking institution by the close of the next business day after receipt.

**Cause:** Lack of effective controls surrounding the cash receipts process, management oversight.

**Effect:** Non-compliance with MAPs standards, misstatement of financial information and potential misappropriation of assets.

**Recommendation:** We recommend that management establish controls necessary to ensure that all cash received is recorded at the time of receipt and deposited by the end of the next business day.

**Management Response:** The Department agrees that certain receipts were not deposited within the 24-hour time period due to staffing and distribution of workload issues. This issue is under review and is being addressed to ensure that cash depositing workload is adequately distributed to ensure timely depositing and additional review of these transactions.

**Corrective Action:** 1) Review of current cash receipt and deposit procedures; 2) adjustment of those procedures as necessary to ensure appropriate segregation of duties and adequate internal control; 3) documentation of revisions; 4) implementation of new procedures; 5) develop a plan for follow-up.

**Responsible Party:** Financial Accounting Bureau Chief

**Implementation Date:** April 1, 2010

Schedule of Findings and Questioned Costs - continued

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

**10-04 INVENTORY CONTROL**

**Condition:** During our inventory observation at Siler Rd, the following issues were noted:

- 1) A variance between the physical count and the inventory listing for 1 item of 36 units was noted and a value of approximately \$140. Upon investigation, it was determined that a shipment was made after the Department's count and prior to the auditor's that should have been for 18 units and incorrectly double shipped the order for a total of 36.
- 2) An inventory adjustment during FY10 for approximately \$50,000 was made to correct the inventory count for 1 item that was incorrectly counted in FY09.

**Criteria:** As a state agency, the Department must follow the existing MAPs. According to MAPs (FIN 10.5-Safeguarding Inventory), authorized by Chapter 6-5-2, NMSA, all state agencies shall safeguard inventory and must establish formal internal control structures.

**Cause:** Lack of effective internal controls, management oversight.

**Effect:** Non-compliance with MAPs standards, misstatement of financial information and potential misappropriation of assets.

**Recommendation:** We recommend the Department implement effective internal controls over the inventory control process to ensure accurate reporting and safeguarding of inventory.

**Management Response:** The Department agrees that these errors occurred and is instituting additional review of the inventory process and content to ensure accuracy in inventory reporting in this area.

**Corrective Action Plan:** 1) Conduct review of current inventory process; 2) make revisions as necessary to ensure strong internal controls; 3) document those revisions within a formal policy; 4) implement the revised system; 5) establish a system for follow-up

**Responsible Party:** PHD Director

**Implementation Date:** April 1, 2011

Schedule of Findings and Questioned Costs - continued

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

**10-07 JOURNAL ENTRIES (MATERIAL WEAKNESS)**

**Condition:** During the course of the audit, the following issues related to journal entries were noted:

- 1) During the journal entry review of significant and unusual journal entries, 3 out of 26 journal entries for a net adjustment to deferred revenue in the amount of approximately \$6.7 million were incorrectly posted. These were not corrected by the Department until November 2010.
- 2) A net audit adjustment of approximately \$1.3 million was necessary due to numerous journal entries that were posted in reverse of what should have been posted and additional adjustments that were not prepared in a timely manner.

**Criteria:** The Department should have qualified accounting staff preparing and reviewing journal entries prior to submission to DFA for approval. Additionally, the Department should have internal controls to ensure all necessary journal entries are prepared and posted in a timely manner.

**Cause:** The primary cause is due to the fact that the Department had a period of approximately six months that covered the end of FY10 and the beginning of FY11 in which they were without a Financial Accounting Bureau Chief.

**Effect:** Material misstatements to the financial statements that were not corrected in a timely manner.

**Recommendation:** The Department has filled this Financial Accounting Bureau Chief position. However, it is further recommended that the Department ensure that only qualified accounting staff prepare and review journal entries to prevent future occurrences of inappropriate journal entries being posted to the general ledger.

**Management Response:** The Department agrees that these errors should be precluded by the system internal control as it pertains to the posting of journal entries, and the Financial Accounting Bureau will establish appropriate review and approval procedures to prevent errors in the future.

**Corrective Action:** The following procedures will be formally documented and implemented: 1) Each journal entry shall be produced in hard copy with supporting documentation, 2) all journal entries will be initialed by the preparer 3) all journal entries must be reviewed and approved by an accountant in the financial accounting bureau, 4) once reviewed by an accountant in the financial accounting bureau, all journal entries will be reviewed and approved by the financial accounting bureau chief, 5) once reviewed and approved by the financial accounting bureau, journal entries are submitted to the CFO for final approval prior to submission to DFA for posting into the SHARE system.

Schedule of Findings and Questioned Costs - continued

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

**10-07 JOURNAL ENTRIES (MATERIAL WEAKNESS) - continued**

**Corrective Action - continued:**

**Responsible Party:** Financial Accounting Bureau Chief  
**Implementation Date:** February 1, 2011

**10-08 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS  
(MATERIAL WEAKNESS)**

**Condition:** During the test work on accounts receivable and the allowance for doubtful accounts for the facilities and Public Health Division (PHD), the following issues were noted:

- 3) The Department is not reviewing the adequacy of the uncollectible percentages used in calculating the allowance for doubtful accounts at least on an annual basis for each of the facilities.
- 4) The facilities are not reviewing denied claims and re-billing if necessary in a timely manner.
- 5) When PHD transitioned to BEHR, the patient management and billing system, the public health offices stopped sending statements to clients as the billing was to be centralized and sent out from PHD. However, PHD is still not sending statements from the central PHD office to these clients. PHD is unable to generate an aged AR listing from the BEHR system.

**Criteria:** As a state agency, the Department must follow the existing MAPs. According to MAPs (FIN 11.1-Managing Accounts Receivable), authorized by Chapter 6-5-2, NMSA states that all state agencies shall ensure all receivables are properly managed. State agencies must maintain detailed accounts receivable ledgers and must make every effort possible to collect all accounts receivable. Furthermore, in accordance with GAAP, if the Department determines that part of the receivable recognized may not actually be collected, then an allowance for doubtful accounts should be established for the amount of the receivable that is not expected to be collected. This amount should be based on the individual entity's experience with collecting receivables from a particular source, or on professional judgment if the entity has no prior experience in collecting receivables from a particular source. Any amount established as an allowance should be supported by documentation demonstrating how the allowance was developed.

Schedule of Findings and Questioned Costs - continued

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

**10-08 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS  
(MATERIAL WEAKNESS) - continued**

**Cause:** Lack of effective controls and procedures surrounding the accounting and management of the accounts receivables and related allowance for doubtful accounts.

**Effect:** As a result of the noted conditions, the allowance for doubtful accounts required an increase of approximately \$5.3 million. Furthermore, lack of billing and timely re-billings can result in a loss of revenue for the Department.

**Recommendation:** We recommend the Department implement effective internal controls surrounding the entire accounts receivable process.

**Management Response:** The Department is in the process of reviewing procedures and processes related to the posting, billing, collection and valuation of accounts receivable. As well, the Department is in the process of reviewing the method for calculating amounts determined to be uncollectible.

**Corrective Action:** 1) Percentages used in calculating the allowance for doubtful accounts will be reviewed and revised as necessary; 2) a process and procedures for re-billing denied claims will be developed and documented into a formal policy; 3) the Department will review the billing and statement process for all accounts receivable to ensure that billings are current and statements are sent appropriately and timely.

**Responsible Party(s):** CFO and Financial Accounting Bureau Chief will coordinate the corrective action with other bureau/division heads as appropriate to achieve implementation and success of the actions outlined above.

**Implementation Date:** May 1, 2011

**10-09 GAS CARD FRAUD**

**Condition:** During January 2010, the Department identified four questionable fuel purchases associated with a WEX gas card at the Los Lunas facility.

**Criteria:** In order to provide safeguarding of the assets of the Department, adequate internal controls should be implemented.

**Cause:** Lack of effective internal controls over the issuance of the gas WEX card and associated pin numbers.

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

Schedule of Findings and Questioned Costs - continued

B. FINDINGS - FINANCIAL STATEMENT AUDIT - continued

10-09 GAS CARD FRAUD - continued

**Recommendation:** Subsequent to the discovery of the questionable fuel purchases, the Department immediately re-issued all gas cards and pin numbers to only those individuals that require the use of the gas cards. Additionally, the Department implemented other internal controls to mitigate the risk of future occurrences. It is recommended that the Department continue to monitor the effectiveness of these internal controls.

**Management Response:** As noted in another finding, some Department employees commit fraud and theft of State resources despite the internal controls that exist. In such cases, and in this case, the Department refers the matter for criminal prosecution and initiates disciplinary action against the employee who committed the fraud. The individual in this case was dismissed from employment as a result of this fraudulent activity.

**Corrective Action:** 1) Conduct a review of the policy and procedures related to the use of gas cards; 2) adjust those procedures or implement new internal controls as necessary; 3) document the internal control system as revised; 4) develop a follow-up plan.

**Responsible Party:** CFO; all financial bureau chiefs

**Implementation Date:** March 1, 2011

10-10 FACILITY CASH RECONCILIATION

**Condition:** During test work on the cash held by facilities in authorized banks, the following issues were noted:

- 1) A deposit for approximately \$135k for FBMC was received and deposited in May 2010; however, it was not transferred to the SGFIP and applied against accounts receivable and revenue until July 2010.
- 2) During review of the facilities bank reconciliation reports, it was noted that a net amount of approximately \$5k in reconciling items was not recorded into SHARE in the patient trust fund. Furthermore, there were numerous reconciling items that were stale and the Department was uncertain if they were valid reconciling items.

**Criteria:** As a state agency, the Department must follow the existing MAPs. According to MAPs (FIN 11.3-Revenue Classification), authorized by Chapter 6-5-2, NMSA states that all state agencies shall accurately classify and record *Cash Receipts* to correctly recognize a receipt of revenue or reduction in accounts receivable. Furthermore, according to MAPs (FIN 13.1 External Systems), authorized by Chapter 6-5-2.1, NMSA requires the complete, accurate and timely recording of accounting transactions originating from a subsidiary system into SHARE, the central reporting system.

Schedule of Findings and Questioned Costs - continued

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

**10-10 FACILITY CASH RECONCILIATION - continued**

**Cause:** Lack of effective internal controls surrounding the facility cash reconciliation process.

**Effect:** Misstatement of financial information and potential misappropriation of assets.

**Recommendation:** We recommend the implementation of effective internal controls surrounding the facility cash reconciliation process.

**Management Response:** Ft. Bayard Medical Center is located in Silver City, New Mexico, and there were experienced staff shortages during the period in question. In addition, the State changed fiscal agent banks for all of its accounts, which caused further delays in processing transactions related to cash accounts administered by the Department's facilities. The Department continues to work to ensure that all account balances are maintained adequately on behalf of its patients and will review the entries in question and make the correct adjusting entries.

**Correction Action:** 1) review processes for reconciliation of bank accounts and posting of entries; 2) adjust the processes as necessary to ensure appropriate, effective internal controls; 3) document processes into a formal policy and appertaining procedures; 4) implement procedures and develop a follow-up plan.

**Responsible Party:** Financial Accounting Bureau Chief

**Implementation Date:** April 1, 2011

**10-11 UNTIMELY REVERSION TO STATE GENERAL FUND**

**Condition:** It was noted that the Department did not revert the amount due to the State General Fund in the capital project fund as of June 30, 2009 in the amount of \$323,404.

**Criteria:** Per Audit Rule 2.2.2.12 A(6) authorized by Section 6-5-10(A) NMSA 1978 requires all unreserved, undesignated fund balances in reverting funds as of June 30 shall revert by September 30 to the general fund. Failure to transfer funds in a timely manner in compliance with statute requires a finding.

**Cause:** Failure or lack of internal controls to ensure all funds subject to reversion are reverted in a timely manner as required by Statute.

**Effect:** The Department is not in compliance with State Auditor Rule and state statute.

**Recommendation:** We recommend that management establish effective controls necessary to ensure that all reverting funds are reverting in a timely manner.

Schedule of Findings and Questioned Costs - continued

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

**10-11 UNTIMELY REVERSION TO STATE GENERAL FUND - continued**

**Management's Response:** DOH agrees that it was late reverting the unexpended balance in the Capital Projects Fund. DOH had no Bureau Chief in the Financial Accounting Bureau at the time and has been short-staffed in the Administrative Services Division. However, the new Bureau Chief is actively reviewing all accounts and ensuring the timely reversion of unexpended balances in accordance with DFA requirements.

**08-05 LACK OF FORMAL DISASTER RECOVERY PLAN**

**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 and the Disaster Recovery Plan not being a priority.

**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 Response:** DOH's Information Technology Services Division (ITSD) is responsible for creating and testing a formal disaster recovery plan and is continuing to work on creating, implementing and regularly testing the plan. ITSD has disaster recovery procedures in place but needs to formally document and implement them.

**Corrective Action:** Document and implement a formal disaster recovery plan.

**Responsible Party:** ISTD Director

**Implementation Date:** February 1, 2011

**09-01 SAFEGUARDING OF MONIES COLLECTED - Updated**

**Condition:** During September 2010, the Department became aware of fraud within one of the public health offices. The investigation is ongoing and at this time is estimated at a potential loss of \$1,276.



Schedule of Findings and Questioned Costs - continued

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

**09-01 SAFEGUARDING OF MONIES COLLECTED – Updated - continued**

**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 2.2), 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 State Treasurer's Office or with an authorized banking institution.

**Cause:** Lack of effective controls over the cash receipt process.

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

**Recommendation:** Upon completion of the Department's investigation, the Department should evaluate the causes surrounding this particular incident to determine what internal controls could be implemented to prevent the re-occurrence of this incident at other public health offices. It is also recommended that the Department perform criminal background checks on new hires of any individuals that will be handling cash or working in a financial/accounting capacity of any type within the Department.

**Management Response:** Because the Public Health Division regularly receives payments from patients in its offices statewide, it regularly deposits cash and other monetary instruments. The Department makes every attempt to ensure that internal controls are in place and followed at each location that receives payments; however, some employees still circumvent those controls and commit fraud. All employees found to have stolen cash or other monetary instruments are referred to law enforcement authorities and prosecuted. The Department is reviewing the circumstances surrounding this fraud and will take appropriate action, including prosecution, restitution and review of internal controls.

**Corrective Action:** 1) Conduct a review of the internal control system for cash receipts within each office; 2) adjust internal controls or implement new internal controls as necessary; 3) document the internal control system as revised; 4) develop a follow-up plan.

**Responsible Party:** Public Health Division Director

**Implementation Date:** July 1, 2011

Schedule of Findings and Questioned Costs - continued

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

**09-4 DDSD PROVIDER ANNUAL FINANCIAL STATEMENTS - Updated**

**Condition:** During the FY09 audit, the Department received a finding because the DDSD providers were not submitting their annual financial statements to the Office of Internal Audit (OIA) for the Department of Health as required in the provider agreement. It was recommended to implement effective controls and procedures to ensure that all providers were submitting their annual financial statements. OIA would then be able to review the financial statements of the providers to potentially identify any possible issues with the providers that would indicate the need for additional oversight or monitoring of that provider. However, the Department removed this requirement from the provider agreement to submit their annual financial statements. As a result, there is minimal oversight and monitoring of these providers by the Department.

**Criteria:** As previously required, the DDSD provider agreement required the provider to submit a copy of their annual financial statements to: Department of Health, Office of Internal Audit. However, the current provider agreement now excludes this requirement, but still requires the provider to maintain accurate financial records, books, files and reports ("financial records") in accordance with generally accepted accounting principles, applicable state and federal laws and regulations and the requirements of the Department. In addition, the agreement also states that the provider receiving state funds from the Department or federal funds shall comply, if applicable, with auditing requirements under the Single Audit Act (31 U.S.C. §7501, et seq.) and the New Mexico State Auditor's rules and regulations.

**Cause:** Lack of effective internal controls surrounding this financial oversight and monitoring of DDSD providers.

**Effect:** Possible undetected provider non-compliance with the requirements of the DDSD provider agreement and other state and federal regulations.

**Recommendation:** We recommend the Department re-modify the provider agreement to require annual submission of their annual audited financial statements. In addition, the Department should establish internal controls to ensure financial review by the Department's OIA of all financial statements.

Schedule of Findings and Questioned Costs - continued

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

**09-4 DDSD PROVIDER ANNUAL FINANCIAL STATEMENTS – Updated - continued**

**Management Response:** Although the annual financial audit requirement was not enforced for FY10 DD provider agreements, management disagrees with the conclusion that there is minimal oversight and monitoring of DD providers. DDSD regularly reviews provider payments and rates and maintains surveillance and reporting of discrepancies to both DOH management and DOH's Office of Internal Audit (OIA). In fact, OIA actively reviews the finances of DD providers whenever anomalies are suspected, referred, or reported to any part of the Department of Health, including the Division of Health Improvement, which reviews the financial viability of DD providers during their licensing and certification reviews. DOH is reviewing the annual financial report requirements of its providers, and will implement more stringent financial reporting requirements as part of the agreements.

**Corrective Action:** Review the annual financial reporting requirements for providers; adjust requirements and incorporate those adjusted requirements into the DD Provider Agreements.

**Responsible Party:** CFO, OIA Bureau Chief

**Implementation Date:** July 1, 2011

**Auditors' Response:** The auditor concurs with management that oversight and monitoring is performed over the DDSD providers. However, during the review of OIA internal reports it was noted that the finances of one DD provider are currently being investigated. However, the investigation originated through a complaint to Division of Health Improvement (DHI) and not through the Department's regular reviews. Furthermore, it was noted the provider had never submitted their annual audited financial statements. The auditor believes that had the Department required the submission of their audited financial statements and had the OIA performed a financial review, there would have been an indication of potential weaknesses in internal control of the provider. This would have provided the Department an indication that an additional investigation or review of their financial records is necessary. Based on these facts, the auditor believes the oversight and monitoring of the financial records of the providers to be minimal.

Schedule of Findings and Questioned Costs - continued

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

10-02 CAPITAL ASSET MANAGEMENT AND TRACKING

**Condition:** During our test work of capital assets, we noted the following:

- 1) Additions of IT equipment added with a useful life of 10 years. The useful life of these additions should have been 5 years.
- 2) The additions schedule reported additions of 8 units of IT equipment for a total of \$37,600. The actual amount should have been \$59,600. The additions schedule also excluded a capital asset for \$9,815 that was identified by the auditors to be capitalized.
- 3) The Department uses an Excel spreadsheet to track all capital assets. As a result, errors with some of the formulas were noted and an approximately \$1.7m adjustment to accumulated depreciation was necessary.
- 4) During review of the additions of capital assets, we noted that approximately \$440k in additions with federal funds were not assigned federal project IDs within the capital asset listing for the following programs:

|  |        |
|--|--------|
| WIC Food and Administration                | 10.557 |
| Public Health Emergency Preparedness       | 93.069 |
| Centers for Disease Control and Prevention | 93.283 |
| Immunization Grants                        | 93.268 |
| Substance Abuse and Mental Health Services | 93.243 |
| Universal Newborn Hearing Screening        | 93.251 |
| Ryan White Title II HIV Care               | 93.917 |

**Questioned Costs:** None.

**Criteria:** As a state agency, the Department must follow the existing MAPs procedures regarding asset management, which states the following:

- 1) MAPs (FIN 6.2 Asset Depreciation) states that depreciation of assets should be recorded in compliance with generally accepted accounting practices. The procedure should be that the manager submits useful life, in service date and depreciation convention to the state agency CFO for approval in order to prevent inappropriate depreciation expenses.

Schedule of Findings and Questioned Costs - continued

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C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

10-02 CAPITAL ASSET MANAGEMENT AND TRACKING - continued

Criteria - continued:

- 2) MAPs (FIN 6.4 Recording and Reporting Capital Assets), authorized by Chapters 6-5-2, 13-6-1, NMSA 1978 2.20.1 NMAC states that state agencies shall record and report state owned capital assets in accordance with state law, state rule and Generally Accepted Accounting Principles. Policy requires that in the accounting records, state agencies shall record additions to capital assets at the time acquired, and state agencies should establish procedures and accounting processes to record additions, dispositions, transfers and deletions of capital assets.

Additionally, per A-102 Common Rule for capital assets purchased with federal funds, the Department is required to have procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds. The Department is required until disposition takes place to maintain property records that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data, including the date of disposal and sale price of the property.

**Cause:** Lack of effective controls over capital asset management and tracking.

**Effect:** Non-compliance with MAPs standards and federal regulations and misstatement of capital assets.

**Recommendation:** We recommend that management establish effective controls necessary to ensure that capital asset are properly managed and tracked to ensure compliance with all state and federal laws and regulations. Additionally, due to the significant amount of capital assets of the Department, it is recommended that the Department utilize capital asset software to maintain capital assets as opposed to an Excel spreadsheet.

**Management Response:** The Department agrees that these oversights and errors occurred and will ensure that staff in the Financial Accounting Bureau review items that have been added to the capital assets list and entered accurately to ensure accurate recording of assets' useful life. The Department will also explore the possibility of utilizing a different, more sophisticated asset tracking software program to more accurately track its capital assets.

**Corrective Action:** Review and update of the capital asset listing on a quarterly basis.

**Responsible Party:** Financial Accounting Bureau Chief

**Implementation Date:** April 1, 2011

Schedule of Findings and Questioned Costs - continued

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

10-05 UNALLOWABLE COSTS

**Condition:** During our single audit test work, the following unallowable costs were identified and charged against federal grants:

- 1) During allowed cost test work, it was noted that on 1 out of 40 disbursements, an employee was reimbursed for alcoholic beverages for a total of approximately \$3.00 that was charged to the State Survey and Certification of Health Care Providers federal grant - 93.777.
- 2) It was noted that the Department is charging late charges on utility bills to federal grants. Based on additional review of the late charges charged, it is estimated the following costs were incorrectly charged for FY10:

WIC Food and Administration – 10.557 - \$93  
Medical Assistance Program – 93.778 - \$23

**Questioned Costs:** None.

**Criteria:** Per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, alcoholic beverages, fines and penalties are un-allowable costs.

**Cause:** Management oversight.

**Effect:** The Department is in violation of the federal grant.

**Auditors' Recommendation:** We recommend that management establish effective controls necessary to ensure that only allowable costs as outlined in OMB Circular A-87 are charged to federal grants.

**Management Response:** The Department will ensure that the unallowable costs for alcoholic beverages and late fees are reversed and returned to the Federal Government. The Department's policies are to follow the OMB circulars and not allow for reimbursement of alcoholic beverages for travelers, and DFA also does not allow such charges. It is unclear how these charges were paid. In addition, payments of the late fees with Federal Funds are also unallowable and should not have occurred. The Department will implement procedures to ensure that this does not happen in the future.

Schedule of Findings and Questioned Costs - continued

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

10-05 UNALLOWABLE COSTS - continued

Management Response - continued:

**Corrective Action:** 1) Reverse unallowable costs and return appropriate amounts to the Federal Government; 2) review current procedures for payment of expenditures submitted for reimbursement under federal grants and contracts; 3) revise procedures as appropriate to ensure adequate review for allowability; 4) document adjusted procedures and establish formal policy and procedures as necessary; 5) implement the policy and procedures and establish a plan for follow-up and monitoring.

**Responsible Party(s):** General Accounting Bureau Chief; Grants Management Bureau Chief; Financial Accounting Bureau Chief

**Implementation Date:** April 1, 2011

10-06 FEDERAL REPORTING

**Condition:** During the reporting test work for WIC Food and Administration – 10.557, it was noted that for the July 2009 798 report, the food amount was reported as \$2,416,429 instead of \$2,146,429 due to a lack of an effective review process.

**Questioned Costs:** None.

**Criteria:** A-102 Common Rule requires that non-Federal entities receiving Federal Awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations and program compliance requirements.

**Cause:** The Department does not have effective internal controls over the review and approval process of the specified report prior to submission.

**Effect:** Inaccurate reporting financial information to federal government, possible non-compliance with federal grant regulations.

**Recommendation:** We recommend the Department implement effective internal controls over all federal financial reporting to include appropriate review and approval prior to submission.

**Management Response:** The Department agrees that one of the analysts in the Grants Management Bureau transposed a number and entered the erroneous amount, and that the error was not caught during the review and approval process. DOH GMB staff will review the internal review and approval procedures to ensure that such errors are not repeated and are noted and corrected during the reporting process.

Schedule of Findings and Questioned Costs - continued

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT - continued

10-06 FEDERAL REPORTING - continued

**Management Response - continued:**

**Correction Action:** 1) Review internal review and approval procedures for Federal report filing; 2) revise procedures as necessary to ensure accuracy of reporting is assured; 3) implement procedures as revised; 4) develop follow-up plan.

**Responsible Party:** Grants Management Bureau Chief

**Implementation Date:** April 1, 2011



STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH

Summary Schedule of Prior Year Audit Findings

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- 08-5 Lack of Disaster Recovery Plan and Formal Backup Procedures – Repeated
- 09-1 Safeguarding of Monies Collected – Repeated/Updated
- 09-2 Controlled Substances Record-Keeping and Inventory – Turquoise Lodge Hospital Pharmacy – Resolved
- 09-3 Inventory Management System – Resolved
- 09-4 DDSD Provider Annual Financial Statements – Repeated/Updated
- 09-5 Women, Infants and Children (WIC) Program – 10.557 – Grant Over-drawn – Resolved
- 09-6 CDC – Public Health Preparedness and Response Bioterrorism – 93.286 – Support of Salaries and Wages – Resolved

**STATE OF NEW MEXICO  
DEPARTMENT OF HEALTH**

**Exit Conference**

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An exit conference was held with the Department on December 9, 2010. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

**STATE OF NEW MEXICO DEPARTMENT OF HEALTH**

Dr. Alfredo Vigil  
Michael J. Mulligan, CGFM

Ricky A. Bejarano, CPA

Cabinet Secretary  
Acting Deputy Secretary of Finance and  
Administration /CFO  
Financial Accounting Bureau Chief

**MEYNNERS + COMPANY, LLC**

Georgie Ortiz, CPA, CGFM  
Javier Machuca, CPA, CGFM  
Matthew Bone, CPA  
Bill Ninopoulos  
Cammie Archuleta

Assurance Principal  
Assurance Senior Manager  
Senior Accountant  
Staff Accountant  
Staff Accountant

**PREPARATION OF FINANCIAL STATEMENTS**

The financial statements presented in this report have been prepared by the Independent Auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report.