

NEW MEXICO DEPARTMENT OF HEALTH

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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**NEW MEXICO DEPARTMENT OF HEALTH
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2017**

Department Officials

<u>Title</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Cabinet Secretary	K. Lynn Gallagher	K. Lynn Gallagher
Deputy Secretary – Facilities	Gabrielle Sanchez-Sandoval	Gabrielle Sanchez-Sandoval
Deputy Secretary – Programs	Dawn Hunter	Vacant
Chief Financial Officer	Roy McDonald (CFO)	Roy McDonald (CFO)
General Counsel	Eric McSherry	Gabrielle Sanchez-Sandoval
Chief Information Officer	Terry Reusser	Terry Reusser
Chief Medical Officer	Vacant	Stephen Dorman, M.D.
State Epidemiologist	Michael Landen, M.D.	Michael Landen, M.D.

Division Directors

<u>Title</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Administrative Services	Roy McDonald (CFO)	Roy McDonald (CFO)
Public Health	Lynn Carroll	Vacant
Epidemiology & Response	Michael Landen, M.D.	Michael Landen, M.D.
Scientific Laboratory	Lixia Liu	Lixia Liu
Office of Facilities Management	Roberta Vigil	Vacant
Developmental Disabilities Support Division	Jim Copeland	Vacant
Health Facility Licensing & Certification	Joseph Foxhood	Vacant

INDEPENDENT AUDITORS' REPORT

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the New Mexico Department of Health, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements 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.

Auditors' 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 auditors' 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 effectiveness of the entity'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.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor

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 New Mexico Department of Health as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds 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 New Mexico Department of Health are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department of Health. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2017, and the changes in the financial position for the year then ended, inconformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 5 through 13 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 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.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Mexico Department of Health's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparisons 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparisons, other schedules required by Section 2.2.2 NMAC, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, on our consideration of the New Mexico Department of Health'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 result 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 New Mexico Department of Health's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 1, 2017

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Introduction

The following Management's Discussion and Analysis (MD&A) for the State of New Mexico's Department of Health ("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, 2017 (FY17). 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. 65, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and 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 four elements: (1) Management's Discussion and Analysis, (2) the Basic Financial Statements including the Notes, (3) Required Supplementary Information, and (4) 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 Department assets, liabilities, and net position. All revenue and expenses are accounted for in the 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.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state agencies, uses fund accounting to demonstrate and ensure compliance with finance-related legal requirements.

- Governmental fund statements include the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balances. These Balance Sheets and Statements 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.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

- 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, major funds and non-major funds. A separate column is presented to report any variances between the final budget and actual amounts.
- The Statement of Fiduciary Net Assets provides information about the financial relationships in which the Department acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Additional information about the data provided in the financial statements is found in the Notes to the Financial Statements, Required Supplementary Information, and the Other Supplementary Information sections of this report.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

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
(Expressed in Thousands)**

	<u>Governmental Activities</u>		Amount Change	Percent Change
	FY 2017	FY 2016		
Assets:				
Cash, Restricted and Nonrestricted	\$ 29,837	\$ 22,125	\$ 7,712	34.9%
Other Current Assets	35,877	37,834	(1,957)	-5.2%
Noncurrent Assets	<u>54,006</u>	<u>57,069</u>	<u>(3,063)</u>	-5.4%
Total Assets	<u>\$ 119,720</u>	<u>\$ 117,028</u>	<u>\$ 2,692</u>	2.3%
Liabilities:				
Current Liabilities	\$ 60,469	\$ 53,949	\$ 6,520	12.1%
Long-Term Liabilities	<u>50,428</u>	<u>52,576</u>	<u>(2,148)</u>	-4.1%
Total Liabilities	110,897	106,525	4,372	4.1%
Net Position:				
Investment in Capital Assets	2,315	4,024	(1,709)	-42.5%
Restricted	9,403	13,698	(4,295)	-31.4%
Unrestricted (Deficit)	<u>(2,895)</u>	<u>(7,219)</u>	<u>4,324</u>	-59.9%
Total Net Position	<u>8,823</u>	<u>10,503</u>	<u>(1,680)</u>	-16.0%
Total Liabilities and Net Position	<u>\$ 119,720</u>	<u>\$ 117,028</u>	<u>\$ 2,692</u>	2.3%

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2017 are as follows:

Assets

Total assets increased by approximately \$2.7 million, or 2%. This increase resulted from several factors:

- An increased balance of Investments in the State General Fund Investment Pool and cash accounts of approximately \$7.7 million, and an increase of \$2.5 million due from other state agencies and local government. More information on significant revenue variations can be found in the FY17 Operating Budget section.
- Other current assets decreased by \$1.9 million or 5% of which is comprised mostly of a decrease of \$4.2 million due from Federal Government. The decrease in Net Accounts Receivable from FY16 to FY17, resulted from increased collection activities and more timely collections.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

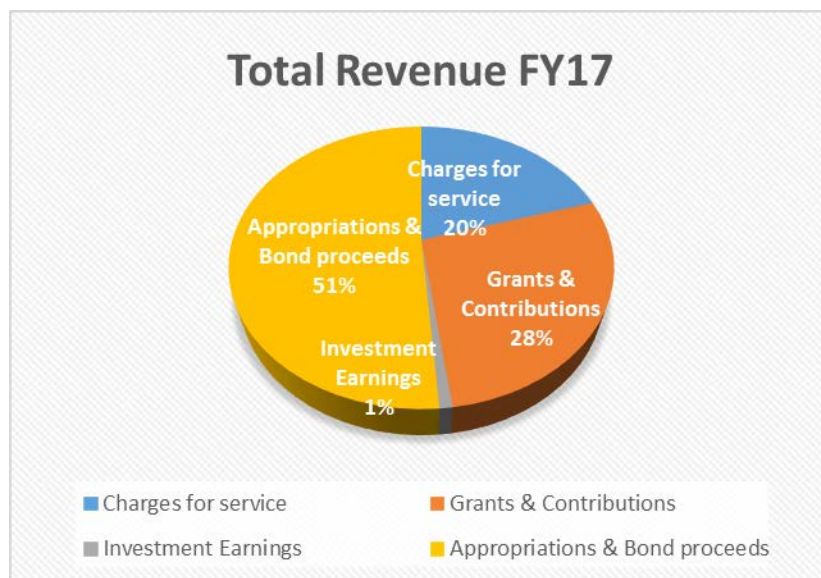
A decrease in Non-Current Assets of approximately \$3.1 million occurred primarily from an increase in assets disposal of \$3.4 million dollars which was offset by a slight increase in the purchase of capital assets.

Liabilities and Net Position

Total liabilities increased by approximately \$4.3 million, or 4%. This net increase was primarily due to:

- A decrease of \$5.7 million, or 1.3% in the payables account primarily due to a scrutinized review of all encumbrances and expenditures, resulting in a decrease of governmental spending.
- An increase of \$9.9 million in the amount due to other state agencies. This included \$8 million due to HSD from the DD Waiver and New Mexico State Veterans Hospital Construction expenses due to GSD of \$1.6 million. The decrease in the amount due to the state general fund was due to a \$1.1 million decrease in reversion. Another significant variance was related to a decrease in current accrued payroll of \$4.3 million.
- Long-term Liabilities decreased by approximately \$2.1 million or 4%. This net decrease was primarily due to a net decrease of compensated absences and of capital lease payable.
- The Department had no deferred inflow or outflow of resources.
- Total Net Position decreased by \$1.7 million or approximately 16%. This was caused by an increase of expenditures over revenue. There was an increase of revenue and various funding sources over FY16.

The chart below illustrates the types of revenue received in FY17 by the Department:



**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Changes in Net Activities

The table below summarizes the change in the Department's net activities between the fiscal years ending June 30, 2017 and 2016.

**Table 2
Changes in the Department's Net Activities
(Expressed in Thousands)**

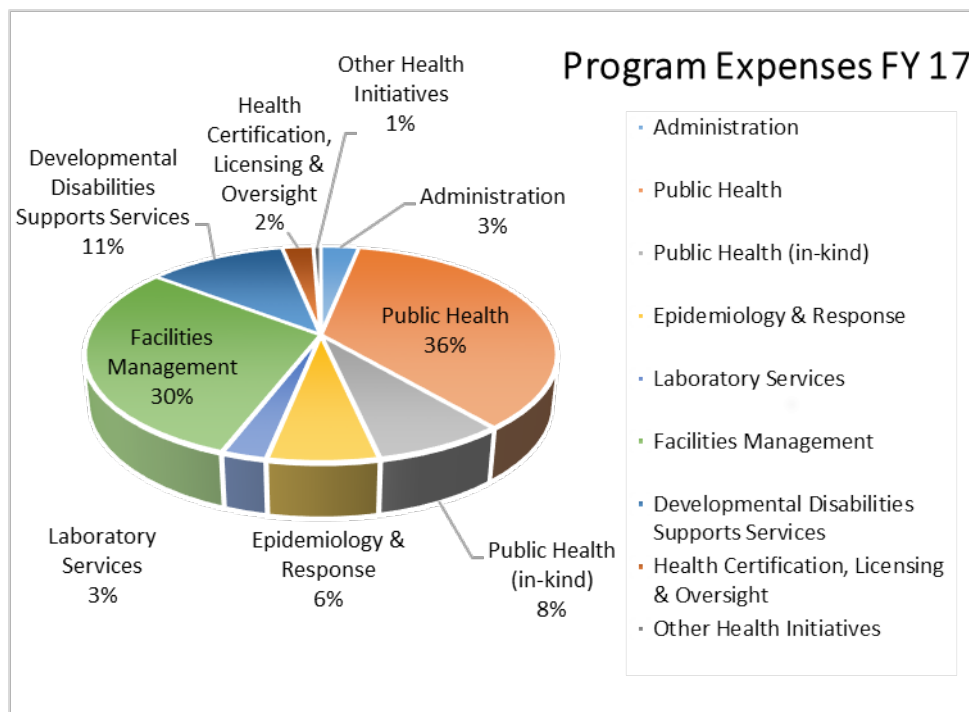
	<u>Governmental Activities</u>		<u>Amount Change</u>	<u>Percent Change</u>
	<u>FY 2017</u>	<u>FY 2016</u>		
Revenues:				
Program Revenue:				
Charges for Services	\$ 111,060	\$ 119,127	(8,067)	-6.8%
Operating Grants and Contributions				
Contributions	<u>157,322</u>	<u>144,407</u>	<u>12,915</u>	8.9%
Total Program Revenue	<u>268,382</u>	<u>263,534</u>	<u>4,848</u>	1.8%
General Revenue:				
Transfers, Net	(113,715)	(114,240)	525	-0.5%
Bond Proceeds/Appropriations	299,105	320,364	(21,259)	-6.6%
Investment Income	5,180	4,335	845	19.5%
Gain (Loss) on Capital Asset				
Disposal	(80)	(109)	29	-26.6%
Reversion	<u>(5,378)</u>	<u>(4,185)</u>	<u>(1,193)</u>	28.5%
Total General Revenue	<u>185,112</u>	<u>206,165</u>	<u>(21,053)</u>	-10.2%
Total Revenues	453,494	469,699	(16,205)	-3.5%
Expenses	<u>455,174</u>	<u>466,692</u>	<u>(11,518)</u>	-2.5%
Changes in Net Position	(1,680)	3,007	(4,687)	-155.9%
Net Position - Beginning of Year	<u>10,503</u>	<u>7,496</u>	<u>3,007</u>	40.1%
Net Position - End of Year	<u>\$ 8,823</u>	<u>\$ 10,503</u>	<u>\$ (1,680)</u>	-16.0%

As indicated in Table 2, the Department's ending net position increased by \$1.6 million over FY16 or approximately 16%. The Department experienced an decrease in total revenue of approximately \$21 million, or 10%. Program revenue decreased by approximately \$8.1 million or 7% compared to 2016, due primarily to an increase in revenue for Facilities as they did not receive any federal revenue in FY16 and in FY17 they received \$7.5 million. Scientific Lab Division's federal revenue increased by \$500,000 and Epidemiology's federal revenue increased by \$2,194,000. There was one major decrease in federal revenue and that was within ASD which dropped by \$809,000 in FY 17.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

General revenues, not including reversions, decreased approximately \$19.8 million or 15%. Net transfers decreased by approximately \$6.3 million or 6%, due primarily to an increase of \$4.7 more in Grants to other State Agencies. Agency transfers in for DDS Waiver decreased from \$3.4 million to only \$387,670 thousand, a significant decrease of approximately \$3.3 million. This was off-set by an increase in Other Services – Interagency transfers in of \$1.7 million. General fund appropriations from DFA decreased by \$20,500,000 from FY16 to FY17. Part of the total of Bond Proceeds/Appropriations was Tobacco Settlement funds of which we received \$6,851,000 in FY16 and 6,412,000 in FY17.

The chart below shows expenses by program in FY17 for the Department:



Total expenses decreased by approximately \$11.5 million, or 3%, due primarily to a decrease in Administration costs which was offset by a decrease in spending in the Public Health Division and Facilities Management.

The increase of expenditures over revenue in FY17 resulted in an decrease in net position of \$1.7 million. Combined with a beginning net position of \$10.5 million, the Department concluded the fiscal year with an ending net position totaling approximately \$8.8 million.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FY17 Operating Budget

The Department's initial operating budget for Fiscal Year 2017 totaled \$552.1 million, including \$292.9 million in General Fund, in accordance with Laws 2016, Chapter 11, the General Appropriation Act. Budget adjustment increases/decreases totaling approximately \$15.7 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 \$567.8 million.

Significant adjustments to the FY17 appropriated operating budget included:

- A General Fund reduction was assessed to the Department of Health to various program areas in the amount of (\$4,540,500) per Senate Bill 9, passed during the 2016 Special Session;
- An increase of \$8,400,000 in Other Revenues for the Public Health Immunizations Program to assist with needed budget authority to purchase vaccines in accordance with the Vaccine Purchasing Act; N. M. S. A. 1978, § 24-5A-2.;
- An increase of \$2,773,000 in Federal Funds for the Epidemiology and Response Division for newly awarded federal grants in the following bureaus: Injury Behavioral Epidemiology Bureau (IBEB), Environmental Health Epidemiology Bureau (EHEB) and Infectious Disease Epidemiology Bureau (IDEB);
- An increase of \$2,057,700 in Federal Funds for the Epidemiology & Response Program and Scientific Laboratory Division to establish the Hospital Preparedness Program (HPP), Ebola Preparedness and Response Activity contracts;
- A transfer in the amount of \$2,000,000 from the Personal Services and Employee Benefits category (200) within the Public Health Division and the Scientific Laboratory Division to cover the projected shortfalls within the Administrative Services Division Personal Services and Employee Benefits category (200);
- An increase of \$1,500,200 in Other Transfers for the Developmental Disabilities Support Division (DDSD) Family Infant Toddler (FIT) Program for federal funding received from the Public Education Department's Race to The Top Grant;
- An increase of \$1,500,000 in Other Revenues to increase the budget authority in the Vaccine Purchasing Act Fund to provide sufficient funding for vaccine purchases through the fourth quarter of the fiscal year;
- An increase of \$1,271,679 in Other Revenues to support the Medical Cannabis Program's Personal Services and Employee Benefits increase in FTE's, legal assistance, contract labor, and purchase of lab equipment;
- A transfer in the amount of \$1,200,000 from the Contractual Services budget category (300) into the Personal Services and Employee Benefits (200) category and the Other (400) category to provide funding to ensure Developmentally Disabilities Supports Division (DDSD) is compliant with the Court Ordered Jackson Lawsuit;
- A transfer in the amount of \$1,000,000 from the Contractual Services budget category (300) into the Other (400) category for Court Ordered Jackson Lawsuit legal services in the Developmentally Disabilities Supports Division (DDSD);
- A transfer of \$1,000,000 from the Personal Services and Employee Benefits (200) category into the Other (400) category of the Immunizations Program within the Infectious Disease Bureau of the Public Health Division to purchase vaccines;

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

- An increase of \$901,124 in Fund Balance for the Developmental Disabilities Support Waiver Program to assist with projected shortfall related to the Waldrop Settlement Lawsuit;
- A transfer in the amount of \$800,000 from the Personnel Services and Employee Benefits (200) category, Contractual Services (300) category and the Other (400) category into the Other Financing Uses (500) category of the Epidemiology and Response Division in accordance with the Senate Bill 2 Trauma System fund sweep;
- A category transfer of \$784,900 in the Public Health Division from Contractual Services budget category (300) to the Other category (400) to cover telecommunication costs;
- An increase of \$600,000 in Other Revenues for the Public Health Division's Sexually Transmitted Disease (STD) Program to cover Personal Services and Employee Benefits costs necessary to conduct STD/HIV disease investigations and partner services activities;
- A category transfer of \$450,000 in the Public Health Division from Contractual Services budget category (300) to the Other category (400) of the Immunizations Program within the Infectious Disease Bureau to increase the supply of vaccines to public health offices located within the State of New Mexico;
- An increase of \$400,000 in Fund Balance for the Epidemiology & Response Division to provide a means for the acquisition of emergency supplies, equipment, training and protective equipment to continue the Emergency Medical Service operations in New Mexico;
- A category transfer of \$305,700 in the Public Health Division Contractual Services Category (300) and Other Category (400) into the Epidemiology and Response Division's Personal Services and Employee Benefits Category (200) to maintain critical positions.

Capital Assets and Debt Administration

Total capital assets, net of depreciation, for the Department total \$54 million which make up 42 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, 2017 was approximately \$6.8 million. The estimated amount to be paid within one year is \$6.6 million, while approximately \$174 thousand could be paid after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2017.

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/historical-cash-reconciliation-project.aspx>. Other information regarding this project can be found in Note 2.

Currently Known Facts, Decisions, and Conditions

Recurring state-wide general fund revenue estimates for fiscal year (FY) 2017 have been revised in August 2017 and are now projected to come in \$140 million higher than the December 2016 estimate. Recurring state-wide general fund revenue estimates for FY 2018 are projected to come in \$201 million above FY 2017 year-end estimate. State-wide General Fund revenue is expected to increase by 3.5% from FY17 to FY18. Strength in Gross Receipts Tax revenue is resulting in an improved forecast for general fund revenue for FY18. The oil and gas sector is seeing some improvement over the past several months. The average rig count rose from 51 in the first six months of 2017 to 60 from July to mid-August. The oil and gas sector will continue to impact the state's economic health if growth in this

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

sector remains slow. There are signs of improvement. Weak economic factors include; lower than expected employment, personal income and wage and salary growth.

The majority of General Fund revenue in FY17 came from Gross Receipts Tax at 36% consistent with FY16 (35%) and FY15 (35%). The second largest revenue source is from Personal Income Taxes and Corporate Income Taxes at 23%, which is also consistent with FY16 (25%) and FY15 (26%). The third largest source consists of energy-related revenues at 15% for FY17, reflecting a 2% increase from FY16 (13%) and a 1% drop from FY15 (16%).

The Department has received \$3,000,000 less in General Fund Appropriation as of July 1, 2017 through October 2018 which is 3% less than FY 17. State cash reserves have improved to 5.3% of state spending and are anticipated to level off to 3% by fiscal year end. Moderate growth is expected to continue nationally and in New Mexico. Most forecasters have reduced, but not eliminated the chances for a near term US recession. Moody's Analytics and UNM BBER expectations for future New Mexico growth have remained similar and moved closer together. New Mexico employment expected to grow around one percent in both of the next two years. Total State Wages & Salaries forecast to grow around two percent in FY18 and over three percent in FY19. In FY18 and FY19 total recurring General Fund revenues are expected to grow by 3.5 percent and 2.8 percent resulting in total FY19 revenue of \$6.1 billion and a "new money" figure of \$25 million.

The New Mexico Department of Health was awarded five-year national accreditation status on November 10, 2015 from the Public Health Accreditation Board (PHAB). The Department represents the largest group of candidates to achieve this prestigious designation since the national accreditation program began in 2011. The Department is currently one of only 15 state health departments in the country to receive PHAB accreditation. The Department's compliance with PHAB accreditation standards demonstrates our commitment to improving the health of the people of New Mexico.

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:

Roy McDonald, CFO
Director, Administrative Services Division
New Mexico Department of Health
Harold Runnels Building,
1190 St. Francis Drive, Suite N3350
Santa Fe, NM 87502

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Governmental Activities
ASSETS	
ASSETS	
Cash	\$ 19,513
Investment in State General Fund Investment Pool	29,817,381
Accounts Receivable, Net	11,387,678
Due from Federal Government	13,890,490
Due from Other State Agencies	7,765,055
Due from Other Local Government	210,906
Intergovernmental Receivables	8,115
Inventory	2,217,838
Prepaid Expenses and Others	397,361
Capital Assets:	
Land	59,700
Other, Net of Depreciation	53,945,913
Total Capital Assets	54,005,613
 Total Assets	 \$ 119,719,950
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 24,936,795
Accrued Payroll	3,463,802
Cash Overdraft	-
Due to State General Fund	2,822,999
Due to Other State Agencies	19,217,455
Due to Local Government	-
Due to Federal Government	161,253
Intergovernmental Payables	19,376
Other Liabilities	1,789,487
Compensated Absences Due within One Year	6,622,017
Capital Lease Payable Due Within One Year	1,435,000
Long-Term Liabilities:	
Compensated Absences Due in More than One Year	173,880
Capital Lease Payable Due in More than One Year	50,255,000
Total Liabilities	110,897,064
NET POSITION	
Net Investment in Capital Assets	2,315,613
Restricted for:	
Administration	1,784,099
Public Health	4,959,996
Epidemiology and Response	462,062
Laboratory Services	162,235
Facilities Management	1,275,819
Development Disabilities Support Services	742,510
Health, Certification, Licensing, and Oversight	16,351
Unrestricted	(2,895,799)
 Total Net Position	 \$ 8,822,886

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 21,987,511	\$ 22,490	\$ 8,099,578	\$ (13,865,443)
Public Health	160,266,570	38,425,368	72,561,687	(49,279,515)
Public Health In-Kind	34,369,777	-	34,369,777	-
Epidemiology and Response	28,953,793	1,278,632	15,253,428	(12,421,733)
Laboratory Services	11,907,283	2,405,287	3,125,170	(6,376,826)
Facilities Management	133,319,590	63,171,400	8,236,594	(61,911,596)
Developmental Disabilities				
Support Services	50,531,327	985,637	10,431,751	(39,113,939)
Health Certification, Licensing, and Oversight	11,337,858	1,900,670	5,244,114	(4,193,074)
Other Health Initiatives	2,579,792	2,870,030	-	290,238
Total Governmental Activities	<u>\$ 455,253,501</u>	<u>\$ 111,059,514</u>	<u>\$ 157,322,099</u>	(186,871,888)

GENERAL REVENUES AND TRANSFERS

General Revenues:

State General Fund Appropriations	289,733,800
Severance Tax/BOG Appropriations	2,241
Tobacco Settlement Funds	6,412,422
County-Supported Medicaid	2,956,767
Distribution from State Permanent Fund	5,179,950
Reversion - FY 2017 - Transfer Out	(5,378,642)
Reconciling Item	3
Intra-Agency Transfers - In	387,670
Intra-Agency Transfers - Out	(387,670)
Interagency Transfers - In	523,513
Interagency Transfers - Out	(114,238,321)
Total General Revenues and Transfers	<u>185,191,733</u>

CHANGE IN NET POSITION

(1,680,155)

Net Position - Beginning of Year

10,503,041

NET POSITION - END OF YEAR

\$ 8,822,886

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
BALANCE SHEET—GOVERNMENTAL FUNDS
JUNE 30, 2017**

	Major Funds			Total Governmental Funds
	General Fund 06100	DDS Waiver Fund 40170	Other Nonmajor	
ASSETS				
Cash	\$ 19,183	\$ -	\$ 330	\$ 19,513
Investment in State Treasurer				
General Fund Investment Pool	11,467,611	14,708,475	3,641,295	29,817,381
Accounts Receivable, Net	10,802,818	-	584,860	11,387,678
Due from Federal Government	13,890,490	-	-	13,890,490
Due from Other State Agencies	6,252,729	-	1,512,326	7,765,055
Due from Other Local Governments	210,906	-	-	210,906
Intergovernmental Receivables	8,115	-	-	8,115
Due from Other Funds	16,805	-	-	16,805
Inventory	2,217,838	-	-	2,217,838
Prepaid Expenses and Others	397,361	-	-	397,361
	<u>\$ 45,283,856</u>	<u>\$ 14,708,475</u>	<u>\$ 5,738,811</u>	<u>\$ 65,731,142</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 23,351,490	\$ -	\$ 1,585,305	\$ 24,936,795
Accrued Payroll	3,410,085	-	53,717	3,463,802
Cash Overdraft	-	-	-	-
Due to State General Fund	2,780,141	-	42,858	2,822,999
Due to Other Funds	576	-	16,229	16,805
Due to Other State Agencies	4,896,650	14,320,805	-	19,217,455
Intergovernmental Payables	19,376	-	-	19,376
Due to Local Governments	-	-	-	-
Due to Federal Government	161,253	-	-	161,253
Other Liabilities	1,789,197	-	290	1,789,487
Total Liabilities	<u>36,408,768</u>	<u>14,320,805</u>	<u>1,698,399</u>	<u>52,427,972</u>
FUND BALANCES				
Nonspendable	2,355,770	-	-	2,355,770
Restricted	6,020,468	387,670	4,037,681	10,445,819
Committed	-	-	2,731	2,731
Assigned	-	-	-	-
Unassigned	498,850	-	-	498,850
Total Fund Balances	<u>8,875,088</u>	<u>387,670</u>	<u>4,040,412</u>	<u>13,303,170</u>
Total Liabilities and Fund Balances	<u>\$ 45,283,856</u>	<u>\$ 14,708,475</u>	<u>\$ 5,738,811</u>	<u>\$ 65,731,142</u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
RECONCILIATION OF THE BALANCE SHEET—GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2017**

Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)	\$ 13,303,170
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Cost of Capital Assets	127,462,313
Accumulated Depreciation	<u>(73,456,700)</u>
Total Capital Assets	54,005,613
Capital lease payable is not due and payable in the current period and, therefore, is not reported in the funds.	
	(51,690,000)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	
	<u>(6,795,897)</u>
Net Position of Governmental Activities (Statement of Net Position)	<u><u>\$ 8,822,886</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES—GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	Major Funds			Total Governmental
	General Fund 6100	DDS Waiver Fund 40170	Other Nonmajor Funds	
REVENUES				
Federal Grant Revenue	\$ 125,671,256	\$ -	\$ -	\$ 125,671,256
In-Kind Assistance - Federal	34,369,777	-	-	34,369,777
Charges for Services	71,570,051	-	-	71,570,051
Fees, Penalties, Rentals, and Other	13,519,762	-	23,250,769	36,770,531
Total Revenues	<u>245,130,846</u>	<u>-</u>	<u>23,250,769</u>	<u>268,381,615</u>
EXPENDITURES				
Current Operating:				
Administration	21,617,137	-	-	21,617,137
Public Health	135,131,137	-	24,942,171	160,073,308
Public Health In-Kind Assistance	34,369,777	-	-	34,369,777
Epidemiology and Response	23,672,269	-	5,137,108	28,809,377
Laboratory Services	11,392,902	-	-	11,392,902
Facilities Management	128,040,744	-	-	128,040,744
Development Disabilities Support Services	50,372,773	-	-	50,372,773
Health, Certification, Licensing, and Oversight	11,301,437	-	-	11,301,437
Other Health Initiatives	-	-	2,650,743	2,650,743
Capital Outlay	1,115,993	-	176,429	1,292,422
Capital Lease Principal Payment	-	-	1,355,000	1,355,000
Capital Lease Interest Payment	-	-	2,692,269	2,692,269
Total Expenditures	<u>417,014,169</u>	<u>-</u>	<u>36,953,720</u>	<u>453,967,889</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(171,883,323)	-	(13,702,951)	(185,586,274)
OTHER FINANCING SOURCES (USES)				
General Fund Appropriation	177,035,400	103,359,800	9,338,600	289,733,800
Tobacco Settlement Appropriation	6,412,422	-	-	6,412,422
County-Supported Medicaid	-	-	2,956,767	2,956,767
Severance Tax/GOB Appropriation	-	-	2,241	2,241
Distribution from State Permanent Fund	5,179,950	-	-	5,179,950
Reversion - FY 2017 - Transfer Out	(5,335,784)	-	(42,858)	(5,378,642)
Intra-Agency Transfers - In	-	387,670	-	387,670
Intra-Agency Transfers - Out	(387,670)	-	-	(387,670)
Interagency Transfers - In	523,513	-	-	523,513
Interagency Transfers - Out	(9,177,397)	(104,260,924)	(800,000)	(114,238,321)
Net Other Financing Sources (Uses)	<u>174,250,434</u>	<u>(513,454)</u>	<u>11,454,750</u>	<u>185,191,730</u>
NET CHANGE IN FUND BALANCES	2,367,111	(513,454)	(2,248,201)	(394,544)
Fund Balances - Beginning of Year	<u>6,507,977</u>	<u>901,124</u>	<u>6,288,613</u>	<u>13,697,714</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,875,088</u>	<u>\$ 387,670</u>	<u>\$ 4,040,412</u>	<u>\$ 13,303,170</u>

See accompanying Notes to Financial Statements.

**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, 2017**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ (394,544)

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: 422,829

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	1,292,422
Depreciation Expense	(4,276,231)
Excess of Depreciation Expense over Capital Outlay	(2,983,809)

The Statement of Activities reports the gain (loss) on sale and transfer of equipment, while the Statement of Revenues, Expenditures and Changes in Fund Balances reports the proceeds. The reconciling amount is the difference. (79,631)

Repayments of capital lease obligations are an expenditure in the governmental fund, but the repayment reduces long-term liabilities on the Statement of Net Position: 1,355,000

Change in Net Position of Governmental Activities (Statement of Activities) **\$ (1,680,155)**

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES—GENERAL FUND—
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2017**

	General Fund - Fund 06100			
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds*	\$ 110,435,900	\$ 115,465,637	\$ 103,743,257	\$ (11,722,380)
General Funds	180,200,900	176,502,500	177,035,400	532,900
Other State Funds	101,234,300	101,834,300	91,187,289	(10,647,011)
Other Financing Sources	-	-	6,911,404	6,911,404
Interagency Transfers*	30,178,800	31,742,300	21,034,995	(10,707,305)
Total Revenues and Other Financing Sources	422,049,900	425,544,737	399,912,345	(25,632,392)
Fund Balance Budgeted	-	-	-	(40,075,304)
Total Revenues and Fund Balance Budgeted	422,049,900	425,544,737	399,912,345	(65,707,696)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	210,162,400	212,480,800	201,127,994	11,352,806
Contractual Services	83,313,100	80,477,400	67,921,040	12,556,360
Other Costs	120,050,100	123,220,137	113,595,349	9,624,788
Other Financing Uses	8,524,300	9,366,400	9,177,397	189,003
Total Expenditures and Other Financing Uses	<u>\$ 422,049,900</u>	<u>\$ 425,544,737</u>	391,821,780	<u>\$ 33,722,957</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			8,090,565	
FEDERAL IN-KIND REVENUE (Not Budgeted)**			34,369,777	
FEDERAL IN-KIND EXPENDITURE (Not Budgeted)**			(34,369,777)	
INTRA-AGENCY TRANSFER TO FUND 40170 (Not Budgeted)			(387,670)	
REVERSIONS (Not Budgeted)			<u>(5,335,784)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 2,367,111</u>	

* Federal funds passed through to the Department from Other State Agencies in the amount of \$21,763,175 is budgeted as other interagency transfers and is classified as federal grant revenue on the Statement of Revenues, Expenditures, and Changes in Fund Balances.

** Federal in-kind assistance not included in the budget.

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES—
DEVELOPMENTAL DISABILITIES SUPPORT (DDS) WAIVER FUND—
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2017**

Developmental Disabilities Support (DDS) Waiver - Fund 40170				
	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	103,359,800	103,359,800	103,359,800	-
Other State Funds	-	-	-	-
Other Financing Sources	-	-	-	-
Intergency Transfers	-	-	-	-
Total Revenues and Other Financing Sources	103,359,800	103,359,800	103,359,800	-
Fund Balance Budgeted	-	901,124	-	-
Total Revenues and Fund Balance Budgeted	<u>103,359,800</u>	<u>104,260,924</u>	<u>103,359,800</u>	<u>-</u>
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	103,359,800	104,260,924	104,260,924	-
Total Expenditures and Other Financing Uses	<u>\$ 103,359,800</u>	<u>\$ 104,260,924</u>	<u>104,260,924</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			(901,124)	
INTRA-AGENCY TRANSFER FROM FUND 06100 (Not Budgeted)			<u>387,670</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (513,454)</u>	

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES—AGENCY FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 1,097,575</u>
Total Assets	<u><u>\$ 1,097,575</u></u>
LIABILITIES	
Deposits Held for Others	<u>\$ 1,097,575</u>
Total Liabilities	<u><u>\$ 1,097,575</u></u>

See accompanying Notes to Financial Statements.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The 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 (the State) 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's budget is appropriated by the Legislature during the State's annual legislative session. For fiscal year 2017 (FY17), the Legislature passed and the Governor enacted the budget, and the Operating Budget was approved, in eight Program Areas, as shown below:

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (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, and 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.

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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Program Area Four (P004) - Laboratory Services:

The Scientific Laboratory Division (SLD) provides clinical testing for infectious disease agents in support of public health programs operated by the Department; veterinary, food, and dairy testing for the Department of Agriculture; forensic toxicology (drug) testing in support of the Department of Public Safety and local law enforcement agencies for the Implied Consent Act (DWI) and for autopsy investigation performed by the Office of the Medical Investigator; and chemical testing for environmental monitoring and enforcement of law and environmental regulations for the Environment Department. SLD also provides clinical testing for state and local hospitals for infectious diseases that are rare or novel in New Mexico and provides training and certification of law enforcement officers to perform breath alcohol testing within New Mexico. The activities of SLD in support of these state agencies are mandated in statute and are essential for the successful missions of the programs it supports in these agencies.

Program Area 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 Program

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) -Developmental Disabilities Support Division:

- Home-Based Living for the Disabled

The purpose of the Developmental Disabilities Support Division 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Program Area Eight (P008) - 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 (DHI) is to assure safety and quality care in New Mexico's health care facilities and community-based programs in collaboration with consumers, providers, advocates, and other agencies. DHI promotes quality improvement by conducting surveys and program reviews, taking appropriate action, identifying trends and patterns, and procuring training.

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 (the 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 establishes 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 is 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 implemented these standards beginning with the fiscal year ended June 30, 2002. The Department has prepared required supplementary information in the titled Management's Discussion and Analysis (MD&A), which precedes the basic financial statements. The Department's significant accounting policies are described below.

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new model focus is on either the Department as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type, and exclude fiduciary funds. The Department is a single-purpose government entity and has no business type activities. In the government-wide statement of net 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.

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

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

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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

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

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

The following describes the individual funds used by the Department:

Governmental Funds

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

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 noncurrent 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:

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Major Funds

General Fund [Fund 06100] – The General Fund 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.

Developmental Disabilities Support Waiver Program Fund [Fund 401701] – This fund was created by Statute, Laws of 2015, Chapter 101, House Bill 2 and 4, Section 5-41. This fund is supported by General fund appropriations to support the developmental disabilities Medicaid waiver program in the developmental disabilities support program of the Department of Health. These funds are nonreverting.

Other Nonmajor Funds

The Department maintains six nonmajor Special Revenue Funds to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Those Special Revenue Funds are:

The Medical Cannabis Fund [Fund 114001] – 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 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 nonreverting.

The Trauma System Fund (Fund 25700) – This fund was created by Section 24-IOE-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 nonreverting.

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 nonreverting.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

Other Nonmajor Funds (Continued)

Vaccine Purchasing Act Fund [Fund 40180] – This fund was created by Statute, Laws of 2015, Chapter 101, Senate Bill 121, Section 4. This fund consists of amounts reimbursed to the state by health insurers and group health plans pursuant to the Vaccine Purchasing Act and of appropriations from, and transfers made to, the fund. Money in the funds is expended only for the purposes specified in the Vaccine Purchasing Act, by warrant issued by the Secretary of Finance and Administration pursuant to vouchers approved by the Secretary of Health. These funds are nonreverting.

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 Emergency Medical Services Fund [Fund 756001] – This fund was created by Section 24- IOA-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 nonreverting.

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 nonreverting.

Capital Projects Fund

The Department also maintains two Capital Project Funds to account for appropriations that are restricted by law. Those funds are:

Fort Bayard Medical Center Lease Purchase Agreement Fund [Fund 204801] – 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.

STB Capital Outlay Statewide Fund [Fund 89200] – This Capital Project Fund is used to account for severance tax bond funded capital projects. These funds are reverting.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds (Continued)

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 Patients' Trust Fund [Fund 51000] – This fund is used for patient trust monies that are held on behalf of the residents of the Department's long-term and other care facilities.

Measurement Focus and Classification of Funds

Individual funds have been established as stipulated by legal provisions or by administrative direction. The funds presented are classified as follows:

Governmental Funds account for the acquisition, use, and balances of expendable financial resources and the related current liabilities. Governmental fund types use the flow of current financial resources measurement focus. Included in this classification is the General Fund, which is the Department's operating fund that accounts for all financial resources except those required to be accounted for in another fund; the six Special Revenue Funds described above; and the Capital Projects Funds.

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.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*. This statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Classification of Funds (Continued)

In January 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Compliant with the requirements of Government Accounting Standards Board Statements No. 68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds plan net position, resulting in a net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

Noncurrent 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Noncurrent Governmental Assets/Liabilities (Continued)

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 nonexchange 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. The exception to this rule is Federal Grant expenditures which generally are reimbursed within 120 to 160 days of the expenditures.

Starting in 2015 and throughout 2016, the Department also found patient charges were taking up to 120 days for reimbursements due to contract changes related to the American Affordable Health Care Act.

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 noncurrent 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 include balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted or committed.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Classifications (Continued)

A summary of the nature and purpose of these reserves by fund type at June 30, 2017, follows:

Nonspendable – Inventories and Prepaid expenses

This reserve was created to represent the portion of fund balance that is not available for expenditures because the Department expects to use the resources within the next budgetary period.

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.

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.

Committed for Multi-Year Appropriations

This reserve was created for multiyear appropriations for which the Department has received funds for projects which extend into future years.

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

NOTE 2 ASSETS, LIABILITIES, AND NET 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% of the uninsured amount deposited.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Cash (Continued)

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.

Interest in State General Fund Investment Pool

Compliant with Statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's Office (STO). Claims on the SGFIP are reported as financial assets by the various agencies investing in the SGFIP.

Agency claims against the SGFIP and fiduciary resources held at STO to fulfill those claims were not reconciled from the inception of SHARE (the State's centralized accounting system), in July 2006, through January 2013, which caused uncertainty as to the validity of the claims and the ability of fiduciary resources to fulfill those claims. As a result of business process and systems configuration changes made during the Cash Management Remediation Project Phase I the Department of Finance and Administration's Financial Control division began reconciling transactional activity reported by the State's fiscal agent bank to the SHARE general ledger on a point- forward basis beginning February 1, 2013. In March 2015, the Financial Control Division implemented a reconciliation process that compares statewide agency claims against the resources held in the SGFIP at STO. This process is known as the claims to resources reconciliation.

The State Controller indicated on August 8, 2016, that calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range (<\$200k standard deviation) over the last twelve months; resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP and that all claims will be honored at face value.

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 has an Interest in the State General Fund Investment Pool.

At June 30, 2017, the Department had \$29,817,381 invested in the General Fund Investment Pool. Refer to Schedules 1 and 2 of the supplementary schedules related to deposits and collateral related to cash and the 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 GASE 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, 2017.

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 prepaid 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.

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 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Capital Assets (Continued)

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

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

In addition to the assets owned by the Department, the Department utilizes buildings, vehicles, furniture, and equipment owned by the Property Control Division of the State of New Mexico General Services Department.

These assets and the related depreciation expense are not included in the accompanying financial statements.

Although GASB Statement 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc., the Department does not own any infrastructure assets. There is no debt related to the Department's capital assets.

Capital Leases

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

Compensated Absences

Vacation time, compensatory time, and sick time are reported as liabilities in the government-wide financial statements, with expenses being reported during the period that leave is accrued. It is the policy of the Department to permit employees to accumulate earned but unused vacation and sick pay benefits. The fund financial 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Compensated Absences (Continued)

A maximum of 30 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 30 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 (1½) hours for each hour worked.

The time will either be paid or taken as time off at the employee's election unless notified by the employer that it can only be taken as compensatory time off.

FSLA-exempt employees may only accrue up to 80 hours a year at a rate of one (1.0) times the hours worked. The exception is supervisory nurses who accrue their hours at the rate of one-and-a-half the normal rate (1½). The Department policy permits exempt employees to elect to be reimbursed by cash or take time off unless notified by the employer that it will only be taken as compensatory time off.

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Net Position

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

Investment in Capital Assets (net of related debt)

Reflects the portion of net assets which are associated with nonliquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Assets

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

Unrestricted Assets

Represents assets that do not have third-party limitations on their use.

Use of Estimates

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

Intra-fund Activity

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

The Developmental Disabilities Support Waiver Program Fund was created by Statute, Laws of 2015, and set up in FY16. The law allowed for unspent appropriations related to this program to not revert at the end of FY15 and were shown as Restricted Fund Balance in the General Fund. These funds were transferred to the Developmental Disabilities Support Waiver Program Fund during FY16. This transaction is shown as an intra-agency transfer in/out in the Department's statement of revenue, expenditures, and changes in fund balance.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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:
 - a. Personal Services and Employee Benefits
 - b. Professional Services
 - c. Other Expenditures
 - d. Other Financing Uses
3. All requested budget adjustments must be submitted to and approved by the Department of Finance and Administration in the form of budget adjustment requests.
4. The budget is adopted on a modified accrual basis of accounting that is consistent with generally accepted accounting principles (GAAP). This practice became effective beginning July 1, 2004. In prior years, the budgetary basis was not considered to be consistent with the GAAP basis of accounting. Budgetary comparisons presented in the financial statements are now presented on a basis which is consistent with generally accepted accounting principles.
5. Unless otherwise specified in law (either appropriations acts or statutory law), appropriations to the Department are designated as “reverting” by the New Mexico State Legislature and, therefore, unencumbered balances in state agency accounts remaining at the end of the fiscal year from appropriations made from the 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, 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 Z-Code pertains to special appropriations.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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:

Federal and Other Grants

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. Revenue is recognized when appropriate expenditures are incurred or accrued by the Department.

Patient Service Revenue and Contractual Adjustments

Patient services revenue is recorded at the established rates of the medical facilities and hospitals but is reduced by “contractual adjustments” to recognize allowances for charity services, provisions for uncollectible accounts, and charges that otherwise exceed payments from Medicare, Medicaid, private or other resources. Amounts receivable and payable under reimbursement from “third-party payor” agreements, primarily Medicare and Medicaid, are subject to examination and retroactive adjustment by a third-party payor. Provisions for estimated retroactive adjustments by third-party payors are provided in the period the related services are rendered. Any difference between the amounts accrued and settled is reflected in operations in the year of settlement. The facilities are paid for substantially all inpatient services rendered to Medicaid and/or Medicare program beneficiaries under prospectively determined rates per client. Accordingly, to the extent that costs incurred (exclusive of other defined capital costs and certain education costs of the rehabilitation centers which continue to be paid on the basis of reasonable costs) for services rendered to Medicare and Medicaid patients exceed the determined payment rates, those costs are not recoverable from the Medicare and Medicaid programs or their beneficiaries.

The facilities’ payment classification of patients under the prospective system is subject to review based on validation audits by third parties.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE

The accounts receivable and the related allowance for uncollectible accounts for the General Fund and the Vaccine Purchasing Act Fund as of June 30, 2017 are as follows:

Program No.	Program/Facility Name	Accounts Receivable	Allowance for Uncollectible	Net Accounts Receivable
2	Public Health Division	\$ 3,154,409	\$ 1,805,636	\$ 1,348,773
4	Scientific Laboratory	41,053	13,089	27,964
6	Turquoise Lodge	4,670,937	4,208,812	462,125
6	New Mexico Behavioral Health Institute	3,970,195	843,160	3,127,035
6	New Mexico Rehab Center	1,578,702	1,174,681	404,021
6	Sequoyah Adolescent Treatment Center	3,850,665	3,036,830	813,835
6	New Mexico Veterans Home	1,386,677	195,081	1,191,596
6	Fort Bayard Medical Center	9,144,150	5,859,686	3,284,464
6	Los Lunas Community Program	2,284,216	1,643,543	640,673
8	Division of Health Improvement	87,192	-	87,192
	Total Accounts Receivable	<u>\$ 30,168,196</u>	<u>\$ 18,780,518</u>	<u>\$ 11,387,678</u>

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental-Type Activities	Balance, June 30, 2016	Additions	Deletions	Balance, June 30, 2017
Assets Being Depreciated:				
Land Improvements	\$ 210,433	\$ -	\$ -	\$ 210,433
Buildings and Structures	95,363,774	62,896	(2,119,304)	93,307,366
Machinery and Equipment	15,498,995	1,032,060	(168,384)	16,362,671
Vehicles	2,016,234	-	(161,851)	1,854,383
Information Technology	14,452,717	197,466	(428,903)	14,221,280
Furniture and Fixtures	1,479,650	-	(33,170)	1,446,480
Total Assets Being Depreciated	129,021,803	1,292,422	(2,911,612)	127,402,613
Less Accumulated Depreciation:				
Land Improvements	209,254	147	-	209,401
Buildings and Structures	43,918,047	2,667,380	(2,085,346)	44,500,081
Machinery and Equipment	12,210,502	789,539	(133,583)	12,866,458
Vehicles	1,707,974	62,200	(161,851)	1,608,323
Information Technology	12,659,876	728,787	(422,697)	12,965,966
Furniture and Fixtures	1,306,797	28,178	(28,504)	1,306,471
Total Assets Being Depreciated	72,012,450	4,276,231	(2,831,981)	73,456,700
Assets Not Being Depreciated:				
Land	59,700	-	-	59,700
Total Assets Not Being Depreciated	59,700	-	-	59,700
Net Total Capital Assets	<u>\$ 57,069,053</u>	<u>\$ (2,983,809)</u>	<u>\$ (79,631)</u>	<u>\$ 54,005,613</u>

Depreciation expense was charged to functions as follows:

Program Name	Program No.	Depreciation Expense
Administration	1	\$ 314,529
Public Health	2	292,941
Epidemiology and Response	3	171,231
Laboratory Services	4	529,459
Facilities Management	6	2,795,229
Developmental Disabilities Support Services	7	6,559
Health Certification, Licensing, and Oversight	8	56,524
Medical Cannabis	787	109,759
Total Depreciation Expense		<u>\$ 4,276,231</u>

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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, June 30, 2016	Additions	Deletions	Balance, June 30, 2017	Due Within One Year
Compensated Absences	\$ 7,218,726	\$ 6,963,438	\$ (7,386,267)	\$ 6,795,897	\$ 6,622,017

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, 2017 are found at Schedule 4.

NOTE 8 INTERFUND ACTIVITY

Due to/from other funds and sub-funds at June 30, 2017 are as follows:

Account 141900			Account 231900		
Fund Name	Fund No.	Amount	Fund Name	Fund No.	Amount
General Fund - State	06101	\$ 16,229	Medical Cannabis Fund	11415	\$ 16,229
General Fund - Federal	06104	576	General Fund - Other	06105	576
Total Due From Other Funds		<u>\$ 16,805</u>	Total Due To Other Funds		<u>\$ 16,805</u>

NOTE 9 OTHER LIABILITIES

Other liabilities consist of the following at June 30, 2017:

Civil Monetary Penalties	\$ 1,314,765
New Born Screening Kits	455,814
Funds Held for Others	8,345
Miscellaneous	10,563
Total Other Liabilities	<u>\$ 1,789,487</u>

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 OPERATING LEASES

The Department leases equipment and building office space under operating leases. Operating leases do not give rise to eventual property rights or lease obligations and, therefore, the effect of the lease obligations are not reflected in the Department's liabilities. Operating leases are subject to future appropriations and are cancellable by the Department at the end of the fiscal year.

The Department has commitments for lease obligations for the following periods for the following amounts:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 4,239,167
2019	3,935,962
2020	3,626,298
2021	2,882,290
2022	2,263,421
2023 - 2027	6,599,735
2028 - 2031	920,189
Total	<u>\$ 24,467,062</u>

Rental expenditures for the fiscal year ended June 30, 2017 were \$4,796,570.

NOTE 11 CAPITAL LEASE

The Department entered into a lease-purchase agreement as a lessee with Grant County of New Mexico that was conditionally approved in February 19, 2008 by the New Mexico State Board of Finance. The lease provides that the Department will cause a healthcare facility (the Facility) to be acquired, constructed and equipped on unimproved land in the Village of Santa Clara, New Mexico (the Land), financed with proceeds from the County's Project Revenue Bonds (Ft. Bayard Project), Series 2008 (the Bonds). The Facility will be a replacement for the existing Fort Bayard Medical Center. Under the lease and subject to its terms and conditions, the Department will be obligated to make payments, among others, in the amounts and at the times necessary to allow for the timely payment of the principal and interest on the Bonds after the completion of the Facility. The agreement contains an option to purchase shall the Department decide to purchase the Facility during the term of the lease with the approval of the New Mexico State Board of Finance. The lease and the payments for the lease commenced December 16, 2010.

The estimated value of the leased building since the inception of the leases, net of accumulated depreciation, amounted to \$45,185,186. The related remaining obligations under the capital leases which amounted to \$51,690,000 at June 30, 2017 are included in the capital assets and long-term liabilities balances in the government- wide financial statements.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 CAPITAL LEASE (CONTINUED)

The annual requirements to amortize the lease obligation at June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,435,000	\$ 2,614,356	\$ 4,049,356
2019	1,490,000	2,556,956	4,046,956
2020	1,565,000	2,482,456	4,047,456
2021	1,655,000	2,396,381	4,051,381
2022	1,745,000	2,305,356	4,050,356
2023 - 2027	10,215,000	10,025,844	20,240,844
2028 - 2032	13,040,000	7,214,256	20,254,256
2033 - 2037	16,690,000	3,548,250	20,238,250
2038	3,855,000	192,750	4,047,750
Total	<u>\$ 51,690,000</u>	<u>\$ 33,336,605</u>	<u>\$ 85,026,605</u>

The annual capital lease amount paid in FY17 was \$4,047,267 of which \$1,355,000 was for principal payment and \$2,692,267 for interest, which is due for payment one twelfth each month by the 16th of the month.

	<u>Balance, June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, June 30, 2017</u>	<u>Due Within One Year</u>
Capital Lease	<u>\$ 53,045,000</u>	<u>\$ -</u>	<u>\$ (1,355,000)</u>	<u>\$ 51,690,000</u>	<u>\$ 1,435,000</u>

NOTE 12 FUND BALANCE

Found in the fund balance section of the general fund, the nonspendable amount of \$2,355,770 at June 30, 2017 was reserved for inventory and prepaid expenses. The restricted balance of \$6,020,468 is comprised of the carryover balances of special appropriations of \$3,365,086, Federal indirect revenue reserved for FY18 of \$1,715,710, the Developmental Disabilities Support Program of \$387,670, the Kellogg grant of \$50,434, the Pfizer grant for 200,000, the balance of \$35,882 for the State of Utah Carryover Grant funds and the balance of \$265,562 for the Family Planning Carryover Grant funds. Other fund balance restrictions totaling \$4,428,082 relate to the nonreverting amounts specific to the purpose of the respective fund.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 REVERSIONS

The following appropriations were included as reversion expenditures for fiscal year 2017:

Laws of 2016, Ch. 11, Section 3, Fund 06100	\$ 5,335,784
Laws of 2016, Ch. 11, Section 3, Fund 11410	<u>42,858</u>
Total State General Fund Reversions	<u><u>\$ 5,378,642</u></u>

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

NOTE 14 FUNDS HELD IN TRUST BY OTHERS

The Department is an income beneficiary of a portion of the State Permanent Fund designated specifically for the Behavioral Health Institute in Las Vegas, and receives 2/7th of the income from investments in the State Permanent Fund derived from the Charitable, Penal and Reformatory Act. The trust principal is managed by the State Investment Council and, because the funds are not controlled by the Department, they are not reflected in the accompanying financial statements.

The fair value of the Department's interest in the State Permanent Fund at June 30, 2017, and the income received for the year follow:

	Interest in Fund at June 30, 2017	Income Received in 2017
State Permanent Fund:		
Behavioral Health Institute	\$ 61,276,209	\$ 3,523,382
Charitable, Penal and Reformatory Act:		
Behavioral Health Institute	17,437,558	828,284
Los Lunas Community Programs	<u>17,437,558</u>	<u>828,284</u>
Total Distribution from State Permanent Fund	<u><u>\$ 96,151,325</u></u>	<u><u>\$ 5,179,950</u></u>

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 RETIREMENT PLANS

Public Employees Retirement Association (PERA)

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://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 16.59% of their gross covered salary. In fiscal year 2017, the Department will contribute 16.99% of the gross covered salary of employees. 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 ended June 30, 2017, 2016 and 2015 were \$21,462,083, \$22,498,313, and \$22,566,085, respectively, which equal the amount of the required contributions for each fiscal year.

All contributions withheld from participants by the employer have been paid to PERA who administers the plan.

Educational Retirement Board (ERB)

Plan Description

The Sequoyah Adolescent Treatment Center of the Department of Health's full-time employees participate in an educational 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, other employees of state public school districts, colleges and universities, and some state agency employees) 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 RETIREMENT PLANS (CONTINUED)

Educational Retirement Board (ERB) (Continued)

Funding Policy Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.09% of their gross salary. Plan members whose annual salary is over \$20,000 are required to contribute to the plan 10.07% of their gross salary in fiscal year 2017 and thereafter.

Employer Contributions

The Department of Health contributed 13.09% of gross covered salary in fiscal year 2017.

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 ended June 30, 2017, 2016, and 2015, were \$39,651, \$45,511, and \$32,953, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 16 DEFERRED COMPENSATION

The State of New Mexico offers state, local government and school district employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan is available to all state employees and those local government and school district employees whose employers have elected to participate in the plan. The plan permits participants to defer a portion of their salary until future years.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are the property of the participant.

Employees of the Department are making contributions to the Deferred Compensation Plan. Neither the Department nor the State of New Mexico makes any contributions to the Deferred Compensation Plan.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 POSTEMPLOYMENT 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 event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

Funding Policy

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

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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 POSTEMPLOYMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

The Retiree Health Care Act (Section 10-7C-16 N MSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, 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-16(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 7-1-6.1NMSA 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 of Health's contributions to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$2,531,766, \$2,655,156, and \$2,656,866, respectively, which equal the required contributions for each year.

NOTE 18 RISK MANAGEMENT

The Department is exposed to various risks of loss related to tort, theft of, damage to, or destruction of assets, errors or omissions, employer obligations and natural disasters for which the Department carries insurance (Workers Compensation, Unemployment Compensation, Employee Liability, Transportation Property and Bond Premium) with the State of New Mexico Risk Management Division (RMD) of the General Services Department. Insurance premiums are allocated to and paid by all budgeted activities within the general fund.

During the fiscal year ended June 30, 2017, the insurance premiums paid, not including employee health insurance premiums, to the Risk Management Division were \$6,875,514.

NOTE 19 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

GASB has issued the following statements, which were applicable for financial statements for reporting periods beginning after June 30, 2017. Management determined there was no impact to the Department's accounting or financial reporting.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Department is still evaluating how this pronouncement will affect the financial statements.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 19 SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

The GASB has also issued Statement No. 84, Fiduciary Activities, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The Department is still evaluating how this pronouncement will affect the financial statements.

The GASB has also issued Statement No. 87, Leases, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The Department is still evaluating how this pronouncement will affect the financial statements.

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.

The Department is involved in several pending legal matters. Although the possibility of loss exists in some of these cases, any potential loss is likely to be covered by insurance (through Risk Management Division) and accordingly a loss is not recorded. In the opinion of the Department's management and in-house legal counsel, the ultimate resolution of the above matters will not have a material adverse impact on the financial position or results of operations of the Department.

NOTE 21 SUBSEQUENT EVENTS

Effective July 1, 2017, the New Mexico Veteran's Home is no longer under the Department's operations. It was transferred to Veterans' Services Department.

NEW MEXICO DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET BY FUND TYPE—NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Special Revenue Funds				
	Medical Cannabis Program Fund 11415	County Supported Medicaid Fund 21900	Trauma System Fund 25700	Save Our Children's Sight Fund 26100	Vaccine Purchase Act 40180
ASSETS					
Investment in SGFIP	\$ 356,472	\$ 567,340	\$ 205,505	\$ 332,478	\$ 1,869,151
Cash in Bank Accounts	-	-	-	-	-
Accounts Receivable	-	-	-	-	584,860
Due from Other Funds	-	-	-	-	-
Due from Other State Agencies	-	912,326	-	-	600,000
Total Assets	\$ 356,472	\$ 1,479,666	\$ 205,505	\$ 332,478	\$ 3,054,011
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 243,668	\$ 242,820	\$ 173,053	\$ 5,998	\$ 918,148
Accrued Payroll	53,717	-	-	-	-
Cash Overdraft	-	-	-	-	-
Other Liabilities	-	-	-	-	-
Due to State General Fund	42,858	-	-	-	-
Due to Other Funds	16,229	-	-	-	-
Total Liabilities	356,472	242,820	173,053	5,998	918,148
FUND BALANCES					
Restricted	-	1,236,846	32,452	326,480	2,135,863
Committed	-	-	-	-	-
Total Fund Balances	-	1,236,846	32,452	326,480	2,135,863
Total Liabilities and Fund Balances	\$ 356,472	\$ 1,479,666	\$ 205,505	\$ 332,478	\$ 3,054,011

Special Revenue Funds (Continued)				Capital Projects Funds			
Emergency Medical Services Fund 75600	Birthing Workforce Retention Fund 95810	Birth and Death Certificate 50200	Total Special Revenue Funds	Severance Tax Bond Fund 89200	Capital Lease Bond Fund 20480	Total Capital Project Funds	Total Nonmajor Funds
\$ 213,042	\$ 93,400	\$ 152	\$ 3,637,540	\$ 1,024	\$ 2,731	\$ 3,755	\$ 3,641,295
-	-	330	330	-	-	-	330
-	-	-	584,860	-	-	-	584,860
-	-	-	-	-	-	-	-
-	-	-	1,512,326	-	-	-	1,512,326
<u>\$ 213,042</u>	<u>\$ 93,400</u>	<u>\$ 482</u>	<u>\$ 5,735,056</u>	<u>\$ 1,024</u>	<u>\$ 2,731</u>	<u>\$ 3,755</u>	<u>\$ 5,738,811</u>
\$ 414	\$ -	\$ 180	\$ 1,584,281	\$ 1,024	\$ -	\$ 1,024	\$ 1,585,305
-	-	-	53,717	-	-	-	53,717
-	-	-	-	-	-	-	-
-	-	290	290	-	-	-	290
-	-	-	42,858	-	-	-	42,858
-	-	-	16,229	-	-	-	16,229
414	-	470	1,697,375	1,024	-	1,024	1,698,399
212,628	93,400	12	4,037,681	-	-	-	4,037,681
-	-	-	-	-	2,731	2,731	2,731
<u>212,628</u>	<u>93,400</u>	<u>12</u>	<u>4,037,681</u>	<u>-</u>	<u>2,731</u>	<u>2,731</u>	<u>4,040,412</u>
<u>\$ 213,042</u>	<u>\$ 93,400</u>	<u>\$ 482</u>	<u>\$ 5,735,056</u>	<u>\$ 1,024</u>	<u>\$ 2,731</u>	<u>\$ 3,755</u>	<u>\$ 5,738,811</u>

NEW MEXICO DEPARTMENT OF HEALTH
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES BY FUND TYPE—NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	Special Revenue Funds				
	Medical Cannabis Program Fund 11415	County Supported Medicaid Fund 21900	Trauma System Fund 25700	Save Our Children's Sight Fund 26100	Vaccine Purchase Act 40180
REVENUES					
Fees, Penalties, Rentals, and Other	\$ 2,870,030	\$ -	\$ -	\$ 103,881	\$ 20,199,706
Total Revenues	<u>2,870,030</u>	<u>-</u>	<u>-</u>	<u>103,881</u>	<u>20,199,706</u>
EXPENDITURES					
Current Operating:					
Public Health	-	5,044,107	-	79,684	19,756,139
Facilities Management	-	-	-	-	-
Epidemiology and Response	-	-	1,922,696	-	-
Other Health Initiatives	2,650,743	-	-	-	-
Capital Lease Principal Payment	-	-	-	-	-
Capital Lease Interest Payment	-	-	-	-	-
Capital Outlay	176,429	-	-	-	-
Total Expenditures	<u>2,827,172</u>	<u>5,044,107</u>	<u>1,922,696</u>	<u>79,684</u>	<u>19,756,139</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	42,858	(5,044,107)	(1,922,696)	24,197	443,567
OTHER FINANCING SOURCES (USES)					
General Fund Appropriations	-	-	2,435,400	-	-
County Supported Medicaid	-	2,956,767	-	-	-
Severance Tax/GOB Appropriation	-	-	-	-	-
Reversion - FY2017 - Transfers Out	(42,858)	-	-	-	-
Interagency Transfers In/(out)	-	-	(800,000)	-	-
Total Other Financing Sources (Uses)	<u>(42,858)</u>	<u>2,956,767</u>	<u>1,635,400</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	(2,087,340)	(287,296)	24,197	443,567
Fund Balances - Beginning of Year	-	3,324,186	319,748	302,283	1,692,296
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 1,236,846</u>	<u>\$ 32,452</u>	<u>\$ 326,480</u>	<u>\$ 2,135,863</u>

Special Revenue Funds (Continued)				Capital Projects Funds			
Emergency Medical Services Fund 75600	Birthing Workforce Retention Fund 95810	Birth and Death Certificate 50200	Total Special Revenue Funds	Severance Tax Bond Fund 89200	Capital Lease Bond Fund 20480	Total Capital Project Funds	Total Nonmajor Funds
\$ 77,140	\$ -	\$ 12	\$ 23,250,769	\$ -	\$ -	\$ -	\$ 23,250,769
77,140	-	12	23,250,769	-	-	-	23,250,769
-	60,000	-	24,939,930	2,241	-	2,241	24,942,171
-	-	-	-	-	-	-	-
3,214,412	-	-	5,137,108	-	-	-	5,137,108
-	-	-	2,650,743	-	-	-	2,650,743
-	-	-	-	-	1,355,000	1,355,000	1,355,000
-	-	-	-	-	2,692,269	2,692,269	2,692,269
-	-	-	176,429	-	-	-	176,429
<u>3,214,412</u>	<u>60,000</u>	<u>-</u>	<u>32,904,210</u>	<u>2,241</u>	<u>4,047,269</u>	<u>4,049,510</u>	<u>36,953,720</u>
(3,137,272)	(60,000)	12	(9,653,441)	(2,241)	(4,047,269)	(4,049,510)	(13,702,951)
2,821,900	31,300	-	5,288,600	-	4,050,000	4,050,000	9,338,600
-	-	-	2,956,767	-	-	-	2,956,767
-	-	-	-	2,241	-	2,241	2,241
-	-	-	(42,858)	-	-	-	(42,858)
-	-	-	(800,000)	-	-	-	(800,000)
<u>2,821,900</u>	<u>31,300</u>	<u>-</u>	<u>7,402,509</u>	<u>2,241</u>	<u>4,050,000</u>	<u>4,052,241</u>	<u>11,454,750</u>
(315,372)	(28,700)	12	(2,250,932)	-	2,731	2,731	(2,248,201)
<u>528,000</u>	<u>122,100</u>	<u>-</u>	<u>6,288,613</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,288,613</u>
<u>\$ 212,628</u>	<u>\$ 93,400</u>	<u>\$ 12</u>	<u>\$ 4,037,681</u>	<u>\$ -</u>	<u>\$ 2,731</u>	<u>\$ 2,731</u>	<u>\$ 4,040,412</u>

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 1 – SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Account Title	Depository	Balance per Bank	Recording Items	Reconciled Balance per Books
Petty Cash Accounts by Region (Cash Accounts - 104900)				
Program 1		\$ 250	\$ -	\$ 250
Program 2		2,106	698	2,804
Program 3		227	23	250
Program 4		16	284	300
Program 6		4,450	665	5,115
Program 7		500	-	500
Program 8		200	-	200
Total Petty Cash Accounts by Region		7,749	1,670	9,419
Children's 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	600	-	600
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	500	-	500
Las Cruces Regional Office	Wells Fargo Bank	673	27	700
Rio Arriba	Valley National Bank, Espanola	409	91	500
Roswell	Wells Fargo Bank	600	-	600
San Miguel	Southwest Capital Bank	581	(81)	500
Santa Fe	Wells Fargo Bank	576	(76)	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 Children's Medical Services		9,864	(39)	9,825
The Title X/Family Planning Depository Clearing (Checking Accounts - 102900)				
Clayton	Farmers' and Stockmen's Bank, Clayton	100	-	100
Ft. Sumner	Citizens Bank of Clovis, Ft. Sumner	67	39	106
Lordsburg	Western Bank, Lordsburg	120	-	120
Roswell	Wells Fargo Bank CLOSED 7/1/13	-	72	72
T or C	Bank of the Southwest, T or C	80	20	100
Taos	US Bank	83	25	108
Total Title X/Family Planning		450	156	606
District Health Office Totals				
General Fund Bank Accounts (Checking Accounts)				
NMBHI-Revolving	Community 1st Bank	195,724	(195,224)	500
FBMC	Bank of America	-	(500)	(500)
NMSVH	Bank of the Southwest, T or C	635,507	(634,999)	508
Total General Fund Bank Accounts		831,231	(830,723)	508
Total General Fund, Including District Health Offices		831,231	(830,723)	508

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 1 – SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS (CONTINUED)
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Account Title	Depository	Balance per Bank	Recording Items	Reconciled Balance per Books
Investments in State General Fund Investment Pool (SGFIP)				
Capital Project - 059	State Treasurer	\$ -	\$ -	\$ -
Operating Fund - 061	State Treasurer	14,982,326	(3,514,714)	11,467,612
Medical Cannabis - 114	State Treasurer	373,578	(17,106)	356,472
FBMC Lease - 2048	State Treasurer	2,731	-	2,731
CMS Fund - 219	State Treasurer	567,339	-	567,339
Trauma Fund - 257	State Treasurer	202,712	2,793	205,505
Save Our Children- 261	State Treasurer	332,478	-	332,478
DD Waiver - 4017	State Treasurer	14,320,805	387,670	14,708,475
DD Vaccine - 4018	State Treasurer	1,869,151	-	1,869,151
Birth & Death - 502	State Treasurer	694	(542)	152
Medicaid Waiver Match - 558	State Treasurer	-	-	-
EMS - 756	State Treasurer	214,306	(1,264)	213,042
STB 892	State Treasurer	(1,217)	2,241	1,024
Birthing Workforce - 958	State Treasurer	93,400	-	93,400
Special Union Payout - 968	State Treasurer	-	-	-
Total SGFIP - 101800/101900		32,958,303	(3,140,922)	29,817,381
Trust and Agency Funds - Banks (checking accounts)				
NMBHI - Pt. Burial	Southwest Capital Bank	28,964	-	28,964
NMBHI - Canteens	Southwest Capital Bank	71,870	(2,576)	69,294
NMBHI - Pt. Demand (Trust)	Southwest Capital Bank	417,274	(25,524)	391,750
NMBHI - Foster Grandparent	Southwest Capital Bank	16,017	-	16,017
FBMC - Pt. Burial	Wells Fargo Bank	24,713	56,703	81,416
FBMC - Pt. Demand (Trust)	Wells Fargo Bank	97,417	(76,796)	20,621
FBMC - Special	Wells Fargo Bank	14,476	(334)	14,142
LLCP - SSA Beneficiaries	Wells Fargo Bank of NM - Los Lunas	46,999	(3,306)	43,693
LLCP - Managed Care	Wells Fargo Bank of NM - Los Lunas	9,143	(63)	9,080
LLCP - Pt. Demand (Trust)	Wells Fargo Bank of NM - Los Lunas	67	-	67
NMSVH - Pt. Burial	Bank of the Southwest, T or C	8,391	(250)	8,141
NMSVH - Canteens	Bank of the Southwest, T or C	25,235	(309)	24,926
NMSVH - Pt. Demand (Trust)	Bank of the Southwest, T or C	394,001	(8,241)	385,760
Sequoyah - Pt. Demand (Trust)	Bank of America - Albuquerque	3,616	(1,087)	2,529
Total Trust and Agency Funds - Banks		1,158,183	(61,783)	1,096,400
Vital Statistics Depository Clearing (Checking Accounts)				
Clayton	Farmers & Stockmens	230	-	230
Taos	US Bank	57	43	100
Total Vital Statistics and Depository Clearing		287	43	330
Total Trust and Agency and Vital Depository Funds		1,158,470	(61,740)	1,096,730
Department Total - All Funds		\$ 34,966,067	\$ (4,031,598)	\$ 30,934,469

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 2 – SUPPLEMENTARY SCHEDULE OF PLEDGED COLLATERAL
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank	Bank of the Southwest, T or C	Other Banks	Accounts at State Treasurer	Total
Total Amount of Deposit	\$ 195,724	\$ 534,706	\$ 199,490	\$ 1,063,214	\$ 6,880	\$ 32,958,304	\$ 34,958,318
Less FDIC	(250,000)	(250,000)	(199,490)	(250,000)	(6,880)	-	(956,370)
Total Uninsured Public Money	(54,276)	284,706	-	813,214	-	32,958,304	34,001,948
50% Collateral Requirement							-
State Agency Collateral Listing:			A			B	A&B
Bonds:							
1 GNMA 11 Pool, CUSIP #3622CU46, GNMA II Pool #008420	-	-	-	13,256	-	-	13,256
1 CUSIP#36202KK95 , GNMA II Pool #080470	-	-	-	24,807	-	-	24,807
1 CUSIP #3622SCQYS, GNMA II Pool #080S09	-	-	-	10,763	-	-	10,763
1 CUSIP #3622SCR73	-	-	-	14,528	-	-	14,528
1 FNMA Pool #086794, CUSIP #31363ENK7	-	-	-	607	-	-	607
1 FNMA Pool #SS7072, CUSIP #3138SY2D6, GNMA II Pool #080443	-	-	-	19,447	-	-	19,447
1 CUSIP#3622SCPS9	-	-	-	12,275	-	-	12,275
1 FNMA Pool #089416, CUSIP #31363HK56	-	-	-	3,411	-	-	3,411
1 FNMA Pool #091962, CUSIP #31363LF80, GNMA II Poo l#0801SO	-	-	-	531	-	-	531
1 CUSIP #3622SCEY8	-	-	-	9,946	-	-	9,946
1 FHLB LOC#2704000109	-	-	-	300,000	-	-	300,000
1 FHLB LOC#2704000106	-	-	-	150,000	-	-	150,000
1 FHLB 1.25% Bond maturity date 2/15/19, 1 CUSIP #3134G3B82	-	500,000	-	-	-	-	500,000
1 GNMA I Pool #783SS6, CUSIP #36241LSR3	213,232	-	-	-	-	-	213,232
Las Vegas NM City Sch Dist #2 1 CUSIP #S1778FCQO	225,000	-	-	-	-	-	225,000
Total Pledged	438,232	500,000	-	559,571	-	-	1,497,803
Over (Under) Pledged	\$ 438,232	\$ 500,000	\$ -	\$ 559,571	\$ -	\$ -	\$ 1,497,803

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.

2. 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.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 3 – SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENTS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 17	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
99.665.6800.0020	Department of Health (DOH) School for the Visually Handicapped (NMSVH)	To support and coordinate services to children under 4 who have a vision loss and their families	7/1/2004	Ongoing	\$ 60,000	\$ 60,000	\$ -	DOH, SVH	SVH	SVH
JPA 95-29	Human Services Department (HSD) Department of Health (DOH)	For Service Coordination, Early Intervention Developmental Services, Early Intervention Therapy Services	6/1/1995	Ongoing	5,000,000	5,000,000	-	HSD, DOH	Not Stated	HS, DOH
04.665.4200.0185	Department of Health (DOH) Sandoval County (SC)	For Sandoval County - DOH will provide health services to Sandoval County residents	9/8/2003	Ongoing	700,010	300,010	-	SCC	Not Stated	SCC, DOH
04.665.4200.0504	Department of Health (DOH) San Miguel County (SMC)	For San Miguel County - DOH will provide health services to San Miguel County residents	6/1/2004	Ongoing	50,000	50,000	-	SMC	Not Stated	DOH, SMC
04.665.1100.0019	Department of Health (DOH) Department of Transportation (DOT)	For Coordinated Transportation Services in Valencia County	6/17/2004	Ongoing	5,000	5,000	-	DOT	DOT	DOT
01-665-6800-0260	Department of Health (DOH) New Mexico School for the Deaf (NMSFD)	To support and coordinate services to children and their families under four who have hearing losses	7/1/2005	Ongoing	50,760	50,760	-	DOH, SFD	SFD	SFD
05.665.0100.0014	Department of Health (DOH) Lincoln County (LC)	For Lincoln County - DOH will provide health services to Lincoln County residents	9/24/2004	Ongoing	20,000	20,000	-	DOH, LC	DOH, LC	DOH, LC

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 3 – SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 17	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
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 (VH)	For the Village of Hatch - DOH will provide health service to Village of Hatch County residents	9/21/2004	Ongoing	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH
0630.8114.03.37 (JPA 03-37)	Human Services Department (HSD) Department of Health (DOH)	To designate the administrative, fiscal and programmatic responsibilities for the operations of the Home and Community Based Waiver Program	10/14/2003	- AIDS Waiver Medicaid	- 96,400 69,075,593	- 96,400 69,075,593	- - -	DOH, HSD	HSD	DOH, HSD
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) Aging & Long Term Services Dept (ALTSD)	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and AIDS statewide	5/3/2006	Ongoing	50,000	50,000	-	AA, DOH	AA, DOH	AA, DOH
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.	5/27/1994	Ongoing	-	-	-	HSD	Not Stated	DOH, HSD
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

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 3 – SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

JPA #	Participants	Description of Activity	Beginning Date of Agreement	End Date of Agreement	Total Estimated Amount of Agreement	Portion of Amount from DOH	Amount DOH Contributed in FY 17	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
11-630-8000-0003	New Mexico Department of Health (DOH) New Mexico Human Services (HSD)	Responsible for the administrative, fiscal and programmatic aspects of New Mexico's Home and Community based waiver programs	7/8/2010	6/30/2014	\$ 62,950,000	\$ 62,950,000	\$ -	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 Human Services (HSD)	Provide funds to the Medical Assistance Division (MAD) to support Federally Qualified Health Centers	4/25/2005	Ongoing	500,000	500,000	-	Not Stated	Not Stated	Not Stated
11-665-0200-0001	New Mexico Department of Health (DOH) New Mexico 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

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 4 – SUPPLEMENTARY SCHEDULE OF DUE TO AND DUE FROM OTHER STATE AGENCIES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Agency Business Unit	Agency Fund	Agency Due From	Agency Due To	Agency Business Unit	Agency Fund	Amount	Reason
66500	06100	Department of Health	Commission of Public Records	36900	37100	\$ 30	Vaccine Act Fund hearing
66500	06100	Department of Health	Department of Transportation	80500	20100	3,926	Payroll Tax transfer
66500	06100	Department of Health	General Services Department	35000	97000	2,720,575	NM State Veterans Hospital Construction billings
66500	06100	Department of Health	Human Services Department	63000	97600	92,816	CMS Provider claims
66500	06100	Department of Health	Human Services Department	63000	97600	274,439	NMRC -Medicaid Cost Payable
66500	06100	Department of Health	Human Services Department	63000	97601	2,112,280	DD Waiver
66500	06100	Department of Health	Regulation & Licensing	42000	46400	46,570	Substance Abuse Prevention
66500	40170	Department of Health	Human Services Department	63000	97601	13,966,819	DD Waiver
Total Due to Other State Agencies						<u>\$ 19,217,455</u>	
33700	60100	State Investment Council	Department of Health	66500	06100	\$ 176,847	LGPF Distribution from State Investment Co.
34100	76100	Department of Finance & Administration	Department of Health	66500	06100	142,107	CP&R Land & Investment Income Distribution
34100	02100	Department of Finance & Administration	Department of Health	66500	21904	204,405	CSMF 6/2017 Fund Balance
35000	75200	General Services Department	Department of Health	66500	40185	600,000	Vaccine Purchase Act
51600	19800	Game & Fish Department	Department of Health	66500	06100	1,552	Water testing
52100	19902	Energy, Minerals & Resources	Department of Health	66500	06100	12,030	Waste Isolation Pilot Program
55000	21400	State Engineer	Department of Health	66500	06100	11,624	Silvery Minnow Project
63000	05200	Human Services Department	Department of Health	66500	06100	5,088,546	Medicaid Waiver Administration & Other Programs
63000	05200	Human Services Department	Department of Health	66500	21904	707,922	Medicaid Waiver Administration & Other Programs
66700	06400	Environment Department	Department of Health	66500	06100	54,816	Scientific Lab Testing
67000	06500	Veterans' Service Commission	Department of Health	66500	06100	1,104	Leasing of space
77000	91500	Corrections Department	Department of Health	66500	06100	20,513	Leasing of space
92400	67200	Department of Public Education	Department of Health	66500	06100	9,679	National School lunch program
92400	84402	Department of Public Education	Department of Health	66500	06100	733,910	Race to the top program
Total Due from Other State Agencies						<u>\$ 7,765,055</u>	

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 5 – SUPPLEMENTARY SCHEDULE OF INTERGOVERNMENTAL RECEIVABLES AND PAYABLES
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Agency Due From	Agency Due To	Amount	Reason
Department of Health	University of New Mexico (UNM) Hospital	\$ 13,046	Pediatric Clinics
Department of Health	University of New Mexico (UNM) Hospital	<u>6,330</u>	ABS SBHC Program
	Total Intergovernmental Payables	<u>\$ 19,376</u>	
UNM Hospital	Department of Health	<u>\$ 8,115</u>	Birthing Hospitals (FHB/CMS - Genetic Testing Kits)
	Total Intergovernmental Receivables	<u>\$ 8,115</u>	

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 6 – SUPPLEMENTARY SCHEDULE OF TRANSFERS IN AND TRANSFERS OUT
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

DOH Fund	Agency	Other Agency's Business Unit	Other Agency's Fund	Description	Amount
<u>Transfers Out</u>					
06100	Human Services Department	63000	97600	DDSD waiver services and other programs	\$ 9,177,397
25700	Department of Finance & Administration	34101	85300	Senate Bill 2 TSFA Fund Sweep	800,000
06100	Department of Health - Intra-agency	66500	40170	Transfer of reserved fund balance to new fund	387,670
40170	Human Services Department	63000	97600	DDSD waiver services and other programs	<u>104,260,924</u>
Total Transfers Out					<u>\$ 114,625,991</u>
<u>Transfers In</u>					
Transfers from Other State Agencies					
06100	Department of Finance & Administration	34101	85300	General Fund Appropriations	\$ 177,035,400
20480	Department of Finance & Administration	34101	85300	Fort Bayard Medical Center Lease Payment	4,050,000
25700	Department of Finance & Administration	34101	85300	General Fund Appropriations	2,435,400
40170	Department of Finance & Administration	34101	85300	2017 Allotments	103,359,800
75600	Department of Finance & Administration	34101	85300	General Fund Appropriations - Emergency Med Svc fund	2,821,900
95800	Department of Finance & Administration	34101	85300	General Fund Appropriations	<u>31,300</u>
Subtotal General Fund Appropriations					<u>289,733,800</u>
06100	Department of Finance & Administration	34100	00900	Development Disabilities Client Mgmt Support - Special Appro	<u>498,981</u>
Subtotal Transfers In Other Financing Sources					<u>498,981</u>
89200	Department of Finance & Administration	34101	02100	Severance Tax Bonds - Special Appropriations	2,241
40170	Department of Health - Intra-agency	66500	06100	Transfer of reserved fund balance to new fund	387,670
06100	Department of Finance & Administration	34100	69700	Tobacco Settlement Program	6,412,422
21900	Department of Finance & Administration	34101	02100	CSMF Distribution	<u>2,956,767</u>
Subtotal Other Transfer In					<u>9,759,100</u>
Transfers from Other Component Units of the State					
New Mexico State University					
Veterinary Diagnostic Services					<u>24,532</u>
Subtotal Transfers from Other Component Units of th					<u>24,532</u>
Total Transfers In					<u>\$ 300,016,413</u>

This schedule was prepared on an accrual basis.

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 7 – SUPPLEMENTARY SCHEDULE OF SPECIAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

Description	Fund	Department	Reversion Date	Final Budget	Appropriation Received 6/30/2017	Actual Cash Received Prior Year	Current Year Expenditures	Prior Year Expenditures	Current Year Reversions/Transfers	Balance as of 6/30/2017
Special Appropriation Laws of 2016, Ch. 11, Section 5 - § 38 - Federal Waldrop settlement agreement and Jackson lawsuit disengagement - General Fund	06100	ZA0538	6/30/2017	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 2,922,706	\$ 1,075,934	\$ -	\$ 1,360
Special Appropriation Laws of 2016, Ch. 11, Section 5 - § 38 - Federal Waldrop settlement agreement and Jackson lawsuit disengagement - Interagency transfer from HSD	06100	ZA0538	6/30/2017	2,840,000	1,430,191	488,198	1,430,191	488,198	-	-
Special Appropriation Laws of 2016, Ch. 11, Section 5 - § 39 - Sexual Violence Prevention	06100	ZA0539	6/30/2017	400,000	-	400,000	379,183	-	-	20,817
Special Appropriation Laws of 2016, Ch. 11, Section 7, - §17 - To plan and implement a Developmental Disabilities Client Management Support System - Federal and other state funds	06100	ZA0717	6/30/2018	400,000	25,000	15,000	-	-	-	40,000
Special Appropriation Laws of 2016, Ch. 11, Section 7 - §18 - To implement infrastructure upgrades - other state funds. Partial allotment for initiation and planning	06100	ZA0718	6/30/2018	500,000	473,981	26,019	297,140	-	-	202,860
Special Appropriation Laws of 2017, Ch. 135, Section 5, - §22 - Federal Waldrop settlement agreement and Jackson lawsuit disengagement - Interagency transfer from HSD	06100	ZB0522	6/30/2018	1,230,000	1,000,000	-	-	-	-	1,000,000
Special Appropriation Laws of 2017, Ch. 135, Section 6, - §10 - For a projected shortfall in the personal services and employee benefits category in the facilities management program - General Fund	06100	ZB0610	6/30/2017	375,000	375,000	-	375,000	-	-	-
				<u>\$ 9,745,000</u>	<u>\$ 3,304,172</u>	<u>\$ 4,929,217</u>	<u>\$ 5,404,220</u>	<u>\$ 1,564,132</u>	<u>\$ -</u>	<u>\$ 1,265,037</u>

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 8 – SUPPLEMENTARY SCHEDULE OF CHANGES IN ASSETS AND
LIABILITIES—AGENCY FUNDS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Fund 51000 - Patients' Trust Fund</u>				
ASSETS				
Cash	\$ 1,136,952	\$ -	\$ 40,552	\$ 1,096,400
Petty Cash	1,175	-	-	1,175
Total Assets	<u>1,138,127</u>	<u>-</u>	<u>40,552</u>	<u>1,097,575</u>
LIABILITIES				
Deposits Held for others	\$ 1,138,127	\$ -	\$ 40,552	\$ 1,097,575
Total Liabilities	<u>1,138,127</u>	<u>-</u>	<u>40,552</u>	<u>1,097,575</u>

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - NMBHI
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Indigent Care Cost and Funding Report
New Mexico Behavioral Health Institute (NMBHI)**

	For the Year Ended June 30,		
	2017	2016	2015
A Funding for Indigent Care			
A1 State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2 County indigent funds received	-	-	-
A3 Out of county indigent funds received	-	-	-
A4 Payments and copayments received from uninsured patients qualifying for indigent care	814,030	757,397	563,815
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6 Charitable contributions received from donors that are designated for funding indigent care	-	-	-
Other sources			
A7 Other source 1 (if applicable)	-	-	-
Total Funding for Indigent Care	<u>814,030</u>	<u>757,397</u>	<u>563,815</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	18,022,632	18,832,419	19,460,148
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	4,831,175	4,219,253	3,256,292
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	238,436	303,814	403,528
B5 Other costs of providing Indigent Care (please specify)			
Total Cost of Providing Indigent Care	<u>23,092,243</u>	<u>23,355,486</u>	<u>23,119,968</u>
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (22,278,213)</u>	<u>\$ (22,598,089)</u>	<u>\$ (22,556,153)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	549	552	697
C2 Total number of patient encounters receiving indigent care	1,777	1,977	2,286

**NEW MEXICO DEPARTMENT OF HEALTH
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - NMBHI
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Calculations of Cost of Providing Indigent Care
New Mexico Behavioral Health Institute (NMBHI)**

	For the Year Ended June 30,		
	2017	2016	2015
Uninsured patients qualifying for indigent care			
Charges for these patients	18,430,073	19,232,870	19,778,052
Ratio of cost to charges	27.00%	27.00%	27.00%
Cost for uninsured patients qualifying for indigent care	<u>4,976,120</u>	<u>5,192,875</u>	<u>5,340,074</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	-	-	-
Ratio of cost to charges	0.00%	0.00%	0.00%
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>-</u>	<u>-</u>	<u>-</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	4,831,175	4,219,253	3,256,292
Ratio of cost to charges	27.00%	27.00%	27.00%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	<u>1,304,417</u>	<u>1,139,198</u>	<u>879,199</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	238,436	303,814	403,528
	<u>238,436</u>	<u>303,814</u>	<u>403,528</u>

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - FBMC
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Indigent Care Cost and Funding Report
Fort Bayard Medical Center (FBMC)**

	For the Year Ended June 30,		
	2017	2016	2015
A Funding for Indigent Care			
A1 State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2 County indigent funds received	-	-	-
A3 Out of county indigent funds received	-	-	-
A4 Payments and copayments received from uninsured patients qualifying for indigent care	8,838	21,641	23,762
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6 Charitable contributions received from donors that are designated for funding indigent care	-	-	-
Other sources			
A7 Other source 1 (if applicable)	35,101	37,754	27,533
Total Funding for Indigent Care	<u>43,939</u>	<u>59,395</u>	<u>51,295</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	3,044,082	3,493,868	3,642,464
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	-	-	-
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	247	1,089	2,629
B5 Other costs of providing Indigent Care (please specify)			
Total Cost of Providing Indigent Care	<u>3,044,329</u>	<u>3,494,957</u>	<u>3,645,093</u>
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (3,000,390)</u>	<u>\$ (3,435,562)</u>	<u>\$ (3,593,798)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	125	196	190
C2 Total number of patient encounters receiving indigent care	127	205	190

**NEW MEXICO DEPARTMENT OF HEALTH
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - FBMC
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Calculations of Cost of Providing Indigent Care
Fort Bayard Medical Center (FBMC)**

	For the Year Ended June 30,		
	2017	2016	2015
Uninsured patients qualifying for indigent care			
Charges for these patients	1,679,586	2,057,516	2,101,826
Ratio of cost to charges	181.24%	169.81%	173.30%
Cost for uninsured patients qualifying for indigent care	<u>3,044,082</u>	<u>3,493,868</u>	<u>3,642,464</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	-	-	-
Ratio of cost to charges	0.00%	0.00%	0.00%
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>-</u>	<u>-</u>	<u>-</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	-	-	-
Ratio of cost to charges	0.00%	0.00%	0.00%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	<u>-</u>	<u>-</u>	<u>-</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	247	1,089	2,629
	<u>247</u>	<u>1,089</u>	<u>2,629</u>

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - TLH
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Indigent Care Cost and Funding Report
Turquoise Lodge Hospital (TLH)**

	For the Year Ended June 30,		
	2017	2016	2015
A Funding for Indigent Care			
A1 State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2 County indigent funds received	-	-	-
A3 Out of county indigent funds received	-	-	-
A4 Payments and copayments received from uninsured patients qualifying for indigent care	-	-	-
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6 Charitable contributions received from donors that are designated for funding indigent care	-	-	-
Other sources			
A7 Other source 1 (if applicable)	-	-	-
Total Funding for Indigent Care	-	-	-
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	1,080,903	1,850,492	3,420,026
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	-	-	-
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
B5 Other costs of providing Indigent Care (please specify)			
Total Cost of Providing Indigent Care	1,080,903	1,850,492	3,420,026
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	\$ (1,080,903)	\$ (1,850,492)	\$ (3,420,026)
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	202	259	325
C2 Total number of patient encounters receiving indigent care	217	280	339

**NEW MEXICO DEPARTMENT OF HEALTH
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - TLH
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Calculations of Cost of Providing Indigent Care
Turquoise Lodge Hospital (TLH)**

	For the Year Ended June 30,		
	2017	2016	2015
Uninsured patients qualifying for indigent care			
Charges for these patients	1,049,420	1,796,594	3,320,414
Ratio of cost to charges	103.0%	103.0%	103.0%
Cost for uninsured patients qualifying for indigent care	<u>1,080,903</u>	<u>1,850,492</u>	<u>3,420,026</u>
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	-	-	-
Ratio of cost to charges	0.0%	0.0%	0.0%
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	<u>-</u>	<u>-</u>	<u>-</u>
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	-	-	-
Ratio of cost to charges	0.0%	0.0%	0.0%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	<u>-</u>	<u>-</u>	<u>-</u>
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - NMRC
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Indigent Care Cost and Funding Report
New Mexico Rehabilitation Center (NMRC)**

	For the Year Ended June 30,		
	2017	2016	2015
A Funding for Indigent Care			
A1 State appropriations specified for indigent care	\$ -	\$ -	\$ -
A2 County indigent funds received	-	-	-
A3 Out of county indigent funds received	-	-	-
A4 Payments and copayments received from uninsured patients qualifying for indigent care	-	-	-
A5 Reimbursement received for services provided to patients qualifying for coverage under EMSA	-	-	-
A6 Charitable contributions received from donors that are designated for funding indigent care	-	-	-
Other sources			
A7 Other source 1 (if applicable)	-	-	-
Total Funding for Indigent Care	-	-	-
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	-	2,369,707	2,672,804
B2 Patients qualifying for coverage under EMSA	-	-	-
B3 Cost of care related to patient portion of bill for insured patients qualifying for indigent care	-	-	-
B4 Direct costs paid to other providers on behalf of patients qualifying for indigent care	-	-	-
B5 Other costs of providing Indigent Care (please specify)	-	-	-
Total Cost of Providing Indigent Care	-	2,369,707	2,672,804
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	\$ -	\$ (2,369,707)	\$ (2,672,804)
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	-	194	218
C2 Total number of patient encounters receiving indigent care	-	-	-

**NEW MEXICO DEPARTMENT OF HEALTH
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - NMRC
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

**Calculations of Cost of Providing Indigent Care
New Mexico Rehabilitation Center (NMRC)**

	For the Year Ended June 30,		
	2017	2016	2015
Uninsured patients qualifying for indigent care			
Charges for these patients	-	2,369,707	2,672,804
Ratio of cost to charges	0.00%	100.00%	100.00%
Cost for uninsured patients qualifying for indigent care	-	2,369,707	2,672,804
Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)			
Charges for these patients	-	-	-
Ratio of cost to charges	0.00%	0.00%	0.00%
Cost for Patients qualifying for coverage under Emergency Medical Services for Aliens (EMSA)	-	-	-
Cost of care related to patient portion of bill for insured patients qualifying for indigent care			
Indigent care adjustments for these patients	-	-	-
Ratio of cost to charges	0.00%	0.00%	0.00%
Cost of care related to patient portion of bill for insured patients qualifying for indigent care	-	-	-
Direct costs paid to other providers on behalf of patients qualifying for indigent care			
Payments to other providers for care of these patients	-	-	-
	-	2,369,707	2,672,804

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

Federal Agency / Pass-through Agency	CFDA Program Title per CFDA.gov / SUBRECIPIENT NAME	CFDA No.	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Participating Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Dept of Agriculture	Senior Farmers Market Nutrition Program	10.576			\$ 296,427
Dept of Agriculture	Special Supplemental Nutrition Program for Women, Infants, and Children	10.557			46,012,184
Dept of Agriculture	FIRST CHOICE COMMUNITY HEALTHCARE INC	10.557	PA# 16FHBWIC0001	\$ 835,861	
Dept of Agriculture	FIRST NATIONS COMMUNITY	10.557	PA# 16FHBWIC0002	220,083	
Dept of Agriculture	WIC Farmers' Market Nutrition Program (FMNP)	10.572			177,128
Dept of Agriculture	WIC Grants To States (WGS)	10.578			606,591
Dept of Agriculture Total					47,092,330
U.S. DEPARTMENT OF EDUCATION					
DOED	Special Education-Grants for Infants and Families	84.181			2,848,168
DOED	THE UNIVERSITY OF NEW MEXICO	84.181	FY17 UNM 070018	988,191	
DOED Total					2,848,168
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
DHHS	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624			
DHHS	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506			35,189
DHHS	Adult Viral Hepatitis Prevention and Control	93.270			65,248
DHHS	Affordable Care Act (ACA) Abstinence Education Program	93.235			666,412
DHHS	Affordable Care Act (ACA) Personal Responsibility Education Program	93.092			346,006
DHHS	COUNTY OF LUNA	93.092	##019592	209,251	
DHHS	Antimicrobial Resistance Surveillance in Retail Food Specimens	93.876			64,619
DHHS	Assistance Programs for Chronic Disease Prevention and Control	93.945			1,175,443
DHHS	NM MEDICAL REVIEW ASSOCIATION	93.945	##018542	110,583	
DHHS	THE UNIVERSITY OF NEW MEXICO	93.945	FY17 UNM 02.1057	110,962	
DHHS	Behavioral Risk Factor Surveillance System	93.336			298,966
DHHS	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund	93.745			27,408
DHHS	Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073			96,093
DHHS	Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations- financed in part by Prevention and Public Health Funds (PPHF)	93.524			15,000
DHHS	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	93.733			5,603
DHHS	Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283			4,631,350
DHHS	DHHS PHS IHS	93.283	##020226	34,966	
DHHS	THE UNIVERSITY OF NEW MEXICO	93.283	FY16UNM 030046	853,310	
DHHS	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF)	93.753			346,065
DHHS	Chronic Diseases: Research, Control, and Prevention	93.068			70,712
DHHS	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988			
DHHS	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130			240,797
DHHS	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946			184,244
DHHS	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815			264,485
DHHS	Emerging Infections Programs	93.317			783,369
DHHS	THE UNIVERSITY OF NEW MEXICO	93.317	FY16 030046 A2	354,178	
DHHS	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	93.734			356,216

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Federal Agency / Pass-through Agency	CFDA Program Title per CFDA.gov / SUBRECIPIENT NAME	CFDA No.	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Participating Expenditures
DHHS	Environmental Public Health and Emergency Response	93.070			\$ 1,525,314
DHHS	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			2,161,732
DHHS	NM MEDICAL REVIEW ASSOCIATION	93.323	706651654075	\$ 130,820	
DHHS	THE UNIVERSITY OF NEW MEXICO	93.323	FY16UNM 030046	130,820	
DHHS	Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761			103,797
DHHS	Family Planning Services	93.217			3,257,607
DHHS	Grants to States for Operation of State Offices of Rural Health	93.913			163,256
DHHS	HIV Care Formula Grants	93.917			4,099,945
DHHS	ALIANZA OF NEW MEXICO	93.917	PA# 16IDBHIV0100	343,622	
DHHS	SOUTHWEST CARE CENTER	93.917	PA# 16IDBHIV0109	719,541	
DHHS	HIV Prevention Activities_Health Department Based	93.940			608,412
DHHS	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817			194,348
DHHS	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944			184,894
DHHS	Immunization Cooperative Agreements	93.268			997,655
DHHS	Injury Prevention and Control Research and State and Community Based Programs	93.136			1,418,825
DHHS	Maternal and Child Health Federal Consolidated Programs	93.110			67,339
DHHS	Maternal and Child Health Services Block Grant to the States	93.994			3,972,082
DHHS	THE UNIVERSITY OF NEW MEXICO	93.994	FY17UNM02.1086	269,581	
DHHS	National Bioterrorism Hospital Preparedness Program	93.889			1,314,310
DHHS	National Priority Safety Programs	20.616			65,348
DHHS	National State Based Tobacco Control Programs	93.305			962,273
DHHS	Occupational Safety and Health Program	93.262			81,970
DHHS	Paul Coverdell Forensic Sciences Improvement Grant Program	16.742			3,332
DHHS		93.424			3,530
DHHS	NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National	93.539			1,859,815
DHHS	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.758			2,478,679
DHHS	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.977			670,695
DHHS	Preventive Health Services Sexually Transmitted Diseases Control Grants	93.116			303,075
DHHS	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.069			7,444,714
DHHS	Public Health Emergency Preparedness	93.576			101,002
DHHS	Refugee and Entrant Assistance_Voluntary Agency Programs	93.301			105,691
DHHS	Small Rural Hospital Improvement Grant Program	93.757			9,309
DHHS	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.241			300,039
DHHS	State Rural Hospital Flexibility Program	93.777			2,512,501
DHHS	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.018			264,975
DHHS	Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.521			870,347
DHHS	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP)	93.251			229,833
DHHS	Universal Newborn Hearing Screening	93.251			229,833
DHHS Total					48,009,869
NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT					
EMNRD	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106			90,883
EMNRD Total					90,883

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Federal Agency / Pass-through Agency	CFDA Program Title per CFDA.gov / SUBRECIPIENT NAME	CFDA No.	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Participating Expenditures
NEW MEXICO HUMAN SERVICES DEPARTMENT - JOINT POWERS AGREEMENTS					
HSD	Block Grants for Prevention and Treatment of Substance Abuse	93.959			\$ 715,958
HSD	Child Support Enforcement	93.563			66,344
HSD	Medical Assistance Program	93.778			14,269,146
HSD	Refugee and Entrant Assistance, State Administered Programs	93.566			2,122,331
HSD Total					17,173,779
NEW MEXICO PUBLIC EDUCATION DEPARTMENT					
PED	National School Lunch Program	10.555			61,472
PED	Race to the Top Early Learning Challenge	84.412			1,145,129
PED	THE UNIVERSITY OF NEW MEXICO	84.412	FY17 UNM 070024	\$ 588,523	
PED Total					1,206,601
U.S. DEPARTMENT OF VETERANS AFFAIRS					
DVA	Grants to States for Construction of State Home Facilities	64.005			8,128,247
DVA Total					8,128,247
State of Utah	Environmental Public Health and Emergency Response	93.070			168,380
State of Utah Total					168,380
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
	Federal In-Kind assistance, Immunization	93.268			34,369,770
TOTAL EXPEDITURES CASH / NON-CASH FEDERAL AWARDS				\$ 5,900,291	\$ 159,088,027

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

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, 2017. The information in this schedule is presented in accordance with the requirements of 2 CFR, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, changes in net position, or cash flows 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 the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Department has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

<u>Clusters</u>	<u>Federal CFDA No.</u>
Medicaid Cluster:	
State Survey and Certification of Healthcare 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.

NOTE 4 IN-KIND, NONCASH ASSISTANCE

Amounts reported under noncash 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT)**

NOTE 5 SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Department provided federal awards to local entities in the amount of \$5,900,292. The entities are listed below:

Subrecipient Name	CFDA No.	Identification No.	Amount
NM MEDICAL REVIEW ASSOCIATION	93.945	##018542	110,583
THE UNIVERSITY OF NEW MEXICO	93.945	FY17 UNM 02.1057	110,962
DHHS PHS IHS	93.283	##020226	34,966
THE UNIVERSITY OF NEW MEXICO	93.283	FY16UNM 030046	853,310
THE UNIVERSITY OF NEW MEXICO	93.317	FY16 030046 A2	354,178
NM MEDICAL REVIEW ASSOCIATION	93.323	7.06652E+11	130,820
THE UNIVERSITY OF NEW MEXICO	93.323	FY16UNM 030046	130,820
ALIANZA OF NEW MEXICO	93.917	PA# 16IDBHIV0100	343,622
SOUTHWEST CARE CENTER	93.917	PA# 16IDBHIV0109	719,541
THE UNIVERSITY OF NEW MEXICO	93.994	FY17UNM02.1086	269,581
THE UNIVERSITY OF NEW MEXICO	84.412	FY17 UNM 070024	588,523
Subrecipient Amount Total			<u>\$ 5,900,292</u>

NOTE 6 RECONCILIATION

Reconciliation of federal expenditures to federal revenue and assistance:

Per Financial Statements:

Federal Revenue	\$ 125,671,256
Revenue that can be higher than expenditures based on some grant agreements	(1,069,714)
CMS adjustment of billing percentages (prior year)	-
Reimbursement to federal government for prior year revenues and for other grants	113,185
Other miscellaneous reconciling items	3,523
In-kind assistance (immunization)	<u>34,369,777</u>

Per Schedule of Expenditures of Awards

\$ 159,088,027

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the New Mexico Department of Health, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the New Mexico Department of Health's basic financial statements, and have issued our report thereon dated November 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the New Mexico Department of Health'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 the New Mexico Department of Health's internal control. Accordingly, we do not express an opinion on the effectiveness of the New Mexico Department of Health'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.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor

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 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 2017-001, 2017-002 and 2017-003, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the New Mexico Department of Health'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 2017-007, 2017-008, 2017-009, and 2017-010.

The New Mexico Department of Health's Response to Findings

The New Mexico Department of Health's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The New Mexico Department of Health's responses were 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 1, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Department of Health's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the New Mexico Department of Health's major federal programs for the year ended June 30, 2017. The New Mexico Department of Health's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the New Mexico Department of Health'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the *Uniform Guidance* 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 New Mexico Department of Health'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 New Mexico Department of Health's compliance.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the New Mexico Department of Health 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *Uniform Guidance* and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the New Mexico Department of Health 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 New Mexico Department of Health'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 the *Uniform Guidance*, 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 New Mexico Department of Health's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
Mr. Tim Keller, New Mexico State Auditor

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-004, 2017-005, and 2017-006 to be significant deficiencies.

The New Mexico Department of Health'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 New Mexico Department of Health's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 1, 2017

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
93.217	Family Planning Services
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance
93.758	Preventive Health and Health Services
93.777/93.778	Medicaid Cluster Program

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditors’ Results (Continued)

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

_____ yes x no

Section II – Financial Statement Findings

2017–001 Interagency Transactions (Significant Deficiency)

Condition: During the audit, it was identified that the Department is not recording interagency transactions in a consistent manner with other state agencies. As a result of these inconsistencies, a net 1,162,683 variance in interagency receivable/payable, and net 322,545 variance in transfer-in/out accounts were identified.

Criteria: MAPs FIN 3.1 establishes policies and procedures for state agencies to follow to ensure accurate recording and reporting of interagency transactions.

Context: We performed substantive work over interagency receivables/payables and transfer in/out.

Effect: Misstatement to the financial statement and inconsistencies when preparing the State’s financial statements occur when agencies do not work together to verify interagency balances.

Cause: Management oversight, lack of timely communication among state agencies to ensure interagency transactions are being recorded consistently amongst each other and in accordance with generally accepted accounting principles.

Recommendation: We recommend management continue to be proactive in working with other state agencies with which the Department transacts, to ensure timely and accurate reporting of these transactions. We also recommend the department assign one or more employees the role of reviewing and reconciling the interagency activity with the other state agencies. Furthermore, the Department should communicate with the Statewide Financial Reporting and Accounting Bureau regarding any interagency transactions in which the Department is unable to resolve with the agency itself or guidance is needed regarding the appropriate recognition of the transactions.

Management’s response: The Department accepts this finding, acknowledging that interagency transactions are not being recorded in a consistent manner with other state agencies. The Department of Health has a decentralized method of initiating and processing interagency transfers. Program staff are responsible for initiating transfers and communicating with the participating agency. This business process adds to the complexity of this finding. It should be noted that the Department of Health does follow established procedures in MAPS 3.1 but recognizes the need to streamline internal procedures, reconcile regularly and reduce the impact of a decentralized process. The CFO is responsible for this finding. It will be resolved by January 1st, 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings (Continued)

2017–002 Reporting of Subrecipients (Significant Deficiency)

Condition: During our testwork over a sample of 10 agreements selected that were not part of single audit testing, our assessment concluded that these 7 of these entities were subrecipients. However, the Department was not reporting or monitoring these entities as subrecipients. In each of these 7 samples, information was included in the agreements that identified the federal objectives, federal award numbers, federal CFDA number, or federal programmatic/financial monitoring that would lead these entities to believe they are receiving federal awards. However, the Department was not reporting them as subrecipients.

Criteria: 2 CFR §200.330 Subrecipient and contractor determinations.

Context: We tested 10 samples by reviewing contracts that are active in current year.

Effect: The SEFA provided to us during testwork did not contain a complete population of subrecipient expenditures for our testing. The SEFA has now been updated to more accurately present expenditures from subrecipients.

Cause: Lack of appropriate language and treatment of entities that the Department believes to be contractors rather than subrecipients.

Recommendation: We recommend the Department modify their current agreements to remove language that indicates these entities are receiving federal awards from the Department to more appropriately treat them as a contractor rather than a subrecipient.

Management's response: The Department accepts this finding, acknowledging that the agreements tested were written in a way that would infer that these vendors were subrecipients. In many cases, however, these vendors were contractors, not subrecipients. The confusion is with the contract language, which will be modified going forward, to clearly delineate between vendors who are truly contractors and those are subrecipients.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings (Continued)

2017–003 Inventory Observation (Significant Deficiency in Internal Control over Financial Reporting)

Condition: During inventory observation, the following issues were noted:

- The Pharmacy lacks the ability to generate the necessary reports from the system for inventory observation.
- The Pharmacy lacks procedures to reconcile all activity and balances of the inventory as reported in the system.
- Current procedures do not leave an audit trail for subsequent verification of amounts that were changed.
- During our review of inventory physical count sheets, we noted an unusually high percentage of items for which the quantity had been changed after the original count.

Criteria: MAPs FIN 10 establishes policies and procedures for state agencies to follow to ensure accurate recording and tracking inventory.

Context: We performed inventory observation over one of the facilities.

Effect: Misstatement to the financial statement and inventories count.

Cause: Lack of management oversight.

Recommendation: We recommend the Department should consider implementing a cycle counting program to improve its inventory processes. Benefits of cycle counting include potential elimination of the annual physical inventory, reduction in inventory balances, improved customer service, and timely detection of errors and correction of causes.

Management's response: A few days prior to inventory being conducted the computer system that hosts the software was not operating properly. The software did not come back online until after the inventory was completed. The pharmacy was unable to access any records or use our printers during this period. The issues with the computer system were corrected two days after the inventory was conducted. The previous year's inventory records were accessible once the problems were resolved. An RFP has been let that will modernize the software system used to manage the pharmacy inventory management system. It is anticipated that this new software system will be in place prior to June 2018. The new system will provide real time adjudication as well as pharmacy scan bar code reader technology. This new system will also ensure a more accurate, real time inventory count on demand.

Procedures are being updated to address deficiencies in compliance with pharmacy inventory policies and procedures. The updates will also define the process to reconcile activity and balance in the inventory system. The facility is also reviewing the purchase of an automatic pill counting technology to improve the efficiency of regularly inventory and reduce errors.

The Facility Administrator is responsible for correcting this finding and will resolve this finding prior to June 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs

2017–004 (Previously 2016-004) Allowability – Internal Control over Cash Disbursements and Payroll (Significant Deficiency and Noncompliance)

Federal agency: CFDA 10.557 – Special Supplemental Nutrition Program for Women,
Infants and Children (WIC)
CFDA 93.283 – Centers for Disease Control and Prevention_
Investigation and Technical Assistance
CFDA 93.777/778 – Medicaid Cluster Program
CFDA 93.758 – Preventive Health and Health Services

Federal program title: U.S. Department of Agriculture (CFDA 10.557)
U.S. Department of Health and Human Services (CFDAs 93.283 and 93.758)

Pass-Through Agency: New Mexico Human Services Department (CFDA 93.778)

Award Period: 6NM700504 (2017) (CFDA 10.557)
5U50CK000205-05 and 1U50OE000079-02-00 (CFDA 93.283)
1 NB01OT009081-01-00 (CFDA 93.758)
JPA 11-630-8000-0003 (2017) (CFDA 93.778)

Questioned costs: Unknown

Condition: During single audit test work over allowable costs related to time and effort reporting, the following issues were noted which are detailed by CFDA:

CFDA 10.557

- 2 out of 39 voucher packet did not contains a certification by Program staff that goods have been received or services provided prior to the payment being made.

CFDA 93.283

- 40 out of 40 timesheets tested did not have time studies signed by the employee and supervisor within five work days after the completion of every pay period.
- 2 out of 40 timesheets reviewed did not agree to the charges entered into SHARE. For these transactions totaling an approximate of \$1,256, the amounts were not charged to the correct grants on SHARE. No adjusting journal entries were provided to us.
- 1 out of 40 timesheets reviewed did not agree to the charges entered in SHARE. For the transaction, adjusting journals were provided to correct an approximate amount of \$\$503. The adjusting journal entry, however, did not correct an approximate amount of \$73.

CFDA 93.758

- 23 out of 23 timesheets tested did not have time studies signed by the employee and supervisor within five work days after the completion of every pay period.
- 4 out of 9 certificates tested were signed either after January 15th or July 15th.
- 3 out of 9 certificates tested were certified working for CFDA 93.991, not CFDA 93.758.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017–004 (Previously 2016-004) Allowability – Internal Control over Cash Disbursements and Payroll (Significant Deficiency and Noncompliance) (Continued)

Condition (Continued):

CFDA 93.758 (Continued)

- 5 out of 23 timesheets reviewed did not agree to the charges entered into SHARE. For these transactions totaling an approximate of \$1,772.52, the amounts were not charged to the correct grants on SHARE. No adjusting journal entries were provided to us.
- 2 out of 23 timesheets reviewed did not agree to the charges entered in SHARE. For the transaction, adjusting journals were provided to correct an approximate amount of \$835. The adjusting journal entry, however, did not correct an approximate amount of \$251.

CFDA 93.777/93.778

- 14 out of 40 payroll transactions tested did not have time studies signed by the employee and supervisor before the Monday after their assigned week.

Management's Progress for Repeat Findings: This is a repeated and modified finding. The Department has not maintained internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.

Criteria: Per §200.430 Compensation-personal services, charges to Federal awards for salaries and wages must be based on records that comply with the established accounting policies and procedures of the non-Federal entity; be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity. Per ERD's Time & Effort Reporting policy, ERD staff are to complete the timesheet within 5 work days after the completion of every pay period (CFDA 93.283 and 93.758). If biannual certification is used, they are to be done January 15th and July 15th to certify the previous six months (CFDA 93.283 and 93.758). Per DDSD Time Reporting policy, staff are to complete the time studies on the Monday after their assigned week (CFDA 93.778).

Context: See "Condition".

Cause: The Department has not maintained internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department or Program policy.

Effect: Noncompliance with applicable regulations and Department policy, possible undercharges and overcharges to the Federal grants.

Recommendation: The Department provides or assists the Programs in providing training to employees to ensure compliance with Department or Program policy. The Department provides or assists the Programs in providing training to supervisory level employees to ensure compliance with Department or Program policy and federal regulations.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017-004 (Previously 2016-004) Allowability – Internal Control over Cash Disbursements and Payroll (Significant Deficiency and Noncompliance) (Continued)

Management's response:

CFDA 10.557

WIC personnel continue to remind staff of the need to certify goods and/or services have been received and accepted. A stamp is required for all invoices, which should read "I hereby certify that the goods and services for this invoice have been received and accepted". A signature in blue ink is also required to accompany the stamp.

The Chief Financial Officer is responsible for correcting this finding. The issue has been addressed with both program staff and ASD staff to prevent payments without this endorsement. This issue has been resolved as of October 17, 2017.

CFDA 93.283

ERD Procedure 4 requires dating and completing federal timesheets within 5 work days. Although these requirements exceed the federal requirements, they are currently ERD's procedure. A revised procedure will be approved, management and staff will be notified and trained in the new procedure. The program anticipates the new procedure will be implemented by November 30, 2017. If necessary, a corrective action plan will be implemented based on the findings. The ERD Deputy Director for Administration will be responsible.

CFDA 93.758

ERD submitted documentation to the IPA indicating that 1 of the 3 timesheets was incorrect. ERD Procedure 4 provides the methodology for ensuring that hours reported on federal timesheets agree with charges in SHARE. A revised procedure will be approved, management and staff will be notified and trained in the new procedure. The program anticipates the new procedure will be implemented by November 30, 2017. If necessary, a corrective action plan will be implemented based on the findings. The ERD Deputy Director for Administration will be responsible.

ERD Procedure 4 requires certifications to be completed by January 15 and July 15. Although these requirements exceed the federal requirements, they are currently ERD's procedure. A revised procedure will be approved, management and staff will be notified and trained in the new procedure. The program anticipates the new procedure will be implemented by November 30, 2017. If necessary, a corrective action plan will be implemented based on the findings. The ERD Deputy Director for Administration will be responsible.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2017-004 (Previously 2016-004) Allowability – Internal Control over Cash Disbursements and Payroll (Significant Deficiency and Noncompliance) (Continued)

Management’s response (Continued):

CFDA 93.758 (Continued)

ERD will obtain the incorrect certifications and determine the cause of the discrepancies. ERD Procedure 4 provides the methodology for ensuring that hours reported on federal timesheets agree with charges in SHARE, including being charged to the correct CFDA Number. A revised procedure will be approved, management and staff will be notified and trained in the new procedure. The program anticipates the new procedure will be implemented by November 30, 2017. If necessary, a corrective action plan will be implemented based on the findings. The ERD Deputy Director for Administration will be responsible.

ERD Procedure 4 provides the methodology for ensuring that hours reported on federal timesheets agree with charges in SHARE. A revised procedure will be approved, management and staff will be notified and trained in the new procedure. The program anticipates the new procedure will be implemented by November 30, 2017. If necessary, a corrective action plan will be implemented based on the findings. The ERD Deputy Director for Administration will be responsible.

CFDA 93.777/778

Several factors for staff not adhering to the requirements of this finding. These delays are attributable to staff workload and other work situations, such as unplanned absences by employees and supervisors. As this is a policy issue the program will review the current policy related to time studies in order to identify whether changes need to be made in order to afford adequate time to obtain all necessary signatures.

2017-005 (Previously 2016-005) Eligibility (Significant Deficiency and Noncompliance)

Federal agency: CFDA 10.557 – Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

Federal program title: U.S. Department of Agriculture (CFDA 10.557)

Award period: 6NM700504 (2017) (CFDA 10.557)

Questioned costs: Unknown

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

**2017-005 (Previously 2016-005) Eligibility (Significant Deficiency and Noncompliance)
(Continued)**

Condition: During single audit test work over eligibility, the following issues were noted which are detailed by CFDA:

CFDA 10.557

- 10 out of 40 participant files selected did not include sufficient documentation related to the determination of income.
- 3 out of 40 participant files selected did not have the appropriate amount of benefits loaded onto their benefit card at the respective start of their benefits period.
- 11 out of 40 participant files tested did not have a consistent method for documenting the identity determinations of the respective participant.
- 1 out of 40 participant files tested did not have a review of the file (separation of duties), even though the same individual signed when determining income eligibility and screening for nutritional risk.
- 24 out of 40 participant files tested did not have a consistent manner in which documentation of physical presence of the participant was established. Physical presence was not documented sufficiently or at all in the participant record.
- 2 out of 40 participant files did not have WIC codes (risk conditions) listed in the New Mexico WIC Risk Factor Assessment Tool for Pregnancy, Breastfeeding, Postpartum, Infants and Children and Risk Factor Table.
- 1 out of 40 participant files did not have record of blood test.

Management's Progress for Repeat Findings: This is a repeated and modified finding. The Department has not maintained internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements as well as compliance with Department policy.

Criteria: Per §200.303 Internal controls, non-Federal entities receiving a Federal Award must establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and terms and conditions of the Federal award. Per 7 CFR sections 246.7(c), (d), (e), (g), and (l), to be certified eligible for WIC Program benefits, the applicants must meet categorical, identity and residency, income, and nutritional risk eligibility criteria. In accordance with Policy Number CO 003 of the WIC Policy and Procedures Manual, when only one WIC employee is available to conduct certifications and issue benefits for applicants/participants other than themselves, their relatives, or friends, the WIC Region Nutrition Supervisor shall review 10% of all participant records that were certified and benefits issued by the one staff person during that particular day(s). The record review shall be completed within 30 days and shall be kept on file and made available for review during quality assurance monitoring.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

**2017-005 (Previously 2016-005) Eligibility (Significant Deficiency and Noncompliance)
(Continued)**

Context: See “Condition”.

Effect: Noncompliance with applicable regulations and policies, possible noneligibility of participants receiving benefits and improper issuance of benefits.

Cause: Lack of effective internal controls associated with the eligibility process.

Auditors’ recommendation: The Department implements effective internal controls and monitors the process to reasonably ensure compliance with regulations and policies.

Management’s reponse: Two factors resulted in this recurring finding, late training and data loss. The training of staff on WIC eligibility as a result of the FY16 finding occurred between October 2016 and January 2017. This resulted in recurring finding for the FY17 audit. Due to a server outage, there was a considerable loss of data which is where a portion of the testing was pulled by the IPA. The server crash occurred in October 2016. Our internal audit team did conduct a review of this finding and found improvements made within the program to address this finding. This finding has been addressed through training and replacement of a critical server. The Division Director over the Public Health Division is responsible for correcting this finding. The finding was addressed in January 2017 with the completion of training and the replacement of a critical WIC server.

2017-006 (Previously 2016-009) Subrecipients (Significant Deficiency and Noncompliance)

Federal agency: CFDA 93.283 – Centers for Disease Control and Prevention_ Investigations and Technical Assistance

Federal program title: U.S. Department of Health and Human Services

Award Period: 5 NU58DP003932-05-00 and 5 U50CK000205-05

Questioned costs: \$-0-

Condition: During our testwork over subrecipient monitoring, we noted deficiencies pertaining to the Department’s review of subrecipients and contractors. 3 out of 8 agreements selected should have been identified as subrecipients rather than contractor for reporting purposes. Additionally, for the subrecipients identified, the Department has not updated its agreements with respective sub-recipients to include the required points under 2 CFR §200.331 Requirements for pass-through entities. The Department is not reviewing audit reports or applicable financial records of subrecipients in a timely manner to allow appropriate communication with subrecipients about matters that need to be remediated.

Criteria: 2 CFR §200.330 Subrecipient and contractor determinations.

Context: See “Condition”.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

**2017-006 (Previously 2016-009) Subrecipients (Significant Deficiency and Noncompliance)
(Continued)**

Cause: Lack of appropriate language and treatment of entities that the Department believes to be contractors rather than subrecipients.

Effect: While the Department is performing programmatic monitoring of these entities, the agreements with these entities do not contain the appropriate language and the Department is not performing its Financial Monitoring requirements.

Recommendation: We recommend the Department modify their current agreements to ensure the appropriate language is included. Additionally, the Department needs to ensure programs are monitoring subrecipients appropriately.

Management's response: The Department accepts this finding, acknowledging that the agreements tested were written in a way that would infer that the contracted vendors were subrecipients. After further review of each contract, the program has identified that the confusion lies in the scope of work in each contract. This language will be modified going forward, to clearly outline what services are to be provided by each vendor. This change should eliminate any interpretation differences with respect to vendors who should be considered sub-recipients and those who should not.

In addition, the Department will review federal subrecipient regulations to ensure that contracts have sufficient language to remain in compliance, conduct additional trainings for the programs and take additional steps to ensure that programs are appropriately monitoring their subrecipient contracts.

93.283 – DHHS PHS IHS as contracted with by the NMDOH Public Health Division: The DHHS PHS Indian Health Service and the University of New Mexico contracts were deemed sub-recipient by the IPA. Program staff will re-issue these contracts using the sub-recipient monitoring language, template and follow the sub-recipient guidelines. Management may evaluate other ways of delivering these services in future contract years.

93.283 – The University of New Mexico as contracted with by the NMDOH Public Health Division: The University of New Mexico contract was deemed sub-recipient by the IPA. Program staff will re-issue this contract using the sub-recipient monitoring language, template and follow the sub-recipient guidelines. Management may evaluate other ways of delivering these services in future contract years.

93.283 – The University of New Mexico as contracted with by the NMDOH Epidemiology and Response Division: ERD will implement procedure ERD-1 Subrecipient Risk Assessment and Monitoring (provided to the IPA). The subrecipient risk assessment will be completed for this agreement after the fact. If the next version of this agreement is determined to be a subrecipient agreement, the risk assessment will be completed prior to execution of the agreement. Monitoring will be conducted in accordance with the ERD-1 procedure. If necessary, an amendment to the agreement will be processed which includes additional language regarding subrecipient requirements. ERD has implemented procedure ERD-2 Determining a Contractor or Subrecipient (provided to the IPA). These procedures will be implemented by March 31, 2018. The ERD Deputy Director for Administration will be responsible for implementing these procedures.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other

2017-007 (Previously 2016-010) Gas Card Control Process (Compliance and Other Matters)

Condition: During the internal control test work over gas cards, we noted 14 unauthorized fuel purchases.

Management's Progress for Repeat Findings: The Department continues to lack adequate internal controls over the gas card process.

Criteria: 1.5.3.19 NMAC – Each agency will evaluate fuel purchase exceptions 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 transaction, nonfuel 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. Also, per Department Policy SOR. 11.03 (formerly ADM 05:137)) Active Drivers & Fuel Cards, fuel cards may be used only to provide car washes not exceeding \$30 for Department of Health Vehicles.

Context: See "Condition".

Cause: Management oversight.

Effect: The Department is not in compliance with NMAC 1.5.3.19 or Department policy.

Recommendation: Management establishes effective controls and procedures to ensure gas cards are in compliance with applicable laws and Department policy. Also, management reviews its policy and update as needed to reflect current conditions.

Management's response: The unauthorized fuel purchases relate to the purchase of unleaded plus and/or supreme fuel instead of regular unleaded fuel. ASD's Active Drivers and Fuel Cards policy specifies that only regular unleaded is to be used and when it is not, a justification from the driver for each unauthorized purchase is required. For each of the 14 unauthorized fuel purchases noted, a justification is on file which includes statements from drivers that at the time of fueling the vehicle, the fuel product type was selected in error. Each justification form also includes a signature of the driver, local vehicle coordinator, and ASD Vehicle Coordinator acknowledging that the driver has been counseled and has reviewed the vehicle use policy. The Department continues to require the justifications and will remind drivers to purchase only authorized products. As of October 14th this finding has been addressed with all authorized drivers. The Fleet Manager will continue to monitor this finding monthly and make regular reminders of the use of regular unleaded fuel.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-008 Other Per Diem (Compliance and Other Matters)

Condition: During the internal control test work over per diem, we noted 3 out of 22 samples have no signature noted for acknowledgment of employee exceeding the \$1,500 per calendar year for travel on the Itemized Schedule of Travel Expenses.

Criteria: Per Department Policy GEN 07:105 Voucher Preparation, products or services have been received, and invoices has original signature from DOH staff certifying that goods and/or services have been received and accepted.

Context: See “Condition”.

Cause: Management oversight.

Effect: The Department is not in compliance with Department policy.

Recommendation: Management establishes effective controls and procedures to ensure DOH staff are in compliance with Department policy. Also, management reviews its policy and update as needed to reflect current conditions.

Management’s Reponse: During the fiscal year the General Accounting Bureau had a high turnover resulting in an inconsistent method for monitoring travel reimbursement amounts. The responsibility was left to all staff members which contributed to the omissions. The Bureau has assigned this responsibility to only one auditor which will eliminate the inconsistency in calculating total reimbursements. This new procedure was implemented on October 12, 2017. The CFO is responsible for correcting this finding.

2017-009 Indigent Care (Compliance and Other Matters)

Condition: During our testing over indigent care cost and funding reports and calculations of cost of providing indigent care worksheets, we noted the following by facility:

NMBHI

- The facility provided extracted information for amounts listed under ‘funding for indigent care’. However, we were unable to test for completeness of the information as the facility did not provide the master file.
- No support was provided to us for the amounts listed as ‘direct costs paid to other providers on behalf of patients qualifying for indigent care’. As such, we were unable to agree to supporting detail nor test by patient account.
- Amounts listed under ‘cost of providing indigent care’ do not agree to the ‘calculations of cost of providing indigent care worksheets’.
- An amount listed under the ‘cost of providing indigent care’ was inadvertently transposed.
- The amounts listed under ‘patients receiving indigent care services’ do not agree to the supporting detail provided to us.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-009 Indigent Care (Compliance and Other Matters) (Continued)

Condition (Continued):

NMBHI (Continued)

- 17 out of 18 samples by patient account did not have documentation provided to us to support management's determination that the patient qualified for indigent care.
- The 'ratio of cost to charges' was subsequently changed based upon our request for supporting documentation and the factors considered in its determination. Reports were provided to us to be able to recalculate the percentage. However, no support was provided to us for the inputs used to calculate the percentage.
- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

TLH

- The supporting detail for the 'ratio of cost to charges' contained numerous mathematical errors. Also, we were unable to agree the patient days to the Hospital Census Report with date 06/30/2017 provided to us.
- 1 out of 6 samples by patient account did not have the client ledger provided to us to agree the total charges.
- 1 out of 6 samples by patient account did not have Section H of the Sliding Fee Eligibility Determination and Payment Contract included in the documentation provided to us.
- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

FBMC

- The amounts listed under 'patients receiving indigent care services' do not agree to the supporting detail provided to us.
- The amounts listed under 'funding for indigent care' and 'cost of providing indigent care' do not all agree to the supporting detail nor was all of the support provided to us.
- The 'ratio of cost to charges' was subsequently changed based upon our inquiries of data factoring into the ratio.
- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

NMRC

- The required reports for the three-year period ending 6/30/2017 were not able to be prepared as the tracking of indigent care ceased on or about September 2016.
- Procedures were unable to be performed over a sample of the supporting detail by patient account as the required reports for the three-year period ending 6/30/2017 were not able to be prepared.
- There is not a method in place for calculating indigent care costs.
- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-009 Indigent Care (Compliance and Other Matters) (Continued)

Criteria: Per Section 2.2.2.12 F of the State Audit Rule, hospitals subject to this rule shall prepare indigent care cost and funding reports and calculations of cost of providing indigent care worksheets in accordance with the definitions for indigent care cost and funding components and the applicable financial assistance policies for the three-year period ending June 30, 2017.

Context: See “Condition”.

Cause: Management oversight, lack of effective internal controls surrounding the preparation of the indigent care cost and funding reports and calculations of cost of providing indigent care worksheets.

Effect: The Department is not in compliance with NMAC 2.2.2.12 F.

Recommendation: Management establishes effective processes to ensure that the indigent care cost and funding reports and calculations of cost of providing indigent care worksheets are mathematically accurate and agree to supporting detail. We recommend management to include in its processes a review and approval of the reports and worksheets by someone independent of the preparer. Also, we recommend management to include in its processes written policies that address the documentation to be maintained to support the indigent care determination made by management as well as the documentation to be maintained related to the preparation of the reports.

Management’s response: This was the first year of this reporting requirement. Each hospital encountered challenges due to a lack of standard reporting for the cost of care. There was also no standard policy on documenting indigent healthcare and the limited amount of time available to create and produce this information for three fiscal years was a significant factor in the Department receiving this finding.

The hospitals acknowledge calculation errors on the worksheets provided to support the cost of indigent care. In order to resolve these errors, the hospitals will begin compiling the information sooner in order to provide adequate time to reconcile the data prior to submission to the IPA.

The hospitals also recognize that while some supporting detail was not provided, a large amount of data was submitted and perhaps due to time constraints, prevented further communication and explanation of the documentation which in turn resulted in limited feedback on how to better present the data provided. To meet the three-year period of audit, the compilation of data was extremely large and required the creation of special electronic health record reports by each hospital for each fiscal year. We recognized early on that the data would be challenging to accomplish, however we made significant progress in compiling the essential data for the IPA. The hospitals will review the information submitted and explore ways to more efficiently report data to the IPA. This will result in more formal and consistent methods of reporting and streamline the auditing of this data. The Department also acknowledges no standardized policy for documenting indigent healthcare. The Hospital Administrators and Administrative Services are responsible for correcting this finding. A new policy and procedures will be implemented by June 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-0010 Information Technology (Compliance and Other Matters)

Condition: During our testing over information technology, we noted the following by facility:

1. Inappropriate Administrative Access - Access to the information maintained in the system is controlled through the applications' access control facility. The administration of QS1 access control is facilitated through a member of the Pharmacy that has been granted privileged access. These individual's responsibilities represent a lack of proper segregation of duties. This end user with assigned privilege access that still performs daily functions in the application should not have the responsibility for assigning access or have the authority to administer information resources.
2. Risk assessment - The Department used a third party to perform vulnerability scans of its infrastructure. The third party identified thousands of high-risk vulnerabilities and ten of thousands of medium risk vulnerabilities. Also, the Department does not have a formal IT risk assessment process in place.
3. Disaster Recovery Plan Test - The Department has a disaster recovery plan; however, the plan has not regularly been tested.
4. Information Technology Infrastructure - The Department continues to use 58 Windows 2003 Servers and numerous Windows XP workstations in its environment. Windows 2003 Server and Windows XP systems are passed the end of life and no longer supported by Microsoft.
5. Periodic Reviews of User Access - User access requirements can change as a result of several factors including transfers, terminations, promotions, reorganization, and department growth. Audits of user accounts and their access level are not performed on a regular basis for Active Directory and critical applications. Also, during the testing of terminated users, we noted nine users on the PCC application still had active accounts.

Criteria:

1. In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 5 framework (DSS05), ensure system security, provides that the need to maintain the integrity of information and protect IT assets.
2. In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 5 framework (EDM03), to ensure risk optimization, management should regularly perform risk assessments.
3. In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 5 framework (DSS04), to ensure continuous service, a Disaster Recovery and Business Continuity Plan needs to be developed and tested to reduce the impact of a major disruption of key business functions and processes.
4. In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 5 framework (DSS05) ensure system security, provides that the need to maintain the integrity of information and protect IT assets.
5. In accordance with ISACA's Control Objectives for Information and related Technology (COBIT) 5 framework (DSS05) ensure system security, provides that the need to maintain the integrity of information and protect IT assets.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-0010 Information Technology (Compliance and Other Matters) (Continued)

Context: See “Condition”.

Effect:

1. This end user with privileged access may make changes to any of the data, change the authorized access of another user, or initiate a transaction and effectively conceal the audit trail.
2. The organization is not aware of risks that could negatively impact the business from an information technology and/or data security perspective that could result in unauthorized disclosure, misuse, alteration, destruction or another compromise of data and/or information technology assets. Without addressing the number of significant vulnerabilities increases the risk that the Department is open to a malicious attack.
3. The Department is at risk of losing valuable data and may experience delays in its ability to recover technical infrastructure within an acceptable time period could occur.
4. These operating system will no longer receive security patches / updates that close known holes for hackers to get into their system. These attacks could compromise data, usability, and systems.
5. Not performing a regular, standardized user account audit increases the risk that the company may not identify all old and unused user accounts, users with improper access to the system, and/or unauthorized system users.

Cause:

1. With the limited number of users on QS1, the decision was made to have the facility be the system administrator.
2. The Department has been focused on other projects within the Department and focused on risk at the project level and not the overall Department level.
3. The Department uses the data center maintained by the Department of Information Technology and relies on them for disaster recovery services.
4. Some of the servers are running software that can't be updated and run in the new operating system. In addition, limited funding has mattered into the decision not to replace.
5. The volume of users and the numerous systems make the reviews challenging.

Recommendation: Below are our recommendations:

1. Information Technology should take responsibility for the administration of access control within the financial applications or created a special account for the use of accounting department personnel that should only use for privileged tasks. The security administrator should be responsible for ensuring user profiles are maintained, and passwords within the accounting group remain confidential.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-0010 Information Technology (Compliance and Other Matters) (Continued)

Recommendation (Continued):

2. The Department should prioritize remediation and mitigation of the vulnerabilities identified. The Department develop and implement a formal IT risk assessment to periodically assess threats that could negatively impact data and information technology resources and do not have adequate administrative, technical and physical controls to mitigate the risk. Residual risk should be evaluated to determine what controls can be implemented to reduce the overall risk to the organization. The mitigation strategy should identify the priority of remediation efforts to reduce or eliminate the threat impact.
3. The Department should create a test plan to test the effectiveness of the disaster through a combination of tabletop exercise and technical testing. The test results will also provide the Department with additional knowledge to revise the recovery plan to have a more successful recovery in the event of a disaster.
4. The Department should continue its efforts to move to servers with at least Windows 2008 or higher and workstations with Windows 7 or higher. In the interim, the Department should remove access to the internet where possible and segregate the devices from the rest of the network to prevent attackers.
5. The Department should conduct a formal review of all user accounts, and their access level should be performed every year. The review process should be documented, and sign-off should be obtained from IT personnel completing the review. The review should ensure that all user accounts are assigned to current employees by comparing a system account listing to a current employee list from Human Resources. In addition, a review of access levels should be performed by comparing the user's current access rights listed on the system to those listed on their access form, and by confirming the user's access rights with their departmental manager.

Management's Response:

1. Information Technology staff maintain close communication with the limited staff who have been granted access to the system with administrative rights. Due to the limited number of employees who use this system the decision was made to grant limited administrative access to certain senior staff at the facilities who use the system. We recognize the need to establish control mechanisms that prevent fraud. The Information Technology Department will begin working on a plan to resolve this finding. The CIO is responsible for this finding and it will be resolved by June 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

Section IV – Other (Continued)

2017-0010 Information Technology (Compliance and Other Matters) (Continued)

Management's Response (Continued):

2. More than 90% of the vulnerability findings are attributed to Win2K3, WinXP and Win2K systems in our environment. A significant number of these systems have already been remediated under the Win2K3 Migration project. The WinXP machines are being decommissioned where possible, but a majority of them cannot be remediated because they are connected to laboratory test equipment with software that is not supported on newer OS versions. However, most of these systems do not need network connectivity and will be disconnected from network access. A plan is being developed to address these systems timely. The same issue and compensating control plan exists for the Win2K servers. As we have migrated Win2K3 server functional roles to newer OS, we have simultaneously been upgrading Apache, IIS, PHP etc. which also account for the 90% of vulnerability findings. The CIO is responsible for this finding and anticipates this finding being resolved by June 2018.
3. Staffing shortages have prevented the IT Department to effectively exercise their Disaster Recovery Plan. The responsibility for maintaining a disaster recovery plan and testing it effectiveness requires considerable time and coordination. There is significant time commitment necessary to ensure backups are viable, network management considerations for bandwidth constraints, secure storage / encryption of backups, and change management processes to keep plans current. We are in the process of hiring a position to perform this job duty as their primary responsibility. The CIO is responsible for this finding and anticipates testing to begin in 2018.
4. More than 90% of the vulnerability findings are attributed to Win2K3, WinXP and Win2K systems in our environment. A significant number of these systems have already been remediated under the Win2K3 Migration project. The WinXP machines are being decommissioned where possible, but a majority of them cannot be remediated because they are connected to laboratory test equipment with software that is not supported on newer OS versions. However, most of these systems do not need network connectivity and will be disconnected from network access. A plan is being developed to address these systems timely. The same issue and compensating control plan exists for the Win2K servers. As we have migrated Win2K3 server functional roles to newer OS, we have simultaneously been upgrading Apache, IIS, PHP etc. which also account for the 90% of vulnerability findings. The CIO is responsible for this finding and anticipates this finding being resolved by June 2018.
5. This issue stems from the lack of a formal off-boarding process within the Department that involves ITSD, HR and program administrative staff including bureaus and divisions who have administrative user management roles. ITSD is developing a standard that all new systems, whether hosted at NMDOH or by a vendor, are required to leverage Active Directory Federated Services which unifies the account provisioning to one single system at NMDOH. There is significant cost involved to retrofit existing applications and systems to use ADFS and are being handled on a case by case basis. ITSD will continue to work with HR staff on formalizing notification of terminated employees to eliminate this finding. The CIO is responsible for this finding and anticipates resolution by June 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

2016-001 (Previously 2011-001) Reconciliations and Financial Close and Reporting	Resolved
2016-002 (Previously 2014-001) Accounts Receivable	Resolved
2016-003 Period of Performance	Resolved
2016-004 (Previously 2015-002) Allowability – Internal Control over Payroll	Revised/Repeated
2016-005 (Previously 2015-003) Eligibility	Revised/Repeated
2016-006 (Previously 2015-004) Federal Program Reporting	Resolved
2016-007 Federal Program Earmarking	Resolved
2016-008 Federal Program Procurement	Resolved
2016-009 Subrecipient Monitoring	Revised/Repeated
2016-010 (Previously 2013-005) Gas Card Control Process	Revised/Repeated
2016-011 Medical Cannabis Program Review of Applications	Resolved
2016-012 New Mexico State Employee Charities Campaign (NMSECC) Oversight	Resolved
2016-013 (Previously 2015-007) Cash Receipts Not Recorded or Deposited in a Timely Manner	Resolved
2016-014 Budget Overages	Resolved
2016-015 Information Technology – Password Policy	Resolved
2016-016 Late Submission of Audit Report	Resolved

**NEW MEXICO DEPARTMENT OF HEALTH
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2017**

An exit conference was held with the Department on November 1, 2017. The conference was held at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

NEW MEXICO DEPARTMENT OF HEALTH

Lynn Gallagher, DOH-Cabinet Secretary
Roy McDonald, DOH-CFO
Charles Jaramillo, DOH-Deputy ASD Director
Michael Stanton, DOH-Deputy ASD Director
Eve Banner, DOH-FAB Bureau Chief
Joan Wittig, DOH-Chief Internal Auditor
Carmel Pacheco-Aragon, DOH-Cash Manager
Dominic Donio, DOH-Accounting Manager

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal
Laura Beltran-Schmitz, CPA, CFE, Engagement Director
Geneva Choi, Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.