



**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH**

**FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITORS**

JUNE 30, 2013

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, 2013**

Department Officials

	<u>June 30, 2013</u>	<u>Dec. 11, 2013</u>
Cabinet Secretary	Retta Ward	Retta Ward
Dep. Secretary – Programs	James W. Green (CFO)	Lynn Gallagher
Dep. Secretary – Facilities	Brad McGrath (CFO)	Brad McGrath (CFO)
General Counsel	Gabrielle Sanchez-Sandoval (Acting)	Same
Chief Information Officer	Terry Reusser	Terry Reusser
Chief Medical Officer	Richard Adams, M.D.	Stephen Dorman, M.D.
State Epidemiologist	Michael Landen, M.D.	Michael Landen, M.D.

Division Directors

Administrative Services	Leonard Tapia (CFO)	Leonard Tapia (CFO)
Public Health	Jane Peacock	Jane Peacock
Epidemiology & Response	Michael Landen, M.D.	Michael Landen, M.D.
Scientific Laboratory	David Mills, Ph.D.	David Mills, Ph.D.
Developmentally Disabilities Support	Cathy Stevenson	Cathy Stevenson
Health Certification, Licensing & Oversight	Gail Nash (Acting)	John Evans

REPORT OF INDEPENDENT AUDITORS

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue fund of New Mexico Department of Health (the Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also audited the financial statements of each of the Department's nonmajor governmental and fiduciary fund and the budgetary comparisons for the nonmajor funds and programs presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

effectiveness of the Department's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance 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 nonmajor governmental fund and fiduciary fund of the Department as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for all nonmajor funds and programs for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico 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, 2013, and the changes in its financial position and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the schedule of individual deposits, the schedule of pledged collateral, the schedule of joint powers agreements, the schedule of due to and due from other state agencies, the schedule of special appropriations, and the schedule of changes in assets and liabilities – agency funds as required by the New Mexico State Audit Rule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards, the schedule of individual deposits, the schedule of pledged collateral, the schedule of joint powers agreements, the schedule of due to and due from other state agencies, the schedule of agencies transfers in and transfers out, the schedule of special appropriations, and the schedule of changes in assets and liabilities – agency funds are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of individual deposits, the schedule of pledged collateral, the schedule of joint powers agreements, the schedule of due to and due from other state agencies, the schedule of agencies transfers in and transfers out, the schedule of special appropriations, and the schedule of changes in assets and liabilities – agency funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
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New Mexico State Auditor

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
December 16, 2013

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2013**

Introduction

The following Management's Discussion and Analysis (MD&A) for the State of New Mexico's Department of Health (the Department) introduces the basic financial statements and provides an analytical overview of the Department's financial condition and results of operations as of and for the 12-month fiscal year ended June 30, 2013 (FY13). Additionally, the MD&A provides a discussion of significant changes in account category balances presented in the entity-wide Statement of Net Position 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. The requirements for the Basic Financial Statements were modified by GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources & Net Position which revised the reporting statements from Statement of Net Assets to a Statement of Net Position.

Overview of the Basic Financial Statements

Although the Department is one of numerous departments and agencies comprising 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 government-wide financial 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 Position includes all of the Department's assets, liabilities, and the net position. All revenue and expenses are accounted for in the

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

Statement of Activities regardless of when cash is received or disbursed because the State of New Mexico operates under the modified accrual basis of accounting.

- The fund financial statements consist of:
 - The governmental fund statements, including the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances, which 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.
 - The Statement of Revenue 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 Department's general fund and all major funds. A separate column is presented to report any variances between the final budget and actual amounts.
 - The Statement of Fiduciary Assets and Liabilities 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 (CONTINUED)
Fiscal Year Ended June 30, 2013**

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 1
The Department's Net Position**

	<u>Governmental Activities</u>		Increase (Decrease)	Percent Change
	2013	2012		
Assets				
Cash, restricted and non-restricted	\$ 68,925,739	58,000,149	10,925,590	18.8%
Other current assets	40,206,673	34,372,194	5,834,479	17.0%
Non-current assets	<u>64,678,296</u>	<u>68,619,427</u>	<u>(3,941,131)</u>	<u>(5.7%)</u>
Total assets	<u>\$173,810,708</u>	<u>160,991,770</u>	<u>12,818,938</u>	<u>8.0%</u>
Liabilities				
Current liabilities	\$109,101,923	94,942,530	14,159,393	14.9%
Long-term liabilities	<u>55,611,320</u>	<u>57,429,374</u>	<u>(1,818,054)</u>	<u>(3.2%)</u>
Total liabilities	<u>\$164,713,243</u>	<u>152,371,904</u>	<u>12,341,339</u>	<u>8.1%</u>
Net Position				
Net investment in capital assets \$	7,963,296	10,774,427	(2,811,131)	(26.1%)
Restricted	3,740,756	-	3,740,756	100.0%
Unrestricted (deficit)	<u>(2,606,587)</u>	<u>(2,154,561)</u>	<u>(452,026)</u>	<u>(21.0%)</u>
Total net position	<u>\$ 9,097,465</u>	<u>8,619,866</u>	<u>477,599</u>	<u>5.5%</u>

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2013 are as follows:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

Assets

Total assets increased by approximately \$12.8 million, or 8.0 percent. This increase resulted from several factors:

- An increase in Current Assets of approximately \$16.8 million, due primarily to:
 - An increased balance in the Interest in the State General Fund Investment Pool and cash accounts of approximately \$10.9 million was due to an increase of \$23.4 million in expenditures that were not paid until after June 30, 2013 which was partially offset with due from other state agencies with an increase of \$6.4 million which are considered cash flow timing differences for \$11.1 million of the \$10.9 million increase.
 - The remaining increase of \$3.2 million is related to an increase of net revenue from FY 2012 to FY 2013 which resulted in an increase of our reversion expenses for a similar amount.
 - A decrease of approximately \$1.6 million in Net Accounts Receivable, resulting from increased collection activities and more timely collections for approximately \$1.0 million.
- A decrease in Non-Current Assets of approximately \$3.9 million occurred primarily from an increase in accumulated depreciation related to the Department's capital lease.

Liabilities

Total liabilities increased by approximately \$12.3 million, or 8.1 percent:

- Current Liabilities increased by \$14.2 million or 14.9%. This net increase resulted from:
 - An increase in accounts payable in the amount of approximately \$18.2 million due to higher year-end accounts payable in various programs and divisions;
 - A reduction of accrued payroll for \$1.8 million from FY 2012 to FY 2013.
 - An increase of due to the state general fund from additional amount of \$3.8 million for FY 2012 that was not reverted timely.
 - A decrease of unearned revenue for \$3.9 million related to WIC rebates, newborn screening and caregiver screening that were considered earned revenue at year-end 2013.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

- Long-Term Liabilities decreased by approximately \$1.8 million, due primarily to a reduction in the Department's capital lease payable outstanding amount by \$1.2 million for payment made. Along with \$648 reduction in long-term compensated absences.
- Total Net Position increased minimal at approximately \$0.5 million or approximately a 5.5% change.

Changes in Net Activities

The table below summarizes the change in the Department's net activities between the fiscal years ending June 30, 2013 and 2012.

**Table 2
Changes in the Department's Net Activities**

	<u>Governmental Activities</u>		Increase (Decrease)	Percent Change
	2013	2012		
Revenue				
Program revenue				
Charges for services	\$109,613,634	106,931,811	2,681,823	2.5%
Operating grants and contributions	<u>141,967,914</u>	<u>145,101,860</u>	<u>(3,133,946)</u>	<u>(2.2%)</u>
Total program revenue	<u>251,581,548</u>	<u>252,033,671</u>	<u>(452,123)</u>	<u>(0.2%)</u>
General Revenue				
Transfers, net	(86,916,492)	(86,290,506)	625,986	0.7%
Bond proceeds/appropriations	303,502,654	298,578,171	4,924,483	1.6%
Investment income	2,503,208	2,714,581	(211,373)	(7.8%)
Loss on Capital Asset Disposal	(17,048)	(68,434)	51,386	75.1%
Reversion	<u>(24,169,945)</u>	<u>(20,889,958)</u>	<u>(3,279,987)</u>	<u>(15.7%)</u>
Total general revenue	<u>194,902,377</u>	<u>194,043,854</u>	<u>858,523</u>	<u>0.4%</u>
Total revenue	<u>446,483,925</u>	<u>446,077,525</u>	<u>406,400</u>	<u>0.1%</u>
Expenses				
Total governmental	446,006,326	440,388,757	5,617,569	1.3%
Changes in net position	477,599	5,688,768	(5,211,169)	(91.6%)
Beginning net position	<u>8,619,866</u>	<u>2,931,098</u>	<u>5,688,768</u>	<u>194.1%</u>
Ending net position	<u>\$ 9,097,465</u>	<u>8,619,866</u>	<u>477,599</u>	<u>5.5%</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

As indicated in Table 2, the Department's ending net position increased approximately \$477 thousand over FY 2012 or approximately 5.5%. The Department experienced an increase in total revenue of approximately \$406 thousand, or 0.1 percent. Program revenue declined by \$452 thousand, or 0.2 percent compared to 2012, due primarily to additional revenue generated by the Public Health Division for patient services by \$6.1 million or 24.0 percent. This was partially offset by a decline of \$1.7 million in patient revenue that was accrued for but did not materialize at the Facilities management and \$4.3 million decline in charges for Developmental disabilities support services.

Operating grants decreased primarily due to reduced funding under the American Recovery and Reinvestment Act which declined from \$5.9 million in FY 2012 to \$1.9 million in FY 2013. It is anticipated that the Department revenue and expenditures will be less than a \$700 thousand dollars from American Recovery and Reinvestment Act in FY 2014 when it will be closed.

General revenue not including reversions increased 1.9% or \$4.1 million. However, net transfers increased by approximately \$.6 million, due primarily to an increase in transfers out, and was offset by a \$5.1 million, or 1.8 percent, increase in General Fund and other appropriations to the Department. The General Fund appropriation increase resulted from a substantial increase in the federal match requirement under the Developmentally Disabled Medicaid Waiver Program as a result of the expiration of the enhanced FMAP under the American Recovery and Reinvestment Act, which led to a decrease in the federal medical assistance percentage (FMAP). Land investment income revenue for constitutionally chartered Department medical facilities however saw a slight decline of \$211,373 in FY 2013 from FY 2012 or 7.8%.

Total expenses increased by \$5.6 million, or 1.3 percent, due primarily to a reduction in interest payable on the Department's capital lease and a reduction in spending for other health initiatives and operations in the Public Health Division, the Epidemiology and Response Division, and DOH Facilities.

The surplus of revenue over expenditures in FY13 resulted in a net increase in net position of \$477,599 or just 5.5%. Combined with beginning net position of \$8.6 million, the Department ended the fiscal year with net position totaling \$9.1 million.

FY13 Operating Budget

The Department's initial operating budget for Fiscal Year 2013 totaled \$538.3 million, including \$292.0 million in General Fund, in accordance with Laws 2012, Chapter 19, the General Appropriation Act.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

Budget adjustment increases totaling approximately \$11.3 million during the fiscal year from various funding sources, as well as various category transfers, were processed during the fiscal year which resulted in a final operating budget amount for the Department of \$549.6 million.

Significant adjustments to the FY13 appropriated operating budget included:

- An increase of \$3,233,629 in Federal Fund to support initiatives of the Public Health Preparedness and Response for Bioterrorism (PHEP) cooperative agreement in the Epidemiology and Response Division;
- An increase of \$2,836,315 in Federal Funds for contracts and provider agreements to serve infants and toddlers who have or who are at risk for developmental delay;
- A correction to OpBud-3 for \$2,800,000 to appropriately align Fund 21900 and 06100 to ensure that the Public Health Division's budget was in compliance with the General Appropriation Act of 2012, Section 4, earmark, which indicated that the county-supported Medicaid funds are budgeted in the contractual services category;
- A transfer of \$2,550,000 from the personal services and employee benefits category to the contractual services and other categories to enable the Facilities Management Program to execute contracts needed for patient care, including medical service contracts for physicians, nurses, psychologists, psychiatrists, and other medical care staff;
- A transfer of \$2,300,000 from the other category to the contractual services category to allow PHD to support Commodity Supplemental Food Program warehouse provider contractual services and the UNM Truman Health Services professional services contract;
- A transfer of \$2,000,000 from Public Health Division personal services and employee benefits category to Developmental Disabilities Support Division personal services and employee benefits, contractual services and other categories to cover a projected General Fund shortfall in the Family Infant Toddler Program;
- A transfer of \$1,500,000 from the personal services and employee benefits category to the contractual services category to enable the Facilities Management Program to execute contracts needed for patient care, including medical service contracts for physicians, nurses, psychologists, psychiatrists, and other medical care staff;

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

- An increase of \$1,315,844 in Federal Fund to promote healthy lifestyles that are free from tobacco abuse and addiction among all New Mexicans through the Tobacco Use Prevention and Control (TUPAC) Program;
- An increase of \$990,000 in Federal Fund to support community-level efforts to reduce chronic diseases such as heart disease, cancer, stroke, and diabetes by promoting health lifestyles, especially among population groups experiencing the greatest burden of chronic disease, and will help improve health, reduce health disparities and control healthcare spending;
- An increase of \$781,529 in Federal Fund to support community-level efforts to reduce chronic diseases such as heart disease, cancer, stroke, and diabetes by promoting health lifestyles, especially among population groups experiencing the greatest burden of chronic disease, and will help improve health, reduce health disparities and control healthcare spending;
- A Fund Balance increase of \$610,000 for Emergency Medical Services to sustain existing trauma centers, support the development of new trauma centers and develop a statewide trauma system;
- A transfer of \$507,800 from the other category to the contractual services category to support the Newborn Genetic Screening (NGS) Program; to provide educational programs and materials to families with sickle cell; and to fund an amendment to the data processing contract with Challenger Soft to replace the INFORM database that is no longer supported.

Capital Assets and Debt Administration

Total capital assets, net of depreciation, for the Department make up 36.6 percent of the Department's total assets. The Department has no infrastructure assets, but does have a capital lease for the Fort Bayard Medical Center.

Total compensated absences at June 30, 2013 are approximately \$6.6 million. The estimated amount to be paid within one year is \$6.6 million, while \$66,320 could be paid after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2013.

Department of Finance and Administration's Cash Remediation Project

The New Mexico Department of Finance and Administration initiated a project designed to verify cash balances reported by state agencies at the business unit and fund levels. Details regarding the Cash Management Remediation Project can be found at http://www.nmdfa.state.nm.us/Cash_Control.aspx.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
Fiscal Year Ended June 30, 2013**

Currently Known Facts, Decisions, and Conditions

The national and state financial situation for the upcoming fiscal years is more cautiously optimistic than in any of the fiscal years since the recession of 2008. Although some recent economic indicators have improved, others continue to send mixed messages without a clear picture of sustained economic growth. In addition, the growing federal debt, and associated federal budget deficits, along with automatically scheduled federal budget reductions under sequestration provisions or other potential federal appropriation decreases, lead prudent analysts to plan for and possibly anticipate potentially significant reductions in federal funds for the Department in future federal fiscal years.

The Department is currently in working on achieving accreditation from the Public Health Accreditation (PHA) from the Public Health Accreditation Board (PHAB). The procedure for accreditation was started in 2012 by the Department. The Department's compliance with the PHAB accreditation standards requirements will ensure that the New Mexico Department of Health is in compliance with the national standards for meeting the health needs of the people of New Mexico. It is felt that this will ensure a continuous improvement and proactive approach by the Department.

Contacting the Agency's Financial Management

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

Leonard Tapia, Administrative Services Director, CFO
New Mexico Department of Health
Harold Runnels Building
1190 St. Francis Drive, Suite N3350
P.O. Box 26110
Santa Fe, NM 87502

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF NET POSITION
June 30, 2013**

	<u>Governmental Activities</u>
ASSETS:	
Interest in State General Fund Investment Pool	\$ 68,375,445
Cash	550,294
Accounts receivable, net	9,490,124
Due from federal government	15,960,051
Due from other state agencies	10,588,966
Due from other local government	239,123
Inventory	3,907,910
Prepaid expenses and others	20,499
Capital assets:	
Land	59,700
Other, net of depreciation	64,618,596
Total capital assets	<u>64,678,296</u>
 Total assets	 <u>\$ 173,810,708</u>
 LIABILITIES	
Accounts payable	\$ 25,321,172
Accrued payroll	1,818,112
Due to State General Fund	28,045,387
Due to other state agencies	41,081,278
Due to the federal government	86,129
Due to local government	1,230,010
Unearned revenue	2,940,706
Other liabilities	843,444
Compensated absences due within one year	6,565,685
Capital lease payable due within one year	1,170,000
Long-term liabilities:	
Compensated absences due in more than one year	66,320
Capital lease payable due in more than one year	55,545,000
Total liabilities	<u>164,713,243</u>
 NET POSITION	
Net investment in capital assets	7,963,296
Restricted for:	
Public health	211,341
Epidemiology and response	1,279,425
Developmental Disabilities Support Services	2,249,990
Unrestricted (deficit)	<u>(2,606,587)</u>
 Total Net Position	 <u>\$ 9,097,465</u>

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES:					
Administration	\$ 13,457,607	\$ 17,781	\$ 5,993,870	\$ -	\$ (7,445,956)
Public health	164,943,074	31,318,073	68,515,432	-	(65,109,569)
Public health in -kind	34,946,123	-	34,946,123	-	-
Epidemiology and response	26,186,923	1,156,852	14,882,944	-	(10,147,127)
Laboratory services	12,333,109	2,232,477	2,523,007	-	(7,577,625)
Facilities management	132,409,611	70,315,435	-	-	(62,094,176)
Developmental disabilities supports services	49,704,826	1,278,320	8,403,751	-	(40,022,755)
Health certification, licensing and oversight	11,610,571	3,294,696	6,125,352	-	(2,190,523)
Other health initiatives	414,482	-	577,435	-	162,953
TOTAL GOVERNMENTAL ACTIVITIES	\$ 446,006,326	\$ 109,613,634	\$ 141,967,914	\$ -	\$ (194,424,778)
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
State General Fund appropriations					294,341,800
Tobacco settlement funds					6,851,600
County-supported Medicaid					2,309,254
Investment earnings					2,503,208
Reversion - FY2013 - Transfer out					(24,169,945)
Loss on capital assets disposals					(17,048)
Inter-agency transfers, net					(86,916,492)
TOTAL GENERAL REVENUES AND TRANSFERS					194,902,377
CHANGE IN NET POSITION					477,599
NET POSITION, BEGINNING					8,619,866
NET POSITION, ENDING					\$ 9,097,465

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013**

	Major Funds		Other Non-major Funds	Total Governmental Funds
	General Fund 06100	ARRA Fund 89000		
ASSETS:				
Interest in State General Fund				
Investment Pool	\$ 63,957,299	\$ 17,988	\$ 4,400,158	\$ 68,375,445
Cash	550,294	-	-	550,294
Accounts receivable, net	9,490,124	-	-	9,490,124
Due from federal government	15,531,051	429,000	-	15,960,051
Due from other state agencies	9,634,814	-	954,152	10,588,966
Due from other local governments	239,123	-	-	239,123
Due from other funds	16,392,734	-	1,274	16,394,008
Inventory	3,907,910	-	-	3,907,910
Prepaid expenses and others	20,499	-	-	20,499
TOTAL ASSETS	\$ 119,723,848	\$ 446,988	\$ 5,355,584	\$ 125,526,420
LIABILITIES:				
Accounts payable	\$ 24,303,812	\$ 313,234	\$ 704,126	\$ 25,321,172
Accrued payroll	1,810,466	1,209	6,437	1,818,112
Due to State General Fund	27,882,434	-	162,953	28,045,387
Due to other funds	16,255,521	132,409	6,078	16,394,008
Due to other state agencies	40,864,754	198	216,326	41,081,278
Due to federal government	86,129	-	-	86,129
Due to local governments	1,230,010	-	-	1,230,010
Unearned revenue	171,808	-	2,768,898	2,940,706
Other liabilities	843,444	-	-	843,444
TOTAL LIABILITIES	113,448,378	447,050	3,864,818	117,760,246
FUND BALANCES:				
Nonspendable	3,925,480	-	-	3,925,480
Restricted	2,249,990	-	1,490,766	3,740,756
Assigned	100,000	-	-	100,000
Unassigned	-	(62)	-	(62)
TOTAL FUND BALANCES	6,275,470	(62)	1,490,766	7,766,174
TOTAL LIABILITIES AND FUND BALANCES	\$ 119,723,848	\$ 446,988	\$ 5,355,584	\$ 125,526,420

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)	\$	7,766,174
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:		131,753,256
Accumulated depreciation is:		<u>(67,074,960)</u>
Total capital assets		64,678,296
Capital lease payable is not due and payable in the current period and, therefore, are not reported in the funds:		(56,715,000)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds:		<u>(6,632,005)</u>
Net position of governmental activities (Statement of Net Position)	\$	<u><u>9,097,465</u></u>

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, 2013**

	Major Funds			Total Governmental
	General Fund 06100	ARRA Fund 89000	Other Non-major	
REVENUES:				
Federal grant revenue	\$ 120,033,758	\$ 1,863,096	\$ -	\$ 121,896,854
In-kind assistance	34,946,123	-	-	34,946,123
Charges for services	80,152,987	-	-	80,152,987
Investment earnings	2,503,208	-	-	2,503,208
Fees, penalties, rentals and other	13,934,649	-	650,327	14,584,976
TOTAL REVENUES	251,570,725	1,863,096	650,327	254,084,148
EXPENDITURES:				
Current operating:				
Administration	13,130,244	-	-	13,130,244
Public health	161,040,339	1,163,870	2,769,843	164,974,052
Public health in-kind assistance	34,946,123	-	-	34,946,123
Epidemiology and response	18,601,961	671,472	6,747,177	26,020,610
Laboratory services	11,528,526	-	-	11,528,526
Facilities management	126,381,128	-	-	126,381,128
Development Disabilities Support Services	49,741,229	-	-	49,741,229
Health, Certification, Licensing and Oversight	11,523,692	-	-	11,523,692
Other health initiatives	-	-	414,482	414,482
Capital outlay	975,461	27,754	-	1,003,215
Capital lease principal payment	-	-	1,130,000	1,130,000
Capital lease interest payment	-	-	2,920,000	2,920,000
TOTAL EXPENDITURES	427,868,703	1,863,096	13,981,502	443,713,301
DEFICIENCY OF REVENUES				
OVER EXPENDITURES	(176,297,978)	-	(13,331,175)	(189,629,153)
OTHER FINANCING SOURCES (USES):				
State General Fund appropriation	283,241,200	-	11,100,600	294,341,800
Tobacco Settlement appropriation	6,851,600	-	-	6,851,600
County-supported Medicaid	-	-	2,309,254	2,309,254
Reversion - FY2013 - transfer out	(24,006,992)	-	(162,953)	(24,169,945)
Inter-agency transfers, net	(86,942,286)	-	25,794	(86,916,492)
TOTAL OTHER FINANCING SOURCES	179,143,522	-	13,272,695	192,416,217
NET CHANGE IN FUND BALANCE	2,845,544	-	(58,480)	2,787,064
FUND BALANCES, BEGINNING	3,429,926	(62)	1,549,246	4,979,110
FUND BALANCES, ENDING (DEFICIT)	\$ 6,275,470	\$ (62)	\$ 1,490,766	\$ 7,766,174

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, 2013**

Net Changes in Fund Balances - Total Governmental Funds (Statement of Revenues, Expenditures, and Changes in Fund Balances)	\$	2,787,064
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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:		501,663
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Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts were:

Capital outlay		1,003,215
Depreciation expense		<u>(4,927,295)</u>
Excess of depreciation expense over capital outlay		(3,924,080)

The Statement of Activities reports the loss on the sale of equipment, while the Statement of Revenues, Expenditures and Changes in Fund Balance reports the proceeds. The reconciling amount is the difference:		(17,048)
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Repayments of capital lease obligations are an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Position:		<u>1,130,000</u>
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Change in net position of governmental activities (Statement of Activities)	\$	<u><u>477,599</u></u>
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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, 2013

GENERAL FUND - FUND 06100

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 105,906,100	\$ 116,868,746	\$ 95,107,971	\$ (21,760,775)
State General Fund appropriation	280,890,900	283,141,200	283,241,200	100,000
Other state funds*	113,340,700	113,400,821	109,544,242	(3,856,579)
Other financing sources	-	-	2,503,208	2,503,208
Inter-agency transfers**	23,652,100	23,678,237	18,106,744	(5,571,493)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 523,789,800	\$ 537,089,004	\$ 508,503,365	\$ (28,585,639)
EXPENDITURES - current & capital outlay:				
Personal services and employee benefits	213,465,300	206,916,512	189,236,763	17,679,749
Contractual services	75,308,300	87,625,129	77,639,854	9,985,275
Other	138,663,100	146,194,263	126,045,964	20,148,299
Other financing uses	96,353,100	96,353,100	88,728,248	7,624,852
TOTAL EXPENDITURES	\$ 523,789,800	\$ 537,089,004	481,650,829	55,438,175
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			26,852,536	
REVERSIONS (NOT BUDGETED)			24,006,992	
NET CHANGE IN FUND BALANCE			<u>\$ 2,845,544</u>	

* Federal funds passed through to the Department from other sources in the amount of \$15,456,606 is budgeted as other state fund and is classified as federal grant revenue on the statement of revenues, expenditures and changes in fund balances.

** Federal funds passed through to the Department from the NM Human Services Department in the amount of \$9,469,181 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, 2013

ARRA FUND (Fund 89000) Multi-year Budget					
Budgeted Amounts					
	Original Budget in 2009	Accumulated Additions 2009 - FY 2012	Interim FY Accumulated Budget FY 2012	FY 2013 Budget Adjustments	Final Budget FY 2013
REVENUES:					
Federal funds	\$ 546,044	\$ 18,763,138	19,309,182	\$ 393,850	\$ 19,703,032
State General Fund appropriation	-	-	-	-	-
Other state funds	-	-	-	-	-
Inter-agency transfers	-	-	-	-	-
Budgeted fund balance	-	-	-	-	-
TOTAL REVENUES	546,044	18,763,138	19,309,182	393,850	19,703,032
EXPENDITURES - current & capital outlay:					
Personal services and employee benefits	-	1,131,850	1,131,850	204,383	1,336,233
Contractual services	-	9,261,379	9,261,379	160,000	9,421,379
Other	546,044	8,369,909	8,915,953	29,467	8,945,420
Other financing uses	-	-	-	-	-
TOTAL EXPENDITURES	\$ 546,044	\$ 18,763,138	\$ 19,309,182	\$ 393,850	\$ 19,703,032
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)					
NET CHANGE IN FUND BALANCE					

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, 2013

ARRA FUND (Fund 89000) Multi-year Budget

Actual Amounts for FY 2009 to FY 2012	Actual Amount FY 2013 (Budgetary Basis)	Accumulated Actual Amount FY 2009 - 2013	Variance From Final Budget Positive (Negative)
\$ 17,146,269	\$ 1,863,096	\$ 19,009,365	(693,667)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>17,146,269</u>	<u>1,863,096</u>	<u>19,009,365</u>	<u>(693,667)</u>
1,004,514	115,590	1,120,104	216,129
7,611,131	1,445,241	9,056,372	365,007
8,530,624	302,265	8,832,889	112,531
-	-	-	-
<u>\$ 17,146,269</u>	<u>1,863,096</u>	<u>\$ 19,009,365</u>	<u>\$ 693,667</u>

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\$ -

See Notes to Financial Statements

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES -
AGENCY FUNDS
June 30, 2013**

		<u>Agency Funds</u>
ASSETS:		
Interest in State General Fund Investment Pool	\$	406,621
Cash		<u>837,701</u>
TOTAL ASSETS	\$	<u><u>1,244,322</u></u>
LIABILITIES:		
Fund held for others	\$	837,431
Due to other state agencies		<u>406,891</u>
TOTAL LIABILITIES	\$	<u><u>1,244,322</u></u>

See Notes to the Financial Statements

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 2013 (FY13), 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, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Area One (P001) — Administration:

- Office of the Secretary
- Chief Financial Officer
- Office of General Counsel
- Office of Internal Audit
- Chief Information Officer
- Human Resources
- Administrative Services

The Administration Program provides leadership, policy development, information technology, administrative, financial 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, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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)
- Los Lunas Community Programs

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:

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) — Division of Health Improvement:

- 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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

promotes quality improvement by conducting surveys and program reviews, taking appropriate action, identifying trends and patterns, and procuring training.

Program Area Seven Eighty Seven (P787) – Medical Cannabis Program:

The New Mexico Medical Cannabis Program was created under the Lynn and Erin Compassionate Use Act (Act). The purpose of this Act is to allow the beneficial use of medical cannabis in a regulated system for alleviating symptoms caused by debilitating medical conditions and their medical treatments. Department of Health administers the program in accordance with the Act while at the same time ensuring proper enforcement of any criminal laws for behavior that has been deemed illicit by the state.

Governmental Accounting Standards Board Statement establish 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 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 is responsible for the fair presentation of the accompanying financial statements in conformity with generally accepted accounting principles. 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 Position, 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Department utilizes governmental funds and fiduciary funds. The Department has no proprietary funds to report.

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The following describes the individual funds used by the Department:

Governmental Funds

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

Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, the statements present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. The following is a description of the funds of the Department:

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:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government Funds – Continued

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

Other Non-major Funds

Special Revenue Funds. DOH maintains 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 Medical Cannabis Fund (Fund 11415) – This fund was created by Senate Bill 240, as amended in Laws of 2012, Chapter 42. The fund consists of fees collected by the Department of Health pursuant to the Medical Cannabis Program that the Department of Health administers, income from investment of the fund and income otherwise accruing to the fund. Money appropriated is to support the administration of the medical cannabis program; provided that none of the money from the fund shall be used for capital expenditures. These funds are reverting.
- 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Non-major Funds

- 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 26100) - This fund was created by Section 24-1-31 NMSA 1978. The purpose of this fund is to provide funding for the development and implementation of a vision screening program, which includes making vision screenings and follow up comprehensive examinations available to the children of New Mexico regardless of family income. These funds are non-reverting.
- The Emergency Medical Services Fund (Fund 75600) - This fund was created by Section 24-10A-2 NMSA 1978. The purpose of this fund is to make money available to municipalities and counties for use in the establishment and enhancement of local emergency medical services, statewide emergency medical services and trauma services in order to reduce injury and loss of life. These funds are non-reverting.
- The Birthing Workforce Retention Fund (Fund 95800) - The fund was created by Section 41-5-26.1 NMSA 1978. The purpose of this fund is to provide malpractice insurance premium assistance for certified nurse-midwives or physicians whose insurance premium costs jeopardize their ability to continue their obstetrics practices in New Mexico. These funds are non-reverting.

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

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other Non-Major Funds - Continued

Fort Bayard Medical Center Lease Purchase Agreement Fund (Fund 20480). The New Mexico Department of Health was appropriated funds in the Laws of 2011, Chapter 179, Section 4 for the Fort Bayard Medical Center Lease Purchase Agreement. The fund was created to account for all fiscal activity related to the lease purchase agreement between the State of New Mexico - Department of Health and Grant County, New Mexico. The payments for the lease purchase agreement are funded through General Fund Appropriations. 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.

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:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus and Classification of Funds - Continued

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.

Effective July 1, 2012, the Department adopted GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position. This statement had minimal impact on the Department's financial statements or related accounting and financial reporting. The primary effects of implementing this statement was to change all previous references from "net assets" to "net position," change the line item for "invested in capital assets, net of related debt" to "net investment in capital assets," and to classify certain assets and liabilities as "deferred inflows" and "deferred outflows." At June 30, 2013, the Department had no items meeting the criteria of "deferred inflows" or "deferred outflows."

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Classification of Funds - Continued

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, is required to be implemented effective July 1, 2013, and thus will be adopted by the Department next fiscal year. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Management is currently evaluating the impact of this standard on the Department's financial statements.

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. GASB Statement 63 changed the report of government-wide from using the Statement of Net Assets to using the Statement of Net Position.

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

The government-wide financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and expenditures are recognized when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33. The governmental funds in the fund financial statements utilize the modified accrual basis of accounting. Under this method, revenue and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally 60 days.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-Current Governmental Assets/Liabilities - Continued

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.

Fund Balance Classifications

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, 2013, follows:

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance Classifications - Continued

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.

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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 2. ASSETS, LIABILITIES AND NET POSITION

Cash

The Department maintains cash accounts with the Office of the State Treasurer and at various commercial institutions statewide. Amounts on deposit with the commercial institutions are fully insured by the Federal Deposit Insurance Corporation up to \$250,000. Amounts over \$250,000 must be secured in accordance with 6-10-17 NMSA 1978 which requires banks pledge collateral valued at 50 percent of the uninsured amount deposited.

The Department is required by statute to deposit any money received into the State Treasury. Balances maintained at the end of each day are pooled and invested by the State Treasurer in repurchase agreements. The State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits, the categories of risk involved, and the market value of purchased investments, which may differ from the cash deposited by the Department (refer to Schedule 2 — Pledged Collateral and Schedule 1 — Schedule of Individual Deposits). Custodial credit risk is the risk that, in the event of failure of the counterparty, the Department will not be able to recover the value of its cash that is in the possession of an outside party. The Department's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the Department's name.

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

As per Section 6-5-2.1 (J) NMSA 1978, the Department of Finance and Administration (DFA) is required to complete a monthly reconciliation of the balances and accounts maintained by the State Treasurer's Office (STO).

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Interest in State General Fund Investment Pool

In June 2012, an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting system (SHARE) system in July of 2006. The Diagnostic report is available in the Resources section of the Cash Control page of the New Mexico Department of Finance & Administration's website at:

http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Interest in State General Fund Investment Pool – Continued

The Department of Health identifies and posts all warrants and deposits as they are processed at the department's Administrative Services Division (ASD). Each fund is Interest in the General Fund Investment Pool.

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an Interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2013, the Department had the following interest in the State General Fund Investment Pool: State General Fund Investment Pool \$68,375,445. Refer to Schedules 1 and 2 of the Supplementary Schedules related to deposits and collateral related to Cash and the Interest in the State General Fund Investment Pool funds.

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

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 public health field offices, medical and long-term facilities.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

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 17, 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 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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Compensated Absences

Vacation time, compensatory time, and sick time are reported as liabilities in the government-wide financial statements, with expenses being reported during the period that leave is accrued. It is the policy of the Department to permit employees to accumulate earned but unused vacation and sick pay benefits. The fund financial statements report expenditures during the period that employees are actually paid, or when compensated absences are liquidated with expendable financial resources from the operational portion of state General Fund appropriations. These expenditures are paid from the Department's General Operating Fund (Fund 06100). Qualified employees are entitled to accumulate vacation leave according to a graduated schedule of 80 to 160 hours per year, depending upon the length of service and the employee's hire date. A maximum of thirty working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost.

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

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

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

FLSA-exempt employees may only accrue up to 80 hours a year at a rate of one (1.0) times the hours worked. The exception is supervisory nurses who accrue their hours at the rate of one-and-a-half the normal rate (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.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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

Compensated Absences (Continued)

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

Net Position

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

- Net investment in Capital Assets - Reflects the portion of net position 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 Net Position - 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 Net Position - 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, 2013**

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 New Mexico 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, 2013**

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, 2013**

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 2013.

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, 2013**

NOTE 4. ACCOUNTS RECEIVABLE

The accounts receivable and the related allowance for uncollectible accounts for the General Fund as of June 30, 2013, are as follows:

<u>Program/Facility</u>	<u>Accounts Receivables</u>	<u>Allowance for Uncollectables</u>	<u>Net Accounts Receivables</u>
General Fund			
Public Health Division	\$ 1,634,895	\$ 396,156	\$1,238,739
Epidemiology and Response Division	9,391	-	9,391
Scientific Laboratory	72,117	27,308	44,809
Turquoise Lodge	379,745	248,991	130,754
New Mexico Behavior Health Institute	12,870,060	9,244,853	3,625,207
New Mexico Rehabilitation Center	961,653	491,050	470,603
Sequoyah Adolescent Treatment	358,415	37,588	320,827
New Mexico Veterans Home	1,059,777	199,493	860,284
Fort Bayard Medical Center	4,622,575	2,493,960	2,128,615
Los Lunas Community Program	1,584,435	923,540	660,895
	<u>\$23,553,063</u>	<u>\$14,062,939</u>	<u>\$9,490,124</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, 2013**

NOTE 5. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Governmental Type Activities</u>	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Balance June 30, 2013</u>
Land	\$ 59,700	-	-	\$ 59,700
Total non-depreciable assets	59,700	-	-	59,700
Land improvements	230,577	-	(20,144)	210,433
Buildings and structures	98,513,808	6,855	(46,877)	98,473,786
Machinery and equipment	14,605,487	393,090	(132,245)	14,866,332
Vehicles	2,036,199	-	(165,670)	1,870,529
Information technology	14,700,749	603,270	(570,774)	14,733,245
Furniture and fixtures	1,662,516	-	(123,285)	1,539,231
Total depreciable assets	131,749,336	1,003,215	(1,058,995)	131,693,556
Less accumulated depreciation				
Land improvements	232,802	147	(20,144)	212,805
Buildings and structures	36,507,949	46,628	(121,746)	36,432,831
Machinery and equipment	11,335,480	817,216	(568,634)	11,584,062
Vehicles	1,682,200	1,016,578	(121,705)	2,577,073
Information and technology	12,252,209	78,211	(165,670)	12,164,750
Furniture and fixtures	1,178,969	2,968,515	(44,045)	4,103,439
Total accumulated depreciation	63,189,609	4,927,295	(1,041,944)	67,074,960
Total capital assets, net	<u>\$ 68,619,427</u>	<u>(3,924,080)</u>	<u>(17,051)</u>	<u>\$64,678,296</u>

Depreciation expense was charged to functions as follows:

Administration	\$ 343,676
Public Health	173,987
Epidemiology and response	198,641
Laboratory services	818,906
Facilities management	3,265,494
Developmental disabilities support services	25,395
Health certification, licensing and oversight	<u>101,196</u>
	<u>\$ 4,927,295</u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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:

Balance			Balance	Due
June 30, 2012	Additions	Deletions	June 30, 2013	Within One
				Year
<u>\$ 7,133,671</u>	<u>\$ 6,598,862</u>	<u>\$(7,100,528)</u>	<u>\$ 6,632,005</u>	<u>\$ 6,565,685</u>

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, 2013 are found at Schedule 4.

NOTE 8. INTERFUND ACTIVITY

Due To/From Other Funds and sub-funds at June 30, 2013 are as follows:

Amount Due From Other Funds/Sub-Funds			Amount Due To Other Funds/Sub-Funds		
Fund Name	Fund No.	Amount	Fund Name	Fund No.	Amount
General Fund	06101	\$ 16,034,155	General Fund	06101	\$ 12,061,377
General Fund	06102	249,247	General Fund	06102	28,786
General Fund	06104	2,850	General Fund	06104	3,641,810
General Fund	06105	<u>106,482</u>	General Fund	06105	<u>523,548</u>
Total General Fund.		16,392,734	Total General Fund.		16,255,521
County Supported Medicaid	21900	<u>1,274</u>	ARRA	89000	132,409
			Trauma System	25700	<u>6,078</u>
Total Due From		<u><u>\$ 16,394,008</u></u>	Total Due To		<u><u>\$ 16,394,008</u></u>

The due to/due from other funds arise when transactions occur in one fund that are partially attributable to another fund or funds. All transfers were made for operational activity purposes. Also included in these totals are due to/due from for sub funds in the general fund.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 9. OTHER LIABILITIES

Other liabilities consist of:

Civil Monetary Penalties – Held for Federal Programs	\$ 509,134
Funds held for other	3,185
Facilities funds held for other	330,096
Miscellaneous	<u>1,029</u>
Total Other Liabilities	<u>\$ 843,444</u>

NOTE 10. UNEARNED REVENUE

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

County-supported Medicaid receipts	\$ 2,768,898
Kellogg CDC Foundation Grant	50,000
Fees for Screening Activities	<u>121,808</u>
	<u>\$ 2,940,706</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:

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 11. OPERATING LEASES (Continued)

<u>Years Ending June 30:</u>	<u>Lease Amounts</u>
2014	\$ 4,004,625
2015	3,568,563
2016	2,664,028
2017	1,610,915
2018	1,112,185
2019 - 2023	3,006,032
2024 - 2028	2,449,497
2029 - 2032	<u>394,464</u>
Total	<u>\$ 18,810,309</u>

Rental expenditures for the fiscal year ended June 30, 2013 were \$5,616,195.

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 is 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 commenced December 15, 2010.

The estimated value of the leased building at the inception of the leases, net of accumulated depreciation, amounted to \$56,296,297. The related remaining obligations under the capital leases which amounted to \$56,715,000 at June 30, 2013 are included in the capital assets and long-term liabilities balances in the government-wide financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 12. CAPITAL LEASE (CONTINUED)

The annual requirements to amortize the lease obligation at June 30, 2013 are as follows:

<u>Years Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 1,170,000	\$ 2,879,894	\$ 4,049,894
2015	1,215,000	2,836,019	4,051,019
2016	1,285,000	2,766,156	4,051,156
2017	1,355,000	2,692,269	4,047,269
2018	1,435,000	2,614,356	4,049,356
2019-2023	8,295,000	11,950,531	20,245,531
2024-2028	10,730,000	9,512,281	20,242,281
2029-2033	13,705,000	6,545,688	20,250,688
2034-2038	<u>17,525,000</u>	<u>2,713,750</u>	<u>20,238,750</u>
	<u>\$56,715,000</u>	<u>\$44,510,944</u>	<u>\$101,225,944</u>

The annual Capital Lease amount paid for FY13 in FY13 was \$4,050,000 of which \$1,130,000 was for principal payment and \$2,920,000 in interest payment paid one twelfth each month by the 15th of the month.

	Balance at June 30, 2012	Additions	Deletions	Balance at June 30, 2013
Capital lease	<u>\$ 57,845,000</u>	<u>\$ -</u>	<u>\$1,130,000</u>	<u>\$56,715,000</u>

NOTE 13. RESERVED FUND BALANCE

Found in the fund balances section of the governmental funds balance sheet, the non-spendable fund balance of \$3,925,480 at June 30, 2013 was reserved for inventory and prepaid expenses. The \$2,349,990 is the amount of multi-year appropriation of which \$2,249,990 is specifically appropriated for payments of anticipated obligations due by the Department of Health the remaining \$100,000 is considered assigned and both are part of the General Fund.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 14. REVERSIONS

The following reversions are appropriations accrued during fiscal year 2013:

Laws of 2012, Ch. 19, Section 4, Fund 06100	\$ 24,006,992
Laws of 2012, Ch. 19, Section 4, Fund 11405	<u>162,953</u>
	<u>\$ 24,169,945</u>

The following reversions are from appropriations accrued for fiscal years prior to FY 2013:

Prior year reversions due to the State General Fund	<u>\$ 3,875,442</u>
Total State General Fund reversions	<u>\$28,045,387</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 SHARE 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.

The fair value of the Department's interest in the State Permanent Fund at June 30, 2013, and the income received for the year follow:

	Interest in Fund at <u>June 30, 2013</u>	Income Received <u>in 2013</u>
State Permanent Fund:		
Behavioral Health Institute	\$27,777,533	\$1,183,423
Charitable, Penal and Reformatory Act:		
Behavioral Health Institute	\$14,984,563	\$ 657,214
Los Lunas Community Programs	\$14,984,563	\$ 655,980

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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 Employees 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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary if they earn over \$20,000 a year and 7.42% of their gross salary if they earn \$20,000 or less a year. The Department is required to contribute 15.09% of their gross salary if they earn over \$20,000 a year and 16.59% of their gross salary if they earn \$20,000 or less a year. 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, 2013, 2012 and 2011 were \$18,557,648, \$16,652,361 and \$19,336,917, respectively, which equal to the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 16. RETIREMENT PLANS (CONTINUED)

Educational Retirement Board (ERB)

Plan Description

There are some of the Department's full-time employees who 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

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.1% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015 and thereafter.

Employer Contributions

In fiscal year 2013, the Department was required to contribute 12.4% of the gross covered salary for employees whose annual salary is \$20,000 or less, and 10.9% of the gross covered salary for employees whose annual salary is more than \$20,000.

In the future, the Department will contribute the following percentages of the gross covered salary of employees: 13.15% of gross covered salary in fiscal year 2014; and 13.9% of gross covered salary in fiscal year 2015.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 16. RETIREMENT PLANS (CONTINUED)

Educational Retirement Board (ERB) - Continued

Employer Contributions - Continued

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, 2013, 2012, and 2011, were \$13,138, \$27,289, and \$43,570, 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, 2013**

NOTE 18. OTHER 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, 2013**

NOTE 18. OTHER 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. In the fiscal year ending June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary, each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$2,452,105, \$2,250,115 and \$2,205,979, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, the insurance premiums paid not including employee health insurance premiums to the Risk Management Division were \$5,919,570.

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.

Jackson v. Fort Stanton Hospital, et al. USDC No. CIV 87-0839 JP/LCS

Summary: In 1987, P&A filed a civil rights class action lawsuit, *Jackson v. Ft. Stanton Hospital and Training School*, et. al., 757 F. Supp. 1243 (D.N.M. 1990), on behalf of 43 specific individuals and the class of residents residing at Los Lunas Hospital and Training School (LLH&TS) and Fort Stanton Hospital and Training School. The plaintiffs alleged both statutory (Rehab Act and ADA) and constitutional (14th Amendment due process) violations. The lawsuit was litigated in Federal District Court before Judge James A. Parker. Subsequent to judgment against defendants, there has been elaborate monitoring and oversight by plaintiff's counsel and Judge Parker. The Department of Health is represented by outside counsel (appointed by Risk), but penalties, fines, fees, and other litigation expenses are paid by the Department of Health.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 20. CONTINGENCIES (CONTINUED)

Status: A Contempt Motion was filed by plaintiffs in July 2010 and an evidentiary hearing was held in the summer of 2011. In October of 2012, the Court found that while the Department of Health had made significant progress in many areas and that many factors including: changing Administration, state budgetary concerns, and aspirational language of prior orders all impacted the state's ability to complete all provisions necessary to disengage, the state was not yet in substantial compliance. The Court ordered that a Jackson Compliance Administrator (JCA) be appointed and that the parties work to end the lawsuit, with a target date of July 2014. Efforts to create "exit plans" which will create a system of care that will demonstrate substantial compliance with outstanding court orders remain under way. The parties have until December 31, 2013 to finalize plans or the JCA may create her own and issue a binding order.

Likely Outcome: Plaintiffs and court experts will be in place for a minimum of 18 more months and the routine costs associated with this litigation will continue for at least that timeframe as well. The litigation will not likely end by the initially targeted date of July 2014, as that time frame will not allow the creation of many new systems as anticipated and further allow for those systems to be evaluated over time. A more likely date of disengagement would be July 2015.

I.M. through her next friend John Foley and JE, through her next friend Maria Fellin, on their own behalf and on behalf of a class of all other similarly-situated persons v. DOH, Los Lunas Center for Persons With Developmental Disabilities Planning Council, et al., CV-07-604 RB/ACT

Summary: The plaintiff is a former resident of the Los Lunas Hospital and Training School (LLH&TS). This matter concerns the previous placement of persons with developmental disabilities from LLH&TS and Fort Stanton into substitute placements, allegedly without proper discharge planning, monitoring or services. DOH is represented by outside counsel (appointed by Risk), but penalties, fines, fees, and other litigation expenses are paid by DOH.

Status: Order of Dismissal filed, but settlement agreement implementation continues. DOH is slated to complete settlement terms ending this litigation. If DOH can complete its obligations under the settlement terms, the litigation can be resolved by a final order. If DOH is unable/unwilling to carry out the remaining tasks required to fulfill its obligations, plaintiffs will enlist the arbitrator (Michael Gross, Esq.) to hold DOH accountable under terms of settlement and court order.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 20. CONTINGENCIES (CONTINUED)

Likely Outcome: While DOH is in good position to exit litigation, it is still vulnerable if it fails to carry out settlement terms. A status report is due to plaintiffs in mid-January. Failure by any of the many DOH participants to complete their obligations could perpetuate this lawsuit, which already entails more than \$100,000 in costs and fees annually.

Res-Care of New Mexico, Inc. v. NMDOH et. al. Case No. 31521

Summary: Res-Care through their attorneys, Terrance P. Yenson of Yenson, Lynn, Allen & Wosick, P.C. and Kent Wicker of Reed Wicker, PLLC, filed a breach of contract suit against the Department of Health, Human Services Division (HSD), and The Children, Youth, and Family Department (Case No. D-101-CV-2009-0135). Res-Care complained that they were owed millions of dollars in unpaid fees for services provided by Res-Care of New Mexico, Inc., to developmentally disabled adults and youth under the Department of Health and HSD contracts from 1994 to October 2006. A prior federal lawsuit was dismissed for lack of jurisdiction.

Status: A five-day trial took place in the NM First Judicial District Court in November of 2009. The court (J. Singleton) issued a Decision and Order in July of 2010 holding that Res-Care failed to exhaust administrative remedies, and that it was therefore not entitled to a recovery. The court held in the alternative that, in the event that the administrative remedies ruling is overturned on appeal, the damages should consist of \$321,416, plus prejudgment interest at a rate of five percent. Chris Woodward is counsel for the Department of Health on this case. HSD is currently represented by its General Counsel, Ray Mensack.

Potential Outcome: Potential outcomes on appeal are: (1) affirmation of the District Court's decision to award no damages; (2) reversal of the decision regarding exhaustion of administrative remedies, but affirmation of the alternative damages identified by the court (which would likely total approximately \$400,000 or more); or (3) reversal of all of the District Court's opinion, and remand for a decision consistent with the appellate court's opinion (which could result in greater or lesser monetary damages).

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 20. CONTINGENCIES (CONTINUED)

TORT CLAIMS

Lopez, Roger 09/096, RMD No. 5356

Summary: Tort Claim Notices alleges that Roger Lopez died while in the care of the New Mexico Behavioral Health Institute (NMBHI) a/k/a New Mexico State Hospital in Las Vegas, New Mexico.

Potential Outcome: Award amount yet to be determined possible it could exceed \$100,000.

Frances Sanchez, Individually, and Alysyan Boothe Collins, as Personal Representative of the Estate of Frances Sanchez v. NMBHI, Second Judicial District, Case No. D-0202-CV-2009-08834

Summary: The Tort Claim alleges the former New Mexico Behavioral Health Institute (NMBHI) court-ordered patient received leg and hip injuries while at NMBHI and that these injuries led to his death.

Status: Unsuccessful mediation. Most depositions complete. Trial is set for January 2012.

Potential Outcome: Highly likely to be approximately \$100,000.

Vanley, Leticia, Individually and as Personal Representative of the Estate of Jackie Vanley, Deceased, OGC TORT CLAIM NOTICE NO. 2012-012, RMD No. 1201130-000

Summary: Decedent was a resident at the NM State Veteran's Home in Truth or Consequences, NM. Resident died while under care of NM State Veteran's Home.

Status: Case pending in District Court while the Department of Health and Risk Management work to see what amount is to be settled for. Current demand is for \$750,000.

Potential Outcome: Probable settlement will be \$750,000 to \$1,000,000.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 21. SUBSEQUENT EVENTS

In FY 2013, the Attorney General's Office of the State of New Mexico Medicaid Fraud and Elder Abuse Division (AG) performed an audit of the billing practices at the Los Lunas Community Program (LLCP). The conclusion of the AG was the LLCP had over billed for \$1.7 million dollars in services. The Department's own Internal Audit Bureau determined that some services could be billed which were denied as long as they did not overlap other services that were billed and appropriate documentation demonstrated that the service provided did not overlap. Subsequent to June 30, 2013, AG agreed to accept a settlement of \$446,135 for services that was that billed by LLCP but did not have adequate supporting documentation. The Department has recognized \$446,135 as a liability for the billings that were not adequately documented as being due to either the Attorney General's Office or the Human Services - Medicaid Program.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET - BY FUND TYPE
NON - MAJOR GOVERNMENTAL FUNDS
As of June 30, 2013

Page 1 of 2

	Special Revenue				
	Medical Cannabis Program 11415	County Supported Medicaid Fund 21900	Trauma Fund 25700	Save our Children's Sight Fund 26100	Emergency Medical Services Fund 75600
ASSETS:					
Interest in SGFIP	\$ 170,429	\$ 2,218,998	\$ 834,884	\$ 184,969	\$ 799,208
Due from other funds	-	1,274	-	-	-
Due from other state agencies	-	954,152	-	-	-
TOTAL ASSETS	\$ 170,429	\$ 3,174,424	\$ 834,884	\$ 184,969	\$ 799,208
LIABILITIES:					
Accounts payable	\$ 3,804	\$ 405,526	\$ 275,013	\$ 1,828	\$ 7,955
Accrued payroll	3,672	-	1,393	-	1,372
Due to state general fund	162,953	-	-	-	-
Due to other funds	-	-	6,078	-	-
Due to other state agencies	-	-	62,856	-	-
Unearned revenue	-	2,768,898	-	-	-
TOTAL LIABILITIES	\$ 170,429	\$ 3,174,424	\$ 345,340	\$ 1,828	\$ 9,327
FUND BALANCES:					
Restricted	\$ -	\$ -	\$ 489,544	\$ 183,141	\$ 789,881
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	\$ -	\$ -	\$ 489,544	\$ 183,141	\$ 789,881
TOTAL LIABILITIES AND FUND BALANCES	\$ 170,429	\$ 3,174,424	\$ 834,884	\$ 184,969	\$ 799,208

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET - BY FUND TYPE
NON - MAJOR GOVERNMENTAL FUNDS
As of June 30, 2013

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	Special Revenue				
	Birthing Workforce Retention Fund 95800	Total Special Revenue Funds	Capital Projects Fund 05900	Capital Lease Bond Fund 20480	Non-Major Balance
ASSETS:					
Interest in SGFIP	\$ 38,200	\$ 4,246,688	\$ 153,470	\$ -	\$ 4,400,158
Due from other funds	-	1,274	-	-	1,274
Due from other state agencies	-	954,152	-	-	954,152
TOTAL ASSETS	\$ 38,200	\$ 5,202,114	\$ 153,470	\$ -	\$ 5,355,584
LIABILITIES:					
Accounts payable	\$ 10,000	\$ 704,126	\$ -	\$ -	\$ 704,126
Accrued payroll	-	6,437	-	-	6,437
Due to state general fund	-	162,953	-	-	162,953
Due to other funds	-	6,078	-	-	6,078
Due to other state agencies	-	62,856	153,470	-	216,326
Unearned revenue	-	2,768,898	-	-	2,768,898
TOTAL LIABILITIES	\$ 10,000	\$ 3,711,348	\$ 153,470	\$ -	\$ 3,864,818
FUND BALANCES:					
Restricted	\$ 28,200	\$ 1,490,766	\$ -	\$ -	\$ 1,490,766
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	\$ 28,200	\$ 1,490,766	\$ -	\$ -	\$ 1,490,766
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,200	\$ 5,202,114	\$ 153,470	\$ -	\$ 5,355,584

See Notes to Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BY FUND TYPE
NON - MAJOR GOVERNMENTAL FUNDS
As of June 30, 2013

Page 1 of 2

	Special Revenue				
	Medical Cannabis Program 11415	County-Supported Medicaid Fund 21900	Trauma System Fund 25700	Save our Children's Sight Fund 26100	Emergency Medical Services Fund 75600
REVENUES:					
Fees, penalties, rentals and other	\$ 577,435	\$ -	\$ 3,500	\$ -	\$ 69,392
TOTAL REVENUES	577,435	-	3,500	-	69,392
EXPENDITURES:					
Current operating:					
Administration	-	-	-	-	-
Public Health	414,482	2,309,254	-	36,107	-
Epidemiology and response	-	-	4,118,908	-	3,042,751
Other health initiatives	-	-	-	-	-
Capital outlay	-	-	-	-	-
Capital lease principal payment	-	-	-	-	-
Capital lease interest payment	-	-	-	-	-
TOTAL EXPENDITURES	414,482	2,309,254	4,118,908	36,107	3,042,751
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	162,953	(2,309,254)	(4,115,408)	(36,107)	(2,973,359)
OTHER FINANCING SOURCES (USES):					
General fund appropriations	-	-	3,946,200	-	3,073,100
County-supported Medicaid	-	2,309,254	-	-	-
Reversion - FY2013 - transfers out	(162,953)	-	-	-	-
Inter-agency transfers, net	-	-	-	25,794	-
TOTAL OTHER FINANCING SOURCES AND USES	(162,953)	2,309,254	3,946,200	25,794	3,073,100
NET CHANGE IN FUND BALANCES	-	-	(169,208)	(10,313)	99,741
FUND BALANCES, BEGINNING OF YEAR	-	-	658,752	193,454	690,140
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 489,544	\$ 183,141	\$ 789,881

See Notes to Financial Statements

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

As of June 30, 2013

Page 2 of 2

	Capital Projects				
	Birthing Workforce Retention Fund 95800	Total Special Revenue Funds	Capital Projects Fund 05900	Capital Lease Bond Fund 20480	Total Non-Major
REVENUES:					
Fees, penalties, rentals and other	\$ -	\$ 650,327	\$ -	\$ -	\$ 650,327
TOTAL REVENUES	-	650,327	-	-	650,327
EXPENDITURES:					
Current operating:					
Administration	-	-	-	-	-
Public Health	10,000	2,769,843	-	-	2,769,843
Epidemiology and response	-	7,161,659	-	-	7,161,659
Other health initiatives	-	-	-	-	-
Capital outlay	-	-	-	-	-
Capital lease principal payment	-	-	-	1,130,000	1,130,000
Capital lease interest payment	-	-	-	2,920,000	2,920,000
TOTAL EXPENDITURES	10,000	9,931,502	-	4,050,000	13,981,502
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,000)	(9,281,175)	-	(4,050,000)	(13,331,175)
OTHER FINANCING SOURCES (USES):					
General fund appropriations	31,300	7,050,600	-	4,050,000	11,100,600
County-supported Medicaid	-	2,309,254	-	-	2,309,254
Reversion - FY2013 - transfers out	-	(162,953)	-	-	(162,953)
Inter-agency transfers, net	-	25,794	-	-	25,794
TOTAL OTHER FINANCING SOURCES AND USES	31,300	9,222,695	-	4,050,000	13,272,695
NET CHANGE IN FUND BALANCES	21,300	(58,480)	-	-	(58,480)
FUND BALANCES, BEGINNING OF YEAR	6,900	1,549,246	-	-	1,549,246
FUND BALANCES, END OF YEAR	\$ 28,200	\$ 1,490,766	\$ -	\$ -	\$ 1,490,766

See Notes to Financial Statements

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, 2013

	Fund 11415 - Medical Cannabis			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	-	-	-	-
Other state funds	598,000	598,000	577,435	(20,565)
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ 598,000	\$ 598,000	\$ 577,435	\$ (20,565)
EXPENDITURES - current:				
Personal services and employee benefits	453,200	453,200	343,346	109,854
Contractual services	10,000	26,300	26,252	48
Other	134,800	118,500	44,884	73,616
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 598,000	\$ 598,000	414,482	\$ 183,518
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			162,953	
REVERSIONS (NOT BUDGETED)			162,953	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See Notes to Financial Statements

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, 2013

	COUNTY-SUPPORTED MEDICAID FUND 21900			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	2,800,000	2,800,000	2,309,254	(490,746)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 2,800,000	\$ 2,800,000	\$ 2,309,254	\$ (490,746)
EXPENDITURES - current:				
Personal services and employee benefits	69,500	69,500	852	68,648
Contractual services	2,730,500	2,730,500	2,308,402	422,098
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 2,800,000	\$ 2,800,000	2,309,254	\$ 490,746
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See Notes to Financial Statements

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, 2013

TRAUMA SYSTEM FUND 25700				
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	3,946,200	3,946,200	3,946,200	-
Other state funds	-	-	3,500	3,500
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	610,000	169,208	(440,792)
TOTAL REVENUES	\$ 3,946,200	\$ 4,556,200	\$ 4,118,908	\$ (437,292)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 146,800	\$ 146,800	\$ 141,146	\$ 5,654
Contractual services	96,700	96,700	93,382	3,318
Other	3,702,700	4,312,700	3,884,380	428,320
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 3,946,200	\$ 4,556,200	4,118,908	\$ 437,292
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			-	
NET CHANGE IN FUND BALANCE			\$ -	

See Notes to Financial Statements

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, 2013

	SAVE OUR CHILDREN'S SIGHT FUND 26100			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	-	-	-	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	25,794	25,794
Budgeted fund balance	-	48,951	10,313	(38,638)
TOTAL REVENUES	\$ -	\$ 48,951	\$ 36,107	\$ (12,844)
EXPENDITURES - current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	48,951	36,107	12,844
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 48,951	\$ 36,107	\$ 12,844
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See Notes to Financial Statements

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, 2013

EMERGENCY MEDICAL SERVICES FUND 75600				
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	3,073,100	3,073,100	3,073,100	-
Other state funds	-	-	69,392	69,392
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ 3,073,100</u>	<u>\$ 3,073,100</u>	<u>\$ 3,142,492</u>	<u>\$ 69,392</u>
EXPENDITURES - current:				
Personal services and employee benefits	\$ 184,500	\$ 184,500	\$ 165,352	\$ 19,148
Contractual services	82,000	82,000	74,087	7,913
Other	2,806,600	2,806,600	2,803,312	3,288
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 3,073,100</u>	<u>\$ 3,073,100</u>	<u>3,042,751</u>	<u>\$ 30,349</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>99,741</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 99,741</u>	

See Notes to Financial Statements

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, 2013

	BIRTHING WORKFORCE RETENTIONS FUND 95800			
	<u>Budgeted Amounts</u>		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	31,300	31,300	31,300	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	<u>\$ 31,300</u>	<u>\$ 31,300</u>	<u>\$ 31,300</u>	<u>\$ -</u>
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	31,300	31,300	10,000	21,300
Other	-	-	-	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 31,300</u>	<u>\$ 31,300</u>	<u>10,000</u>	<u>\$ 21,300</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			<u>21,300</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 21,300</u>	

See Notes to Financial Statements

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, 2013

	CAPITAL LEASE FUND 2048			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	4,050,000	4,050,000	4,050,000	-
Other state funds	-	-	-	-
Inter-agency transfers	-	-	-	-
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 4,050,000	\$ 4,050,000	\$ 4,050,000	\$ -
EXPENDITURES - current:				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	4,050,000	4,050,000	4,050,000	-
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 4,050,000	\$ 4,050,000	4,050,000	\$ -
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)				-
REVERSIONS (NOT BUDGETED)				-
NET CHANGE IN FUND BALANCE			\$ -	

See Notes to Financial Statements

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, 2013

CAPITAL PROJECTS FUND 05900					
Budgeted Amounts					
	Life-to-Date Budgeted Amounts to FY 2013	FY 2013 Original Carry Forward	FY 2013 Final Carry Forward plus additions	Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
REVENUES:					
Severance tax / GOB bond proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Other state funds	-	-	-	-	-
Inter-agency transfers	-	-	-	-	-
Budgeted fund balance	-	-	-	-	-
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
EXPENDITURES - current & capital outlay:					
Personal services and employee benefits	-	-	-	-	-
Contractual services	-	-	-	-	-
Other	-	-	-	-	-
Other financing uses	-	-	-	-	-
Budgeted fund balance	-	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)					-
REVERSIONS NOT BUDGETED					-
NET CHANGE IN FUND BALANCE				\$ -	

See Notes to Financial Statements

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, 2013

	PROGRAM P001 - ADMINISTRATION			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 4,630,400	\$ 6,061,146	\$ 5,235,564	\$ (825,582)
State General Fund appropriation	11,471,100	11,471,100	11,471,100	-
Other state funds	40,200	14,748	17,781	3,033
Inter-agency transfers	1,366,900	899,910	706,205	(193,705)
Budgeted fund balance	-	610,000	172,708	(437,292)
TOTAL REVENUES	\$ 17,508,600	\$ 19,056,904	\$ 17,603,358	\$ (1,453,546)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 9,579,200	\$ 9,592,570	\$ 8,823,491	\$ 769,079
Contractual services	3,066,300	3,263,052	3,056,837	206,215
Other	4,863,100	6,201,282	5,519,804	681,478
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 17,508,600	\$ 19,056,904	17,400,132	\$ 1,656,772
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			203,226	
REVERSIONS (NOT BUDGETED)			202,291	
NET CHANGE IN FUND BALANCE			\$ 935	

See Notes to Financial Statements

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, 2013

	PROGRAM P002 - PUBLIC HEALTH			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 79,152,800	\$ 82,719,758	\$ 67,602,046	\$ (15,117,712)
State General Fund appropriation	66,764,500	64,764,500	64,864,500	100,000
Other state funds	30,187,300	29,689,300	31,318,073	1,628,773
Inter-agency transfers	13,171,800	13,171,800	11,158,009	(2,013,791)
Budgeted Fund Balance	-	48,951	-	(48,951)
TOTAL REVENUES	\$ 189,276,400	\$ 190,394,309	\$ 174,942,628	\$ (15,451,681)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 56,725,700	\$ 54,537,242	\$ 47,336,883	\$ 7,200,359
Contractual services	40,673,300	47,600,015	43,156,322	4,443,693
Other	91,215,300	87,594,952	74,440,283	13,154,669
Other financing uses	662,100	662,100	643,606	18,494
TOTAL EXPENDITURES	\$ 189,276,400	\$ 190,394,309	165,577,094	\$ 24,817,215
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			9,365,534	
REVERSIONS (NOT BUDGETED)			8,833,599	
NET CHANGE IN FUND BALANCE			\$ 531,935	

See Notes to Financial Statements

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, 2013

	PROGRAM P003 - EPIDEMIOLOGY AND RESPONSE			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 13,949,500	\$ 16,661,863	\$ 14,636,369	\$ (2,025,494)
State General Fund appropriation	8,023,400	8,023,400	8,023,400	-
Other state funds	1,416,500	1,416,500	1,156,852	(259,648)
Inter-agency transfers	182,700	182,700	176,496	(6,204)
Budgeted fund balance	-	-	-	-
TOTAL REVENUES	\$ 23,572,100	\$ 26,284,463	\$ 23,993,117	\$ (2,291,346)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 11,457,400	\$ 11,984,683	\$ 10,340,924	\$ 1,643,759
Contractual services	5,669,000	6,352,013	5,345,219	1,006,794
Other	6,445,700	7,947,767	6,731,731	1,216,036
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 23,572,100	\$ 26,284,463	22,417,874	\$ 3,866,589
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			1,575,243	
REVERSIONS (NOT BUDGETED)			1,475,503	
NET CHANGE IN FUND BALANCE			\$ 99,740	

See Note to Financial Statements

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, 2013

	PROGRAM P004 - LABORATORY SERVICES			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 2,138,700	\$ 2,948,814	\$ 2,523,007	\$ (425,807)
State General Fund appropriation	7,206,100	7,206,100	7,206,100	-
Other state funds	2,837,500	2,831,500	2,232,477	(599,023)
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ 12,182,300	\$ 12,986,414	\$ 11,961,584	\$ (1,024,830)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 7,480,500	\$ 7,652,500	\$ 7,398,484	\$ 254,016
Contractual services	190,800	236,800	181,492	55,308
Other	4,511,000	5,097,114	4,162,691	934,423
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 12,182,300	\$ 12,986,414	11,742,667	\$ 1,243,747
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			\$ 218,917	
REVERSIONS (NOT BUDGETED)			\$ 213,146	
NET CHANGE IN FUND BALANCE			\$ 5,771	

See Notes to Financial Statements

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, 2013

	PROGRAM P006 - FACILITIES MANAGEMENT			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	62,479,300	62,479,300	62,479,300	-
Other state funds	75,801,100	75,801,100	70,315,435	(5,485,665)
Other financing sources	-	-	2,503,208	2,503,208
Inter-agency transfers	723,500	723,500	793,958	70,458
TOTAL REVENUES	\$ 139,003,900	\$ 139,003,900	\$ 136,091,901	\$ (2,911,999)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 109,103,900	\$ 103,553,900	\$ 97,697,110	\$ 5,856,790
Contractual services	7,893,600	11,691,600	10,661,118	1,030,482
Other	22,006,400	23,758,400	18,247,580	5,510,820
Other financing uses	-	-	-	-
Capital Lease Principal Payments	1,130,000	1,130,000	1,130,000	-
Capital Lease Interest Payments	2,920,000	2,920,000	2,920,000	-
TOTAL EXPENDITURES	\$ 143,053,900	\$ 143,053,900	130,655,808	\$ 12,398,092
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			5,436,093	
REVERSIONS (NOT BUDGETED)			5,368,195	
NET CHANGE IN FUND BALANCE			\$ 67,898	

See Notes to Financial Statements

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, 2013

PROGRAM P007 - DEVELOPMENT DISABILITIES SUPPORT SERVICES				
	<u>Budgeted Amounts</u>		<u>Amounts (Budgetary Basis)</u>	<u>Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Federal funds	\$ 2,601,500	\$ 5,437,815	\$ 4,501,524	\$ (936,291)
State General Fund appropriation	131,682,700	135,933,000	135,933,000	-
Other state funds	1,400,000	1,391,573	1,278,320	(113,253)
Inter-agency transfers	7,567,200	8,060,327	5,655,366	(2,404,961)
TOTAL REVENUES	\$ 143,251,400	\$ 150,822,715	\$ 147,368,210	\$ (3,454,505)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 10,514,600	\$ 11,108,300	\$ 9,786,362	\$ 1,321,938
Contractual services	17,493,000	20,253,300	18,541,698	1,711,602
Other	19,552,800	23,770,115	21,416,964	2,353,151
Other financing uses	95,691,000	95,691,000	88,014,742	7,676,258
TOTAL EXPENDITURES	\$ 143,251,400	\$ 150,822,715	137,759,766	\$ 13,062,949
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			9,608,444	
REVERSIONS (NOT BUDGETED)			7,358,452	
NET CHANGE IN FUND BALANCE			\$ 2,249,992	

See Notes to Financial Statements

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, 2013

	PROGRAM P008 - HEALTH, CERTIFICATION, LICENSING AND OVERSIGHT			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ 3,433,200	\$ 3,433,200	\$ 2,472,556	\$ (960,644)
State General Fund appropriation	4,364,400	4,364,400	4,364,400	-
Other state funds	2,256,100	2,256,100	3,294,696	1,038,596
Inter-agency transfers	3,440,000	3,440,000	1,951,758	(1,488,242)
TOTAL REVENUES	\$ 13,493,700	\$ 13,493,700	\$ 12,083,410	\$ (1,410,290)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 9,388,500	\$ 9,092,500	\$ 8,276,449	\$ 816,051
Contractual services	611,800	1,377,800	664,388	713,412
Other	3,493,400	3,023,400	2,586,768	436,632
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 13,493,700	\$ 13,493,700	11,527,605	\$ 1,966,095
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			555,805	
REVERSIONS (NOT BUDGETED)			555,805	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See Notes to Financial Statements

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, 2013

	PROGRAM P787 - Medical Cannabis			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	-	-	-	-
Other state funds	598,000	598,000	577,435	(20,565)
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ 598,000	\$ 598,000	\$ 577,435	\$ (20,565)
EXPENDITURES - current:				
Personal services and employee benefits	\$ 453,200	\$ 453,200	\$ 343,346	\$ 109,854
Contractual services	10,000	26,300	26,252	48
Other	134,800	118,500	44,884	73,616
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ 598,000	\$ 598,000	414,482	\$ 183,518
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			162,953	
REVERSIONS (NOT BUDGETED)			162,953	
NET CHANGE IN FUND BALANCE			\$ -	

See Notes to Financial Statements

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, 2013

	Special Appropriations			
	Budgeted Amounts		Amounts (Budgetary Basis)	Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Federal funds	\$ -	\$ -	\$ -	\$ -
State General Fund appropriation	-	2,250,300	2,350,300	100,000
Other state funds	-	374,700	-	(374,700)
Inter-agency transfers	-	-	-	-
TOTAL REVENUES	\$ -	\$ 2,625,000	\$ 2,350,300	\$ (274,700)
EXPENDITURES - current:				
Personal services and employee benefits	\$ -	\$ 343,700	\$ -	\$ 343,700
Contractual services	-	781,300	-	781,300
Other	-	1,500,000	310	1,499,690
Other financing uses	-	-	-	-
TOTAL EXPENDITURES	\$ -	\$ 2,625,000	310	\$ 2,624,690
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)			2,349,990	
REVERSIONS (NOT BUDGETED)			-	
NET CHANGE IN FUND BALANCE			\$ 2,349,990	

This special appropriation is included in Program 7 Budget and Actual (Modified Accrual Budgetary GAAP Basis) as well.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
As of June 30, 2013

Schedule 1

Page 1 of 4

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Petty Cash Accounts by Region (checking accounts - 104900):				
DOH - Bureau/Programs		\$ 2,162	\$ 39	\$ 2,201
DOH - Facilities		4,266	749	5,015
Region I Offices		565	235	800
Region II Offices		875	-	875
Region III Offices		540	61	601
Region IV Offices		1,089	256	1,345
Region V Offices		2,320	20	2,340
Closed Accounts still in SHARE		240	63	303
Total Petty Cash Accounts by Region		<u>12,057</u>	<u>1,423</u>	<u>13,480</u>
Childrens Medical Services Bank Accounts (checking accounts - 102900):				
Alamogordo	First National Bank of Alamogordo	\$ 600	\$ -	\$ 600
Artesia	Wells Fargo Bank	375	-	375
Carlsbad	Carlsbad National Bank	800	-	800
Clovis	NM Bank & Trust - Clovis	600	-	600
Deming	Wells Fargo Bank	1,000	-	1,000
Dona Ana County	Wells Fargo Bank	1,150	-	1,150
Hobbs	Wells Fargo Bank	802	(2)	800
Las Cruces Regional Office	Wells Fargo Bank	700	-	700
Rio Arriba	Valley National Bank, Espanola	500	-	500
Roswell	Wells Fargo Bank	1,030	(30)	1,000
San Miguel	Southwest Capital Bank	581	(81)	500
Santa Fe	Wells Fargo Bank	519	(19)	500
Silver City	Wells Fargo Bank	600	-	600
Sunland	Wells Fargo Bank	600	-	600
Taos	US Bank	400	-	400
Tucumcari	Wells Fargo Bank	600	-	600
Total Childrens Medical Services		<u>10,857</u>	<u>(132)</u>	<u>10,725</u>

See Auditor's Report.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
As of June 30, 2013

Schedule 1

Page 2 of 4

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
The Title X/Family Planning Depository Clearing (checking accounts - 102900):				
<i>*DOH CLOSED Nineteen (19) of the Twenty-nine (29) Title X/Family Planning Accounts in 2013.</i>				
Alamogordo	Wells Fargo Bank	-	-	-
Anthony/Chaparrel	First Security/Wells Fargo Bank	-	-	-
Artesia	First National Bank of Artesia	-	-	-
Carlsbad	Carlsbad National Bank	-	-	-
Clayton	Farmers' and Stockmen's Bank, Clayton	100	-	100
Clovis	Wells Fargo Bank	-	-	-
Espanola	Community Bank - Santa Fe	-	-	-
Estancia	Wells Fargo Bank	100	-	100
Farmington	Bank of America	(14)	14	-
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	100	-	100
Gallup	Pinnacle Bank	-	-	-
Grants	Grants State Bank	100	-	100
Hobbs	Lea County State Bank	-	-	-
Las Cruces	Wells Fargo Bank	-	-	-
Las Vegas	Southwest Capital Bank	-	-	-
Lordsburg	Western Bank, Lordsburg	100	-	100
Los Alamos	Los Alamos National Bank	-	-	-
Los Lunas	Wells Fargo Bank	-	-	-
Lovington	Lea County State Bank	-	-	-
Portales	Portales National Bank	1,256	(1,256)	-
Raton	International State Bank, Raton	-	-	-
Roswell	Wells Fargo Bank	72	-	72
Ruidoso	State National Bank	-	-	-
SE Heights/NE Valley	Wells Fargo Bank	2	(2)	-
Silver City	Wells Fargo Bank	-	-	-
Sunland Park	Wells Fargo Bank	-	-	-
T or C	Bank of the Southwest, T or C	148	-	148
Taos	US Bank	122	-	122
Tucumcari	Wells Fargo Bank	-	-	-
Misc	Cash	-	(25)	(25)
Total Title X/Family Planning		<u>2,086</u>	<u>(1,269)</u>	<u>817</u>
District Health Office Totals		12,943	(1,401)	11,542
General Fund Bank Accounts (checking accounts):				
NMBHI-Revolving	Community 1st Bank	468,552	-	468,552
FBMC	Bank of America	-	(500)	(500)
Sequoyah ATC	Bank of America	-	-	-
Turquoise Lodge	Bank of the West	387	-	387
NMSVH	Bank of the Southwest, T or C	503	56,330	56,833
Total General Fund Bank Accounts		<u>469,442</u>	<u>55,830</u>	<u>525,272</u>
Total General Fund, including District Health Offices		<u>482,385</u>	<u>54,429</u>	<u>536,814</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
As of June 30, 2013

Schedule 1

Page 3 of 4

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
General Fund - State Treasurer (with SHARE fund numbers):				
Capital Project - 059	State Treasurer	153,470	-	153,470
Operating Fund - 061	State Treasurer	63,957,299	-	63,957,299
Medical Cannabis - 114	State Treasurer	170,429	-	170,429
FBMC Lease - 2048	State Treasurer	-	-	-
CMS Fund - 219	State Treasurer	2,218,998	-	2,218,998
Trauma Fund - 257	State Treasurer	834,884	-	834,884
Save Our Children - 261	State Treasurer	184,969	-	184,969
EMS - 756	State Treasurer	799,208	-	799,208
ARRA - 890	State Treasurer	17,988	-	17,988
Birthing Workforce - 958	State Treasurer	38,200	-	38,200
Total General Fund - State Treasurer		68,375,445	-	68,375,445
Total General Fund		68,857,830	54,429	68,912,259
Trust and Agency Funds - Banks (checking accounts):				
NMBHI - Pt. Burial	Southwest Capital Bank	49,443	-	49,443
NMBHI - Canteens	Southwest Capital Bank	73,339	-	73,339
NMBHI - Pt. Demand (Trust)	Southwest Capital Bank	366,053	-	366,053
NMBHI-Foster Grandparent	Southwest Capital Bank	16,017	-	16,017
FBMC - Pt. Burial	Bank of America - Silver City	12,336	5	12,341
FBMC - Pt. Demand (Trust)	Bank of America - Silver City	93,863	16,752	110,615
FBMC - Special	Bank of America - Silver City	5,797	(3)	5,794
LLCP - SSA Beneficiaries	Wells Fargo Bank of NM - Los Lunas	12,374	5,851	18,225
LLCP - Managed Care	Wells Fargo Bank of NM - Los Lunas	901	6,287	7,188
LLCP - Pt. Demand (Trust)	Wells Fargo Bank of NM - Los Lunas	115	-	115
NMSVH - Pt. Burial	Bank of the Southwest, T or C	17,806	-	17,806
NMSVH - Canteens	Bank of the Southwest, T or C	33,319	283	33,602
NMSVH - Pt. Demand (Trust)	Bank of the Southwest, T or C	119,682	4,973	124,655
Sequoyah - Pt. Demand (Trust)	Bank of America - Silver City	2,238	-	2,238
Total Trust and Agency Funds - Banks		803,283	34,148	837,431
Vital Statistics Depository Clearing (checking accounts):				
<i>*DOH CLOSED Sixteen (16) of the Eighteen (18) Vital Statistics Accounts in 2013.</i>				
Alamogordo	First National Bank of Alamogordo	-	-	-
Albuquerque	Wells Fargo Bank	-	-	-
Carlsbad	Carlsbad National Bank	-	-	-
Clayton	Farmers & Stockmens	170	-	170
Clovis	Wells Fargo Bank	-	-	-
Deming	Wells Fargo Bank	-	-	-
Farmington	Bank of America	-	-	-
Gallup	Bank of Colorado - Pinnacle Bank	-	-	-
Hobbs	Lea County State Bank	-	-	-
Las Cruces	First Security/Wells Fargo Bank	-	-	-
Las Vegas	First National Bank of Las Vegas	-	-	-
Lovington	Lea County State Bank	-	-	-
Raton	International State Bank, Raton	-	-	-
Roswell	Wells Fargo Bank	-	-	-
Santa Rosa	Wells Fargo Bank	-	-	-

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
As of June 30, 2013

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Vital Statistics Depository Clearing (checking accounts):				
<i>*DOH CLOSED Sixteen (16) of the Eighteen (18) Vital Statistics Accounts in 2013.</i>				
Silver City	Wells Fargo Bank	-	-	-
Socorro	First State Bank, Socorro	-	-	-
Taos	US Bank	92	8	100
Total Vital Statistics Depository Clearing		<u>262</u>	<u>8</u>	<u>270</u>
Birth & Death - 502	State Treasurer	406,621	-	406,621
Total Trust and Agency and Vital Depository Funds		<u>1,210,166</u>	<u>34,156</u>	<u>1,244,322</u>
Department Total - all funds		<u>\$ 70,067,996</u>	<u>\$ 88,585</u>	<u>\$ 70,156,581</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF PLEDGED COLLATERAL
As of June 30, 2013

Schedule 2

	Community 1st Bank	Southwest Capital Bank	Bank of America	Bank of the Southwest, T or C	Other Banks	Accounts at State Treasurer	Total
Total amount of deposit	\$ 468,553	\$ 504,852	\$ 114,220	\$ 171,458	\$ 26,846	\$ 68,782,067	\$ 70,067,996
Less FDIC	(250,000)	(250,000)	(114,220)	(171,458)	(26,846)	-	(812,524)
Total uninsured public money	218,553	254,852	-	-	-	68,782,067	69,255,472
50% collateral requirement	109,277	127,426	-	-	-	34,391,034	34,627,737
State Agency Collateral Listing:			A			B	A&B
Bonds:							
1 GNMA II Pool, CUSIP#3622CU46 GNMA II Pool#008420,				6,196			6,196
1 CUSIP#36202KK95 GNMA II Pool#080470,				53,977			53,977
1 CUSIP#36225CQY5 GNMA II Pool#080509,				19,153			19,153
1 CUSIP#36225CR73 FNMA Pool#086794,				32,806			32,806
1 CUSIP#31363ENK7 FNMA Pool#557072,				24,088			24,088
1 CUSIP#31385Y2D6 GNMA II Pool#080443,				35,978			35,978
1 CUSIP#36225CR59 FNMA Pool#089416,				25,655			25,655
1 CUSIP#31363HK56 FNMA Pool#091962,				11,519			11,519
1 CUSIP#31363LFB0 GNMA II Pool#080150,				14,783			14,783
1 CUSIP#36225CEY8				17,399			17,399
FNMA .50% Bond maturity date 7/27/27, CUSIP#3136G15G0							
1 R#190013619		750,000					750,000
GNMA I Pool#783556, 1 CUSIP#36241L5R3	659,195						659,195
FNMA Series 2007-B2 Class AB, 1 CUSIP#31396V2P2	1,723						1,723
Total pledged	660,918	750,000	-	241,554	-	-	1,652,472
Over (under) pledged	\$ 551,641	\$ 622,574	A	\$ 241,554	\$ -	B	\$ 1,415,769

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.

1. Custodian: Federal Home Loan Bank, Dallas: Collateral is in the name of 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 SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2013

Schedule 3

Schedule 3

IPA #	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 (NMSYH)	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
IPA 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	11,448,203	11,448,203	6,814,589	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	Human Services Department	To designate the Administrative, fiscal and programmatic responsibilities for the operations of the Home and Community Based Waiver Program	10/14/2003	-	-	-	-	DOH, HSD	HSD	DOH, HSD
(IPA 03-37)	Department of Health (DOH)	Waiver Program			69,075,593	69,075,593				
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) (Aging & Long Term Services Dept. (ALTSD))	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AID	5/3/2006	Ongoing	\$ 50,000	\$ 50,000	\$ -	AA, DOH	AA, DOH	AA, DOH

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENT
Year Ended June 30, 2013

Schedule 3

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; Preadmission Screening and Annual Resident Review. ** HSD SENDS MEDICAID MONEY TO DOH, NO TRANSFER FROM DOH TO HSD	5/27/1994	Ongoing	\$ -	\$ -	\$ -	HSD	Not Stated	DOH, HSD
08-630-8000-0001	New Mexico Human Services Department New Mexico Department of Health	To provide for DOG 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
11-665-00001	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
11-630-8000-0003	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	83,111,511	83,111,511	83,111,511	Not Stated	Not Stated	Not Stated
11-630-8000-0008		Medicaid reimbursements for services provided by DOH at its facilities, clinics, and public health offices and laboratories.	8/4/2010	6/30/2015	-	-	-	Not Stated	Not Stated	Not Stated
05/665/0200/0008	New Mexico Department of Health (DOH) New Mexico Department of Human Services (HSD)	Provide funds to the Medical Assistance Division (MAD) to support Federally Qualified Health Centers	4/25/2005	Ongoing	2,000,000	500,000	-	Not Stated	Not Stated	Not Stated
11-665-0200-0001	New Mexico Department of Health (DOH) 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

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF DUE TO AND DUE FROM OTHER STATE AGENCIES
June 30, 2013

Agency Business Unit	Agency Fund	Agency Due From	Agency Due To	Agency Business Unit	Agency Fund	Amount	Reason
66500	06100	Department of Health	Department of Finance & Administration	34101	853	\$ 24,006,994	Reversion FY 2013
66500	06100	Department of Health	Department of Finance & Administration	34101	853	3,875,440	Reversion- Prior Years
66500	05900	Department of Health	Board of Finance/GSD	341/350	-	153,498	Reversion- Prior Years
66500	11405	Department of Health	Department of Finance & Administration	34101	853	162,950	Reversion FY 2013
66500	06100	Department of Health	Human Services Department	63000	976	6,507,979	DD Waiver, AIDS Waiver & RPHCA
66500	06100	Department of Health	Attorney General/HSD	-	-	446,135	Medicaid Billing Audit
66500	06100	Department of Health	Health Policy Commission	66900	-	2,700	Health Projects
66500	06100	Department of Health	Corrections Department	77000	-	17,215	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Department of Information Technology	20300	-	354,769	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Department of Public Safety	12800	-	231,198	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Department of Veterans Affairs	67000	-	5,600	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	General Services Department	35000	-	253,302	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Human Services Department	63000	-	32,980,524	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Miners Colfax Medical Center	20720	-	21,971	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	NM Secretary of State	37000	-	20	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Taxation and Revenue	33300	-	56	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	NM Mortgage Finance Authority	38500	-	42,850	Amount reclassified from 201900 to 232900
66500	06100	Department of Health	Regulation & Licensing Department	42000	-	410	Amount reclassified from 201900 to 232900
66500	89000	Department of Health	General Services Department	35000	-	196	Amount reclassified from 201900 to 232900
66500	25700	Department of Health	Miners Colfax Medical Center	20720	-	62,856	Amount reclassified from 201900 to 232900
			Total Governmental Funds			69,126,663	
			Agency Funds				
66500	50200	Department of Health	Children, Youth and Families Department	69000	911	191,696	Vital Records Trust Remittance
66500	50200	Department of Health	Department of Finance & Administration	34101	853	214,925	Vital Records Trust Remittance
			Total Agency Funds			406,621	
			TOTAL			\$ 69,533,284	
63000	97600	Human Services Department	Department of Health	66500	061	\$ 9,251,885	Medicaid Waiver Administration and Other Programs
52100	19900	Energy, Minerals & Resources	Department of Health	66500	061	10,466	Waste Isolation Pilot Program
66700	06400	Environment Department	Department of Health	66500	061	68,459	For services/programs
55000	32500	State Engineer's Office	Department of Health	66500	061	36,847	For lease of space
33700	60100	State Investment Council	Department of Health	66500	061	97,751	LGPF Distribution from State Investment Co.
34101	76100	Department of Finance & Administration	Department of Health	66500	061	109,857	CP&R Land & Investment Income Distribution
34101	85300	Department of Finance & Administration	Department of Health	66500	061	54,577	Reimbursement for salaries
79000	12800	Department of Public Safety	Department of Health	66500	061	1,782	For services/programs
90500	19300	State Library/ DOCA	Department of Health	66500	061	3,191	For lease of space
34101	02100	Department of Finance & Administration	Department of Health	66500	219	740,343	CSMF Disbursement 06/30/2013
34101	02100	Department of Finance & Administration	Department of Health	66500	219	213,810	Balance allocated to establish CSM fund
			TOTAL			\$ 10,588,968	

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF AGENCIES TRANSFERS IN AND TRANSFERS OUT
For the Year Ended June 30, 2013

Interagency Transfers Out:

DOH FUND	AGENCY	OTHER AGENCY'S FUND	DESCRIPTION	AMOUNT
06100	Human Services Department	97600	DD Waiver, AIDS Waiver & RPHCA	\$ 85,165,590
06100	Department of Finance and Administration	85300	Reversions	18,655,967
06100	Department of Finance and Administration	62000	Transfer liability	5,846
06100	Department of Finance and Administration	85300	DFA - State Dated Warrants	15,702
06100	Human Services Department	97600	Transfer receipts	27,345
06100	Department of Information Technology	20300	FY 11 & 12 Radio Comm.	1,022,392
06100	Commission for the Blind	04700	Funding for technology devices - MOA.15051	69,600
05900	Department of Finance and Administration	10590	Reversions	5,251
50200	Department of Finance and Administration	85300	Vital Records - DFA	1,053,629
50200	Children, Youth and Families Department	91100	Vital Records - CYFD	744,071
06100	Children, Youth and Families Department	06700	Transfer receipts	40,050
06100	District Attorney - 13th District	08300	Transfer receipts	32,649
06100	Department of Public Safety	12800	Intercept Federal Monies	53
50200	Secretary of State	37000	Vital Records - Split	6
TOTAL TRANSFERS OUT				\$ 106,838,151

Interagency Transfers In:

DOH FUND	AGENCY	OTHER AGENCY'S FUND	DESCRIPTION	AMOUNT
06100	Dept of Fin & Admin -34100	85300	General Fund Appropriations	\$ 280,890,900
20480	Dept of Fin & Admin -34100	85300	General Fund Appropriations	1,450,000
25700	Dept of Fin & Admin -34100	85300	General Fund Appropriations	3,946,200
75600	Dept of Fin & Admin -34100	85300	General Fund Appropriations	273,100
95800	Dept of Fin & Admin -34100	85300	General Fund Appropriations	31,300
20480	Dept of Fin & Admin -34100	85300	Fort Bayard Medical Center - Lease Payment	2,600,000
75600	Dept of Fin & Admin -34100	85300	Emergency Medical Services Fund Allotment	2,800,000
06100	Dept of Fin & Admin -34100	85300	Jackson v. Fort Stanton lawsuit	2,250,300
06100	Dept of Fin & Admin -34100	85300	Tribal youth diabetes prevention	100,000
Subtotal General Fund Appropriation				294,341,800
21900	Dept of Fin & Admin -34100	02100	CSMF Distribution	1,998,810
06100	Taxation and Revenue	82500	Breast Cancer Awareness	10,550
26100	Taxation and Revenue	82500	Vision Screening Program	25,794
06100	Dept of Fin & Admin -34100	69700	Tobacco Settlement Program	6,851,600
06100	Human Services Dept.	05200	Families First	247,497
06100	Human Services Dept.	05200	Medicaid Admin/SBHC/Other small programs	906,711
06100	Human Services Dept.	05200	Substance Abuse Prevention and Treatment (SAPT) Block Grant	536,968
06100	Human Services Dept.	05200	Medicaid Waiver Program / AIDS	1,383,564
06100	Human Services Dept.	05200	Pre Admission Screening and Resident Review	88,924
06100	Human Services Dept.	05200	Early Periodic Screening Diagnosis & Treatment Program	65,643
06100	Human Services Dept.	05200	Certification of Health Care Facilities & Nurse Aid Training	265,946
06100	Human Services Dept.	05200	Medicaid Infrastructure Grant (MIC)	25,015
06100	Energy & Minerals	19900	WIPP	100,825
TOTAL TRANSFERS IN				\$ 306,849,647

Net Transfers In and Transfers Out for FY 2013 are reflected on a Cash Basis. The financial statements reflect these transfers on an accrual basis. The timing difference based upon the accrual basis of accounting is \$17,064,461 of which \$24,169,945 in FY 2013 versus \$18,661,218 for FY 2013 was directly related to reversion transfers to state general fund.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF SPECIAL APPROPRIATIONS
Year Ended June 30, 2013

Description	Fund	Department	Reversion Date	Budget	Appropriation	Prior Year Expenditures	Current Year Expenditures	Current Year Reversions/Transfers	Balance as of June 30, 2013
Special Appropriation Laws of 2013, Ch. 227, Section 5 - § 54 Jackson vs Ft. Stanton General	06101	Z30554	6/30/2014	\$ 2,250,300	\$ 2,250,300	\$ -	\$ 310	\$ -	\$ 2,249,990
Special Appropriation Laws of 2013, Ch. 227, Section 5 - § 54 Jackson vs Ft. Stanton Inter-Agency	06104	Z30554	6/30/2014	374,700	-	-	-	-	-
Special Appropriation Laws of 2013, Ch. 227, Section 5 - § 55 Tribal Public Health Prgm. General	06101	Z30554	6/30/2014	-	100,000	-	-	-	100,000
				\$ 2,625,000	\$ 2,350,300	\$ -	\$ 310	\$ -	\$ 2,349,990

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2013

Schedule 7

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<u>Fund 50200 - Birth & Death Certificate Fund</u>				
ASSETS:				
Interest in State General Fund				
Investment Pool	\$ 354,380	\$ 1,863,046	\$ 1,810,805	\$ 406,621
Cash	41,868	300,396	341,994	270
TOTAL ASSETS	\$ 396,248	\$ 2,163,442	\$ 2,152,799	\$ 406,891
LIABILITIES:				
Voucher Payable	\$ 125	\$ -	\$ 125	\$ -
Due to other state agencies	396,123	2,389,470	2,378,702	406,891
TOTAL LIABILITIES	\$ 396,248	\$ 2,389,470	\$ 2,378,827	\$ 406,891
<u>Fund 51000 - Patients' Trust Fund</u>				
ASSETS:				
Cash	\$ 968,175	\$ 6,533,424	\$ 6,664,168	\$ 837,431
TOTAL ASSETS	\$ 968,175	\$ 6,533,424	\$ 6,664,168	\$ 837,431
LIABILITIES:				
Funds held for others	\$ 968,175	\$ 6,533,424	\$ 6,664,168	\$ 837,431
TOTAL LIABILITIES	\$ 968,175	\$ 6,533,424	\$ 6,664,168	\$ 837,431

See Notes to Financial Statements

COMPLIANCE

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
FSIS Cooperative Agreement 2012	10.499	\$ 6,575
FSIS Cooperative Agreement 2013	10.499	<u>49,320</u>
		55,895
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)		
WIC Breastfeeding Peer Counseling 2011	10.557	255,474
WIC Breastfeeding Peer Counseling 2012	10.557	288,563
WIC Food and Administration 2012	10.557	11,303,699
WIC Food and Administration 2013	10.557	26,490,362
WIC Rebate 2012	10.557	2,950,233
WIC Rebate 2013	10.557	<u>9,381,203</u>
		50,669,534
Commodity Supplemental Food Program:		
WIC Commodity Supplemental Food Program 2012	10.565	298,306
WIC Commodity Supplemental Food Program 2013	10.565	<u>856,590</u>
		1,154,896
WIC Farmers' Market Nutrition Program:		
WIC Federal Farmers Market 2012	10.572	137,710
WIC Federal Farmers Market 2013	10.572	<u>10,454</u>
		148,164
Senior Farmers Market Nutrition Program:		
Senior Farmers Market Program 2012	10.576	251,206
Senior Farmers Market Program 2013	10.576	<u>2,730</u>
		253,936
WIC Grants to States		
WIC ARRA Management Information Systems	10.578	<u>416,105</u>
		416,105
TOTAL U.S. DEPARTMENT OF AGRICULTURE		52,698,530
U.S. DEPARTMENT OF EDUCATION		
Special Education - Grants for Infants and Families:		
Family Infants & Toddlers Program 2012	84.181A	2,584,510
Family Infants & Toddlers Program 2013	84.181A	<u>2,004,792</u>
		4,589,302
TOTAL U.S. DEPARTMENT OF EDUCATION		\$ 4,589,302

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
Strengthening Public Health Services at the Outreach Office:		
New Mexico-Chihuahua Border 2012	93.018	\$ 25,047
New Mexico-Chihuahua Border 2013	93.018	207,482
		<u>232,529</u>
Environmental Public Health and Emergency Response:		
Addressing Asthma 2012	93.070	45,654
Addressing Asthma 2013	93.070	213,655
Healthy Homes & Lead Poison Prevention 2012	93.070	417,836
Unregulated Drinking Water 2013	93.070	51,942
		<u>729,087</u>
Public Health Preparedness & Response Bioterrorism 2010	93.069	476,653
Public Health Preparedness & Response Bioterrorism 2011	93.069	490,659
		<u>967,312</u>
Public Health Preparedness & Response Bioterrorism 2013	93.074	4,977,373
Bioterrorism Hospital Preparedness Program 2013	93.074	2,114,388
		<u>7,091,761</u>
Emergency System for Advance Registration of Volunteer Health Professionals:		
Emergency Services for Volunteer Registry 2013	93.089	110,657
Affordable Care Act (ACA) Personal Responsibility Education Program:		
Personal Responsibility Education Program 2011	93.092	44,149
Personal Responsibility Education Program 2012	93.092	228,842
		<u>272,991</u>
Maternal and Child Health Federal Consolidated Programs:		
CISS-SECCS Planning 2012	93.110	189,509
NM State Systems Development Initiative 2012	93.110	29,469
NM State Systems Development Initiative 2013	93.110	28,871
First-Time Motherhood 2012	93.110	330,475
Integrated Community Systems for CSHDN 2013	93.110	255,000
		<u>833,324</u>
Project Grants and Cooperative Agreements for Tuberculosis:		
Tuberculosis Elimination and Laboratory 2012	93.116	194,554
Tuberculosis Elimination and Laboratory 2013	93.116	125,327
		<u>319,881</u>
Cooperative Agreements to State /Territories for the Coordination:		
Primary Care 2013	93.130	118,115
Primary Care 2014	93.130	18,817
		<u>136,932</u>

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Injury Prevention and Control Research and State and Community:		
Public Health Injury Surveillance 2012	93.136	87,595
Sexual Assault Rape Prevention 2013	93.136	134,640
Sexual Assault Rape Prevention 2011	93.136	91,554
Violent Death Reporting 2012	93.136	30,040
Violent Death Reporting 2013	93.136	113,252
		457,081
Family Planning Services:		
Family Planning 2012	93.217	2,136,442
Family Planning 2013	93.217	1,348,544
		3,484,986
Affordable Care Act (ACA) Abstinence Education Program:		
Title V Abstinence Education Program 2013	93.235	315,776
Grants for Dental Public Health Residency Training:		
Oral Health Workforce Activities 2012	93.236	12,774
State Rural Hospital Flexibility Services:		
Rural Hospital Flexibility Program 2012	93.241	39,592
Rural Hospital Flexibility Program 2013	93.241	232,731
		272,323
Substance Abuse and Mental Health Services:		
Project Launch 2012	93.243	210,166
Project Launch 2013	93.243	612,248
NM State Suicide Prevention Program 2013	93.243	378,767
		1,201,181
Universal Newborn Hearing Screening:		
Newborn Hearing Screening 2013	93.251	213,874
Newborn Hearing Screening 2014	93.251	18,328
Emerging Infections Program Supplement 1 2012	93.251	221,660
		453,862
Occupational Safety and Health Program:		
Occupational Health 2013	93.262	126,121
Immunizations Grants:		
Immunizations Program 2012	93.268	1,707,485
Immunizations Program 2013	93.268	1,403,609
		3,111,094
Hepatitis Grants:		
Viral Hepatitis Surveillance 2012	93.270	64,534
Viral Hepatitis 2012	93.270	57,480
Viral Hepatitis 2013	93.270	27,563
		149,577

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Centers for Disease Control and Prevention - Investigations and Technical Assistance:		
Biosense 2013	93.283	28,115
Behavioral Risk Factor Survey 2013	93.283	464,577
Behavioral Risk Factor Survey 2014	93.283	247,364
CDC Assessment Initiatives 2012	93.283	40,505
Chronic Disease Prevention 2013	93.283	1,383,063
Chronic Disease Prevention 2014	93.283	340,320
Colorectal Program 2013	93.283	614,771
Early Hearing Detection 2013	93.283	104,142
Emerging Infections Program 2012	93.283	676,260
Emerging Infections Program 2013	93.283	450,078
Environmental Health Tracking 2012	93.283	108,385
Environmental Health Tracking 2013	93.283	989,993
Epidemiology and Laboratory Capacity 2012	93.283	301,131
Epidemiology and Laboratory Capacity 2013	93.283	86,020
National Cancer Prevention 2013	93.283	3,331,651
Physical Health 2013	93.283	529,157
		9,695,532
State and Territorial and Technical Assistance Capacity:		
OMH State Partnership Grant 2012	93.296	52,989
OMH State Partnership Grant 2013	93.296	114,164
		167,153
Small Rural Hospital Improvement Grant Program		
Small Rural Hospital Improvement Project 2012	93.301	98,569
ARRA - State Primary Care Offices		
ARRA Primary Care Grant	93.414	183,000
Research Infrastructure Programs		
Community Transformation Grant 2012	93.531	363,039
Community Transformation Grant 2013	93.531	1,048,904
		1,411,943
Affordable Care Act (ACA) Grants for School-Based Health Center Capital Expenditures:		
Affordable Care Act	93.501	62,000
Background Checks for Employees of Long Term Care Facilities and Providers		
National Caregivers Criminal History Screening 2011	93.506	363,606
Strengthening Public Health Infrastructure for Improved Health Outcomes		
Improved Health Outcomes 2012	93.507	66,532
Improved Health Outcomes 2013	93.507	193,614
		260,146
Centers for Disease Control and Prevention Affordable Care Act - Communities Putting Prevention to Work		
Tobacco & Diabetes Supplemental 2012	93.520	15,018

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity		
Building and Strengthening Epi Lab Capacity 2011	93.521	202,920
Building and Strengthening Epi Lab Capacity 2012	93.521	336,101
Building and Strengthening Epi Lab Capacity PPHF 2012	93.521	430,534
Building and Strengthening Supp 1 2012	93.521	33,119
Building and Strengthening Supp 2 2012	93.521	23,153
MCVPCV & Pertussis 2012	93.521	25,326
Patient Protection and Affordable Care Act 2012	93.521	105,907
Patient Protection and Affordable Care Act 2013	93.521	183,831
		1,340,891
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act)		
Coordinated Chronic Disease 2012	93.544	98,944
Coordinated Chronic Disease 2013	93.544	238,378
		337,322
Refugee and Entrant Assistance Discretionary Grants		
Office of Refugee Resettlement 2012	93.576	11,212
Office of Refugee Resettlement 2013	93.576	79,199
		90,411
Recovery Act Comparative Effectiveness Research		
ARRA Race and Ethnicity Research	93.715	432,246
ARRA - Prevention and Wellness - Communities Putting Prevention to Work		
ARRA Jemez Pueblo Prevention and Wellness	93.724	239,226
ARRA Health Information Technology and Public Health		
ARRA Immunization Information System Interoperability	93.729	592,518
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance:		
Immunization Program Application 2012	93.733	48,501
Chronic Disease Self-Management Education Programs:		
Chronic Disease Self-Management Program 2013	93.734	185,111
PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories		
Chronic Disease Self-Management Program 2013	93.744	181,157
The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act)		
Behavioral Risk Factor Survey Supplement 1 2013	93.745	3,072
National Bioterrorism Hospital Preparedness Program:		
Bioterrorism Hospital Preparedness Program 2012	93.889	720,558
Public Health Preparedness & Response Bioterrorism 2012	93.889	1,340,796
		2,061,354

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
Grants to State for Operation of Offices of Rural Health:		
Office of Rural Health 2013	93.913	150,958
HIV Care Formula Grants:		
Ryan White Care Act 2013	93.917	3,898,689
Ryan White Care Act 2014	93.917	121,032
		<u>4,019,721</u>
HIV Prevention Activities - Health Department Based:		
HIV Prevention 2012	93.940	1,202,006
HIV Prevention 2013	93.940	615,041
		<u>1,817,047</u>
HIV/Acquired Immunodeficiency:		
HIV/AIDS Surveillance 2012	93.944	170,691
HIV/AIDS Surveillance 2013	93.944	112,835
		<u>283,526</u>
Cooperative Agreements to Support State-Based Safe Motherhood:		
Sudden Unexpected Infant Death 2012	93.946	21
Sudden Unexpected Infant Death 2013	93.946	21,113
Pregnancy Risk Assessment Monitoring System 2013	93.946	165,764
Pregnancy Risk Assessment Monitoring System 2014	93.946	18,579
		<u>205,477</u>
Preventive Health Services Sexually Transmitted Diseases Control Grants:		
Sexually Transmitted Disease 2012	93.977	467,463
Sexually Transmitted Disease 2013	93.977	378,186
		<u>845,649</u>
Preventive Health and Health Services Block Grant:		
Preventative Health Service Block Grant 2011	93.991	300,657
Preventative Health Service Block Grant 2012	93.991	506,888
		<u>807,545</u>
Maternal Child Health Services Block Grant to the States:		
Maternal Child Health Services 2012	93.994	1,608,517
Maternal Child Health Services 2013	93.994	2,465,621
		<u>4,074,138</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:		52,645,393

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDING JUNE 30, 2013

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Federal Participating Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
State Survey and Certification of Health Care Providers:		
Clinical Laboratory Improvement Amendments 2012	93.777	30,821
Clinical Laboratory Improvement Amendments 2013	93.777	55,537
Title 18 Inspection of Health Care Providers 2012	93.777	777,839
Title 18 Inspection of Health Care Providers 2013	93.777	1,529,110
		<u>2,393,307</u>
Joint Powers Agreements through the New Mexico Human Services Department:		
Medical Assistance Program		
HSD Developmentally Disabled Medicaid Waiver JPA 2012	93.778	7,861,049
HSD Pre-Admission Screening Medicaid Waiver JPA 2012	93.778	319,652
HSD Resource Support Medicaid Waiver JPA 2012	93.778	298,889
HSD Facility Licensing and Certification Medicaid Waiver JPA 2011	93.778	272,166
HSD Facility Licensing and Certification Medicaid Waiver JPA 2012	93.778	1,003,428
HSD AIDS Medicaid Waiver JPA 2012	93.778	43,110
HSD MIG JPA 2011	93.778	25,015
		<u>9,823,309</u>
TOTAL NEW MEXICO HUMAN SERVICES DEPARTMENT JPAs:		\$ 9,823,309
 NEW MEXICO ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT PASS-THROUGH GRANTS		
Cooperative Agreement through EMNRD:		
WIPP Emergency Response Enhancement 2012	DE-FC29-88AL53813 81.106	\$ 111,291
TOTAL ENERGY, MINERALS, AND NATURAL RESOURCES DEPT AGREEM'TS		\$ 111,291
TOTAL FEDERAL GRANT CASH EXPENDITURES		\$ <u>119,867,825</u>
NON-CASH ASSISTANCE		
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES, CENTER FOR DISEASE CONTROL & PREVENTION		
Immunization Grants:		
Immunization Program Vaccine 2013	93.268	\$ 34,946,123
		<u>\$ 34,946,123</u>
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES, CENTER FOR DISEASE CONTROL & PREVENTION		\$ <u>34,946,123</u>
TOTAL EXPENDITURES CASH / NON-CASH FEDERAL AWARDS		\$ <u><u>154,813,948</u></u>

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013**

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Department under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in net position of the Department.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Clusters:	Federal CFDA No.
Medicaid Cluster:	
State Survey and Certification of Health Care Providers	93.777
Medical Assistance Program	93.778

NOTE 3. LOANS OUTSTANDING

The Department does not have any outstanding loans with the federal government nor does it make loans to others.

STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)
June 30, 2013

NOTE 4. 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 5. 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 \$1,117,104.

First Nations	\$ 158,952
First Choice	<u>958,152</u>
Total	<u>\$ 1,117,104</u>

NOTE 6. RECONCILIATION

Reconciliation of federal expenditures to federal revenue and assistance:

Per financial statements:	
Federal revenue	\$ 121,896,854
In-kind assistance (Immunization)	34,946,123
Federal assistance from prior period	(5,018,532)
Federal assistance in other financial statement categories	<u>2,989,503</u>
Per Schedule of Expenditures of Awards	<u>\$ 154,813,948</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*

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund of State of New Mexico Department of Health (Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Department, presented as supplementary information, and have issued our report thereon dated December 16, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Department's internal control.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2011-01 and 2013-01 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-11 and 2013-03 through 2013-06.

The Department's Response to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 16, 2013

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited 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, 2013. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Opinion on Each Major Federal Program

In our opinion, the Department's complied, in all material respects, with the types of 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, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance 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 2013-02 and 2013-07. Our opinion on each major federal program is not modified with respect to these matters.

The Department's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Department's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 a 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. 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.

Retta Ward, Cabinet Secretary
New Mexico Department of Health
and
Mr. Hector H. Balderas,
New Mexico State Auditor

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-02 and 2013-07 that we consider to be significant deficiencies.

The Department's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
December 16, 2013

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of Major Programs

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

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	Unmodified
10.578	ARRA-WIC Grants to States	Unmodified
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	Unmodified
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	Unmodified
93.268	Immunization Cooperative Agreements	Unmodified
93.715	ARRA-Recovery Act - Comparative Effectiveness Research	Unmodified
93.729	ARRA-Health Information Technology and Public Health	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? Yes No

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS

2011-01 Monthly Reconciliations and Financial Close and Reporting (Significant Deficiency)

CONDITION

During our audit testwork and review of the Department’s internal control environment, we noted that certain reconciliations of the Department’s activity and account balances are not being completed and reviewed timely. There were sixteen post-closing journal entries after the adjusted trial balance was provided to the auditor. Additionally, during our site visits at two of the decentralized facilities, we noted claims billed to insurance providers did not agree to the AVATAR Accounts Receivable Aging Reports by a variance totaling \$1,481, time sensitive AVATAR reports were not completed timely and AVATAR Accounts Receivable information did not reconcile to SHARE balances by a variance totaling \$6,231.

Additionally, during our testing procedures on the schedule of expenditures of federal awards we noted the reconciliation of federal expenditures to federal revenue was not being completed timely resulting in an adjustment to deferred WIC rebates that were improperly deferred and a reconciling item from federal revenue to the schedule of federal expenditures in the amount of \$5,246,524.

CRITERIA

The Manual of Model Accounting Practices requires that all state agencies “perform monthly reconciliations” and “Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances. Additionally, Section 6-5-2 NMSA 1978 states that “State agencies shall comply with the model accounting practices established by the Financial Control Division and the administrative head of each agency shall ensure that the model accounting practices are followed”.

EFFECT

There is an increased risk of error or misstatement in the financial records. As a result of the untimely reconciliations, there was a delay in the start of the Department’s audit of the final balances.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2011-01 Monthly Reconciliations and Financial Close and Reporting (Significant Deficiency) (continued)

CAUSE

The Department has not consistently followed its established policies and procedures over monthly reconciliations and its financial close and reporting. Additionally, due to limited staffing certain control features and approvals were not fully completed.

RECOMMENDATION

We recommend that balance sheet accounts and grant roll-forwards for the grant expenditures and related draws be reconciled on a monthly basis and be reviewed and approved by a member of management. We also recommend that the Department take appropriate actions to ensure that resulting account adjustments are properly recorded in a timely manner.

MANAGEMENT RESPONSE

The Department has reinstated the monthly Division Financial meetings for review of finance related issues. Included in the items reviewed is the status of Balance Sheet accounts. Action plans are created month to month. The expectation is that resolution occurs from one month to the next.

The Department is working on a proactive approach to ensure in the future that all accounts will be reconciled. Training is to be implemented for the Finance staff so they have the tools necessary for the work to be done.

2013-01 Medicaid Settlement Agreement (Significant Deficiency)

CONDITION

During our test work and review of the Department's internal control environment at decentralized facilities, management disclosed that the New Mexico Attorney General's Office (AGO) visited the Department's Los Lunas Community Program to follow up on double billing complaint. From their investigation the AGO questioned \$1,758,544 of client billings related to Medicaid employment services and day rehabilitations services. After the Department's internal audit review, the Department determined that double billing errors had not occurred but during the review identified unsupported clinical documentation for

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-01 Medicaid Settlement Agreement (Significant Deficiency) (continued)

some of the client's that were billed. The Department has entered into a settlement agreement with State of New Mexico totaling \$446,135 (see Note 21 to the financial statements).

CRITERIA

The Manual of Model Accounting Practices requires that all state agencies "Maintain accounts and information as necessary to show the sources of state revenues and the purpose for which expenditures are made and provide proper accounting control to protect state finances." Additionally, Section 6-5-2 NMSA 1978 states that "State agencies shall comply with the model accounting practices established by the Financial Control Division and the administrative head of each agency shall ensure that the model accounting practices are followed".

Per NMSA 1978 12-6-6 and NMAC 2.2.2.10.K2, the Department shall notify the State Auditor immediately, in writing, upon discovery of a violation of a criminal statute in connection with financial affairs. The notification shall include an estimate of the dollar amount involved, and a complete description of the violation, including names of persons involved and any action taken or planned.

EFFECT

There is an increased likelihood of billing errors at the Department's decentralized locations. If the Department does not fix its billing procedures and fails to report the occurrence to the Office of the State Auditor it would continue to be in violation of NMSA 1978 12-6-6 and NMAC 2.2.2.10.K (2).

CAUSE

The Department has not followed established policies and procedures over the documentation Medicaid employment services and day rehabilitations services billings or policies and procedures related to the review and monitoring of these billings. Additionally, the Department did not inform the State Auditor of the investigation.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-01 Medicaid Settlement Agreement (Significant Deficiency) (continued)

RECOMMENDATION

We recommend that the Department implement internal controls related to the review, approval and retention of Medicaid billings by a member of management. Additionally, we recommend that the Department disclose any future review that could be criminal violations of statute to the State Auditor as required by State Statute.

MANAGEMENT RESPONSE

The Department concurs with the recommendations from our external auditors.

The Department's Internal Auditor staff (IA) determined there were instances where it was not clear that the clinical documentations supported the quantity of services presented in the billings. The documentation supported the services provided to our patients. However, the procedures to verify the units of services provided were not performed by LLCP.

The Department's IA proposed procedural and form changes to LLCP to ensure proper documentation to support billing amounts. These are in addition to the policies and procedures currently in place at the Department. We have implemented accounting policy and procedures Accounts Receivables - ACC 01:116, which requires the Department to comply with Section 6-5-2 NMSA 1978.

Concerning compliance with NMSA 1978 12-6-6 and NMAC 2.2.2.10.K (2), it was the interpretation of management that fraud did not occur but rather a lack of documentation for the amount billed had happened. In the future we will report items of this nature to the Office of the State Auditor and other required entities.

2010-11 UNTIMELY REVERSION TO STATE GENERAL FUND (Non-compliance in accordance with the New Mexico State Audit Rule)

CONDITION

It was noted that the Department did not revert the entire amount due to the State General Fund for the year ended June 30, 2011 from the Department's general fund in the amount of \$153,472. In addition, the final June 30, 2012 reversion was sent to DFA on June 24, 2013 which exceeded the forty-five day requirement after the release of the audit report for the FY12 fiscal year.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2010-11 UNTIMELY REVERSION TO STATE GENERAL FUND (Non-compliance in accordance with the New Mexico State Audit Rule)

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. The division may adjust the reversion within forty-five days of the release of the audit report for that fiscal year. Failure to transfer funds in a timely manner in compliance with statute requires a finding.

CAUSE

Lack of internal controls and oversight to ensure all funds subject to reversion were 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 RESPONSE

The Department agrees that it was late in making the reversion. In researching the amount to be reverted it was found that not all monies presented in the "Due to General Fund" account should be reverted to the General Fund.

For the fiscal year ending 6/30/13 the amounts to be reverted will be transferred to the State General Fund no later than 45 days after the release of the audit report, estimated to be 2/15/14.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-03 TRAVEL AND PER DIEM (Non-compliance in accordance with the New Mexico State Audit Rule)

CONDITION

During our testing on travel and per diem, we noted that in five out of the eleven employees tested exceeded the \$1,500 aggregate total of per diem expenditures, without the prior approval of an appropriate state official as required by state statute. Per 10-8-5-I NMSA 1978, a state official is defined as his department head or, in the case of a department head or board or commission member, to the governor. The amount paid in excess of \$1,500 for these five employees totaled \$59,017. Per review of the entire population of travel and per diem expenditures, we noted an additional 79 employees with per diem amounts in excess of \$1,500, of which management represented that the prior approval by an appropriate official was not implemented until late into fiscal year 2013. The total amount paid to employees in excess of \$1,500 per employee for the Department is \$160,221.

In addition, we also noted that three of the eleven employees' post of duty location was greater than thirty-five miles away from the vendor address as documented in SHARE. The vendor address for two of the eleven employees is also the same location as the related travel which conflicted with the defined post of duty and therefore it was unclear as to if the employees were reimbursed for traveling to a location they reside in. Two of the eleven employees were temporarily reassigned and were reimbursed for expenditures after they exceeded thirty days at the temporary position without documentation for the necessity of reassignment prior to reimbursement.

CRITERIA

10-8-5-I NMSA 1978 - Any person who is not an employee, appointee or elected official of a county or municipality and who is reimbursed under the provisions of the Per Diem and Mileage Act in an amount that singly or in the aggregate exceeds one thousand five hundred dollars (\$1,500) in any one year shall not be entitled to further reimbursement under the provisions of that act until the person furnishes in writing to his department head or, in the case of a department head or board or commission member, to the governor or, in the case of a member of the legislature, to the New Mexico legislative council an itemized statement on each separate instance of travel covered within the reimbursement, the place to which traveled and the executive, judicial or legislative purpose served by the travel. 2.42.2.8(D)(2) NMAC - Nonroutine reassignment: Public officers or employees not normally subject to periodic reassignments who are temporarily assigned to another office

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2013-03 TRAVEL AND PER DIEM (Non-compliance in accordance with the
New Mexico State Audit Rule) (continued)**

of a state agency away from home will receive per diem for the first 30 calendar days of their assignment only, unless approval of the secretary is given to extend per diem payments upon showing that the assignment is necessary and temporary. Except in such extraordinary circumstances, after 30 calendar days, the place where the employee or officer is assigned will be regarded as the designated post of duty.

EFFECT

The Department is not in compliance with NMSA 2.42.2.8(D)(2) and NMSA 10-8-5-I.

CAUSE

Employees were not following the Department policies and procedures related to travel and per diem.

RECOMMENDATION

We recommend that the Department continue to monitor controls and better communicate and train employees on policies and procedures to ensure the Department is in compliance with the State Statute and DFA requirements.

MANAGEMENT RESPONSE

Travel - The department received direction from the State Controller in the form of an exemption from the rule. The individual can request the exemption from the rule by providing appropriate documentation and rationale to obtain approval from the ASD Director.

The updated practice was implemented late in calendar year 2012 and is currently in place. A log of travel costs by employee is maintained to ensure necessary exemption requests are completed.

Per-Diem – The two employees in question were judged to have a home base outside the Santa Fe location. However, the payment to the individuals exceeded the allowable 30 day period without approval from their supervisor.

The Department has instituted a practice to ensure the appropriate approval is obtained.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-04 CAPITAL ASSETS DISPOSAL (Non-compliance in accordance with the New Mexico State Audit Rule)

CONDITION

Based on our review of the assets disposed for the months of August 2012, November 2012 and January 2013, we were unable to determine the actual date of disposal for assets values totaling \$387,635. In addition, based on our review of the disposal listing, the date of disposal for some disposals was documented as the same date as the notification letter that was sent to the state auditor.

CRITERIA

13-6-1(B)(2) NMSA 1978 – The agency is required to give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action.

EFFECT

The Department is not in compliance with NMSA 13-6-1 and NMSA 13-6-2.

CAUSE

Employees were not following the Department policies and procedures related to the disposal of capital assets.

RECOMMENDATION

We recommend that the Department continue to monitor controls and better communicate and train employees on policies and procedures to ensure the Department is in compliance with the State Statute and DFA requirements.

MANAGEMENT RESPONSE

The Department updated the asset disposal schedule to include the actual date of disposal. This updated schedule was implemented in July 2013. Prior instructions for disposal included the need for a disposal date to be documented. However, the documentation did not have that item noted.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-05 GAS CARD CONTROL PROCESS (Non-compliance in accordance with the New Mexico State Audit Rule)

CONDITION

During our testing, we were unable to obtain receipts for three out of nineteen gas card transactions selected for testing totaling \$215. In addition, we noted that exception reports, exception emails and monthly statements are not consistently reviewed by an appropriate employee. It appears that a thorough review process was not in place until midway through the fiscal year.

CRITERIA

1.5.3.19 NMAC - Each agency will evaluate fuel purchase exception reports provided by the fuel credit card company on a monthly basis. (1) Each agency shall establish use requirements and parameters on their fleet. Such parameters will include multiple daily transactions, number of gallons purchased at one time, limit dollars per transaction, off hour transactions, non-fuel transactions, and unauthorized purchases (soda, candy, etc.). (2) Transactions that cannot be justified must be investigated with a formal report summarizing the findings with recommendations. A copy of the report will be sent to the State Central Fleet Authority.

EFFECT

The Department is not in compliance with NMAC 1.5.3.19

CAUSE

Employees were not following the Department policies and procedures related to the use of gas cards.

RECOMMENDATION

We recommend the Department continue to monitor controls and better communicate and train employees on policies and procedures that will ensure the Department is in compliance with the State Statute and DFA requirements.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2013-05 GAS CARD CONTROL PROCESS (Non-compliance in accordance with the New Mexico State Audit Rule) (continued)

MANAGEMENT RESPONSE

A process has been in place to validate that the spending on the gas cards is appropriate. It appears that the manager level review was not occurring consistently. Fleet Management was intermittently reviewing the monthly statements.

A new form was implemented January 2013 that has the vehicle user document the usage of the gas cards. This vehicle usage log is monitored by the Bureau Manager and Fleet Management.

**2013-06 PAYROLL APPROVED PAYRATES
(Non-compliance in accordance with the New Mexico State Audit Rule)**

CONDITION

We noted that one employee pay rate out of forty-two, did not agree to the compensation action form. The employee should have been paid at a rate of \$18.78/hour, however they were being paid at a rate of \$20.39/hour. The incorrect pay rate was entered into SHARE with an effective date of May 25, 2013.

CRITERIA

Model Accounting Practices HR 2.1(D) Control Table Maintenance – 1. State agencies shall document and request all changes in employee pay and deductions. 2. CPB shall approve and create/update employee earnings and deductions in SHARE.

EFFECT

The employee received overpayment of wages in the amount of \$588 through June 30, 2013. Also, this can cause a misstatement in the financial records if the errors are not detected or corrected timely.

CAUSE

Employees were not following the Department policies and procedures related to the approval of compensation increases.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

B. FINDINGS – FINANCIAL STATEMENT FINDINGS (CONTINUED)

**2013-06 PAYROLL APPROVED PAYRATES
(Non-compliance in accordance with the New Mexico State Audit Rule)
(continued)**

RECOMMENDATION

We recommend that the Department continue to monitor controls and better communicate and train employees on policies and procedures that will ensure the Department is in compliance with the State Statute and DFA requirements.

MANAGEMENT RESPONSE

The HRB Director has provided the information to the auditors to show this issue was subsequently resolved. The process to update rates in HCM has been updated. The responsibility for updating the rate in HCM is now centralized in one position. The analyst preparing the rate increase documentation does not update HCM any longer. This separation of duties will prevent errors in the future.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-02 Federal Program Reporting (Significant Deficiency and Noncompliance)

Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements - U.S. Department of Health and Human Services, CFDA #93.074

Substance Abuse and Mental Health Services Projects of Regional and National Significance- U.S. Department of Health and Human Services, CFDA #93.243

Immunization Cooperative Agreements - U.S. Department of Health and Human Services, CFDA #93.268

ARRA Recovery Act – Comparative Effectiveness Research - U.S. Department of Health and Human Services, CFDA #93.715

ARRA Health Information Technology and Public Health - U.S. Department of Health and Human Services, CFDA #93.729

CONDITION

During our testing of Single Audit Reports we noted that the Federal Financial Report information did not tie to the general ledger support, for all four fiscal year 2013 quarterly reports. We noted that the total for all Health and Human Services grants cumulative cash disbursement reported on the quarterly Federal Financial Report (FFR) did not tie to the cash disbursement general ledger supporting information. The accumulative variance of general ledger expenditures to amounts reported for all federal programs reported on the Federal Financial Report totaled \$310,578.

CRITERIA

Per OMB circular A-133, reports should agree with accounting records that support the audited financial statements and the Schedule of Expenditures of Federal Awards. The general ledger is the support for the financial statements and the Schedule of Expenditures of Federal Awards.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2013-02 Federal Program Reporting (Significant Deficiency and Noncompliance)
(continued)**

QUESTIONED COSTS

None

CAUSE

The Department was not consistently reviewing and reconciling amounts reported in the federal financial reports to general ledger information.

EFFECT

The amounts reported in the Department's federal financial reports were not accurate.

RECOMMENDATION

We recommend the Department update and implement controls for reconciliation and approval for the Federal Financial reports to SHARE/general ledger support prior to submitting the information to the U.S. Department of Health and Human Services Department to ensure the data is complete and accurate.

MANAGEMENT RESPONSE

The Department concurs with the external auditors finding.

The Department has set up a semi-annual review process to validate the amount in the records of the Grants Bureau and the SHARE system.

A system of reconciliation is being created to include ASD management, FAB and the Grants Bureau. Each area will need to sign off on the accuracy of the information.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

2013-07 Special Tests and Provisions (Significant Deficiency and Noncompliance)

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) - U.S. Department of Agriculture, CFDA #10.557

CONDITION

During our testing of special tests and provisions internal controls and compliance requirements, we noted that the WIC program has not been excluding the above-50-percent vendors when determining the competitive price selection criteria and maximum allowable reimbursement amounts for all vendors.

CRITERIA

7 CFR section 246.12(g)(4)(i)(D) The state agency is responsible to ensure that the prices of above-50-percent vendors are not included with the prices of the regular vendors for purposes of determining the competitive price selection criteria and maximum allowable reimbursement amounts for all vendors.

EFFECT

The determination of the competitive price selection criteria and maximum allowable reimbursement amounts for all vendors was not calculated correctly.

CAUSE

The current calculation is automated and currently was not designed to remove above- 50-percent vendors from the calculation and determination of the compliance with 7 CFR section 246.12(g)(4)(i)(D).

QUESTIONED COSTS

None

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
For the Year Ended June 30, 2013**

C. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)

**2013-07 Special Tests and Provisions (Significant Deficiency and Noncompliance)
(continued)**

RECOMMENDATION

We recommend that the Department revise their calculation and establish an additional review and approval procedure to ensure above-50-percent vendors are properly excluded when the determination of compliance for the competitive price selection and maximum allowable reimbursement amounts for all vendors.

MANAGEMENT RESPONSE

The Department concurs with the finding.

The Public Health Division has instituted a process of review to ensure all elements of the reporting requirements for the grant are in place when a system update takes place. There is a validation by two parties that must occur. Agreement by both is necessary to approve the change.

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013**

2010-08	Accounts Receivable and Allowance for Doubtful Accounts	Resolved
2010-11	Untimely Reversion to State General Fund	Revised/Repeated
2011-01	Monthly Reconciliations	Revised/Repeated
2012-01	Purchase Order Violation	Resolved

**STATE OF NEW MEXICO
DEPARTMENT OF HEALTH
EXIT CONFERENCE
Year Ended June 30, 2013**

An exit conference was held with the Department on December 13, 2013. The conference was held at the Department's offices in Santa Fe, New Mexico. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF HEALTH

Retta Ward	Cabinet Secretary
Jane Peacock	Public Health Division Director
Leonard Tapia	ASD Director - CFO
Kim Keahbone, CPA	ASD Deputy Director
James Chadburn, CPA, CGFM	Financial Accounting Bureau Chief
Inez Gonzales	Grants Management Bureau

MOSS ADAMS LLP

Jason Galloway	Senior Manager
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PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the Department.