



**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**Financial Statements
for the Year Ended
June 30, 2011**

Report of Independent Auditors

MOSS ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
OFFICIAL ROSTER
Year Ended June 30, 2011**

Department Officials

Cabinet Secretary	Catherine Torres, M.D.
Deputy Secretary – Finance (CFO)	James W. Green (CFO)
Deputy Secretary – Facilities	Vacant
Deputy Secretary – Programs	Vacant
General Counsel	Gabrielle Sanchez Sandoval (Acting)
Chief Information Officer	Sean Pearson (Acting)

Division Directors

Administrative Services Division	James W. Green (CFO) (Acting)
Public Health Division	Margaret Gallaher (Acting)
Epidemiology & Response Division	C. Mack Sewell Dr. Ph., M.D., M. Ph
Scientific Laboratory Division	David Mills, Ph.D.
Developmentally Disabled	Cathy Stevenson (Acting)
Division of Health Improvement	Roger Gillespie (Acting)

REPORT OF INDEPENDENT AUDITORS

Catherine Torres, 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, 2011, 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 by program presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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, 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.

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

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 position of the State of New Mexico as of June 30, 2011, 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, 2011, 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 fund of the Department as of June 30, 2011, 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 15, 2011, 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.

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

The Management's Discussion and Analysis on pages 5 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the budgetary comparisons and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as supplemental 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, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
December 15, 2011

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
Management's Discussion and Analysis
Year Ended June 30, 2011**

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, 2011 (FY11). 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 & 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
Management's Discussion and Analysis
Year Ended June 30, 2011**

Overview of the Basic Financial Statements - Continued

- Statement of Revenues and Expenditures -Budget and Actual Modified Accrual (GAAP Budgetary Basis) reports the original approved budget, final approved budget, and actual results presented on the modified accrual budgetary basis of reporting for the general fund and all major funds. A separate column is presented to report any variances between the final budget and actual amounts.
- Statement of Fiduciary Net Assets provides information about the financial relationships in which the Department acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.
- 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.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
Management's Discussion and Analysis
Year Ended June 30, 2011

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**

<u>Category</u>	<u>2011 Governmental Activities</u>	<u>2010 Governmental Activities</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Assets:				
Cash, restricted and non restricted	\$ 39,084,194	\$ 33,971,633	\$ 5,112,561	15.0%
Other current assets	38,749,154	40,096,576	(1,347,422)	-3.4%
Non-current assets ¹	<u>72,822,625</u>	<u>14,845,611</u>	<u>58,037,014</u>	-390.9%
Total Assets	<u>\$ 150,715,973</u>	<u>88,913,820</u>	<u>61,802,153</u>	69.5%
Liabilities:				
Current liabilities	\$ 88,844,875	70,059,344	18,785,531	26.8%
Long-term liabilities	<u>58,940,000</u>	-	<u>58,940,000</u>	100.0%
Total Liabilities	<u>\$ 147,784,875</u>	<u>70,059,344</u>	<u>77,725,531</u>	110.9%
Net Assets:				
Invested in capital assets	\$ 12,882,625	14,845,611	(1,962,986)	-13.2%
Restricted for grantors and other	(9,951,527)	4,008,875	(13,960,402)	-348.2%
Unrestricted (deficit)	<u>-</u>	<u>-</u>	<u>-</u>	
Total Net Assets	<u>\$ 2,931,098</u>	<u>18,854,486</u>	<u>(15,923,388)</u>	-84.5%
Total Net Assets and Liabilities	<u>\$ 150,715,973</u>	<u>88,913,830</u>	<u>61,802,143</u>	69.5%

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2011 are as follows:

Net Assets:

Current assets decreased by \$1.3 million or 3.4%. This decrease was the result of the following:

- A decrease in Patient Accounts Receivable of \$4.8 million resulting from increases in the allowance for doubtful accounts and changes in the accounting method and the billing system in Public Health;
- An increase in the Federal Receivable of approximately \$3.6 million due to the agency receiving more federal grants; and

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2011**

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE - Continued

Net Assets: - Continued

- A minimal combined decrease of approximately \$99.8 in the Due from Other State Agencies, Inventory, Due from Local Governments and Prepaid Expenses categories, which is the result of normal fluctuation.

Current Liabilities increased by 18.8 million. Much of this increase was the result of the following:

- A decrease in accounts payable in the amount of approximately \$5.8 million due to the department paying its obligations in a more timely manner.
- A decrease in accrued payroll in the amount of approximately \$3.9 million due to a lower payroll amount as well as fewer days that needed to be accrued.
- An increase in interest payable of \$6.8 million based on the debt incurred for the new facility that was placed in service in Fort Bayard.
- An increase in Due to the State General Fund of \$6.0 million that was a result of a hiring freeze that was in effect for most of the fiscal year and cost saving measures that were implemented.
- An increase in Due to Other State Agencies in the amount of \$11.5 million as the department was unable to pay these entities in a timely manner.

Capital assets and investment in capital assets decreased by approximately \$2.0 million or 13.2%, due to approximately \$4.3 million in depreciation expenses that were offset by approximately \$63.0 million in additional capitalized assets less \$60.0 million of related debt. Additional purchased items included computer and laboratory equipment. During FY 11, the Department deleted approximately \$4.5 million of capital assets from the capital assets list.

Overall, total assets increased by approximately \$62.0 million, or 69.5%, due to the factors noted above.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
Management's Discussion and Analysis
Year Ended June 30, 2011**

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE - Continued

Change in Net Assets:

Overall, the Department experienced a decrease in total revenues of 9.4%. Program revenues decreased overall by 6.5% when compared to 2010. There was an increase in services revenue of \$4.6 million. It is not anticipated that service revenues will increase in fiscal year 2012 due to economic conditions. For fiscal year 2011, general revenue experienced a decline of 12.8% or \$28.5 million. Much of this decrease was a general fund decrease from \$285.4 million in FY 10 to \$263.2 million in FY 11 and an increased reversion amount of \$5.3 million.

Governmental Activities: The table below summarizes the changes in the Department's net assets for the fiscal years ending June 30, 2011 and 2010. Total change in net assets from the previous fiscal year was a decrease of \$15.9 million.

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

<u>Category</u>	<u>2011 Governmental Activities</u>	<u>2010 Governmental Activities</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenue: Program revenue				
Charges for services	\$ 99,877,746	95,254,922	4,622,824	4.9%
Operating grants and contributions	<u>147,063,421</u>	<u>168,940,287</u>	<u>(21,876,866)</u>	-12.9%
Total program revenue	\$ 246,941,167	264,195,209	(17,254,042)	-6.5%
General Revenue:				
Transfers, net	\$ (66,225,912)	(61,743,138)	(4,482,774)	7.3%
Bond proceeds/appropriations	275,388,910	299,492,083	(24,103,173)	-8.0%
Investment income	1,429,807	1,301,898	127,909	9.8%
Reversions	(17,165,311)	(11,920,510)	(5,262,801)	44.2%
Bad debt expense (increase allowance)	<u>-</u>	<u>(5,250,938)</u>	<u>5,250,938</u>	-100.0%
Total general revenue	\$ 193,427,494	221,897,395	(28,469,901)	-12.8%
Total revenues	\$ 440,368,661	486,092,604	(45,723,943)	-9.4%
Expenses:				
Total governmental	\$ <u>456,292,049</u>	<u>485,507,840</u>	<u>(29,215,791)</u>	-6.0%
Changes in net assets	\$ (15,923,388)	584,764	(16,508,152)	-2823.0%
Beginning in net assets	18,854,486	21,218,450	(2,363,964)	-11.1%
Restatement	<u>-</u>	<u>(2,948,728)</u>	<u>2,948,728</u>	-100.0%
Beginning net assets, restated	\$ <u>18,854,486</u>	<u>18,268,722</u>	<u>584,764</u>	3.2%
Ending Net Assets	\$ <u>2,931,098</u>	<u>18,854,486</u>	<u>(15,923,388)</u>	-84.5%

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2011**

BUDGETARY HIGHLIGHTS

The Department's Operating Budget for Fiscal Year 2011 totaled \$518.1 million, including \$265.3 million in General Fund. In accordance with Laws 2010, 2nd Special Session, Chapter 6, the Department's General Fund budget was decreased by 3.245% or \$5.4 million for a revised General Fund operating budget of \$259.9 million, the Tobacco Settlement Funds within the Inter Agency Transfers were also reduced by \$828.7 resulting in a revised total operating budget of \$511.9 million.

Budget adjustment increases totaling over \$11.9 million during the fiscal year from various funding sources, in addition \$6.5 million of budget adjustment decreases were processed during the fiscal year which resulted in a final operating budget amount for the Department of \$517.3 million.

Significant adjustments to the FY11 appropriated operating budget included:

- An increase of \$4.0 million in Federal Funds from the U.S. Dept of Health and Human Services (HHS), Centers for Disease control and Prevention (CDC), Public Health and Social Serviced emergency fund, for the Public Health Emergency Response (PHER) program for the implementation of a mass vaccination campaign to respond to an Influenza pandemic and emerging outbreak of the Novel Influenza A (H1N1) in the United States.
- An increase of \$3.7 million in Federal Funds from the United States Department of Agriculture (USDA) for operational and administrative expenditures related to the WIC Nutrition Program.
- A supplemental increase of \$3.1 million in General Fund to support the DD Waiver shortfall as a result of the enhanced FMAP reducing in the fourth quarter of the FY11.
- An increase of \$ 1.1 million in Federal Funds in the Laboratory Services Program, The increase is from four different federal grants (1) U.S. Environmental Protection Agency (EPA) grant (2) Food Emergency Response Network (FERN) grant; (3) Bioterrorism grant; (4) the Public Health Emergency Response (H1N1) grant.
- An increase of \$568.7 thousand in Inter Agency Transfers in the Developmentally Disabilities Support Program (DDSD). The increase is from a Governmental Services Agreement (GSA) between the Developmentally Disabilities Support Program (DDSD) and the Human Services Department (HSD), the source of funding for the GSA is a one-time Federal Medicaid Infrastructure Grant (MIG).

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
Management's Discussion and Analysis
Year Ended June 30, 2011**

BUDGETARY HIGHLIGHTS - continued

- An increase of \$499.1 thousand in Federal Funds for the 2008 Family Planning Services for Region 6, the source of funding is from the Health and Human Services, Public Health Service Grant to hospitals;
- A transfer of \$2.4 million in General Funds, Other State Funds, Inter Agency Transfers, and Federal Funds from the Personal Services and Employee Benefits Category and the Other Category into the Contractual Services category for the Facility Management Program;
- A transfer of \$1.0 million in General Funds and Other State Funds from the Contractual Services Category into the Other Category to cover the utilities and maintenance of the recently occupied New Mexico Scientific Laboratories (NMSL) building.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Total capital assets, net of depreciation, for the Department make up 8.5% of the Department's total assets. The Department has no infrastructure assets. The department has occupied a new facility in Fort Bayard, which was financed through government obligation bonds in the amount of \$60.0 million.

Total compensated absences at June 30, 2011 are \$7.1 million. The estimated amount to be paid from General Fund appropriations within one year is \$7.1 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, 2011.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The national and state financial situation for the upcoming fiscal years is grim even though recent economic indicators have improved, while other economic indicators continue to point to a weakened economic growth. As a result of this, the Department of Health anticipates reductions in federal funds. However, the Department will continue to monitor and reduce expenditures while maintaining the highest quality of care and support for the health and welfare of the citizens of New Mexico. The new revenues projected for during the 2012 Legislative Session will be marginal. The goal of the Department will be to maintain the current level of service with the current level of funding.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2011**

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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

James W. Green, CFO/Deputy Cabinet Secretary of Finance and Administration
New Mexico Department of Health
Harold Runnels Building
1190 St. Francis Drive, Suite N4400
P.O. Box 26110
Santa Fe, NM 87502

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
Statement of Net Assets
As of June 30, 2011

	<u>Governmental Activities</u>
ASSETS:	
Current Assets	
Investment in State General Fund Investment Pool	\$ 38,887,692
Cash	196,502
Accounts receivable, net	11,784,100
Due from federal government	17,103,186
Due from other state agencies	6,541,213
Due from other local government	100,000
Inventory	3,191,210
Prepaid expenses and others	29,445
Total current assets	<u>77,833,348</u>
Noncurrent Assets	
Capital assets	131,672,224
Less accumulated depreciation	<u>(58,789,599)</u>
Total noncurrent assets	<u>72,882,625</u>
Total assets	<u>\$ 150,715,973</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 22,890,148
Accrued payroll	6,357,671
Interest payable	6,786,744
Due to State General Fund	17,610,950
Due to other state agencies	21,224,893
Due to the federal government	335,403
Deferred revenues	5,347,696
Other liabilities	48,710
Compensated absences	7,182,660
Capital lease payable	1,060,000
Total current liabilities	<u>88,844,875</u>
Long-term Liabilities	
Capital lease payable - Due in more than one year	<u>58,940,000</u>
Total long-term liabilities	<u>58,940,000</u>
Total liabilities	<u>147,784,875</u>
Net Assets	
Invested in capital assets	12,882,625
Unrestricted (deficit)	(9,951,527)
Total net assets	<u>2,931,098</u>
Total liabilities and net assets	<u>\$ 150,715,973</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
GOVERNMENTAL ACTIVITIES:					
Administration	\$ 17,426,193	41,303	6,199,179	-	(11,185,711)
Public health	168,531,042	27,878,002	70,639,084	-	(70,013,956)
Public health in -kind	33,280,192	-	33,280,192	-	-
Epidemiology and response	25,810,991	1,192,187	16,829,237	-	(7,789,567)
Laboratory services	11,202,856	2,201,338	2,701,050	-	(6,300,468)
Facilities management	133,744,830	64,558,999	1,223,749	-	(67,962,082)
Developmental disabilities supports services	45,948,053	1,393,462	10,404,196	-	(34,150,395)
Health certification, licensing and oversight	11,435,165	2,612,455	5,786,734	-	(3,035,976)
Other health initiatives	2,125,983	-	-	-	(2,125,983)
Interest on capital lease	6,786,744	-	-	-	(6,786,744)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 456,292,049	99,877,746	147,063,421	-	(209,350,882)
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
State General Fund appropriations					263,161,004
STB appropriations					2,165,680
Tobacco settlement funds					7,795,382
County-supported medicaid					2,266,844
Interest income					1,429,807
Reversion - FY2011 - Transfer out					(17,165,311)
Other transfers out					-
Inter-agency transfers, net					(66,225,912)
TOTAL GENERAL REVENUES AND TRANSFERS					193,427,494
CHANGE IN NET ASSETS					(15,923,388)
NET ASSETS, BEGINNING					18,854,486
NET ASSETS, ENDING					\$ 2,931,098

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2011

	Major Funds		Other Non-major Funds	Total Governmental Funds
	General Fund 06100	ARRA Fund 89000		
ASSETS:				
Investment in State General Fund				
Investment Pool	\$ 34,042,133	-	4,845,559	38,887,692
Cash	196,502	-	-	196,502
Accounts receivable, net	11,784,100	-	-	11,784,100
Due from federal government	14,834,771	2,268,415	-	17,103,186
Due from other state agencies	5,644,028	-	897,185	6,541,213
Due from other local governments	100,000	-	-	100,000
Due from other funds	550,872	-	-	550,872
Inventory	3,191,210	-	-	3,191,210
Prepaid expenses and others	29,445	-	-	29,445
TOTAL ASSETS	\$ 70,373,061	2,268,415	5,742,744	78,384,220
LIABILITIES:				
Accounts payable	\$ 19,904,612	1,738,484	1,247,052	22,890,148
Accrued payroll	6,349,978	214	7,479	6,357,671
Due to State General Fund	17,258,316	-	352,634	17,610,950
Due to other funds	28,492	522,380	-	550,872
Due to other state agencies	21,217,492	7,401	-	21,224,893
Due to federal government	335,403	-	-	335,403
Deferred revenues	3,186,303	-	2,161,393	5,347,696
Other liabilities	29,600	-	19,110	48,710
TOTAL LIABILITIES	68,310,196	2,268,479	3,787,668	74,366,343
FUND BALANCES:				
Nonspendable	3,220,655	-	-	3,220,655
Restricted	-	-	1,955,076	1,955,076
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(1,157,790)	(64)	-	(1,157,854)
TOTAL FUND BALANCES	2,062,865	(64)	1,955,076	4,017,877
TOTAL LIABILITIES AND FUND BALANCES	\$ 70,373,061	2,268,415	5,742,744	78,384,220

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of June 30, 2011**

**Total Fund Balances - Governmental Funds
(Governmental Funds Balance Sheet)** \$ 4,017,877

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:	131,672,224
Accumulated depreciation is:	<u>(58,789,599)</u>

Total capital assets	72,882,625
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Capital lease payable is not due and payable in the current period and, therefore, are not reported in the funds:	(60,000,000)
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Interest on capital lease is not accrued in the fund financial statements unless it is due and payable:	(6,786,744)
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Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:	<u>(7,182,660)</u>
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Net assets of governmental activities (Statement of Net Assets) \$ 2,931,098

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	Major Funds			Total Governmental
	General Fund 06100	ARRA Fund 89000	Other Non-major	
REVENUES:				
Federal grant revenue	\$ 104,425,574	7,582,312	-	112,007,886
In-kind assistance	33,280,192	-	-	33,280,192
Charges for services	80,790,378	-	-	80,790,378
Investment earnings	1,429,807	-	-	1,429,807
Fees, penalties, rentals and other	20,818,438	-	44,273	20,862,711
TOTAL REVENUES	\$ 240,744,389	7,582,312	44,273	248,370,974
EXPENDITURES:				
Current operating:				
Administration	\$ 13,078,706	-	3,746,019	16,824,725
Public health	164,237,007	2,257,407	2,299,544	168,793,958
Public health in-kind assistance	33,280,192	-	-	33,280,192
Epidemiology and response	18,461,006	3,750,607	3,515,674	25,727,287
Laboratory services	10,395,778	-	-	10,395,778
Facilities management	130,900,378	-	-	130,900,378
Development Disabilities Support Services	44,778,346	1,166,872	-	45,945,218
Health, Certification, Licensing and Oversight	11,016,843	407,490	-	11,424,333
Other health initiatives	-	-	2,125,983	2,125,983
Capital outlay	62,488,880	-	39,697	62,528,577
TOTAL EXPENDITURES	488,637,136	7,582,376	11,726,917	507,946,429
DEFICIENCY OF REVENUES OVER EXPENDITURES	(247,892,747)	(64)	(11,682,644)	(259,575,455)
OTHER FINANCING SOURCES (USES):				
General fund appropriation	255,642,804	-	7,518,200	263,161,004
Tobacco Settlement appropriation	7,795,382	-	-	7,795,382
County-supported Medicaid	-	-	2,266,844	2,266,844
STB appropriation	-	-	2,165,680	2,165,680
Reversion - FY2011 - transfer out	(17,024,963)	-	(140,348)	(17,165,311)
Other transfers	-	-	-	-
Proceeds from capital lease	60,000,000	-	-	60,000,000
Inter-agency transfers, net	(66,266,419)	-	40,507	(66,225,912)
TOTAL OTHER FINANCING SOURCES	240,146,804	-	11,850,883	251,997,687
NET CHANGE IN FUND BALANCE	(7,745,943)	(64)	168,239	(7,577,768)
FUND BALANCES, BEGINNING	9,808,808	-	1,786,837	11,595,645
FUND BALANCES, ENDING (DEFICIT)	\$ 2,062,865	(64)	1,955,076	4,017,877

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (7,577,768)

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: 404,110

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	62,528,577
Depreciation expense	<u>(4,321,909)</u>

Excess of depreciation expense over capital outlay 58,206,668

Governmental Funds report issuance of capital lease obligation as other financing sources while it is not accounted for in the Statement of Activities. (60,000,000)

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: (169,654)

Interest on capital lease is not accrued in the fund financial statements unless it is due and payable (6,786,744)

Change in net assets of governmental activities
(Statement of Activities) \$ (15,923,388)

See Notes to Financial Statements

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, 2011

	GENERAL FUND - TOTAL			
	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance Form Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 106,509,600	113,441,089	93,669,532	(19,771,557)
General funds	257,673,600	252,548,395	263,438,186	10,889,791
Other state funds	116,092,800	116,092,800	90,339,401	(25,753,399)
Inter-agency transfers*	27,375,900	24,198,870	23,455,264	(743,606)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 507,651,900	506,281,154	470,902,383	(35,378,771)
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	\$ 218,698,300	215,472,162	204,155,239	11,316,923
Contractual services	77,662,900	78,174,268	66,785,524	11,388,744
Other	147,603,300	148,966,724	124,416,181	24,550,543
Other financing uses	63,687,400	63,668,000	63,476,935	191,065
TOTAL EXPENDITURES	\$ 507,651,900	506,281,154	458,833,879	47,447,275
SUPPLEMENTAL APPROPRIATION	\$ 2,789,484	2,789,484	2,789,484	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			9,279,020	
REVERSIONS (NOT BUDGETED)			(17,024,963)	
NET CHANGE IN FUND BALANCE			\$ (7,745,943)	

* Federal funds passed through to the Department from the NM Human Services Department in the amount of \$10,756,042 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.

See Notes to Financial Statements

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, 2011

	ARRA FUND			
	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance Form Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 18,505,644	18,505,644	7,582,312	(10,923,332)
General funds	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 18,505,644	18,505,644	7,582,312	(10,923,332)
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	\$ 1,073,719	1,073,719	479,549	594,170
Contractual services	8,445,202	8,445,202	3,405,829	5,039,373
Other	8,986,723	8,986,723	3,696,998	5,289,725
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 18,505,644	18,505,644	7,582,376	10,923,268
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				<u>(64)</u>
NET CHANGE IN FUND BALANCE			<u>\$</u>	<u>(64)</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
As of June 30, 2011

	<u>Agency Funds</u>
ASSETS:	
Investment in State General Fund Investment Pool	\$ 292,451
Cash	<u>947,075</u>
TOTAL ASSETS	<u><u>1,239,526</u></u>
LIABILITIES:	
Fund held for others	902,723
Due to other state agencies	<u>336,803</u>
TOTAL LIABILITIES	<u><u>\$ 1,239,526</u></u>

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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 year 2011 (FY11), the Legislature passed and the Governor enacted the budget, and the Operating Budget was approved, in seven Program Areas, as shown below:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

REPORTING ENTITY – Continued

Program Area Six (P006) — Facilities:

Fort Bayard Medical Center (Silver City)
State Veterans Home (Truth or Consequences)
Turquoise Lodge (Albuquerque)
New Mexico Rehabilitation Center (Roswell)
Sequoyah Adolescent Treatment Center (Albuquerque)
Behavioral Health Institute (Las Vegas)

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

REPORTING ENTITY – Continued

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.

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.

NOTE 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government 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;

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Funds - Continued

- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

Other Non-major Funds

Special Revenue Funds. DOH maintains 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.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Non-Major Funds - Continued

- 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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-Current Governmental Assets/Liabilities - Continued

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 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.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

Reservations and Designations

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or in some cases by legislation.

The Department's fund balances represent: 1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; 2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; 3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these reserves by fund type at June 30, 2011, follows:

Nonspendable - Petty Cash and Change Funds. This reserve was created for imprested petty cash funds and change funds.

Nonspendable - Inventories. 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.

Nonspendable - Postage. This reserve was created for prepaid postage on hand at year end. At year end, postage remaining in the meter is recorded as a prepaid asset with an offsetting reserve of fund balance in the Governmental Fund Statement.

Spendable – Restricted. This reserve consists of liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory or granting agency) limitation on their use.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation – Continued

Reservations and Designations - Continued

Spendable – Committed for Multi-Year Appropriations. This reserve was created for multiyear appropriations for which the Department has received funds for projects which extend into future years.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, restricted fund balance must be spent first. When expenditures are incurred for purposes for which amounts in any of unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

Cash - Continued

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

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. Those assets acquired and capitalized prior to July 1, 2005 that have not been fully depreciated are still being depreciated under the previous policy. Currently, contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

Capital Assets – Continued

maintenance is expensed when incurred. Depreciation on all assets, including software, is provided on the straight-line basis over the following estimated useful lives with no salvage value:

	<u>Years</u>
Land Improvements	10 to 20
Buildings and Structures	5 to 40
Machinery and Equipment	5 to 20
Vehicles	5 to 10
Information Technology	5 to 20
Furniture/Fixtures	5 to 20

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.

Capital Leases

Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in the capital assets, and where appropriate, are amortized over the shorter of their economic useful lives or lease terms. The related capital lease obligations are included in the long-term liabilities in the government-wide financial statements.

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

statements report expenditures during the period that employees are actually paid, or when compensated absences are liquidated with expendable financial resources from the operational portion of state General Fund appropriations. These expenditures are paid from the Department's General Operating Fund (Fund 06100). Qualified employees are entitled to accumulate vacation leave according to a graduated schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of thirty working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost.

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

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

Compensatory time may be granted by the Department to employees when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours at the rate of one-and-a-half (1 ½) 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 (1 ½). 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 2. ASSETS, LIABILITIES, AND NET ASSETS (CONTINUED)

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.
- Restricted Assets - Reflects the value of liquid assets generated from revenue but not bond proceeds which have third-party (statutory, bond covenant or granting agency) limitations on their use.
- Unrestricted Assets - Represents assets that do not have third-party limitations on their use.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Intra-fund Activity

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 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.
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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
(CONTINUED)**

Budgetary Data - Continued

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.
6. Per Section 9 of the General Appropriation Act of 2008, all agencies, including legislative agencies, may request category transfers among personal services and employee benefits, contractual services and other. Therefore, the legal level of budgetary control would be the appropriation program level (A-Code, P-Code, R-Code, and Z-Code). The A-Code pertains to capital outlay appropriations (general obligation/severance tax or state general fund). The P-Code pertains to operating funds. The R-Code pertains to American Recovery & Reinvestment Act (ARRA) funds. The Z-Code pertains to special appropriations.

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

**NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
(CONTINUED)**

Program Revenue - Continued

accounts, and charges that otherwise exceed payments from Medicare, Medicaid, private or other resources. Medicare and Medicaid payments accounted for approximately 89% of net patient service revenues received in 2011.

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

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 4. ACCOUNTS RECEIVABLE

The accounts receivable and the related allowance for uncollectible accounts for the General Fund as of June 30, 2011, are as follows:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Accounts Receivable</u>
General Fund:			
Fort Bayard Medical Center	3,911,369	(2,353,329)	1,558,040
Scientific Laboratory	407,411	-	407,411
Sequoyah Adolescent Treatment Center	532,012	-	532,012
New Mexico Rehabilitation Center	749,123	(313,087)	436,036
Los Lunas Community Programs	1,678,297	(873,476)	804,821
New Mexico Behavioral Institute (Las Vegas)	9,528,635	(6,543,006)	2,985,629
Turquoise Lodge	900,859	(455,738)	445,121
New Mexico Veterans Home	1,463,756	(427,252)	1,036,504
Public Health	1,784,743	(1,133,044)	651,699
Other	2,926,827	-	2,926,827
Total	<u>\$ 23,883,032</u>	<u>(12,098,932)</u>	<u>11,784,100</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
June 30, 2011

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Type Activities</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance June 30, 2011</u>
Land	\$ 59,700	-	-	59,700
Total non-depreciable assets	59,700	-	-	59,700
Land Improvements	230,577	-	-	230,577
Buildings and structures	42,491,362	60,000,000	(3,954,194)	98,537,168
Machinery and equipment	14,065,507	1,199,821	(420,809)	14,844,519
Vehicles	1,817,262	218,937	-	2,036,199
Information technology	13,249,709	1,109,819	(111,884)	14,247,644
Furniture and Fixtures	1,744,433	-	(28,016)	1,716,417
Total depreciable assets	73,598,850	62,528,577	(4,514,903)	131,612,524
Less accumulated depreciation				
Land improvements	232,015	640	-	232,655
Buildings and structures	34,920,676	2,379,677	(3,849,339)	33,451,014
Machinery and equipment	9,754,671	1,155,389	(358,575)	10,551,485
Vehicles	1,586,910	107,032	(111,883)	1,582,059
Information and technology	11,150,528	634,967	-	11,785,495
Furniture and fixtures	1,168,139	44,204	(25,452)	1,186,891
Total accumulated depreciation	58,812,939	4,321,909	(4,345,249)	58,789,599
Total capital assets, net	<u>\$ 14,845,611</u>	<u>58,206,668</u>	<u>(169,654)</u>	<u>72,882,625</u>

Depreciation expense was charged to functions as follows:

Administration	\$ 601,468
Public Health	141,194
Epidemiology and response	83,704
Laboratory services	807,078
Facilities management	2,674,798
Developmental disabilities support services	2,835
Health certification, licensing and oversight	10,832
	<u>\$ 4,321,909</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 6. COMPENSATED ABSENCES

Compensated absences consist of annual leave, sick leave and comp time earned by Department employees. This time is considered to be a current obligation of the Department. Changes in compensated absences are recorded in the financial statements as follows:

<u>Balance,</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance,</u> <u>June 30, 2011</u>
\$ 7,586,770	7,299,473	(7,703,583)	7,182,660

NOTE 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, 2011 consist of the following:

Due From Other State Agencies

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
06100	Human Services Department	05200	\$ 5,150,801
06100	Human Services Department	97600	302,298
06100	Energy, Minerals & Resources	19900	32,440
06100	Traffic Safety Bureau	10010	50,940
05900	State Board of Finance	10590	683,374
06100	Department of Public Safety	12804	107,550
21900	Department of Finance & Administration	02100	<u>213,810</u>
	Total All Funds		<u>\$ 6,541,213</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 7. DUE FROM AND DUE TO OTHER AGENCIES (CONTINUED)

Due To Other State Agencies

DOH SHARE Fund No.	Agency	Other Agency's Fund	Amount
Governmental Funds			
06100	Human Services Department	05200	\$ 21,168,523
89000	Department of Information Technology	20310	7,401
06100	Department of Information Technology	20310	<u>48,969</u>
Total Governmental Funds			21,224,893
Agency Funds			
50200	Children, Youth and Families Department	91100	149,460
50200	Department of Finance and Administration	85300	<u>187,343</u>
Total Agency Funds			336,803
Total All Funds			<u><u>\$ 21,561,696</u></u>

NOTE 8. INTERFUND ACTIVITY

Due To/From Other Funds at June 30, 2011 were the result of a cash overdraft of \$20,861 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 06100	Fund 89000	\$ 522,380
Fund 06100	Fund 05901	<u>28,492</u>
	Total	<u><u>\$ 550,872</u></u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 9. OTHER LIABILITIES

Other liabilities consist of stale dated checks of non-reverting funds to be reissued in the amount of \$48,710 and an amount due back to a local emergency management region in the amount of \$48,710.

NOTE 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:

County-supported Medicaid receipts	\$ 2,161,393
WICC Formula Rebate receipts	2,914,853
Fees for screening activities	57,476
Newborn blood screening activities	<u>213,974</u>
	<u>\$ 5,347,696</u>

NOTE 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:

<u>Years ending June 30:</u>	<u>Lease Amounts</u>
2012	\$ 3,130,028
2013	2,927,714
2014	2,795,041
2015	2,701,227
2016	2,524,697
2017 - 2021	4,282,543
2022 - 2026	3,087,064
2027 - 2030	<u>1,455,856</u>
Total	<u>\$ 22,904,170</u>

Rental expenditures for the fiscal year ended June 30, 2011 were \$4,170,052.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
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NOTE 12. CAPITAL LEASE

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), 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.

The estimated value of the leased building at the inception of the leases, net of accumulated depreciation, amounted to \$58,518,519. The related present of the remaining obligations under the capital leases which amounted to \$60,000,000 at June 30, 2011 are included in the capital assets and long-term liabilities balances in the government-wide financial statements.

The annual requirements to amortize the lease obligation at June 30, 2011 are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	\$ 1,060,000	2,970,931	4,030,931
2013	1,095,000	2,937,238	4,032,238
2014	1,130,000	2,899,669	4,029,669
2015	1,170,000	2,857,956	4,027,956
2016	1,215,000	2,801,088	4,016,088
2017-2021	7,130,000	12,927,306	20,057,306
2022-2026	9,225,000	10,774,763	19,999,763
2027-2031	11,815,000	8,140,216	19,955,216
2032-2036	15,140,000	4,725,169	19,865,169
2037-2039	11,020,000	844,500	11,864,500
	<u>\$ 60,000,000</u>	<u>51,878,836</u>	<u>111,878,836</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 13. RESERVED FUND BALANCE

Found in the fund balances section of the governmental funds balance sheet, the nonspendable fund balance of \$3,220,655 at June 30, 2011 was reserved for inventory and prepaid expenses.

NOTE 14. REVERSIONS

The following reversions are appropriations accrued during fiscal year 2011:

Laws of 2010, Ch. 6, Section 4	\$ 8,523,205
Laws of 2011, Ch. 179, Section 6, Item 6	<u>304,916</u>
	<u>\$ 8,828,121</u>

The following reversions are from appropriations accrued for fiscal years prior to FY 2011:

Laws of 2009, Chapter 124, Section 4	\$ 8,501,758
Prior FY reversions due to the State General Fund	<u>281,071</u>
Total reversions due to State General Fund	<u>\$ 17,610,950</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.

NOTE 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.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 15. FUNDS HELD IN TRUST BY OTHERS (CONTINUED)

The fair value of the Department's interest in the State Permanent Fund at June 30, 2011, and the income received for the year follow:

	Interest in Fund at <u>June 30, 2011</u>	Income Received <u>in 2011</u>
State Permanent Fund:		
Behavioral Health Institute	\$ 25,074,385	1,969,392
Charitable, Penal and Reformatory Act:		
Behavioral Health Institute	\$ 13,339,981	690,163
Los Lunas Community Programs	\$ 14,047,857	690,163

NOTE 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 (Chapter 10, Article 11, NMSA 1978). The Public Employee's Retirement Association Act (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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 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, 2011, 2010 and 2009 were \$19,336,917, \$21,549,157 and \$24,066,044, 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 (certified teachers, and other employees of state public school districts, colleges, and universities) and beneficiaries. ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to ERB, P.O. Box 26129, Santa Fe, NM 87502. The report is also available on ERB's website at www.nmerb.org.

Funding Policy

Effective July 1, 2009 through June 30, 2011, 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. Effective July 1, 2011 plan members are required by statute to contribute 7.9% of their gross salary they earned \$20,000 or less annually, and plan members earning more than \$20,000 annually are required to contribute 11.15% of their gross salary. The Department is

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 16. RETIREMENT PLANS (CONTINUED)

Educational Retirement Board (ERB) - Continued

required to contribute 12.4% of the gross covered salary for employees earning \$20,000 or less, and 9.15% of the gross covered salary of employees earning more than \$20,000 annually. 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, 2011, 2010 and 2009 were \$43,470, \$40,570 and \$45,308, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 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 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 18. POST-EMPLOYMENT BENEFITS

State Retiree Health Care Plan (RHCA)

Plan Description

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

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

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 18. POST-EMPLOYMENT BENEFITS (CONTINUED)

State Retiree Health Care Plan (RHCA) – Continued

prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.67% of each participating employee's annual salary; each participating employee was required to contribute 0.83% of their salary.

In the fiscal years ending June 30, 2012 and 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:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
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, 2011, 2010, and 2009 were \$2,205,979, \$1,823,339 and \$1,850,179, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 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, 2011, total insurance premiums paid to the Risk Management Division were \$4,634,618.

NOTE 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.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET - BY FUND TYPE
NON-MAJOR GOVERNMENTAL FUNDS
As of June 30, 2011

	County-supported Medicaid Fund 21900	Trauma System Fund 25700
ASSETS:		
Investment in State General Fund Investment Pool	\$ 2,081,844	1,709,621
Due from other state agencies	213,810	-
TOTAL ASSETS	\$ 2,295,654	1,709,621
LIABILITIES:		
Accounts payable	\$ 133,101	919,026
Accrued payroll	1,160	-
Due to State General Fund	-	-
Deferred revenues	2,161,393	-
Other liabilities	-	9,616
TOTAL LIABILITIES	2,295,654	928,642
FUND BALANCES:		
Nonspendable	-	-
Restricted	-	780,979
Committed	-	-
Assigned	-	-
Unassigned	-	-
TOTAL FUND BALANCES	-	780,979
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,295,654	1,709,621

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET - BY FUND TYPE
NON-MAJOR GOVERNMENTAL FUNDS - CONTINUED
As of June 30, 2011

Special Revenue						
Save our Children's Sight Fund 26100	Emergency Medical Services Fund 75600	Birthing Workforce Retention Fund 95800	Total Special Revenue Funds	Capital Projects Fund 05900	Total	
\$ 160,509	882,477	39,600	4,874,051	(28,492)	4,845,559	
-	-	-	213,810	683,375	897,185	
\$ 160,509	882,477	39,600	5,087,861	654,883	5,742,744	
\$ -	21,467	32,700	1,106,294	140,758	1,247,052	
-	6,319	-	7,479	-	7,479	
-	113,195	-	113,195	239,439	352,634	
-	-	-	2,161,393	-	2,161,393	
-	9,494	-	19,110	-	19,110	
-	150,475	32,700	3,407,471	380,197	3,787,668	
-	-	-	-	-	-	
160,509	732,002	6,900	1,680,390	274,686	1,955,076	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
160,509	732,002	6,900	1,680,390	274,686	1,955,076	
\$ 160,509	882,477	39,600	5,087,861	654,883	5,742,744	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY FUND TYPE -
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2011

	County- supported Medicaid Fund 21900	Trauma System Fund 25700
REVENUES:		
Fees, penalties, rentals and other	-	12,356
TOTAL REVENUES	-	12,356
EXPENDITURES:		
Current operating:		
Administration	-	3,746,019
Public Health	2,266,844	-
Epidemiology and response	-	-
Other health initiatives	-	-
Capital outlay	-	-
TOTAL EXPENDITURES	2,266,844	3,746,019
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,266,844)	(3,733,663)
OTHER FINANCING SOURCES (USES):		
General fund appropriations	-	3,996,100
County-supported Medicaid	2,266,844	-
STB appropriation	-	-
Reversion - FY2011 - transfers out	-	-
Other transfers	-	-
Inter-agency transfers, net	-	-
TOTAL OTHER FINANCING SOURCES AND USES	2,266,844	3,996,100
NET CHANGE IN FUND BALANCES	-	262,437
FUND BALANCES, BEGINNING OF YEAR	-	518,542
FUND BALANCES, END OF YEAR	-	780,979

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BY FUND TYPE -
NON-MAJOR GOVERNMENTAL FUNDS - CONTINUED
Year Ended June 30, 2011

Special Revenue						
Save our Children's Sight Fund 26100	Emergency Medical Services Fund 75600	Birthing Workforce Retention Fund 95800	Total Special Revenue Funds	Capital Projects Fund 05900	Total	
\$ -	31,917	-	44,273	-	44,273	
-	31,917	-	44,273	-	44,273	
-	-	-	3,746,019	-	3,746,019	
-	-	32,700	2,299,544	-	2,299,544	
-	3,515,674	-	3,515,674	-	3,515,674	
-	-	-	-	2,125,983	2,125,983	
-	-	-	-	39,697	39,697	
-	3,515,674	32,700	9,561,237	2,165,680	11,726,917	
-	(3,483,757)	(32,700)	(9,516,964)	(2,165,680)	(11,682,644)	
-	3,488,300	33,800	7,518,200	-	7,518,200	
-	-	-	2,266,844	-	2,266,844	
-	-	-	-	2,165,680	2,165,680	
-	(113,195)	-	(113,195)	(27,153)	(140,348)	
-	-	-	-	-	-	
40,507	-	-	40,507	-	40,507	
40,507	3,375,105	33,800	9,712,356	2,138,527	11,850,883	
40,507	(108,652)	1,100	195,392	(27,153)	168,239	
120,002	840,654	5,800	1,484,998	301,839	1,786,837	
\$ 160,509	732,002	6,900	1,680,390	274,686	1,955,076	

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, 2011

	COUNTY-SUPPORTED MEDICAID FUND 21900			
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	2,800,000	2,800,000	2,266,844	(533,156)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 2,800,000	2,800,000	2,266,844	(533,156)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 69,500	69,500	68,773	727
Contractual services	2,730,500	2,730,500	2,198,071	532,429
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 2,800,000	2,800,000	2,266,844	533,156
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

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, 2011

	TRAUMA SYSTEM FUND 25700			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	4,128,200	4,403,292	3,996,100	(407,192)
Other state funds	-	-	12,356	12,356
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 4,128,200	4,403,292	4,008,456	(394,836)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 137,000	130,500	119,915	10,585
Contractual services	69,400	206,717	168,575	38,142
Other	3,921,800	4,066,075	3,457,529	608,546
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 4,128,200	4,403,292	3,746,019	657,273
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>262,437</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 262,437</u>	

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, 2011

SAVE OUR CHILDREN'S SIGHT FUND 26100				
	<u>Budgeted Amounts</u>		Amounts	Final Budget
	Original		(Budgetary Basis)	Positive (Negative)
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	40,507	40,507
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ -	-	40,507	40,507
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>40,507</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 40,507</u>	

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, 2011

EMERGENCY MEDICAL SERVICES FUND 75600				
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	3,488,300	3,794,805	3,488,300	(306,505)
Other state funds	-	-	31,917	31,917
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 3,488,300	3,794,805	3,520,217	(274,588)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 205,400	198,735	179,852	18,883
Contractual services	42,600	87,218	82,700	4,518
Other	3,240,300	3,508,852	3,253,122	255,730
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 3,488,300	3,794,805	3,515,674	279,131
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			4,543	
REVERSIONS NOT BUDGETED			<u>(113,195)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (108,652)</u>	

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, 2011

BIRTHING WORKFORCE RETENTIONS FUND 95800				
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	33,800	33,800	33,800	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 33,800	33,800	33,800	-
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	33,800	33,800	32,700	1,100
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 33,800	33,800	32,700	1,100
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>1,100</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 1,100</u>	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES -
CAPITAL PROJECTS FUND -
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
Year Ended June 30, 2011

	CAPITAL PROJECTS FUND 05900			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original			
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	1,343,120	1,343,120	2,165,680	822,560
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 1,343,120	1,343,120	2,165,680	822,560
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	2,165,680	2,165,680	2,165,680	-
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 2,165,680	2,165,680	2,165,680	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				-
REVERSIONS NOT BUDGETED			<u>(27,153)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (27,153)</u>	

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, 2011

	PROGRAM P001 - ADMINISTRATION			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 4,171,200	5,295,978	5,459,331	163,353
General fund	12,758,100	12,751,292	8,904,630	(3,846,662)
Other state funds	85,000	85,000	39,013	(45,987)
Inter-agency transfers	1,494,000	1,494,000	677,732	(816,268)
TOTAL REVENUES	\$ 18,508,300	19,626,270	15,080,706	(4,545,564)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 10,667,200	10,857,673	9,320,708	1,536,965
Contractual services	2,705,700	3,248,317	-	3,248,317
Other	5,135,400	5,520,280	987,808	4,532,472
Other financing uses	-	-	2,789,484	(2,789,484)
TOTAL EXPENDITURES	\$ 18,508,300	19,626,270	13,098,000	6,528,270
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>1,982,706</u>	
REVERSIONS (NOT BUDGETED)			(2,518,365)	
NET CHANGE IN FUND BALANCE			<u>\$ (535,659)</u>	

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, 2011

	PROGRAM P002 - PUBLIC HEALTH			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 80,170,000	83,569,285	65,655,667	(17,913,618)
General fund	70,708,200	68,414,100	68,382,552	(31,548)
Other state funds	30,777,500	30,777,500	27,646,305	(3,131,195)
Inter-agency transfers	15,500,300	13,044,130	9,283,167	(3,760,963)
TOTAL REVENUES	\$ 197,156,000	195,805,015	170,967,691	(24,837,324)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 56,226,300	57,481,837	53,791,107	3,690,730
Contractual services	45,025,400	43,164,238	34,936,505	8,227,733
Other	95,306,900	94,580,940	75,564,547	19,016,393
Other financing uses	597,400	578,000	578,000	-
TOTAL EXPENDITURES	\$ 197,156,000	195,805,015	164,870,159	30,934,856
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>6,097,532</u>	
REVERSIONS (NOT BUDGETED)			(6,584,510)	
NET CHANGE IN FUND BALANCE			<u>\$ (486,978)</u>	

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, 2011

	PROGRAM P003 - EPIDEMIOLOGY AND RESPONSE			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 15,975,700	16,496,700	12,757,155	(3,739,545)
General fund	9,203,900	9,324,900	5,540,270	(3,784,630)
Other state funds	1,335,300	1,335,300	1,185,072	(150,228)
Inter-agency transfers	296,700	296,700	383,044	86,344
TOTAL REVENUES	\$ 26,811,600	27,453,600	19,865,540	(7,588,060)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 13,348,200	11,328,600	10,036,065	1,292,535
Contractual services	6,002,900	7,323,840	4,881,564	2,442,276
Other	7,460,500	8,801,160	3,973,229	4,827,931
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 26,811,600	27,453,600	18,890,858	8,562,742
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>974,682</u>	
REVERSIONS (NOT BUDGETED)			(1,292,252)	
NET CHANGE IN FUND BALANCE			<u>\$ (317,570)</u>	

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, 2011

	PROGRAM P004 - LABORATORY SERVICES			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 1,740,000	3,186,467	2,701,051	(485,416)
General fund	6,779,600	6,559,600	6,559,061	(539)
Other state funds	3,023,300	3,023,300	2,203,848	(819,452)
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ 11,542,900	12,769,367	11,463,960	(1,305,407)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 7,394,200	7,399,400	6,980,728	418,672
Contractual services	1,244,700	354,708	235,163	119,545
Other	2,904,000	5,015,259	4,326,233	689,026
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 11,542,900	12,769,367	11,542,124	1,227,243
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>(78,164)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (78,164)</u>	

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, 2011

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH

	PROGRAM P006 - FACILITIES MANAGEMENT			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 231,100	231,100	233,518	2,418
General fund	61,225,300	59,238,800	59,245,181	6,381
Other state funds	76,939,400	76,939,400	67,320,152	(9,619,248)
Inter-agency transfers	716,000	716,000	835,849	119,849
TOTAL REVENUES	\$ 139,111,800	137,125,300	127,634,700	(9,490,600)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 111,694,100	109,511,300	105,972,444	3,538,856
Contractual services	6,637,100	8,619,000	7,240,012	1,378,988
Other	20,780,600	18,995,000	18,179,066	815,934
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 139,111,800	137,125,300	131,391,522	5,733,778
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>(3,756,822)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (3,756,822)</u>	

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, 2011

	<u>PROGRAM P007 - DEVELOPMENT DISABILITIES SUPPORT SERVICES</u>			
	<u>Budgeted Amounts</u>		<u>Amounts (Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal funds	\$ 2,571,700	2,571,700	1,954,518	(617,182)
General fund	99,806,600	99,806,600	99,807,902	1,302
Other state funds	1,400,000	1,400,000	1,397,321	(2,679)
Inter-agency transfers	8,626,800	7,905,940	7,269,209	(636,731)
TOTAL REVENUES	\$ 112,405,100	111,684,240	110,428,950	(1,255,290)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 11,058,300	10,418,700	10,191,793	226,907
Contractual services	18,390,500	18,006,200	16,635,464	1,370,736
Other	20,006,300	20,309,340	18,009,343	2,299,997
Other financing uses	62,950,000	62,950,000	62,950,000	-
TOTAL EXPENDITURES	\$ 112,405,100	111,684,240	107,786,600	3,897,640
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>2,642,350</u>	
REVERSIONS (NOT BUDGETED)			(4,110,983)	
NET CHANGE IN FUND BALANCE			<u>\$ (1,468,633)</u>	

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, 2011

PROGRAM P008 - HEALTH, CERTIFICATION, LICENSING AND OVERSIGHT				
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 1,649,900	2,089,859	2,216,074	126,215
General fund	4,842,200	4,685,000	4,804,407	119,407
Other state funds	2,532,300	2,532,300	2,495,983	(36,317)
Inter-agency transfers	3,542,100	3,542,100	3,177,097	(365,003)
TOTAL REVENUES	\$ 12,566,500	12,849,259	12,693,561	(155,698)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 8,721,900	8,873,387	7,862,394	1,010,993
Contractual services	532,900	516,200	38,476	477,724
Other	3,171,700	3,319,672	3,375,955	(56,283)
Other financing uses	140,000	140,000	-	140,000
TOTAL EXPENDITURES	\$ 12,566,500	12,849,259	11,276,825	1,572,434
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>1,416,736</u>	
REVERSIONS (NOT BUDGETED)			(2,518,853)	
NET CHANGE IN FUND BALANCE			<u>\$ (1,102,117)</u>	

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, 2011

	Special Appropriations			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	-	-	-
General fund	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted Fund Balance	300,000	300,000	-	(300,000)
TOTAL REVENUES	\$ 300,000	300,000	-	(300,000)
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	-	-	-
Contractual services	-	-	-	-
Other	300,000	300,000	-	(300,000)
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 300,000	300,000	-	(300,000)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

SUPPLEMENTAL SCHEDULES

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF INDIVIDUAL DEPOSITS
As of June 30, 2011

Schedule 1

<u>Account Title</u>	<u>Depository</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Book Amount</u>
Health District Offices Cash in Banks (checking accounts):				
Alamogordo	First National Bank of Alamogordo	\$ 600	-	600
Artesia	Wells Fargo Bank	375	-	375
Carlsbad	Carlsbad National Bank	800	-	800
Clovis	NM Bank & Trust - Clovis	600	-	600
Deming	Wells Fargo Bank	925	-	925
Dona Ana County	Wells Fargo Bank	1,150.40	-	1,150
Hobbs	Wells Fargo Bank	801	-	801
Las Cruces	Wells Fargo Bank	700	-	700
Rio Arriba	Valley National Bank, Espanola	500	-	500
Roswell	Wells Fargo Bank	1,030	-	1,030
San Miguel	Bank of Las Vegas	581	-	581
Santa Fe	Wells Fargo Bank	534	-	534
Silver City	Wells Fargo Bank	600	-	600
Sunland	Wells Fargo Bank	58	542	600
Taos	First Community Bank	400	-	400
Tucumcari	Wells Fargo Bank	600	-	600
Total Health District Offices Cash in Banks (checking accounts):		10,254	542	10,796
Title X/Family Planning Depository Clearing (checking accounts):				
Alamogordo	Wells Fargo Bank	261	-	261
Anthony/Chaparral	First Security/Wells Fargo Bank	331	-	331
Artesia	First National Bank of Artesia	417	-	417
Carlsbad	Carlsbad National Bank	721	-	721
Clayton	Farmers' and Stockmen's Bank	100	-	100
Clovis	Wells Fargo Bank	712	-	712
Espanola	Community Bank - Espanola	100	-	100
Estancia	Wells Fargo Bank	113	-	113
Farmington	Bank of America	245	-	245
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	161	-	161
Gallup	Western Bank of Gallup	125	-	125
Grants	Grants State Bank	123	-	123
Hobbs	Lea County State Bank	782	-	782
Las Cruces	Wells Fargo Bank	1,197	-	1,197
Las Vegas	Bank of Las Vegas	120	-	120
Lordsburg	Western Bank, Lordsburg	100	-	100

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF INDIVIDUAL DEPOSITS - Continued
As of June 30, 2011

Schedule 1 - Continued

Account Title	Depository	Bank Balance	Reconciling Items	Book Amount
Title X/Family Planning Depository Clearing (checking accounts) - continued:				
Los Alamos	Los Alamos National Bank	\$ 100	-	100
Los Lunas	Wells Fargo Bank	481	-	481
Lovington	Lea County State Bank	384	-	384
Portales	The James Polk Stone National Bank	799	-	799
Raton	International State Bank, Raton	120	-	120
Roswell	Wells Fargo Bank	716	-	716
Ruidoso	State National Bank	325	-	325
SE Heights/NE Valley	Wells Fargo Bank	396	-	396
Silver City	Wells Fargo Bank	245	-	245
Sunland Park	Wells Fargo Bank	100	-	100
T or C	Bank of the Southwest, T or C	255	-	255
Taos	First Community Bank	264	-	264
Tucumcari	Wells Fargo Bank	130	-	130
Total Title X/Family Planning		<u>9,923</u>	<u>-</u>	<u>9,923</u>
Total District Health Office & Title X/Family Planning		20,177	542	20,719
Facility Operating Bank Accounts (checking accounts):				
NMBHI-Revolving	First National Bank of Las Vegas	280,319	(105,895)	174,424
FBMC	Bank of America	462	(2)	460
Turquoise Lodge	Bank of the West	387	-	387
Veterans Center	Bank of the Southwest, T or C	16,396	(15,884)	512
Total Facility Operating Bank Accounts		<u>297,564</u>	<u>(121,781)</u>	<u>175,783</u>
Total Facility Operating Bank Accounts,				
District Health Offices and Title X/Family Planning (checking accounts)		317,741	(121,239)	196,502

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF INDIVIDUAL DEPOSITS - Continued
As of June 30, 2011

Schedule 1 - Continued

Account Title	Depository	Bank Balance	Reconciling Items	Book Amount
Governmental Funds - State Treasurer (with SHARE fund numbers):				
Capital Project - 05900	State Treasurer	\$ (28,492)	28,492	-
Operating Fund - 06100	State Treasurer	34,584,850	(1,091,798)	33,493,052
CMS Fund - 21900	State Treasurer	3,791,465	-	3,791,465
Trauma Fund - 25700	State Treasurer	160,509	-	160,509
Save Our Children - 26100	State Treasurer	336,803	-	336,803
ARRA - 89000	State Treasurer	(522,380)	522,380	-
EMS - 75600	State Treasurer	960,274	105,989	1,066,263
Birthing Workforce - 95800	State Treasurer	39,600	-	39,600
Total Governmental Funds - State Treasurer		39,322,629	(434,937)	38,887,692
Total Governmental Funds		39,640,370	(556,176)	39,084,194
Petty Cash		13,845	-	13,845
Total Governmental Cash (including petty cash)		39,654,215	(556,176)	39,098,039
Agency Funds				
Patients' Trust Fund - Banks (checking accounts)				
NMBHI - Burial Account	Bank of Las Vegas	42,632	-	42,632
NMBHI - Canteen	Bank of Las Vegas	80,018	-	80,018
NMBHI - Foster Grandparent	Bank of Las Vegas	16,545	-	16,545
NMBHI - Patient Trust	Bank of Las Vegas	332,911	-	332,911
FBMC - Burial Account	Bank of America - Silver City	19,266	-	19,266
FBMC - Patient Trust	Bank of America - Silver City	206,138	9,846	215,984
FBMC - Special Funds	Bank of America - Silver City	11,161	(927)	10,234
Los Lunas Hospital - For SSA Benefits	Wells Fargo Bank - Los Lunas	15,963	(2,940)	13,023
Los Lunas Hospital - Managed Care	Wells Fargo Bank - Los Lunas	9,621	(63)	9,558
Los Lunas Hospital - Patient Trust	Wells Fargo Bank - Los Lunas	167	-	167
Veterans Center - Burial	Bank of the Southwest, T or C	16,142	-	16,142
Veterans Center - Canteen	Bank of the Southwest, T or C	36,125	(1,104)	35,021
Veterans Center - Patient Trust	Bank of the Southwest, T or C	114,399	(4,200)	110,199
Sequoyah	Bank of America - Silver City	1,635	(604)	1,031
Total Patients' Trust Funds - Banking (checking accounts)		902,723	8	902,731

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF INDIVIDUAL DEPOSITS - Continued
As of June 30, 2011

Schedule 1 - Continued

<u>Account Title</u>	<u>Depository</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Book Amount</u>
Birth & Death Certificate Fund				
Vital Statistics Depository Clearing - Banks (checking accounts):				
Alamogordo	First National Bank of Alamogordo	\$ 1,030	-	1,030
Albuquerque	Wells Fargo Bank	19,070	-	19,070
Carlsbad	Carlsbad National Bank	1,080	-	1,080
Clayton	Farmers' and Stockmen's Bank	190	-	190
Clovis	Wells Fargo Bank	2,540	-	2,540
Deming	Wells Fargo Bank	820	-	820
Farmington	Bank of America	4,002	-	4,002
Gallup	Pinnacle Bank	1,470	-	1,470
Hobbs	Lea County State Bank	1,710	-	1,710
Las Cruces	First Security/Wells Fargo Bank	6,051	-	6,051
Las Vegas	First National Bank of Las Vegas	100	-	100
Lovington	Lea County State Bank	550	-	550
Raton	International State Bank, Raton	390	-	390
Roswell	Wells Fargo Bank	3,169	-	3,169
Santa Rosa	Wells Fargo Bank	770	-	770
Silver City	Wells Fargo Bank	850	-	850
Socorro	First State Bank, Socorro	460	-	460
Taos	First Community bank	92	-	92
		<u>44,344</u>	<u>-</u>	<u>44,344</u>
Total Agency Funds - Banks (checking accounts):		947,067	8	947,075
Agency Funds - State Treasurer (with SHARE fund numbers):				
Birth & Death - 50200	State Treasurer	<u>882,477</u>	<u>(590,026)</u>	<u>292,451</u>
Total Agency Funds (Banks and State Treasurer)		<u>1,829,544</u>	<u>(590,020)</u>	<u>1,239,526</u>
Total Governmental and Agency Cash (including petty cash)		<u>\$ 41,483,760</u>	<u>(1,146,196)</u>	<u>40,337,565</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF PLEDGED COLLATERAL
As of June 30, 2011

Schedule 2

	First National Bank of Las Vegas	Bank of Las Vegas	Bank of America	Bank of the Southwest, T or C	Other Banks	Accounts at State Treasurer	Total
Total amount of deposit	\$ 280,419	472,809	242,910	183,317	85,357	40,205,106	41,469,918
Less FDIC	(250,000)	(250,000)	(242,910)	(183,317)	(85,357)	-	(1,011,584)
Total uninsured public money	30,419	222,809	-	-	-	40,205,106	40,458,334
50% collateral requirement	15,210	111,404	-	-	-	20,102,553	20,229,167
State Agency Collateral Listing:			A			B	A&B
Bonds:							
GNMA II Pool CUSIP #36202CMP5, maturity 02/20/26	15,159	-	-	-	-	-	15,159
US Treasury Notes CUSIP #3133XTAV8, maturity 03/06/13	-	750,000	-	-	-	-	750,000
Total pledged	15,159	750,000	-	-	-	-	765,159
Over (under) pledged	(51)	638,596	A	-	-	B	638,545

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
SUPPLEMENTAL SCHEDULE OF TRANSFERS
Year Ended June 30, 2011

Schedule 3

Interagency transfers as of June 30, 2011 are as follows:

Inter-Agency Transfers Out

DOH Fund	Agency	Other Agency's Fund	Description	Amount
06100	Human Services Dept - 63000	97600	DD Waiver	\$ 65,739,484
06100	Human Services Dept - 63000	97600	Aids Waiver	\$ 106,513
06100	Human Services Dept - 63000	97600	FQHC	\$ 471,487
06100	Dept of Fin & Admin - 34101	85300	Vital Records - DFA	\$ 604,419
06100	Children's Youth & Family	91100	Vital Records - CYFD	\$ 890,226
06100	Dept of Fin & Admin - 34100	10590	State Board of Finance	\$ 26,764
06100	General Services Department	75203	GSD	\$ 11,635
06100	Dept of Fin & Admin - 34100	10820	DD Waiver	\$ 3,094,915
				\$ 70,945,441

Inter-Agency Transfers In

DOH Fund	Agency	Other Agency's Fund	Description	Amount
06100	Dept of Fin & Admin	85300	General Fund Appropriations	263,161,004
05900	Dept of Fin & Admin	10500	Severance Tax Bonds	2,165,680
06100	Dept of Fin & Admin	69700	Tobacco Settlement Program	7,795,382
06100	Dept of Fin & Admin	02100	County Supported Medicaid	2,266,844
06100	Human Services Department	97600	Medicaid	4,719,529
				\$ 280,108,439

Note: These amounts include transactions that are considered quasi external transactions in the accompanying financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2011

Schedule 4

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 FY11	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
99.665.6800.0020	Department of Health (DOH) School for the Visually Handicapped (NMSVH)	To Support and Coordinate Services to Children under 4 who have a vision loss and their families.	7/1/2004	Ongoing	60,000	60,000	-	DOH, SVH	SVH	SVH
JPA 95-29	Human Services Department (HSD) Department of Health (DOH)	For Service Coordination, Early Intervention Development Services, Early Intervention Therapy Services.	6/1/1995	Ongoing	5,000,000	5,000,000	5,000,000	HSD, DOH	Not Stated	HS, DOH
04.665.4200.0185	Department of Health (DOH) Sandoval County (SC)	For Sandoval County - DOH will provide health services to Sandoval County Residents.	9/8/2003	Ongoing	700,010	300,010	-	SCC	Not Stated	SCC, DOH
04.665.4200.0504	Department of Health (DOH) San Miguel County (SMC)	For San Miguel County - DOH will provide health services to San Miguel County Residents	6/1/2004	Ongoing	50,000	50,000	-	SMC	Not Stated	DOH, SMC
04.665.1100.0019	Department of Health (DOH) Department of Transportation (DOT)	For Coordinated Transportation Services in Valencia County	6/17/2004	Ongoing	5,000	5,000	-	DOT	DOT	DOT
01.665.6800.0260	Department of Health (DOH) New Mexico School for the Deaf (SFD)	To support and coordinate services to children, and their families, under four who have hearing losses.	7/2/2005	Ongoing	50,760	50,760	-	DOH/SFD	SFD	SFD
05.665.0100.0014	Department of Health (DOH) Lincoln County (LC)	For Lincoln County - DOH will provide health services to Lincoln County Residents	9/27/2004	Ongoing	20,000	20,000	-	DOH, LC	DOH, LC	DOH, LC
05.665.0100.0008	Department of Health (DOH) Socorro County (SC)	For Socorro County - DOH will provide health services to Socorro County Residents	9/21/2004	Ongoing	20,000	20,000	-	DOH, SC	DOH, SC	DOH, SC
04.665.4200.0311A1	Department of Health (DOH) Village of Hatch	For the Village of Hatch - DOH will provide health services to Village of Hatch County Residents	11/17/2003	Ongoing	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH
0630.8114.03.37 (IPA 03-37)	Human Services Department Department of Health (DOH)	To designate the Administrative, fiscal and programmatic responsibilities for the operations of	10/14/2003	AIDS AIVER MEDICAID WAIVER	96,400 69,075,593	- 69,075,593	96,400	DOH, HSD	HSD	DOH, HSD
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) (Aging & Long Term Services Dept. (ALTSDD))	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AID	5/3/2006	Ongoing	50,000	50,000	50,000	AA, DOH	AA, DOH	AA, DOH

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2011

Schedule 4 - Continued

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 FY11	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures.
JPA 82-14	New Mexico Human Services Department New Mexico Department of Health	For Medicare and Medicaid Programs; Pre-admission 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 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(#96-22)	New Mexico Human Services Department New Mexico Department of Health	To establish responsibilities for certification of health care facilities and the nurse aide training and competency evaluation program as required under the Medicaid Program.	2/8/1996	Ongoing	-	-	-	HSD, DOH	Not Stated	HSD, DOH
11.665.000001	New Mexico Human Services Department 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.	10/4/2010	6/30/2011	150,000	150,000	150,000	Not Stated	Not Stated	Not Stated
11-630-9000-0003	New Mexico Department of Health (DOH) New Mexico Department of Human Services (HSD)	Responsible for the administrative, fiscal and programmatic aspects of New Mexico's Home Community based Waiver programs	7/8/2010	6/30/2014	62,950,000	62,950,000	62,950,000	Not Stated	Not Stated	Not Stated
11-630-9000-0008		Medicaid reimbursements for	8/4/2010	6/30/2015	-	-	-	Not Stated	Not Stated	Not Stated
05/665/0200/0008	New Mexico Department of Health (DC) New Mexico Department of Human Services (HSD)	Provide funds to the Medical Assistance Division (MAD) to	4/25/2005	Ongoing	471,487	471,487	471,487	Not Stated	Not Stated	Not Stated
11-665-0200-0001	New Mexico Department of Health (DC) New Mexico Department of Human Services (HSD)	Coordination between DOH and HSD to gather data related to compulsive gambling	7/26/2011	Ongoing	-	-	-	Not Stated	Not Stated	Not Stated
N/A	DOH/ Dept. Finance and Administration	Cooperative funding and representation of New Mexico's	5/4/2005	Ongoing	7,541	7,541	7,541	DOH	DOH	DOH
N/A	DOH/ Dept. Finance and Administration	Collective bargaining	5/7/2005	Ongoing	23,075	23,075	23,075	DOH	DOH	DOH

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF SPECIAL APPROPRIATIONS
Year Ended June 30, 2011

Schedule 5

Description	Reversion Date	Appropriation	Prior Year Expenditures	Current Year Expenditures	Current Year Reversions/ Transfers	Balance as of June 30, 2011
Capital Projects Fund -05900						
Laws of 2007, Ch. 42, Section 1 for scientific lab equipment	6/30/2011	1,000,000	(998,161)	-	(1,839)	-
Laws of 2007, Ch. 42, Section 38 for facilities patient health and safety improvement (Alzheimer's Veterans).	6/30/2011	300,000	-	-	-	300,000
		<u>\$ 1,300,000</u>	<u>(998,161)</u>	<u>-</u>	<u>(1,839)</u>	<u>300,000</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENT SCHEDULE OF SEVERANCE TAX BONDS
Year Ended June 30, 2011

Schedule 6

Laws	Chapter	Amount Sold	Amount Reverted	Art Public Places	Amount Available	Expenditures Reported Prior year	Expenditures Reported Current Years	6/30/11 Balance Available
2007	334	\$ 1,823,000	(389)	(20,000)	1,802,611	(1,802,611)	-	-
2008	80	4,328,000	-	(43,280)	4,284,720	(3,523,957)	-	760,763
2009	125	100,000	-	-	100,000	(92,064)	-	7,936
		\$ 6,251,000	(389)	(63,280)	6,187,331	(5,418,632)	-	768,699

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTAL SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS
Year Ended June 30, 2011

Schedule 7

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Fund 50200 - Birth & Death Certificate Fund				
ASSETS:				
Investment in State General Fund				
Investment Pool	\$ 281,786	1,345,630	(1,334,965)	292,451
Cash	\$ 46,981	490,206	(492,835)	44,352
TOTAL ASSETS	\$ 328,767	1,835,836	(1,827,800)	336,803
LIABILITIES:				
Due to other state agencies	\$ 328,767	1,835,836	(1,827,800)	336,803
TOTAL LIABILITIES	\$ 328,767	1,835,836	(1,827,800)	336,803
Fund 51000 - Patients' Trust Fund				
ASSETS:				
Cash	\$ 799,963	6,043,334	(5,940,572)	902,723
TOTAL ASSETS	\$ 799,963	6,043,334	(5,940,572)	902,723
LIABILITIES:				
Funds held for others	\$ 799,963	6,043,334	(5,940,572)	902,723
TOTAL LIABILITIES	\$ 799,963	6,043,334	(5,940,572)	902,723

SINGLE AUDIT

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS:		
U.S. DEPARTMENT OF AGRICULTURE		
WIC Special Supplemental Nutrition Program for Women Infants and Children:		
Food and Administration	10.557	\$ 36,036,012
Infrastructure	10.557	49,639
Special Breastfeeding Peer Counseling	10.557	438,013
Rebate Program	10.557	<u>13,773,123</u>
		50,296,787
WIC Commodity Supplemental Food Program:		
Commodity Supplemental Food Program	10.565	1,326,525
WIC Farmer's Market Nutrition Program:		
Farmer's Market Food Program	10.572	212,105
WIC Senior Farmer's Market Nutrition Program:		
Senior Farmer's Market Food Program	10.576	262,497
WIC Grants to States		
ARRA - Electronic Benefits Transfer Grant	10.578	421,066
ARRA - Management Information Systems	10.578	<u>634,102</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		53,153,082
U. S. DEPARTMENT OF TRANSPORTATION:		
Flow-through Department of Transportation		
Occupant Protection:		
Traffic Safety Bureau - Occupant Protector Survey	20.602	<u>107,236</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION		107,236
U. S. ENVIRONMENTAL PROTECTION AGENCY:		
Exchange Network	66.608	<u>64,970</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY		64,970

See Report of Independent Auditors

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - Continued		
U.S. DEPARTMENT OF ENERGY:		
Passthrough New Mexico Energy Minerals, and Natural Resource Department		
Transport of Transuranic Wastes to the Waste Isolations		
Pilot Plant:		
WIPP Emergency Response Enhancement	81.106	\$ 112,569
TOTAL U.S. DEPARTMENT OF ENERGY		112,569
U.S. DEPARTMENT OF EDUCATION:		
Early Intervention Services (IDEA) Cluster:		
Special Education - Grants for Infants and Families		
Infants and Toddlers with Disabilities	84.181	1,633,097
ARRA-Infants and Toddlers with Disabilities	84.393	4,199,606
TOTAL U. S. DEPARTMENT OF EDUCATION		5,832,703
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
State & Territorial & Technical Assistance Capacity Development:		
Minority Health State Partnership Grant	93.006	153,730
Strengthening Public Health Services at the Outreach Offices of the U.S. - Mexico Border Health Commission:		
New Mexico - Chihuahua Border	93.018	292,467
Public Health Emergency Preparedness:		
Electronic Lab Data Exchange to Support Pan Flu Surveillance	93.069	66,622
Public Health Emergency Response	93.069	1,900,101
		1,966,723
Environmental Public Health and Emergency Response:		
Addressing Asthma	93.070	366,156
Emergency System for Advance Registration of Health Professionals:		
Emergency Services for Volunteer Registry	93.089	114,255

See Report of Independent Auditors

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - continued:		
Maternal and Child Health Federal Consolidated Programs:		
State Systems Development Initiative	93.110	\$ 52,162
CISS-SECCS Planning	93.110	148,877
First-Time Motherhood	93.110	<u>37,757</u>
		238,796
Project Grants and Cooperative Agreements for Tuberculosis:		
Tuberculosis Elimination and Laboratory	93.116	424,987
Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices:		
Primary Care	93.130	115,510
Injury Prevention and Control Research and State and Community-Based Programs:		
Sexual Assault Rape Prevention	93.136	235,117
Public Health Injury Surveillance	93.136	130,506
Violent Death Reporting	93.136	<u>178,091</u>
		543,714
Family Planning Services:		
Family Planning	93.217	3,530,826
Grants for Dental Public Health Residency Training		
Oral Health Workforce Activities	93.236	135,714
State Rural Hospital Flexibility Services:		
Rural Hospital Flexibility Program	93.241	253,852
Substance Abuse and Mental Health Services:		
NM Project Launch	93.243	994,350
Strategic Prevention Framework	93.243	<u>790,916</u>
		1,785,266

See Report of Independent Auditors

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - Continued		
Universal Newborn Hearing Screening: Newborn Hearing Screening	93.251	\$ 137,555
Occupational Safety and Health Program: Occupational Health	93.262	116,418
Immunization Grant Cluster: Immunizations Program	93.268	2,800,559
ARRA - Immunizations Program	93.712	295,826
ARRA - Cooperative Agreement	93.712	14,853
ARRA - Emerging Infections/Vaccinations Program	93.712	<u>161,954</u>
		3,273,192
Centers for Disease Control and Prevention - Investigations and Technical Assistance:		
CDC Assessment Initiatives	93.283	121,095
Arthritis Program	93.283	484,551
Behavioral Risk Factor Survey	93.283	100,609
Chronic Disease Prevention	93.283	1,787,593
Early Hearing Detection & Intervention Tracking	93.283	174,293
Emerging Infections Program	93.283	1,412,710
Environmental Health Tracking	93.283	1,087,050
Epidemiology & Laboratory Capacity	93.283	425,140
Viral Hepatitis	93.283	69,427
National Cancer Prevention and Control	93.283	3,490,502
Public Health Preparedness & Response Bioterrorism	93.283	6,704,052
NM Colorectal Cancer Screening	93.283	626,192
Physical Activity and Nutrition	93.283	<u>572,790</u>
		17,056,004
ARRA - State Primary Care Offices:		
ARRA - Primary Care Grant	93.414	42,765
Recovery Act Comparative Effectiveness Research:		
ARRA - Race and Ethnicity Research	93.715	142,862
ARRA - Preventing Healthcare-Associated Infections:		
ARRA - Emerging Infections Program	93.717	227,933
ARRA - Epidemiology and Laboratory Capacity	93.717	<u>571,013</u>
		798,946
ARRA - Survey and Certification Ambulatory Surgical Center Healthcare- Associated Infection Prevention Initiative:		
ARRA - Hospital Surveys for Infection Program**	93.720	17,601
ARRA - Prevention and Wellness-State, Territories & Pacific Islands:		
ARRA - Healthy Kids Initiative	93.723	638,666
ARRA - Communities Putting Prevention to Work:		
Chronic Disease Self-Management Program	93.725	159,784
Jemez Pueblo Prevention and Wellness	93.724	<u>4,000</u>
		163,784
ARRA - Health Information Technology and Public Health		
ARRA - Immunization Information System Interoperability	93.729	65,198

See Report of Independent Auditors

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - continued:		
Small Rural Hospital Improvement Grant Program: Small Rural Hospital Improvement Project	93.301	105,060
Refugee and Entrant Assistance Discretionary Grants: Office of Refugee Re-Settlement	93.576 \$	47,643
Background Checks for Employees of Long Term Care Facilities and Providers:		
National Caregivers Criminal History Screening	93.506	1,794
Strengthening Public Health Infrastructure for Improved Health Outcomes	93.507	89,791
Centers for Disease Control and Prevention Affordable Care Act: Tobacco & Diabetes Supplemental	93.520	76,522
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity:		
Building and Strengthening Epi Lab Capacity	93.521	68,267
Patient Protection and Affordable Care Act	93.521	<u>65,228</u>
		133,495
State Survey and Certification of Health Care Providers:		
Title 18 Inspection of healthcare providers**	93.777	2,258,121
Clinical Laboratory Improvement Amendments**	93.777	<u>77,529</u>
		2,335,650
Specially Selected Health Projects:		
NM Dental School Feasibility Study 2010	93.888	15,625
National Bioterrorism Hospital Preparedness Program:		
Bioterrorism Hospital Preparedness Program	93.889	3,079,445
Bioterrorism Hospital Preparedness Program H1N1	93.889	<u>5,942</u>
		3,085,387
Grants to States for Operation of Offices of Rural Health:		
Office of Rural Health	93.913	143,377
HIV Care Formula Grants:		
Ryan White Care Act	93.917	3,691,649
Ryan White Supplemental Grant	93.917	<u>42,325</u>
		3,733,974
HIV Prevention Activities - Health Department Based:		
HIV Prevention	93.940	2,451,782
Acquired Immune Deficiency:		
Deficiency Syndrome (AIDS) Surveillance:		
HIV / AIDS Surveillance	93.941	284,151
Cooperative Agreements to Support State-Based Safe Motherhood:		
Sudden Unexpected Infant Death	93.946	20,499
Pregnancy Risk Assessment Monitoring System	93.946	<u>100,287</u>
		120,786
Block Grants for Prevention and Treatment of Substance Abuse:		
Substance Abuse Prevention and Treatment	93.959	182,441
Preventive Health Services - Sexually Transmitted Diseases Control Grants:		
Sexually Transmitted Disease	93.977	696,264

See Report of Independent Auditors

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS- Continued
Year Ended June 30, 2011

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
COST REIMBURSEMENT GRANTS - continued:		
Preventive Health and Health Services Block Grant:		
Preventive Health Services Block Grant	93.991	\$ 901,724
Maternal Child Health Services Block Grant to the States:		
Maternal Child Health Services	93.994	<u>4,592,196</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>51,372,649</u>
TOTAL COST REIMBURSEMENT GRANTS		110,643,209
OTHER GRANTS:		
U. S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE:		
Foster Grandparent/Senior Companion Cluster:		
Foster Grandparent Program	94.011	190,901
Senior Companion Program	94.016	<u>38,136</u>
TOTAL U. S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE		229,037
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Joint Powers Agreements:		
Flow-through Federal Grants via Human Services Department** (see Schedule 4 to financial statements)	93.778	10,756,042
TOTAL U. S. CORPORATION FOR NATIONAL & COMMUNITY SERVICE		<u>10,756,042</u>
TOTAL OTHER GRANTS		<u>10,985,079</u>
TOTAL FEDERAL EXPENDITURES		<u>121,628,288</u>
NON-CASH ASSISTANCE:		
U.S. CENTERS FOR DISEASE CONTROL:		
Immunization Grants:		
Immunization Program Vaccine**	93.778	\$ <u>33,280,192</u>
TOTAL U.S. CENTERS FOR DISEASE CONTROL		<u>33,280,192</u>
TOTAL EXPENDITURES CASH/NON-CASH FEDERAL AWARDS		<u>\$ 154,908,479</u>

** CFDA 93.720, 93.777 and 93.778 included as medicaid cluster. Federal expenditures for cluster total \$46,389,485

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011**

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:	Federal CFDA No.
Early Intervention Services Cluster (IDEA):	
Special Education - Grants for Infants and Families - infants and toddlers with disabilities	84.181
Special Education - Grants for Infants and Families - ARRA - infants and toddlers with disabilities	84.393
Immunization Grant Cluster:	
Immunization Grants Program	93.268
Immunization Grants - ARRA immunization program, emerging infections/vaccination program	93.712
Medicaid Cluster:	
ARRA Hospital Surveys for Infection Program	93.720
State Survey and Certification of Health Care Providers	93.777
JPA - flow through Human Services Department	93.778
Immunization Program Vaccine	93.778
Foster Grandparent/Senior Companion Cluster:	
Foster Grandparent Program	94.011
Senior Companion Program	94.016

NOTE 2. LOANS OUTSTANDING

The Department does not have any outstanding loans with the federal government or does it make loans to others.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
June 30, 2011**

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 \$1,092,240.

Per financial statements:

Federal revenue	\$112,007,886
In-kind assistance (Immunization)	33,280,192
Federal assistance in other financial statement categories	<u>9,620,401</u>
Per Schedule of Expenditures of Awards	<u>\$154,908,479</u>

**REPORT OF INDEPENDENT AUDITORS 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**

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the combining and individual funds and related budgetary comparisons and the 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 resented as supplementary information in the accompanying combining and individual fund financial statements of the State of New Mexico Department of Health (the Department), as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs as finding 10-08 to be a material weakness.

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 to be significant deficiencies. Findings 10-07, 2011-01 and 2011-02.

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*.

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

We noted additional matters that are required to be reported under Government Auditing Standards, January 2008 Revision paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978 that are described in the accompanying schedule of findings and questioned costs as items: 10-11 and 2011-05.

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

This report is intended solely for the information and use of 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.

Mess Adams LLP

Albuquerque, New Mexico
December 15, 2011

**REPORT OF INDEPENDENT AUDITORS 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**

Catherine Torres, 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 *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, 2011. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and 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.

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with *OMB Circular A-133* and which are described in the accompanying schedule of findings and questioned costs as items 2011-03 and 2011-04

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

Catherine Torres, M.D., Secretary
State of New Mexico Department of Health
and
Mr. Hector H. Balderas
New Mexico State Auditor

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 items 2011-03 and 2011-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico
December 15, 2011

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011**

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

**Identification of major programs:
*CFDA Numbers***

Name of Federal Program or Cluster

10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
84.181	IDEA Cluster: Special Education - Grants for Infants and Families
84.393	Special Education - Grants for Infants and Families, Recovery Act
93.217	Family Planning - Services
93.268 93.712	Immunization Cluster: Immunization Grants ARRA - Immunization
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

	Medicaid Cluster:
93.720	State Survey and Certification Ambulatory Surgical Center Healthcare Associated Infection Prevention Initiative
93.777	State Survey and Certification of Healthcare Providers
93.778	Joint Powers Agreements Passthrough New Mexico Human Services Department
93.889	National Bioterrorism Hospital Preparedness Program
93.917	HIV Care Formula Grants
93.994	Maternal and Child Health Services Block Grant to the States
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	___ yes <u> X </u> no

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS

**10-07 JOURNAL ENTRIES
Significant Deficiency**

CONDITION

During our financial close and reporting walkthrough and journal entry testwork, we noted that journal entries were not reviewed by the Financial Accounting Bureau Chief and that high level reconciliations were not being performed after DFA posted entries.

CRITERIA

The corrective action plan from the Prior Year Audit Report was not fully implemented for Fiscal Year 2011 which requires that all journal entries will be reviewed and approved by the Financial Accounting Bureau Chief. Further, reconciliation and review of the SHARE trial balance for any large and unusual transactions is not being performed subsequent to DFA posting journal entries for DOH. The narrative provided by DFA, called Manual of Model Accounting Practices, directs the agency to perform this level of review.

EFFECT

Increased risk for misstatement of financial information

CAUSE

The Department did not fill the position of Financial Accounting Bureau Chief until October 2011. Also, low staffing levels brought on by the hiring freeze have also contributed to large and unusual entries not being reconciled regularly.

RECOMMENDATION

We recommend the Department moves forward with their corrective action plan as outlined in the 2011 Audit Report and incorporate a high level review to search for large or unusual entries posted by DFA.

MANAGEMENT'S RESPONSE

The Department concurs with this finding. Some of the corrective action items cited in the FY 10 response have been implemented. The Administrative Services Division will also have periodic meetings with the program areas to discuss any fiscal issues that may arise. The division will conduct an end of the year closing meeting to address the preparation of all its fiscal documents and to discuss any required deadlines established by the Department of Finance and Administration.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**10-08 ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS
Material Weakness**

CONDITION

During our test work on accounts receivable and the allowance for doubtful accounts, we noticed a lack of controls over reviewing how the doubtful accounts are established at the various DOH facilities. 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.

CRITERIA

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.

EFFECT

As a result of the noted conditions, the allowance for doubtful accounts required an increase of \$3,897,879.

CAUSE

There is a lack of control and review over the application of the allowance for doubtful accounts at the various Department facilities.

RECOMMENDATION

We recommend the Department establishes a centralized control process to effectively review the application of allowance for doubtful accounts.

MANAGEMENT'S RESPONSE

The Department will institute follow up processes for those receivable payments that have had no responses in a sixty-day timeframe.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2011-01 Monthly Reconciliations
Significant Deficiency**

CONDITION

Adjusting entries were posted directly to fund balance throughout the year, resulting in a difference of approximately \$3 million between the Fiscal Year 2010 ending fund balance and the Fiscal Year 2011 beginning balance. This difference likely would have been detected as a result of monthly close procedures; however, no such process is in place.

CRITERIA

Formal reconciliations and a monthly close process help ensure errors and fraud are detected and corrected in a timely manner and help ensure accuracy in financial reporting.

CAUSE

The Department was without a Controller for two months of the fiscal year, which led to a lapse in internal controls.

EFFECT

There is an increased risk that errors or fraud could occur. The Department had to spend significant time to determine the source of the differences in order to correct the issue. This delayed the audit and required several adjusting entries to fix.

RECOMMENDATION

We recommend that the Department adequately staff its accounting positions in order to implement a monthly financial close process.

MANAGEMENT'S RESPONSE

The Department will make every effort to staff accounting positions. Monthly review processes also will be instituted as well as periodic meetings with the fiscal staff of the program areas to address any issues with the department's closeout processes.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2011-02 Cash Management
Significant Deficiency**

CONDITION

The Department recorded approximately \$3 million in cash drawn down from the Federal government on July 26, 2012 to Fiscal Year 2011, rather than Fiscal Year 2012.

CRITERIA

Generally Accepted Accounting Principles require that cash transactions should be recorded when received.

EFFECT

The Department's cash balance was overstated prior to a correction by the Office of the State Treasurer, which detected the error.

CAUSE

Department staff did not follow the control processes implemented.

RECOMMENDATION

We recommend that the Department strengthen its controls over cash to prevent cash from being recorded in the wrong period.

MANAGEMENT'S RESPONSE

The Department will review its controls over cash and ensure cash is recorded in the period received.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2011-03 Subrecipient Monitoring
Non-Compliance, Significant Deficiency**

Funding Agency: US Department of Health and Human Services
Title: National Bioterrorism Hospital Preparedness Program
CFDA Number: 93.889
Award Number: Various

CONDITION

We noted that the Department does not have controls in place for the National Bioterrorism Hospital Preparedness Program to ensure proper subrecipient monitoring is performed. Contract language with subrecipients does not require subrecipients to provide copies of annual audits and principal investigators do not actively review copies received.

CRITERIA

31 USC 7502(f)(2)(B) requires that "(2) Each pass-through entity shall - (A) provide such subrecipient the program names (and any identifying numbers) from which such assistance is derived, and the Federal requirements which govern the use of such awards and the requirements of this chapter;(B) monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; (C) review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity; and (D) require each of its subrecipients of Federal awards to permit, as a condition of receiving Federal awards, the independent auditor of the pass-through entity to have such access to the subrecipient's records and financial statements as may be necessary for the pass-through entity to comply with this chapter."

EFFECT

The program does not ensure that subrecipients are in compliance with the subgrantee contract; which states that the subgrantee must adhere to OMB Circular A-133 compliance requirements and the New Mexico State Purchasing Division policies.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2011-03 Subrecipient Monitoring (Continued)
Non-Compliance, Significant Deficiency**

CAUSE

The cause is due to a lack of effectively designed controls surrounding subrecipient monitoring.

RECOMMENDATION

We recommend that the Department of Health develop policies surrounding subrecipient monitoring. Including, but not limited to, additional language in subgrantee contracts requesting a copy of the annual audit and procedures for Principal Investigators to review and follow-up on any instances of non-compliance.

MANAGEMENT'S RESPONSE

Policies will be drafted that will address this. Policies will identify required subrecipient monitoring requirements including the insertion of language in subrecipient agreements requesting copies of their annual audits or financial statements. These will be reviewed by department staff and if deemed necessary, follow up procedures will be performed.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2011-04 Time and Effort Certification (Continued)
Non-compliance, Significant Deficiency**

Funding Agency: US Department of Health and Human Services Centers for Disease Control

Title: CDC Investigations, Technical Assistance, and Affordable Care Act Projects

CFDA Number: 93.283

Award Number: Various

CONDITION

We noted the Department does not complete time and effort reports for the Center for Disease Control and Prevention Program. Timecards are signed by the employee and employer bi-weekly; however, the timecard only certifies time by department rather than by award. There is no semi-annual certification performed to supplement the timecard.

CRITERIA

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee."

EFFECT

Formal time and effort reports certify that the cost and activities charged to the award are allowable; as the timecard does not suffice to certify these attributes, unallowable costs or activities may be improperly charged to the award.

CAUSE

This is due to insufficient controls surrounding time and effort certification of programs.

RECOMMENDATION

We recommend that all timecards separate time by award so that it can serve a dual purpose as time and effort certification.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2011-04 Time and Effort Certification
Non-compliance, Significant Deficiency**

MANAGEMENT'S RESPONSE

Most of the employees of the department work on more than one grant during a 40 hour work week. There may be instances where they work solely on one grant, but this is the exception and not the rule. Institution of a time and effort report would be cumbersome and an inefficient use of an employee's time. However, the department can begin looking at a semi-annual certification process that will address this condition.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

D. OTHER MATTERS AS REQUIRED BY THE NEW MEXICO STATE AUDITOR

10-11 UNTIMELY REVERSION TO STATE GENERAL FUND

Non-compliance

CONDITION

It was noted that the Department did not revert the amount due to the State General Fund for the year ended June 30, 2011 in the capital project fund as of the cutoff date for submitting reversions to the State General Fund June 30, 2011 in the amount of \$17,024,963.

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 State 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.

MANAGEMENT'S RESPONSE

The Department agrees that it was late reverting the unexpended balance in the Capital Projects Fund. The Department 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011**

**D. OTHER MATTERS AS REQUIRED BY THE NEW MEXICO STATE AUDITOR
(CONTINUED)**

**2011-05 Timeliness of Cash Drawdowns
Non-compliance**

CONDITION

The Department is not currently complying with the State's drawdown requirements, and currently has a two-month lag, rather than a one-month lag in drawing down funds allowed by the State's CMIA agreement

CRITERIA

The Treasury-State agreement between the State of New Mexico and the United States Department of the Treasury, and related State cash requirements, require that funds for administrative and payroll costs related to the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) be drawn down monthly, on the 26th of the month following the disbursement.

EFFECT

The State does not have access to cash that should be available to it.

CAUSE

The Department staff were not aware of the importance of timely cash draws is outlined in the State Statute.

RECOMMENDATION

We recommend that the Department develop a process to improve the timeliness of its draws.

MANAGEMENT'S RESPONSE

The Office of the State Treasurer is currently conducting a Cash Management Improvement Act (CMIA) review of the Department's current CMIA agreement. The department will adhere to any recommendation from the Office of the State Treasurer. Procedures have already been put into place where the department is now doing cash draw-downs on a monthly basis for those programs that require a monthly draw-down.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
Year Ended June 30, 2011**

08-05	Lack of a Formal Disaster Recovery Plan	Resolved
09-01	Safeguarding of Monies Collected	Resolved
09-04	DDSD Provider Annual Financial Statements	Resolved
10-01	Timely Notification of Missing Capital Assets	Resolved
10-02	Capital Asset Management and Tracking	Resolved
10-03	Cash Receipts Not Deposited in a Timely Manner	Resolved
10-04	Inventory Control	Resolved
10-05	Unallowable Costs	Resolved
10-06	Federal Reporting	Resolved
10-07	Journal Entries	Revised/Repeated
10-08	Accounts Receivable and Allowance for Doubtful Accounts (Material Weakness)	Revised/Repeated
10-09	Gas Card Fraud	Resolved
10-10	Facility Cash Reconciliation	Resolved
10-11	Untimely Reversion to State General Fund	Repeated

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
EXIT CONFERENCE
Year Ended June 30, 2011**

An exit conference was held with the Department on December 13, 2011. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF HEALTH

Catherine Torres, M.D.	Cabinet Secretary
Rick Crespin	ASD Director
James Chadburn, CPA	Financial Accounting Bureau Chief
Jim Green	Deputy Secretary – Finance (CFO)
Sean Pearson	Chief Information Officer
Lynzie Hull	Office of Internal Audit
Maggie Gallaher	Public Health Division
Marcella Ortega	Public Health Division
Mack Sewell	Epidemiology & Response Division

MOSS ADAMS LLP

Larry Carmony	Partner
Jaime Rumbaoa	Manager
James Cox	Senior
Ryan Loveland	Staff

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared with the assistance of Moss Adams LLP.