

NEW MEXICO

DEPARTMENT OF

HEALTH

AUDITED FINANCIAL STATEMENTS

WITH ACCOMPANYING
SUPPLEMENTAL INFORMATION

FISCAL YEAR ENDED JUNE 30, 2018

**NEW MEXICO DEPARTMENT OF HEALTH
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YEAR ENDED JUNE 30, 2018**

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**NEW MEXICO DEPARTMENT OF HEALTH
OFFICIAL ROSTER
YEAR ENDED JUNE 30, 2018**

Department Officials

<u>Title</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Cabinet Secretary	K. Lynn Gallagher	K. Lynn Gallagher
Deputy Secretary – Facilities	Gabrielle Sanchez-Sandoval	Gabrielle Sanchez-Sandoval
Deputy Secretary – Programs	Dawn Hunter	Dawn Hunter
Chief Financial Officer	Charles Jaramillo	Roy McDonald
General Counsel	Shelly Strong & Chris Woodward	Erin McSherry
Chief Information Officer	Terry Reusser	Terry Reusser
Chief Medical Officer	Vacant	Vacant
State Epidemiologist	Michael Landen, M.D.	Michael Landen, M.D.

Division Directors

<u>Title</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Administrative Services	Roy McDonald (CPO)	Roy McDonald
Public Health	Lynn Carroll	Lynn Carroll
Epidemiology & Response	Michael Landen, M.D	Michael Landen, M.D
Scientific Laboratory	Lixia Liu	Lixia Liu
Office of Facilities Management	Roberta Vigil	Roberta Vigil
Developmental Disabilities Support Division	Jim Copeland	Jim Copeland
Health Facility Licensing & Certification	Vacant	Joseph Foxhood
Medical Cannabis	Kenneth Vigil	Kenneth Vigil

INDEPENDENT AUDITORS' REPORT

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
and Mr. Wayne Johnson, 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 the budgetary comparisons of the general fund and major special revenue fund of the New Mexico Department of Health, as of and for the year ended June 30, 2018, 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.

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, 2018, 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, 2018, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 19, the Department changed its accounting treatment of matters that impacted the Department's beginning fund balance and net position. Our opinion is not modified with respect to these changes.

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.

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, the budgetary comparisons, and other schedules required by Section 2.2.2 NMAC 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.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
and Mr. Wayne Johnson, New Mexico State Auditor

The combining and individual nonmajor fund financial statements, the budgetary comparisons, other schedules required by Section 2.2.2 NMAC (except for the prior years' information on the Indigent Care Cost and Funding Report – NMBHI, FBMC, TLH, NMRC), 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.

The Indigent Care Cost and Funding Report – NMBHI, FBMC, TLH, NMRC (prior years' information only) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the New Mexico Department of Health's 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 New Mexico Department of Health's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 1, 2018

MANAGEMENTS' DISCUSSION
AND ANALYSIS

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018. 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.
- 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.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

- The Statement of Fiduciary Net Position 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.

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)**

Governmental Activities

	FY2018	FY2017	Amount Change	Percent Change
Assets:				
Cash, Restricted and Nonrestricted	\$ 24,696	\$ 29,837	\$ (5,141)	-17.2%
Other Current Assets	26,343	35,877	(9,534)	-26.6%
Noncurrent Assets	50,102	54,006	(3,904)	-7.2%
Total Assets	\$ 101,141	\$ 119,720	\$ (18,579)	-15.5%
Liabilities:				
Current Liabilities	\$ 44,744	\$ 60,469	\$ (15,725)	-26.0%
Long-Term Liabilities	49,516	50,428	(912)	-1.8%
Total Liabilities	94,260	110,897	(16,637)	-15.0%
Net Position:				
Investment in Capital Assets	(153)	2,315	(2,468)	-106.6%
Restricted	10,999	9,403	1,596	17.0%
Unrestricted (Deficit)	(3,965)	(2,895)	(1,070)	37.0%
Total Net Position	6,881	8,823	(1,942)	-22.0%
Total Liabilities and Net Position	\$ 101,141	\$ 119,720	\$ (18,579)	-15.5%

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Significant factors impacting the Department's financial position and results of operations during the year ended June 30, 2018 are as follows:

Assets

Total assets decreased by approximately \$18.6 million or 15.5%. This decrease resulted from several factors:

A decrease balance of Investments in the State General Fund Investment Pool and cash accounts of approximately \$5.1 million or 17.2%. More information on significant revenue variations can be found in the FY18 Operating Budget section.

Other current assets decreased by \$9.5 million or 26.6% of which is comprised mostly of a decrease of \$2.6 million due from Federal Government and a decrease of \$7.3 million due from Other State Agencies.

A decrease in Non-Current Assets of approximately \$3.9 million or 7.2% occurred primarily from transferring assets to the Department of Veterans' Services with a net value of \$1,550,215. Per the 2018 State Audit Rule 2.2.210W, DOH removed the majority of assets under \$5,000.

Liabilities and Net Position

Total liabilities decreased by approximately \$16.6 million or 15%. This net decrease was primarily due to:

A decrease of \$3.7 million or 15% in the payables account primarily due to an increased effort to reduce accrued assets and to pay vendors timely.

A decrease of \$14.5 million or 75% in the amount due to Other State Agencies. Most of this decrease included \$4.5 million due to the Human Services Department (HSD) from the Developmentally Disabled Waiver Program.

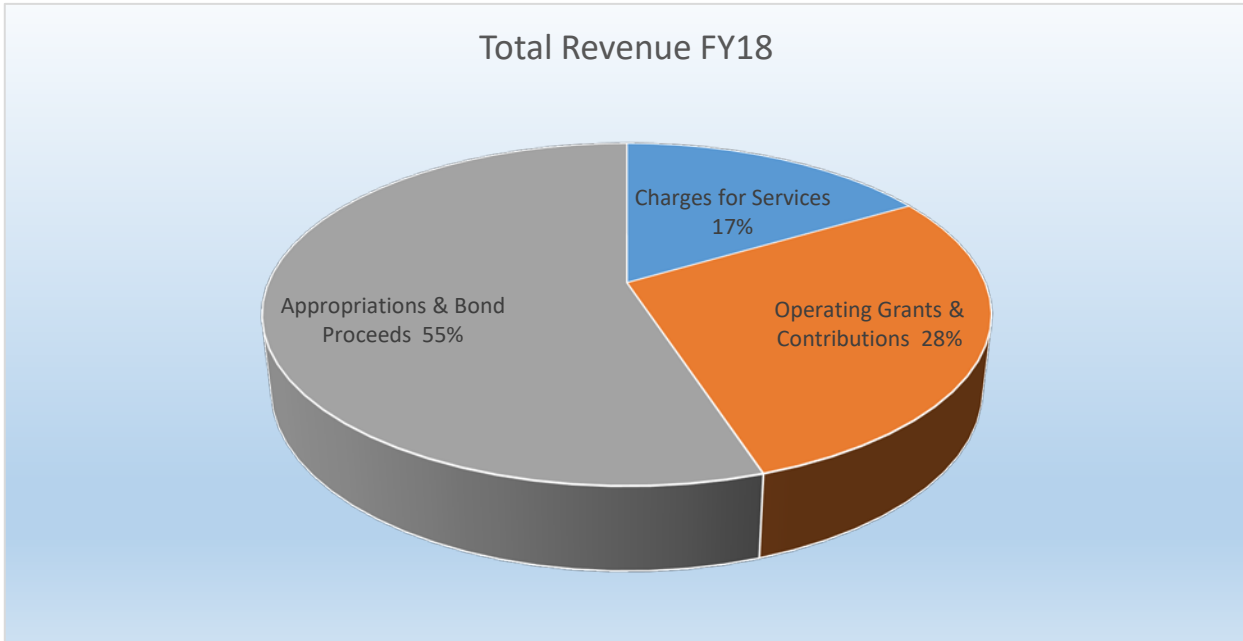
Long-term Liabilities decreased by approximately \$1 million or 1.8%. This net decrease was primarily due to a net increase to compensated absences and a net decrease to capital lease payable.

The Department had no deferred inflow or outflow of resources.

Total Net Position decreased by \$1.9 million or approximately 22%. This was caused by an increase of expenditures over revenues. Total revenues decreased by approximately \$25.9 million and total expenditures decreased by approximately \$25.6 million.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The chart below illustrates the types of revenue received in FY18 by the Department:



Changes in Net Activities

The table below summarizes the change in the Department's net activities between the fiscal years ending June 30, 2018 and 2017.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

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

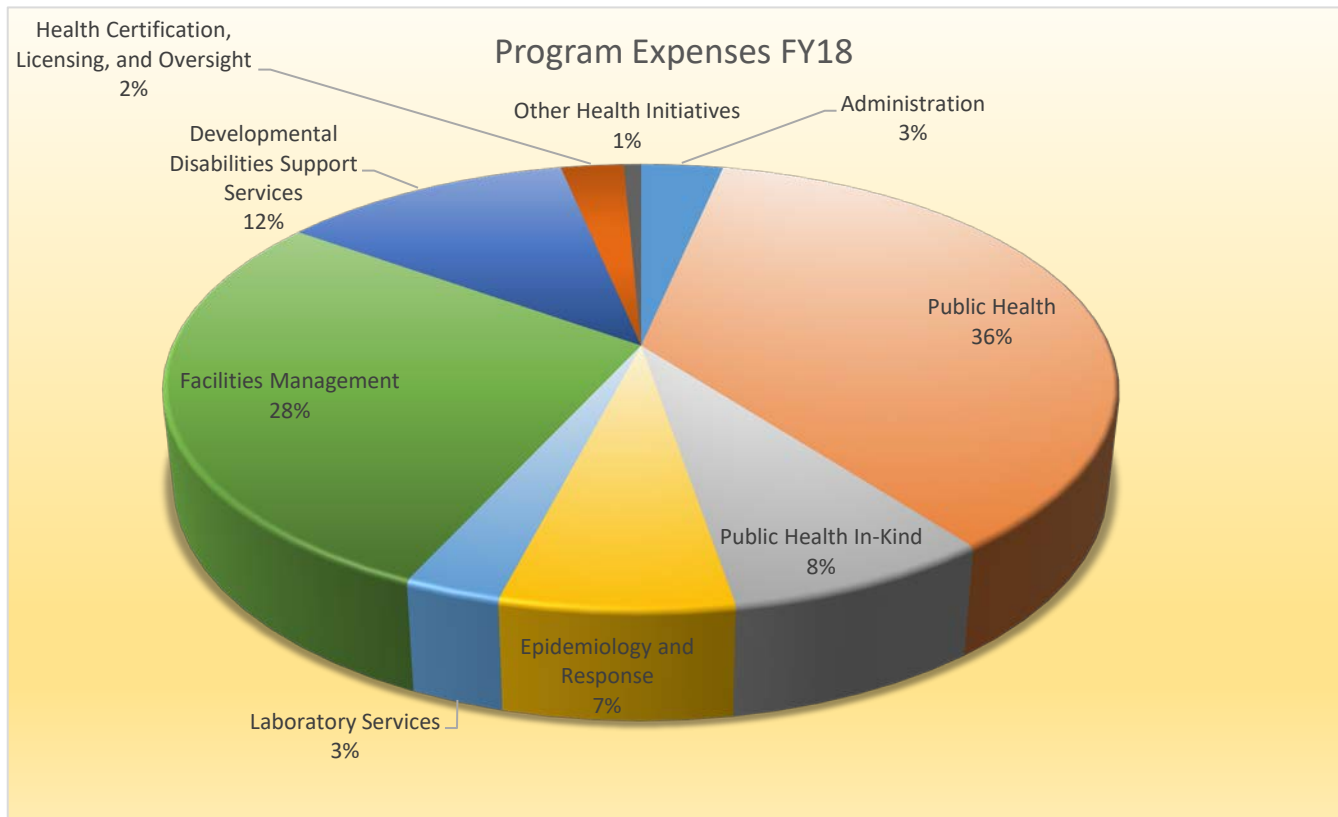
	FY 2018	FY 2017	Amount Change	Percent Change
Revenues:				
Program Revenue:				
Charges for Services	\$ 91,198	\$ 111,060	\$ (19,862)	-17.9%
Operating Grants and Contributions				
Contributions	156,726	157,322	(596)	-0.4%
Total Program Revenue	247,924	268,382	(20,458)	-7.6%
General Revenue:				
Transfers, Net (before NMSVH)	(115,538)	(113,715)	(1,823)	1.6%
Transfer of NMSVH capital assets	(1,550)	-	(1,550)	
Bond Proceeds/Appropriations	303,874	299,105	4,769	1.6%
Investment Income	4	5,180	(5,176)	-99.9%
Gain (Loss) on Capital Asset				
Disposal	(51)	(80)	29	-36.6%
Reversion	(7,149)	(5,378)	(1,771)	32.9%
Total General Revenue	179,589	185,112	(5,523)	-3.0%
Total Revenues	427,513	453,494	(25,981)	-5.7%
Expenses	429,189	455,174	(25,985)	-5.7%
Changes in Net Position	(1,676)	(1,680)	4	-0.2%
Net Position - Beginning of Year	8,823	10,503	(1,680)	-16.0%
Changes to Beginning Net Position:				
Purchase Method versus Consumption				
method for Inventory	388	-	388	
Transfer of NMSVH fund balance	(265)	-	(265)	
Changed Beginning Net Position	8,946	10,503	(1,557)	-14.8%
Net Position - End of Year	\$ 7,270	\$ 8,823	\$ (1,676)	-19.0%

As indicated in Table 2, the Department's ending net position decreased by \$2.1 million over FY17 or approximately 23.4%. The Department experienced a decrease in total revenue of approximately \$20.5 million or 8%. Program revenues decreased by approximately \$6.7 million or 3% due to the Public Health Division revenues decreasing by \$9.3 million, the Scientific Laboratory Division revenues decreasing by \$1 million and the Developmental Disability Services Division increasing by \$2.8 million. The revenues for the facilities decreased by \$13.8 million or 19% compared to 2017.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

General revenues, not including reversions, decreased by approximately \$2 million or 1%. Net transfers increased by approximately \$1.8 million or 2%, due primarily to an increase of \$1.3 million more in Grants to other State Agencies. Agency transfers in for DDS Waiver increased from \$387,670 thousand to \$1.5 million. General Fund appropriations from DFA decreased by \$1.2 million from FY17 and these general revenues were offset by the transfer of the NM State Veteran's Hospital Capital Assets of \$1.6 million. The Distribution from State Permanent Fund increased by \$1.2 million from FY17.

The chart below shows expenses by program in FY18 for the Department:



Total expenses decreased by approximately \$25.6 million or 6%, 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 revenues in FY18 resulted in a decrease in net position of \$2.1 million. Combined with a beginning of year net position of \$8.8 million, the Department concluded the fiscal year with an ending net position totaling approximately \$6.9 million.

FY18 Operating Budget

The Department's initial operating budget for FY18 totaled \$534.4 million, including \$283.3 million in General Fund, in accordance with Laws 2017, Chapter 135 of the General Appropriations Act. Budget adjustment increases/decreases totaling approximately \$8.5 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 \$542.9 million.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Significant adjustments to the FY18 appropriated operating budget included:

A budget increase of \$3,044,600 in Federal Funds for the Epidemiology and Response Division for newly awarded federal grants in the following bureaus: Injury Behavioral Epidemiology Bureau, Environmental Health Epidemiology Bureau and Infectious Disease Epidemiology Bureau

A general fund program transfer in the amount of \$2,400,000 in Personal Services and Employee Benefits (200) category and Other (400) category from Administrative Services Division, Public Health Division, Epidemiology and Response Division, and the Scientific Laboratory Division to the Developmentally Disabilities Supports Division-Other Financing Sources (500) category to cover a budget shortfall for the Developmentally Disability Waiver Program (DDW)

A category transfer in the amount of \$1,595,673 to realign Federal Fund budget authority from Other (400) category to the Contractual Services (300) category within the Public Health Division's Women, Infants and Children (WIC) Program

A budget increase in Other Revenues in the amount of \$1,462,900 in the Other (400) category for the Public Health Division's Immunization Program to ensure the program has sufficient budget authority to pay for vaccines for children

A category transfer in the amount of \$1,250,000 from the Contractual Services (300) category to the Other (400) category for the Public Health Division to realign general fund budget authority to be used by the Infectious Disease Bureau to adequately supply health offices with adult vaccines within the state of New Mexico

A category transfer within Other Revenues in the amount of \$1,200,000 from the Contractual Services (300) category to the Other (400) category for Facilities Management, New Mexico Behavioral Health Institute to allow the Office of Facilities Management to cover operating costs

An Inter-Agency budget increase in the amount of \$1,090,900 into the Contractual Services (300) category and the Other (400) category for the Administrative Services Division's Information Technology Bureau (IT) to enhance the Medicaid Management Information System; otherwise known as the MMISR project

An Inter-Agency Transfer budget increase in the amount of \$664,452 into the Contractual Services (300) category in the Developmental Disabilities Support Division to ensure sufficient budget authority is available for grant funding received from the Public Education Department for the Race to the Top/Early Learning Challenge program

A general fund category transfer in the amount of \$635,000 from Personal Services and Employee Benefits (200) category and Contractual Services (300) category into the Other (400) category to cover the Developmental Disabilities Support Division Family, Infant, Toddler (FIT) expenditures through year-end

A Federal Fund budget increase of \$566,389 in the Other (400) category for the Developmental Disabilities Support Division to cover increased utilization of FIT Provider Agreements

A category transfer in the amount of \$540,000 from the Other Costs (400) category to the Personnel Services & Employee Benefits (200) category and the Contractual Services (300) category for the Medical Cannabis Program (MCP) to ensure adequate funding for legal services, lab updates, surveys/consulting, additional staff to handle increased number of patients, and a Project Manager to work on implementing online patient applications

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

A transfer in the amount of \$500,000 from the Personal Services and Employee Benefits (200) category to the Other (400) category to provide funding for IT Enterprise costs for network infrastructure consisting of servers, routers, switches, cat-6 wiring cables, warranties, and maintenance support for hardware

A general fund category transfer in the amount of \$481,000 from Personal Services and Employee Benefits (200) category to the Other (400) category to realign budget authority to cover expenditures for laboratory supplies, equipment, and operational costs for the Toxicology, Biology, and Chemistry Bureaus to test samples submitted to the Scientific Laboratory Division

A budget increase in Other State Fund in the amount of \$475,000 for the Medical Cannabis Program (MCP) in the Personal Services and Employee Benefits (200) category and the Contractual Services (300) category to ensure the program has sufficient budget authority to cover administrative and operational costs due to an increase in patient registration

A category transfer in Other State Funds in the amount of \$425,000 from the Personnel Services & Employee Benefits (200) category to the Contractual Services (300) category for Facilities Management, New Mexico Behavioral Health Institute to cover nursing contract labor due to a projected shortage of nursing services

A fund balance budget increase in the amount of \$387,670 into the Other Financing Uses (500) category by the Developmental Disabilities Supports Division (DDSD) to improve the system's capacity to develop appropriate services models and produce positive outcomes for New Mexicans with developmental disabilities and to comply with the Waldrop Settlement Agreement

Capital Assets and Debt Administration

Total capital assets, net of depreciation, for the Department total \$50 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, 2018 was approximately \$7.4 million. The estimated amount to be paid within one year is \$6.7 million, while approximately \$751 thousand could be paid after one year. There was no significant activity to report for compensated absences during the year ended June 30, 2018

Currently Known Facts, Decisions, and Conditions

Recurring state-wide general fund revenue estimates for fiscal year FY18 were revised in August 2018 with an increase projected to be \$857.3 million higher than projected in January 2018. Recurring state-wide general fund revenue estimates for FY19 are projected to come in \$670.7 million above the FY18 year-end estimate. State-wide General Fund revenue is expected to increase by 8.0% from FY18 to FY19. Strength in Gross Receipts Tax revenue is resulting in an improved forecast for general fund revenue for FY19. The oil and gas sector has seen considerable improvement in the price of oil, and production over the past twelve months. The average active rig count in December 2017 was 73 rigs producing approximately 425k barrels per day. The rig count and production rose sharply and as of August 2018 there were an average of 104 active oil rigs and production rose to more than 530k barrels per day. The oil and gas sector will continue to improve the state's economic health even as growth stabilizes. Weak economic factors include; lower than expected employment, personal income and wage growth, international trade disputes, and a rising interest rate environment.

**NEW MEXICO DEPARTMENT OF HEALTH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

The majority of General Fund revenue in FY18 came from Gross Receipts Tax at 36.6% consistent with FY17 (36%) and FY16 (35%). The second largest revenue source is from Personal Income Taxes and Corporate Income Taxes at 23%, which is also consistent with FY17 (23%) and FY16 (25%). The third largest source consists of investment earnings revenues at 12.0% for FY18, which is a slight decrease from FY17 (12.8%) and nearly a 2% drop from FY16 (13.6%).

The Department has received \$5,089,300 less in General Fund Appropriation as of July 1, 2018 through October 2018 which is 2% less than FY18. 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 2% in FY19 and decelerate in FY20 to 1%. Annual growth in personal income in New Mexico is expected to grow at a rate of 4% over the next four years. According to UNM BBER, FY19 General Fund consensus revenue for FY19 and FY20 is projected at \$6.2 and \$6.5 billion respectively and will continue to rise in FY21 and FY22 to \$6.7 and \$6.9 billion respectively.

The Department 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 31 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:

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

BASIC FINANCIAL STATEMENTS

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS	
ASSETS	
Cash	\$ 19,690
Investment in State General Fund Investment Pool	24,676,435
Accounts Receivable, Net	11,796,369
Due from Federal Government	11,296,368
Due from Other State Agencies	452,258
Due from Other Local Government	176,177
Intergovernmental Receivables	54,765
Inventory	2,199,688
Prepaid Expenses and Others	367,517
Capital Assets:	
Land	49,700
Other, Net of Depreciation	50,052,509
Total Capital Assets	50,102,209
 Total Assets	 \$ 101,141,476
LIABILITIES AND NET POSITION	
LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 21,196,375
Accrued Payroll	3,509,205
Cash Overdraft	169,578
Due to State General Fund	3,082,865
Due to Other State Agencies	4,748,518
Due to Local Government	-
Due to Federal Government	161,815
Intergovernmental Payables	92,930
Unearned Revenue	530,680
Other Liabilities	3,077,043
Compensated Absences Due within One Year	6,686,103
Capital Lease Payable Due Within One Year	1,490,000
Long-Term Liabilities:	
Compensated Absences Due in More than One Year	750,660
Capital Lease Payable Due in More than One Year	48,765,000
Total Liabilities	94,260,772
NET POSITION	
Net Investment in Capital Assets	(152,791)
Restricted for:	
Administration	1,261,531
Public Health	5,960,815
Epidemiology and Response	714,424
Laboratory Services	623,346
Facilities Management	691,806
Development Disabilities Support Services	1,746,764
Unrestricted	(3,965,191)
 Total Net Position	 \$ 6,880,704

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 14,229,326	\$ 7,444	\$ 8,513,074	\$ (5,708,808)
Public Health	156,124,582	29,218,768	73,884,894	(53,020,920)
Public Health In-Kind	32,943,879	-	32,943,879	-
Epidemiology and Response	28,592,554	1,384,063	15,190,393	(12,018,098)
Laboratory Services	12,004,325	2,150,429	2,331,234	(7,522,662)
Facilities Management	120,748,043	51,974,100	5,666,754	(63,107,189)
Developmental Disabilities Support Services	50,637,241	1,288,535	12,962,147	(36,386,559)
Health Certification, Licensing, and Oversight	10,925,684	2,013,711	5,233,266	(3,678,707)
Other Health Initiatives	3,034,432	3,161,396	-	126,964
Total Governmental Activities	\$ 429,240,066	\$ 91,198,446	\$ 156,725,641	(181,315,979)

GENERAL REVENUES AND TRANSFERS

General Revenues:

State General Fund Appropriations	288,493,800
Tobacco Settlement Funds	6,011,589
County-Supported Medicaid	2,993,136
Distribution from State Permanent Fund	6,375,133
Transfer of NMSVH Capital Assets	(1,550,215)
Investment Income	3,522
Reversion - FY 2018 - Transfer Out	(7,149,022)
Other Component Transfers - In	27,743
Interagency Transfers - Out	(115,565,972)
Total General Revenues and Transfers	179,639,714

CHANGE IN NET POSITION

(1,676,265)

Net Position - Beginning of Year

Restatement	8,822,886
Transfer of NMSVH fund balance	(265,917)
Beginning Net Position, as restated:	8,556,969

NET POSITION - END OF YEAR

\$ 6,880,704

**NEW MEXICO DEPARTMENT OF HEALTH
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Major Funds			Total Governmental Funds
	General Fund 06100	DDS Waiver Fund 40170	Other Nonmajor	
ASSETS				
Cash	\$ 18,300	\$ -	\$ 1,390	\$ 19,690
Investment in State Treasurer General Fund Investment Pool	15,913,952	5,943,901	2,818,582	24,676,435
Accounts Receivable, Net	8,805,250	-	2,991,119	11,796,369
Due from Federal Government	11,296,368	-	-	11,296,368
Due from Other State Agencies	145,057	-	307,201	452,258
Due from Local Governments	146,421	-	29,756	176,177
Intergovernmental Receivables	54,765	-	-	54,765
Inventory	2,199,688	-	-	2,199,688
Prepaid Expenses and Others	367,517	-	-	367,517
Total Assets	\$ 38,947,318	\$ 5,943,901	\$ 6,148,048	\$ 51,039,267
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 20,797,535	\$ -	\$ 398,840	\$ 21,196,375
Accrued Payroll	3,464,563	-	44,642	3,509,205
Cash Overdraft	-	-	169,578	169,578
Due to State General Fund	3,067,204	-	15,661	3,082,865
Due to Other State Agencies	274,711	4,473,807	-	4,748,518
Intergovernmental Payables	92,930	-	-	92,930
Due to Federal Government	161,815	-	-	161,815
Unearned Revenue	530,680	-	-	530,680
Other Liabilities	3,076,585	-	458	3,077,043
Total Liabilities	31,466,023	4,473,807	629,179	36,569,009
FUND BALANCES				
Nonspendable	2,461,996	-	-	2,461,996
Restricted	4,179,953	1,470,094	5,516,138	11,166,185
Committed	-	-	2,731	2,731
Assigned	-	-	-	-
Unassigned	839,346	-	-	839,346
Total Fund Balances	7,481,295	1,470,094	5,518,869	14,470,258
Total Liabilities and Fund Balances	\$ 38,947,318	\$ 5,943,901	\$ 6,148,048	\$ 51,039,267

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, 2018**

Total Fund Balances - Governmental Funds (Governmental Funds Balance Sheet)	\$	14,470,258
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		111,623,344
Accumulated Depreciation		(61,521,135)
Total Capital Assets		50,102,209
Capital lease payable is not due and payable in the current period and, therefore, is not reported in the funds.		(50,255,000)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(7,436,763)
Net Position of Governmental Activities (Statement of Net Position)	\$	6,880,704

NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	Major Funds			Total Governmental
	General Fund 06100	DDS Waiver Fund 40170	Other Nonmajor Funds	
REVENUES				
Federal Grant Revenue	\$ 124,067,017	\$ -	\$ 8,687	\$ 124,075,704
In-Kind Assistance - Federal	32,943,879	-	-	32,943,879
Charges for Services	60,824,464	-	20,422,634	81,247,098
Fees, Penalties, Rentals, and Other	6,208,264	-	3,449,142	9,657,406
Total Revenues	<u>224,043,624</u>	<u>-</u>	<u>23,880,463</u>	<u>247,924,087</u>
EXPENDITURES				
Current Operating:				
Administration	13,943,760	-	-	13,943,760
Public Health	135,020,132	-	20,728,273	155,748,405
Public Health In-Kind Assistance	32,943,879	-	-	32,943,879
Epidemiology and Response	23,895,090	-	4,535,112	28,430,202
Laboratory Services	11,350,930	-	-	11,350,930
Facilities Management	115,083,671	-	-	115,083,671
Development Disabilities Support Services	50,599,806	-	-	50,599,806
Health, Certification, Licensing, and Oversight	10,889,699	-	-	10,889,699
Other Health Initiatives	-	-	2,880,754	2,880,754
Capital Outlay	1,783,726	-	-	1,783,726
Capital Lease Principal Payment	-	-	1,435,000	1,435,000
Capital Lease Interest Payment	-	-	2,614,356	2,614,356
Total Expenditures	<u>395,510,693</u>	<u>-</u>	<u>32,193,495</u>	<u>427,704,188</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(171,467,069)	-	(8,313,032)	(179,780,101)
OTHER FINANCING SOURCES (USES)				
General Fund Appropriation	172,838,900	106,616,300	9,038,600	288,493,800
Tobacco Settlement Appropriation	6,011,589	-	-	6,011,589
County-Supported Medicaid	-	-	2,993,136	2,993,136
Severance Tax/GOB Appropriation	-	-	-	-
Distribution from State Permanent Fund	6,375,133	-	-	6,375,133
Investment Income	0	-	3,522	3,522
Reversion - FY 2018 - Transfer Out	(4,905,253)	-	(2,243,769)	(7,149,022)
Intra-Agency Transfers - In	-	1,470,094	-	1,470,094
Intra-Agency Transfers - Out	(1,470,094)	-	-	(1,470,094)
Other Component Transfers - In	27,743	-	-	27,743
Interagency Transfers - Out	(8,562,002)	(107,003,970)	-	(115,565,972)
Net Other Financing Sources (Uses)	<u>170,316,016</u>	<u>1,082,424</u>	<u>9,791,489</u>	<u>181,189,929</u>
NET CHANGE IN FUND BALANCES	(1,151,053)	1,082,424	1,478,457	1,409,828
Fund Balances - Beginning of Year	8,875,088	387,670	4,040,412	13,303,170
Restatement of Transfer of NMSVH	(265,917)	-	-	(265,917)
Beginning fund balance, as restated	<u>8,609,171</u>	<u>387,670</u>	<u>4,040,412</u>	<u>13,037,253</u>
Increase in nonspendable for inventory	23,177	-	-	23,177
FUND BALANCES - END OF YEAR	<u>\$ 7,481,295</u>	<u>\$ 1,470,094</u>	<u>\$ 5,518,869</u>	<u>\$ 14,470,258</u>

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND
BALANCE
YEAR ENDED JUNE 30, 2018**

Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in Fund Balances) \$ 1,409,828

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 increase in the liabilities for the fiscal year was: (640,866)

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	1,783,726
Depreciation Expense	(4,086,231)
Excess of Depreciation Expense over Capital Outlay	(2,302,505)

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: (50,684)

The Statement of Activities shows the transfer of capital assets to the Department of Veteran Services. This is not recorded on the Statement of Revenues, Expenditures and Changes in Fund Balances (1,550,215)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Inventory 23,177

Repayments of capital lease obligations are an expenditure in the governmental fund, but the repayment reduces long-term liabilities of the Statement of Net Position: 1,435,000

Change in Net Position of Governmental Activities (Statement of Activities) **\$ (1,676,265)**

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - All programs			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds*	\$ 107,528,344	\$ 111,139,333	93,663,077	\$ (17,476,256)
General Funds	167,114,600	164,714,600	172,838,900	8,124,300
Other State Funds	91,411,600	91,696,200	80,589,543	(11,106,657)
Interagency Transfers*	38,193,600	40,262,398	29,261,591	(11,000,807)
Total Revenues and Other Financing Sources	404,248,144	407,812,531	376,353,111	(31,459,420)
PRIOR YEAR FUND BALANCE USED	-	607,693	-	(607,693)
Total Revenues and Fund Balance Budgeted	404,248,144	408,420,224	376,353,111	(32,067,113)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	199,851,100	197,863,352	187,902,881	9,960,471
Contractual Services	77,317,690	79,542,809	67,444,446	12,098,363
Other Costs	119,597,913	122,924,929	107,584,854	15,340,075
Other Financing Uses	8,724,300	8,724,300	8,562,002	162,298
Total Expenditures and Other Financing Uses	<u>\$ 405,491,003</u>	<u>\$ 409,055,390</u>	371,494,183	<u>\$ 37,561,207</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			4,858,928	
FEDERAL IN-KIND REVENUE (Not Budgeted)**			32,943,879	
FEDERAL IN-KIND EXPENDITURE (Not Budgeted)**			(32,943,879)	
INTRA-AGENCY TRANSFER TO FUND 40170 (Not Budgeted)			(1,470,094)	
REVERSIONS (Not Budgeted)			(4,905,253)	
NET CHANGE IN FUND BALANCE			<u>\$ (1,516,419)</u>	

* Federal funds passed through to the Department from Other State Agencies in the amount of \$19,653,819 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.

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - Administration			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 7,635,300	\$ 7,848,200	\$ 6,815,432	\$ (1,032,768)
General Funds	5,238,100	5,038,100	5,038,100	-
Other State Funds	-	-	342	342
Interagency Transfers	757,500	1,882,352	972,501	(909,851)
Total Revenues and Other Financing Sources	13,630,900	14,768,652	12,826,375	(1,942,277)
PRIOR YEAR FUND BALANCE USED	-	575,131	-	(575,131)
Total Revenues and Fund Balance Budgeted	13,630,900	15,343,783	12,826,375	(2,517,408)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	11,527,600	10,974,452	10,951,979	22,473
Contractual Services	785,700	1,915,800	1,058,736	857,064
Other Costs	1,317,600	1,878,400	1,390,790	487,610
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 13,630,900</u>	<u>\$ 14,768,652</u>	<u>13,401,505</u>	<u>\$ 1,367,147</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			(575,130)	
REVERSIONS (Not Budgeted)			-	
NET CHANGE IN FUND BALANCE			<u>\$ (575,130)</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - Public Health			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds*	\$ 72,078,100	\$ 72,078,100	\$ 58,512,320	\$ (13,565,780)
General Funds	49,352,900	47,752,900	48,215,200	462,300
Other State Funds	25,267,000	25,267,000	19,268,582	(5,998,418)
Interagency Transfers*	14,299,800	14,299,800	10,751,511	(3,548,289)
Total Revenues and Other Financing Sources	160,997,800	159,397,800	136,747,613	(22,650,187)
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	160,997,800	159,397,800	136,747,613	(22,650,187)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	51,835,600	50,435,600	46,502,307	3,933,293
Contractual Services	42,557,400	42,903,073	35,044,764	7,858,309
Other Costs	66,142,500	65,596,827	53,500,896	12,095,931
Other Financing Uses	462,300	462,300	462,300	-
Total Expenditures and Other Financing Uses	<u>\$ 160,997,800</u>	<u>\$ 159,397,800</u>	<u>135,510,267</u>	<u>\$ 23,887,533</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			1,237,346	
FEDERAL IN-KIND REVENUE (Not Budgeted)**			32,943,879	
FEDERAL IN-KIND EXPENDITURE (Not Budgeted)**			(32,943,879)	
REVERSIONS (Not Budgeted)			(1,251,578)	
NET CHANGE IN FUND BALANCE			<u>\$ (14,232)</u>	

* Federal funds passed through to the Department from Other State Agencies in the amount of \$19,653,819 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.

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

General Fund - Fund 06100 - Epidemiology and Response				
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 15,012,100	\$ 17,843,800	\$ 15,242,761	\$ (2,601,039)
General Funds	7,545,400	7,345,400	7,345,400	-
Other State Funds	407,700	668,700	468,319	(200,381)
Interagency Transfers	766,200	855,146	727,150	(127,996)
Total Revenues and Other Financing Sources	23,731,400	26,713,046	23,783,630	(2,929,416)
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	23,731,400	26,713,046	23,783,630	(2,929,416)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	13,434,900	14,346,300	12,814,130	1,532,170
Contractual Services	8,059,800	9,865,546	8,191,515	1,674,031
Other Costs	2,236,700	2,501,200	2,367,361	133,839
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 23,731,400</u>	<u>\$ 26,713,046</u>	<u>23,373,006</u>	<u>\$ 3,340,040</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			410,624	
REVERSIONS (Not Budgeted)			<u>(184,687)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 225,937</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

General Fund - Fund 06100 - Laboratory Services				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 2,646,000	\$ 2,646,000	\$ 2,234,619	\$ (411,381)
General Funds	7,599,600	7,199,600	7,199,600	-
Other State Funds	1,407,500	1,407,500	1,279,158	(128,342)
Interagency Transfers	1,251,100	1,251,100	976,239	(274,861)
Total Revenues and Other Financing Sources	12,904,200	12,504,200	11,689,616	(814,584)
PRIOR YEAR FUND BALANCE USED	-	32,562	-	(32,562)
Total Revenues and Fund Balance Budgeted	12,904,200	12,536,762	11,689,616	(847,146)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	7,947,200	7,066,200	6,737,289	328,911
Contractual Services	385,000	385,000	307,537	77,463
Other Costs	4,572,000	5,053,000	4,672,178	380,822
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 12,904,200</u>	<u>\$ 12,504,200</u>	11,717,004	<u>\$ 787,196</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			(27,388)	
REVERSIONS (Not Budgeted)			(5,174)	
NET CHANGE IN FUND BALANCE			<u>\$ (32,562)</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - Facilities Management			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 3,992,400	\$ 3,992,400	\$ 4,862,700	\$ 870,300
General Funds	54,075,800	54,075,800	54,075,800	-
Other State Funds	60,835,900	60,859,500	56,248,115	(4,611,385)
Interagency Transfers	1,118,200	1,177,700	2,924,561	1,746,861
Total Revenues and Other Financing Sources	120,022,300	120,105,400	118,111,176	(1,994,224)
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	120,022,300	120,105,400	118,111,176	(1,994,224)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	91,493,500	91,068,500	88,666,357	2,402,143
Contractual Services	11,482,300	10,766,800	9,527,213	1,239,587
Other Costs	17,046,500	18,270,100	17,791,417	478,683
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 120,022,300</u>	<u>\$ 120,105,400</u>	115,984,987	<u>\$ 4,120,413</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			2,126,189	
REVERSIONS (Not Budgeted)			(2,126,189)	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - Developmental Disabilities Support			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 2,819,200	\$ 3,385,589	\$ 3,178,012	\$ (207,577)
General Funds	36,385,900	36,385,900	44,047,900	7,662,000
Other State Funds	1,600,000	1,600,000	1,315,637	(284,363)
Interagency Transfers	16,422,400	17,217,900	9,527,032	(7,690,868)
Total Revenues and Other Financing Sources	57,227,500	58,589,389	58,068,581	(520,808)
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	57,227,500	58,589,389	58,068,581	(520,808)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	13,162,300	13,062,300	12,321,089	741,211
Contractual Services	12,366,500	12,627,000	12,474,192	152,808
Other Costs	24,036,700	25,238,089	23,834,525	1,403,564
Other Financing Uses	7,662,000	7,662,000	7,499,702	162,298
Total Expenditures and Other Financing Uses	<u>\$ 57,227,500</u>	<u>\$ 58,589,389</u>	<u>56,129,508</u>	<u>\$ 2,459,881</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			1,939,073	
INTRA-AGENCY TRANSFER TO FUND 40170 (Not Budgeted)			(1,470,094)	
REVERSIONS (Not Budgeted)			<u>(518,447)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (49,468)</u>	

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

General Fund - Fund 06100 - Health Certification, Licensing, & Oversight				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 2,613,000	\$ 2,613,000	\$ 2,084,989	\$ (528,011)
General Funds	4,192,600	4,192,600	4,192,600	-
Other State Funds	1,893,500	1,893,500	2,009,390	115,890
Interagency Transfers	3,348,400	3,348,400	3,152,597	(195,803)
Total Revenues and Other Financing Sources	12,047,500	12,047,500	11,439,576	(607,924)
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	12,047,500	12,047,500	11,439,576	(607,924)
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	9,692,400	9,952,400	8,952,130	1,000,270
Contractual Services	868,700	608,700	466,342	142,358
Other Costs	1,486,400	1,486,400	1,201,926	284,474
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 12,047,500</u>	<u>\$ 12,047,500</u>	<u>10,620,398</u>	<u>\$ 1,427,102</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			819,178	
REVERSIONS (Not Budgeted)			<u>(819,178)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - Capital Appropriations			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ 732,244	\$ 732,244	\$ 732,244	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	-	-
Interagency Transfers	-	-	-	-
Total Revenues and Other Financing Sources	<u>732,244</u>	<u>732,244</u>	<u>732,244</u>	<u>-</u>
PRIOR YEAR FUND BALANCE USED	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues and Fund Balance Budgeted	<u>732,244</u>	<u>732,244</u>	<u>732,244</u>	<u>-</u>
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	732,244	732,244	732,244	-
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 732,244</u>	<u>\$ 732,244</u>	<u>732,244</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			-	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF REVENUES AND EXPENDITURES - GENERAL FUND
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	General Fund - Fund 06100 - Special Appropriations			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	2,724,300	2,724,300	2,724,300	-
Other State Funds	-	-	-	-
Interagency Transfers	230,000	230,000	230,000	-
Total Revenues and Other Financing Sources	2,954,300	2,954,300	2,954,300	-
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	2,954,300	2,954,300	2,954,300	-
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	757,600	957,600	957,600	-
Contractual Services	812,290	470,890	374,147	96,743
Other Costs	2,027,269	2,168,669	2,093,517	75,152
Other Financing Uses	600,000	600,000	600,000	-
Total Expenditures and Other Financing Uses	<u>\$ 4,197,159</u>	<u>\$ 4,197,159</u>	<u>4,025,264</u>	<u>\$ 171,895</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			<u>(1,070,964)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ (1,070,964)</u>	

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, 2018**

Developmental Disabilities Support (DDS) Waiver - Fund 40170
All funding sources

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	2,000,000	2,000,000	2,000,000	-
Other State Funds	-	-	-	-
Intra-agency Transfers	102,216,300	104,616,300	104,616,300	-
Total Revenues and Other Financing Sources	104,216,300	106,616,300	106,616,300	-
PRIOR YEAR FUND BALANCE USED	-	387,670	-	-
Total Revenues and Fund Balance Budgeted	104,216,300	107,003,970	106,616,300	-
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	104,216,300	107,003,970	107,003,970	-
Total Expenditures and Other Financing Uses	<u>\$ 104,216,300</u>	<u>\$ 107,003,970</u>	107,003,970	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			(387,670)	
INTRA-AGENCY TRANSFER FROM FUND 06100 (Not Budgeted)			1,470,094	
NET CHANGE IN FUND BALANCE			<u>\$ 1,082,424</u>	

**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, 2018**

Developmental Disabilities Support (DDS) Waiver - Fund 40170
Program 007 - Developmental Disabilities

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	-	-	-	-
Other State Funds	-	-	-	-
Intra-agency Transfers	102,216,300	104,616,300	104,616,300	-
Total Revenues and Other Financing Sources	102,216,300	104,616,300	104,616,300	-
PRIOR YEAR FUND BALANCE USED	-	387,670	-	-
Total Revenues and Fund Balance Budgeted	102,216,300	105,003,970	104,616,300	-
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	102,216,300	105,003,970	105,003,970	-
Total Expenditures and Other Financing Uses	<u>\$ 102,216,300</u>	<u>\$ 105,003,970</u>	105,003,970	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			(387,670)	
INTRA-AGENCY TRANSFER FROM FUND 06100 (Not Budgeted)			<u>1,470,094</u>	
NET CHANGE IN FUND BALANCE			<u>\$ 1,082,424</u>	

**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, 2018**

	Developmental Disabilities Support (DDS) Waiver - Fund 40170 Supplemental Appropriations			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
General Funds	2,000,000	2,000,000	2,000,000	-
Other State Funds	-	-	-	-
Intra-agency Transfers	-	-	-	-
Total Revenues and Other Financing Sources	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
PRIOR YEAR FUND BALANCE USED	-	-	-	-
Total Revenues and Fund Balance Budgeted	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>2,000,000</u>	<u>\$ -</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			-	
INTRA-AGENCY TRANSFER FROM FUND 06100 (Not Budgeted)			<u>-</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Financial Statements

**NEW MEXICO DEPARTMENT OF HEALTH
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 659,622</u>
Total Assets	<u><u>\$ 659,622</u></u>
LIABILITIES	
Deposits Held for Others	<u>\$ 659,622</u>
Total Liabilities	<u><u>\$ 659,622</u></u>

See accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - NATURE OF ORGANIZATION

Reporting Entity

The State of New Mexico Department of Health (the Department) is a cabinet department of the executive branch of government created by state statute under Chapter 9, Article 7 NMSA 1978. The Department's administrative head is the Secretary, who is appointed by the Governor with the consent of the Senate and serves in the Governor's executive cabinet.

The Governmental Accounting Standards Board (GASB) has set forth criteria to be used in determining financial accountability. These criteria include the State of New Mexico's ability to appoint a voting majority of an organization's governing body and either the ability of the State to impose its will on that organization, or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

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 2018 (FY18), the Legislature passed and the Governor enacted the budget, and the Operating Budget was approved, in eight Program Areas, as shown below:

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 Services Program provides leadership, policy development, information technology, administrative, financial and legal support to the Department to ensure that the Department achieves a high level of accountability and excellence in services provided to the people of New Mexico.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - NATURE OF ORGANIZATION (continued)

Reporting entity (continued)

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 Program 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.

Program Area Four (P004) - Laboratory Services:

- Scientific Laboratory Division

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - NATURE OF ORGANIZATION (continued)

Reporting Entity (continued)

Program Area Six (P006) — Facilities:

Fort Bayard Medical Center (Silver City)
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 six 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.

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 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Governmental Accounting Standards Board Statement establish standards for identifying a component unit through evaluation of the reporting entity and significance of certain related party transactions, defined as potential component units. Depending on the results of the evaluation, financial information of related parties determined to be component units could be required to be included in the financial statements of the reporting entity.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

In evaluating how to define the Department for financial reporting purposes, management has evaluated the Department's potential component units. The basic, but not the only, criteria for including a potential component unit as part of the reporting entity are the governing body's ability to exercise oversight responsibility.

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

Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the Department 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.

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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

The following describes the individual funds used by the Department:

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, except for federal grants.

Developmental Disabilities Support Waiver Program Fund (Fund 40170) – 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. These funds are non-reverting.

Non-major Funds

Special Revenue Funds - The Department maintains nine non-major Special Revenue Funds to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Those funds are:

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Non-major Funds

The Medical Cannabis Fund (Fund 11400) – 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 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 reverting.

The Trauma System Fund (Fund 25700) - This fund was created by Section 24-10E-2 NMSA 1978. The purpose of this fund was to provide funding to sustain existing trauma centers, support the development of new trauma centers and develop a statewide trauma system. These funds are non-reverting.

The Save Our Children's Sight Fund (Fund 26100) - This fund was created by Section 24-1-31 NMSA 1978. The purpose of this fund is to provide funding for the development and implementation of a vision screening program, which includes making vision screenings and follow up comprehensive examinations available to the children of New Mexico regardless of family income. These funds are non-reverting.

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 non-reverting.

The Birth & Death Certificate Fund (Fund 50200) - This fund was created to meet the requirements of Section 24-14-29 NMSA 1978. The purpose of this fund is 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. These funds are non-reverting.

Optional Designation of Tax Refund Contribution –Sexual Assault Services Fund (Fund 68200) - This fund was created by the Laws of 2017, HB 536. The purpose of this fund is to provide for the optional designation of a tax refund contribution to the Department to provide sexual assault services provided by sexual assault service providers. These funds are non-reverting.

The Emergency Medical Services Fund (Fund 75600) - This fund was created by Section 24-10A-2 NMSA 1978. The purpose of this fund is to make money available to municipalities and counties for use in the establishment and enhancement of local emergency medical services, statewide emergency medical services and trauma services in order to reduce injury and loss of life. These funds are non-reverting.

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Projects Funds - DOH 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 20480) - The Department 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, the Department and Grant County, New Mexico. The payments for the lease purchase agreement are funded through General Fund Appropriations. These funds are reverting.

The Department of Health Project Fund (Fund 93100) - The fund was created by Statute, Laws of 2018, HB 306, Chapter 80, Section 41. The purpose of this fund is to appropriate general fund of five hundred thousand dollars (\$500,000) for expenditures between fiscal years 2018 through 2022 to purchase and install scientific, analytical and medical equipment, including the recalibration of existing equipment, at the Department facilities statewide. These funds are reverting.

Fiduciary Funds

Agency Fund. The Department also maintains one Agency Fund, which are for trust monies. It is not available for use by the Department but are held for clients, such as wards of the State. Accounting for financial activity in this fund 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 nine 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 is the Department's Agency Fund described above. Agency funds are custodial in nature; thus, they do not measure results of operations. The Agency Fund deals 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Classification of Funds (continued)

Compliant with the requirements of Government Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

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 postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, the total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability 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 the net liability, benefit expense, and benefit-related deferred inflows and outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018 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.

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.

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.

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 the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and 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.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-Current Governmental Assets/Liabilities

GASB Statement 34 eliminated the presentation of Account Groups but requires that these records be maintained and that the information incorporated into the government-wide Statement of Net Assets. GASB Statement 63 changed the report of government-wide from using the Statement of Net Assets to using the Statement of Net Position.

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

The government-wide financial statements are presented using the "economic resources" measurement focus and the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recognized when earned and expenditures are recognized when the liability is incurred or economic asset used. Revenue, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenue, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement 33. The governmental funds in the fund financial statements utilize the modified accrual basis of accounting.

Under this method, revenue and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally 60 days. The exception to this rule is Federal Grant expenditures which generally are reimbursed within 120 to 160 days of the expenditures.

Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. When expenditure is incurred for purposes for which both restricted and unrestricted net assets are available, the Department first uses restricted resources and then unrestricted resources.

Fund Balance Classifications

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classifications (continued)

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

A summary of the nature and purpose of these reserves by fund type at June 30, 2018, follows:

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

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

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

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

NOTE 3 - ASSETS, LIABILITIES, AND NET POSITION

Cash

The Department maintains cash accounts with the Office of the State Treasurer and at various commercial institutions statewide. Amounts on deposit with the commercial institutions are fully insured by the Federal Deposit Insurance Corporation up to \$250,000.

Amounts over \$250,000 must be secured in accordance with 6-10-17 NMSA 1978 which requires banks pledge collateral valued at 50 percent of the uninsured amount deposited.

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - ASSETS, LIABILITIES, AND NET POSITION (continued)

Interest in State General Fund Investment Pool

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated in 1978, the State Treasurer shall receive and keep all monies of the state, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurers' Office (STO) acts as the state's bank. Agency cash receipts are deposited with STO and pooled in a statewide investment fund, when amounts are greater than immediate needs they are placed into short-term investments. When agencies make payments to vendors and employees they are made from this pool and their claims on the pool reduced. The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources help by the State Treasurer's Office is now in its fourth year. This process has been reviewed multiple times by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process to be sound and the Department fully compliant with the requirements of the monthly process.

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, 2018, the Department had \$24,676,435 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 GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2018.

Inventory and Prepaid

Inventory is valued at cost using the first-in, first-out method. Inventory consists of supplies held for and pharmaceuticals held for patient use at the public health field offices, medical and long-term facilities. The purchase method is used to record inventory.

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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - ASSETS, LIABILITIES, AND NET POSITION (continued)

Capital Assets

Property, buildings, and equipment purchased or acquired at a value of \$1,000 or greater prior to July 1, 2005 are capitalized. Capital Assets acquired after June 17, 2005, are only capitalized if the acquisition amount was \$5,000 or more (Section 12-6-10 NMSA 1978). Assets are carried at historical cost or estimated historical cost. Those assets acquired and capitalized prior to July 1, 2005 that have not been fully depreciated are still being depreciated under the previous policy. Currently, contributed assets are recorded at their acquisition cost as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed when incurred.

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

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

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

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

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

Capital Leases

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

Compensated Absences

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

A maximum of thirty working days (240 hours) of such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess is lost.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - ASSETS, LIABILITIES, AND NET POSITION (continued)

Compensated Absences (continued)

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

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

Compensatory time may be granted by the Department to employees when overtime is needed. Employees not exempt from the FLSA may accrue up to 240 hours at the rate of one-and-a-half (1 ½) hours for each hour worked. The time will either be paid or taken as time off at the employee's election unless notified by the employer that it can only be taken as compensatory time off.

FSLA-exempt employees may only accrue up to 80 hours a year at a rate of one (1.0) times the hours worked. The exception is supervisory nurses who accrue their hours at the rate of one-and-a-half the normal rate (1 ½). The Department policy permits exempt employees to elect to be reimbursed by cash or take time off unless notified by the employer that it will only be taken as compensatory time off.

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

Net Position

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

Investment in Capital Assets (net of related debt) - Reflects the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

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

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

Use of Estimates

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

Intra-fund Activity

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

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - ASSETS, LIABILITIES, AND NET POSITION (continued)

Intra-fund Activity (continued)

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 FY18 and were shown as Restricted Fund Balance in the General Fund. These funds were transferred to the Developmental Disabilities Support Waiver Program Fund. This transaction is shown as an Intra-agency transfer in/out in the Department's Statement of Revenue, Expenditures and Changes in Fund Balance in the amount of \$1,470,094.

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.

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, 2018**

NOTE 4 - 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 payer" agreements, primarily Medicare and Medicaid, are subject to examination and retroactive adjustment by a third-party payer. Provisions for estimated retroactive adjustments by third-party payers are provided in the period the related services are rendered. Any difference between the amounts accrued and settled is reflected in operations in the year of settlement. The facilities are paid for substantially all inpatient services rendered to Medicaid and/or Medicare program beneficiaries under prospectively determined rates per client. Accordingly, to the extent that costs incurred (exclusive of other defined capital costs and certain education costs of the rehabilitation centers which continue to be paid on the basis of reasonable costs) for services rendered to Medicare and Medicaid patients exceed the determined payment rates, those costs are not recoverable from the Medicare and Medicaid programs or their beneficiaries.

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

NOTE 5 - 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, 2018, are as follows:

<u>Program/Facility Name</u>	<u>Program Number</u>	<u>Accounts Receivable</u>	<u>Allowance for Uncollectible</u>	<u>Net Accounts Receivable</u>
Public Health Division	2	\$ 5,956,302	\$ 1,983,110	3,973,192
Epidemiology and Response	3	334,011		334,011
Scientific Laboratory	4	84,964	13,089	71,875
Turquoise Lodge	6	5,850,999	5,365,645	485,354
New Mexico Behavioral Health Institute	6	3,058,402	825,748	2,232,654
New Mexico Rehabilitation Center	6	1,657,564	1,689,333	(31,769)
Sequoyah Adolescent Treatment Center	6	4,920,213	4,118,665	801,548
Fort Bayard Medical Center	6	9,712,479	7,250,706	2,461,773
Los Lunas Community Program	6	3,069,375	1,688,836	1,380,539
Division of Health Improvement	8	87,192		87,192
Total Accounts Receivable		<u>\$ 34,731,501</u>	<u>\$ 22,935,132</u>	<u>\$ 11,796,369</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, 2018**

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets are as follows

Governmental-Type Activities	Balance, June 30, 2017	Additions	Deletions	Transfer	Balance, June 30, 2018
Assets Being Depreciated:					
Land Improvements	\$ 210,433	\$ 67,308	\$ (4,452)	\$ (31,539)	\$ 241,750
Buildings and Structures	93,307,366	900,525	(404,100)	(6,964,078)	86,839,713
Machinery and Equipment	16,362,671	528,559	(2,189,480)	(707,109)	13,994,641
Vehicles	1,854,383	142,803	(23,710)	(281,120)	1,692,356
Information Technology	14,221,280	144,531	(6,074,175)	(108,630)	8,183,006
Furniture and Fixtures	1,446,480	-	(740,753)	(83,549)	622,177
Total Assets Being Depreciated	127,402,613	1,783,726	(9,436,669)	(8,176,025)	111,573,644
Less Accumulated Depreciation:					
Land Improvements	209,401	1,707	(3,507)	(31,539)	176,062
Buildings and Structures	44,500,081	2,508,877	(383,272)	(5,500,130)	41,125,556
Machinery and Equipment	12,866,458	900,845	(2,175,026)	(643,375)	10,948,903
Vehicles	1,608,323	58,910	(23,710)	(268,621)	1,374,902
Information Technology	12,965,966	588,824	(6,072,634)	(108,597)	7,373,560
Furniture and Fixtures	1,306,471	27,068	(727,837)	(83,549)	522,153
Total Assets Being Depreciated	73,456,700	4,086,231	(9,385,985)	(6,635,811)	61,521,135
Assets Not Being Depreciated:					
Land	59,700	-	-	(10,000)	49,700
Total Assets Not Being Depreciated	59,700	-	-	(10,000)	49,700
Net Total Capital Assets	\$ 54,005,613	\$ (2,302,505)	\$ (50,684)	\$ (1,550,215)	\$ 50,102,209

(a)

Depreciation expense was charges to functions as follows:

<u>Program Name</u>	<u>Program</u>	<u>Depreciation Expense</u>
Administration	1	\$ 290,010
Public Health	2	255,396
Epidemiology and Response	3	128,964
Laboratory Services	4	611,168
Facilities Management	6	2,634,278
Developmental Disabilities Support Services	7	6,559
Health Certification, Licensing, and Oversight	8	19,242
Medical Cannabis	787	140,614
Total Depreciation Expense		\$ 4,086,231

(a) Per NMSA 9-22-12.1 created in Laws 2017, SB 2014 ch. 84, § 7, oversight of the New Mexico State Veterans' Home (NMSVH) was transferred from the Department of Health to the Department of Veterans' Services. The transfer included all assets with a net value of capital assets in the amount of \$1,550,215.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 - 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, 2017	Additions	Deletions	Balance, June 30, 2018	Due Within One Year
Compensated Absences	\$ 6,795,897	\$ 12,812,536	\$ (12,171,670)	\$ 7,436,763	\$ 6,686,103

NOTE 8 - 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, 2018 are found at Schedule 4.

NOTE 9 - OTHER LIABILITIES

Other liabilities consist of:

Civil Monetary Penalties	\$ 2,521,277
New Born Screening Kits	329,820
Other Accrued Liabilities	86,079
Receipts Held in Suspense	129,134
Funds Held for Others	7,972
Miscellaneous	2,761
Total Other Liabilities	<u>\$ 3,077,043</u>

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:

Year Ending June 30,	Amount
2019	\$ 4,225,712
2020	3,917,325
2010	3,424,834
2022	2,702,748
2023	2,362,321
Thereafter	5,287,467
	<u>\$ 21,920,407</u>

Rental expenditures for the fiscal year ended June 30, 2018 were \$4,918,470.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 \$42,962,963. The related remaining obligations under the capital leases which amounted to \$50,255,000 at June 30, 2018 are included in the capital assets and long-term liabilities balances in the government-wide financial statements.

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 1,490,000	\$ 2,556,957	\$ 4,046,957
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	1,840,000	2,209,381	4,049,381
2024-2028	10,730,000	9,512,281	20,242,281
2029-2033	13,705,000	6,545,688	20,250,688
2034-2038	17,525,000	2,713,750	20,238,750
Total	<u>\$ 50,255,000</u>	<u>\$ 30,722,250</u>	<u>\$ 80,977,250</u>

The annual capital lease amount paid during the current year was \$4,049,356 of which \$1,435,000 was for the principal payment and \$2,614,356 was for the interest. The payments are one-twelfth of the total and are due by the 16th of each month.

	Balance, June 30, 2017	Additions	Deletions	Balance, June 30, 2018	Due Within One Year
Capital Lease	<u>\$ 51,690,000</u>	<u>\$ -</u>	<u>\$ (1,435,000)</u>	<u>\$ 50,255,000</u>	<u>\$ 1,490,000</u>

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 - FUND BALANCE

Found in the fund balance section of the general fund, the non-spendable amount of \$2,461,996 at June 30, 2018 was reserved for inventory and prepaid expenses. The restricted balance of \$4,179,953 is comprised of the carry over balances of special appropriations of \$2,294,121, Federal indirect revenue of \$1,140,580, the Kellogg grant of \$50,434, the Pfizer grant for \$200,000, the balance of \$3,320 for the State of Utah Carryover Grant funds, the balance of \$265,562 for the Family Planning Carryover Grant funds, and CBC-Vital Records Grant of \$225,936. Other fund balance restrictions totaling \$6,988,962 relate to the non-reverting amounts specific to the purpose of the respective fund. There is a committed fund balance of \$2,731 in other nonmajor funds.

NOTE 13 - REVERSIONS

The following appropriations were included as reversion expenditures for the fiscal year

Laws of 2017, Ch. 135, Section 4, Fund 06100	\$ 4,905,253
Laws of 2017, Ch. 135, Section 4, Fund 11410	280,642
NMSA 27-10-3, Fund 21900	1,962,475
NMSA 24-14-29, Fund 50200	8
Laws of 2011, Ch. 179, Section 4, Fund 20480	644
Total State General Fund Reversions	\$ 7,149,022

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

NOTE 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, 2018, and the income received for the year follow:

	Interest in Fund at June 30, 2018	Income Received in 2018
State Permanent Fund:		
Behavioral Health Institute	\$ 58,723,138	\$ 4,368,709
Charitable, Penal and Reformatory Act:		
Behavioral Health Institute	18,930,761	1,003,212
Los Lunas Community Programs	18,930,761	1,003,212
Total Distribution from State Permanent Fund	\$ 96,584,660	\$ 6,375,133

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 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 2018, 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 ending June 30, 2018, 2017, and 2016 were \$20,076,661, \$21,462,083 and \$22,498,313, respectively, which equal the amount of the required contributions for each fiscal year.

All contributions withheld from participants by the Office 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.

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 make the following contributions to the Plan: 10.07% of their gross salary in fiscal year 2018 and thereafter.

Employer Contributions

The Department of Health contributed 13.09% of gross covered salary in fiscal year 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 15 - RETIREMENT PLANS (continued)

The contribution requirements of plan members and the Department are established in State statute under Chapter 22, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to ERB for the fiscal years ending June 30, 2018, 2017, and 2016, were \$38,984, \$39,651, and \$45,511, 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 Office nor the State of New Mexico makes any contributions to the Deferred Compensation Plan.

NOTE 17 - POST-EMPLOYMENT BENEFITS

State Retiree Health Care Plan (RHCA)

Plan Description

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment 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 post-employment 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.

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 17 - POST-EMPLOYMENT BENEFITS (continued)

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-16 NMSA 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, 2016, 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 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2018, 2017, and 2016 were \$2,368,328, \$2,531,766, and \$2,655,156, respectively, which equal the required contributions for each year.

NOTE 18 - RESTATEMENT

The Department changed from the consumption method to the purchase method of recognizing inventory and significant prepaid assets. This change was necessary to comply with MAPs FIN 10.1 Recording Inventory.

Additionally, as required by NMSA 9 22 12.1 created in Laws 2017, SB 2014 ch. 84 section 7, oversight of the New Mexico State Veteran's Home (NMSVH) was transferred from the Department of Health to the Department of Veterans' Services. The impact to the Department's General fund beginning fund balance and government wide net position is detailed below:

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 18 - RESTATEMENT (continued)

	Fiscal Year 2018
General Fund Beginning Balance	\$ 8,875,088
Transfer of fund balance related to NMSVH:	
Nonspendable Inventories	(262,938)
Nonspendable Prepaid	(512)
Unassigned	(2,467)
Net Restatement to Fund Balance	(265,917)
General Fund Beginning Balance, as restated	\$ 8,609,171
Beginning Net Position	\$ 8,822,886
Restatement	(265,917)
Beginning Net Position, as restated	\$ 8,556,969

NOTE 19 - RISK MANAGEMENT

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

During the fiscal year ended June 30, 2018, the insurance premiums paid not including employee health insurance premiums to the Risk Management Division were \$5,790,051.

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.

SUPPLEMENTARY INFORMATION

**NEW MEXICO DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET BY FUND TYPE - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Special Revenue Funds					
	Medical Cannabis Program Fund 11410	County Supported Medicaid Fund 21900	Trauma System Fund 25700	Save Our Children's Sight Fund 26100	Vaccine Purchase Act 40180	Birth and Death Certificate 50200
ASSETS						
Investment in SGFIP	\$ 281,528	\$ -	\$ 89,548	\$ 393,288	\$ 1,228,362	\$ -
Cash in Bank Accounts	-	-	-	-	-	1,390
Accounts Receivable	-	-	-	-	2,991,119	-
Due from Local Governments	-	-	-	-	29,756	-
Due from Other State Agencies	-	307,201	-	-	-	-
Total Assets	\$ 281,528	\$ 307,201	\$ 89,548	\$ 393,288	\$ 4,249,237	\$ 1,390
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 243,185	\$ 137,804	\$ 6,825	\$ -	\$ -	\$ 325
Accrued Payroll	37,682	-	2,321	-	-	-
Cash Overdraft	-	168,983	-	-	-	595
Other Liabilities	-	-	-	-	-	458
Due to State General Fund	661	-	-	-	-	-
Total Liabilities	281,528	306,787	9,146	-	-	1,378
FUND BALANCES						
Restricted	-	414	80,402	393,288	4,249,237	12
Committed	-	-	-	-	-	-
Total Fund Balances	-	414	80,402	393,288	4,249,237	12
Total Liabilities and Fund Balances	\$ 281,528	\$ 307,201	\$ 89,548	\$ 393,288	\$ 4,249,237	\$ 1,390

**NEW MEXICO DEPARTMENT OF HEALTH
COMBINING BALANCE SHEET BY FUND TYPE - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

Special Revenue Funds (Continued)				Capital Projects Funds			
Sexual Assault Services HB-536 68240	Emergency Medical Services Fund 75600	Birthing Workforce Retention Fund 95810	Total Special Revenue Funds	Capital Lease Bond Fund 20480	GF Capital Outlay 93100	Total Capital Project Funds	Total Nonmajor Funds
\$ 8,687	\$ 244,738	\$ 69,700	\$ 2,315,851	\$ 2,731	\$ 500,000	\$ 502,731	\$ 2,818,582
-	-	-	1,390	-	-	-	1,390
-	-	-	2,991,119	-	-	-	2,991,119
-	-	-	29,756	-	-	-	29,756
-	-	-	307,201	-	-	-	307,201
<u>\$ 8,687</u>	<u>\$ 244,738</u>	<u>\$ 69,700</u>	<u>\$ 5,645,317</u>	<u>\$ 2,731</u>	<u>\$ 500,000</u>	<u>\$ 502,731</u>	<u>\$ 6,148,048</u>
\$ -	\$ 10,701	\$ -	\$ 398,840	\$ -	\$ -	\$ -	\$ 398,840
-	4,639	-	44,642	-	-	-	44,642
-	-	-	169,578	-	-	-	169,578
-	-	-	458	-	-	-	458
-	15,000	-	15,661	-	-	-	15,661
-	30,340	-	629,179	-	-	-	629,179
8,687	214,398	69,700	5,016,138	-	500,000	500,000	5,516,138
-	-	-	-	2,731	-	2,731	2,731
<u>8,687</u>	<u>214,398</u>	<u>69,700</u>	<u>5,016,138</u>	<u>2,731</u>	<u>500,000</u>	<u>502,731</u>	<u>5,518,869</u>
<u>\$ 8,687</u>	<u>\$ 244,738</u>	<u>\$ 69,700</u>	<u>\$ 5,645,317</u>	<u>\$ 2,731</u>	<u>\$ 500,000</u>	<u>\$ 502,731</u>	<u>\$ 6,148,048</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, 2018

	Special Revenue Funds					
	Medical Cannabis Program Fund 11410	County Supported Medicaid Fund 21900	Trauma System Fund 25700	Save Our Children's Sight Fund 26100	Vaccine Purchase Act 40180	Birth and Death Certificate 50200
REVENUES						
Federal Grant Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
In-Kind Assistance - Federal	-	-	-	-	-	-
Charges for Services	-	-	-	-	20,422,634	-
Fees, Penalties, Rentals, and Other	3,161,396	-	-	116,808	43,398.00	8
Total Revenues	<u>3,161,396</u>	<u>-</u>	<u>-</u>	<u>116,808</u>	<u>20,466,032</u>	<u>8</u>
EXPENDITURES						
Current Operating:						
Public Health	-	2,267,093	-	50,000	18,356,180	-
Epidemiology and Response	-	-	1,587,450	-	-	-
Facilities Management	-	-	-	-	-	-
Other Health Initiatives	2,880,754	-	-	-	-	-
Capital Lease Principal Payment	-	-	-	-	-	-
Capital Lease Interest Payment	-	-	-	-	-	-
Total Expenditures	<u>2,880,754</u>	<u>2,267,093</u>	<u>1,587,450</u>	<u>50,000</u>	<u>18,356,180</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	280,642	(2,267,093)	(1,587,450)	66,808	2,109,852	8
OTHER FINANCING SOURCES (USES)						
General Fund Appropriations	-	-	1,635,400	-	-	-
County Supported Medicaid	-	2,993,136	-	-	-	-
Investment Income	-	-	-	-	3,522	-
Reversion - FY2018 - Transfers Out	(280,642)	(1,962,475)	-	-	-	(8)
Total Other Financing Sources (Uses)	<u>(280,642)</u>	<u>1,030,661</u>	<u>1,635,400</u>	<u>-</u>	<u>3,522</u>	<u>(8)</u>
NET CHANGE IN FUND BALANCES	-	(1,236,432)	47,950	66,808	2,113,374	-
Fund Balances - Beginning of Year	-	1,236,846	32,452	326,480	2,135,863	12
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 80,402</u>	<u>\$ 393,288</u>	<u>\$ 4,249,237</u>	<u>\$ 12</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, 2018**

Special Revenue Funds (Continued)				Capital Projects Funds			
Sexual Assault Services HB-536 68240	Emergency Medical Services Fund 75600	Birthing Workforce Retention Fund 95810	Total Special Revenue Funds	Capital Lease Bond Fund 20480	GF Capital Outlay 93100	Total Capital Project Funds	Total Nonmajor Funds
\$ 8,687	\$ -	\$ -	\$ 8,687	\$ -	\$ -	\$ -	\$ 8,687
-	-	-	-	-	-	-	-
-	-	-	20,422,634	-	-	-	20,422,634
-	127,532	-	3,449,142	-	-	-	3,449,142
<u>8,687</u>	<u>127,532</u>	<u>-</u>	<u>23,880,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,880,463</u>
-	-	55,000	20,728,273	-	-	-	20,728,273
-	2,947,662	-	4,535,112	-	-	-	4,535,112
-	-	-	-	-	-	-	-
-	-	-	2,880,754	-	-	-	2,880,754
-	-	-	-	1,435,000	-	1,435,000	1,435,000
-	-	-	-	2,614,356	-	2,614,356	2,614,356
<u>-</u>	<u>2,947,662</u>	<u>55,000</u>	<u>28,144,139</u>	<u>4,049,356</u>	<u>-</u>	<u>4,049,356</u>	<u>32,193,495</u>
8,687	(2,820,130)	(55,000)	(4,263,676)	(4,049,356)	-	(4,049,356)	(8,313,032)
-	2,821,900	31,300	4,488,600	4,050,000	500,000	4,550,000	9,038,600
-	-	-	2,993,136	-	-	-	2,993,136
-	-	-	3,522	-	-	-	3,522
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,243,125)</u>	<u>(644)</u>	<u>-</u>	<u>(644)</u>	<u>(2,243,769)</u>
<u>-</u>	<u>2,821,900</u>	<u>31,300</u>	<u>5,242,133</u>	<u>4,049,356</u>	<u>500,000</u>	<u>4,549,356</u>	<u>9,791,489</u>
8,687	1,770	(23,700)	978,457	-	500,000	500,000	1,478,457
<u>-</u>	<u>212,628</u>	<u>93,400</u>	<u>4,037,681</u>	<u>2,731</u>	<u>-</u>	<u>2,731</u>	<u>4,040,412</u>
<u>\$ 8,687</u>	<u>\$ 214,398</u>	<u>\$ 69,700</u>	<u>\$ 5,016,138</u>	<u>\$ 2,731</u>	<u>\$ 500,000</u>	<u>\$ 502,731</u>	<u>\$ 5,518,869</u>

OTHER

SUPPLEMENTARY INFORMATION

**NEW MEXICO DEPARTMENT OF HEALTH
BUDGET AND ACTUAL (MODIFIED ACCRUAL BUDGETARY GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

Program P787 - Medical Cannabis				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES AND OTHER FINANCING SOURCES				
Federal Funds	\$ -	\$ -	\$ -	\$ -
State General Fund Appropriation	-	-	-	-
Other State Funds	2,750,000	3,225,000	3,172,613	(52,387)
Interagency Transfers	-	-	-	-
Total Revenues and Other Financing Sources	<u>2,750,000</u>	<u>3,225,000</u>	<u>3,172,613</u>	<u>(52,387)</u>
PRIOR YEAR FUND BALANCE USED				
Total Revenues and Fund Balance Budgeted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES AND OTHER FINANCING USES				
Personnel Services and Benefits	1,400,000	1,799,000	1,697,876	101,124
Contractual Services	234,000	590,000	488,059	101,941
Other	1,116,000	836,000	706,036	129,964
Other Financing Uses	-	-	-	-
Total Expenditures and Other Financing Uses	<u>\$ 2,750,000</u>	<u>\$ 3,225,000</u>	<u>2,891,971</u>	<u>\$ 333,029</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES			280,642	
REVERSIONS (Not Budgeted)			<u>(280,642)</u>	
NET CHANGE IN FUND BALANCE			<u>\$ -</u>	

See accompanying Notes to Financial Statements

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 1 - SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
JUNE 30, 2018

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Petty Cash Accounts by Region (Cash Accounts - 104900)				
Program 1		\$ 250	\$ -	\$ 250
Program 2		2,092	713	2,805
Program 3		4	246	250
Program 4		227	73	300
Program 6		3,163	1,112	4,275
Program 7		424	76	500
Program 8		181	19	200
Total Petty Cash Accounts by Region		<u>\$ 6,341</u>	<u>\$ 2,239</u>	<u>\$ 8,580</u>
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	641	59	700
Rio Arriba	Valley National Bank, Espanola	500	-	500
Roswell	Wells Fargo Bank	600	-	600
San Miguel	Southwest Capital Bank	565	(65)	500
Santa Fe	Wells Fargo Bank	510	(10)	500
Silver City	Wells Fargo Bank	600	-	600
Sunland	Wells Fargo Bank	600	-	600
Taos	US Bank	390	10	400
Tucumcari	Wells Fargo Bank	600	-	600
Total Children's Medical Services		<u>9,831</u>	<u>(6)</u>	<u>9,825</u>
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	39	105	144
Lordsburg	Western Bank, Lordsburg	100	21	121
Roswell	Wells Fargo Bank CLOSED 7/1/13	-	72	72
T or C	Bank of the Southwest, T or C	208	-	208
Taos	US Bank	83	17	100
Total Title X/Family Planning		<u>530</u>	<u>215</u>	<u>745</u>
District Health Office Totals		<u>10,361</u>	<u>209</u>	<u>10,570</u>
General Fund Bank Accounts (Checking Accounts)				
NMBHI-Revolving	Community 1st Bank	132,936	(132,436)	500
FBMC	Bank of America	-	(500)	(500)
Total General Fund Bank Accounts		<u>132,936</u>	<u>(132,936)</u>	<u>-</u>
Total General Fund, Including District Health Offices		<u>\$ 143,297</u>	<u>\$ (132,727)</u>	<u>\$ 10,570</u>

See Independent Auditors' report

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 1 - SUPPLEMENTARY SCHEDULE OF INDIVIDUAL DEPOSITS
JUNE 30, 2018

Account Title	Depository	Balance per Bank	Reconciling Items	Reconciled Balance per Books
Investments in State General Fund Investment Pool (SGFIP)				
Capital Project - 059	State Treasurer	\$ -	\$ -	\$ -
Operating Fund - 061	State Treasurer	14,686,849	1,227,103	15,913,952
Medical Cannabis - 114	State Treasurer	584,742	(303,214)	281,528
FBMC Lease - 2048	State Treasurer	3,375	(644)	2,731
CMS Fund - 219	State Treasurer	556,232	(725,215)	(168,983)
Trauma Fund - 257	State Treasurer	89,548	-	89,548
Save Our Children- 261	State Treasurer	393,288	-	393,288
DD Waiver - 4017	State Treasurer	4,473,807	1,470,094	5,943,901
DD Vaccine - 4018	State Treasurer	1,230,115	(1,753)	1,228,362
Birth & Death - 502	State Treasurer	597,773	(598,368)	(595)
Sexual Assault HB - 682	State Treasurer	8,687	-	8,687
EMS - 756	State Treasurer	244,738	-	244,738
ARRA - 890	State Treasurer	-	-	-
STB 892	State Treasurer	-	-	-
Birthing Workforce - 958	State Treasurer	500,000	-	500,000
Special Union Payout - 968	State Treasurer	69,700	-	69,700
Total SGFIP - 101800/101900		23,438,854	1,068,003	24,506,857
Trust and Agency Funds - Banks (checking accounts)				
NMBHI - Pt. Burial	Southwest Capital Bank	24,440	-	24,440
NMBHI - Canteens	Southwest Capital Bank	80,485	(568)	79,917
NMBHI - Pt. Demand (Trust)	Southwest Capital Bank	392,233	(31,516)	360,717
NMBHI - Foster Grandparent	Southwest Capital Bank	16,017	-	16,017
FBMC - Pt. Burial	Wells Fargo Bank	17,955	-	17,955
FBMC - Pt. Demand (Trust)	Wells Fargo Bank	114,632	(2,496)	112,136
FBMC - Special	Wells Fargo Bank	11,472	(835)	10,637
LLCP - SSA Beneficiaries	Wells Fargo Bank of NM - Los Lunas	28,508	(3,575)	24,933
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
Sequoyah - Pt. Demand (Trust)	Bank of America - Albuquerque	4,152	(1,279)	2,873
Total Trust and Agency Funds - Banks		699,104	(40,332)	658,772
Vital Statistics Depository Clearing				
Clayton	Farmers & Stockmen	230	-	230
Truth or Consequences	Bank of the SW	1,060	-	1,060
Taos	US Bank	41	59	100
Total Vital Statistics Depository Clearing		1,331	59	1,390
Total Trust and Agency and Vital Depository Funds		700,435	(40,273)	660,162
Department Total - All Funds		\$ 24,288,927	\$ 897,242	\$ 25,186,169

See Independent Auditors' report

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 2 - SUPPLEMENTARY SCHEDULE OF PLEDGED COLLATERAL
YEAR ENDED JUNE 30,2018**

	Community 1st Bank	Southwest Capital Bank	Wells Fargo Bank	Other Banks	Accounts at State Treasurer	Total
Total Amount of Deposit	\$ 132,936	\$ 513,739.00	\$ 188,354	\$ 8,702	\$ 23,438,854	\$ 24,282,585.00
Less FDIC	(132,936)	(250,000)	(188,354)	(8,702)	-	(579,992)
Total Uninsured Public Money	-	263,739	-	-	23,438,854	23,702,593
50% Collateral Requirement	-	131,870	-	-	11,719,427	11,851,297
State Agency Collateral Listing:			A		B	A&B
Bonds:						
1__FHLMC 1X, 1.25% Bond maturity date 2/15/19, CUSIP#3134G3B82	-	500,000	-	-	-	500,000
1__GNMA I Pool#783556, CUSIP#36241L5R3	161,525	-	-	-	-	161,525
1__Taos NM Mun Sch Dist No 001 CUSIP#876014FL0	225,000	-	-	-	-	225,000
Total Pledged	386,525	500,000	-	-	-	886,525
Over (Under) Pledged	\$ 386,525	\$ 368,130	\$ -	\$ -	\$ -	\$ 754,655

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 ENDING JUNE 30, 2018**

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 18	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 under four and their families 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
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	11/14/2003	12/31/2033	429,800	429,800	-	DOH, VH	DOH, VH	DOH, VH
0630.8114.03.37 (JPA 03-37)	Human Services Department (HSD) Department of Health	To designate the administrative, fiscal and programmatic responsibilities for the operations	10/14/2003	- AIDS Waiver	- 96,400	- 96,400	-	DOH, HSD	HSD	DOH, HSD

See Independent Auditor's Report

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 3 - SUPPLEMENTARY SCHEDULE OF JOINT POWERS AGREEMENTS
YEAR ENDING JUNE 30, 2018**

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 18	Participant Responsible for Audit	Fiscal Agent	Agency Reporting Revenues and Expenditures
	(DOH)	of the Home and Community Based Waiver Program		Medicaid	69,075,593	69,075,593	-			
06.665.0100.0029	Department of Health (DOH) State Agency on Aging (SAA) Aging & Long Term Services Dept (ALTSD)	To review all fiscal matters and record and review all complaints and requests for services for persons living with HIV and 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
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

See Independent Auditor's Report

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 4 - SUPPLEMENTARY SCHEDULE OF DUE TO AND DUE FROM OTHER STATE AGENCIES
YEAR ENDED JUNE 30, 2018**

Agency Business Unit	Agency Fund	Agency Due From	Agency Due To	Agency Business Unit	Agency Fund	Amount	Reason
66500	06102	Department of Health	Commission of Public Records	36900	37100	\$ 30	Vaccine Act Fund hearing
66500	06105	Department of Health	Human Services Department	63000	97600	274,440	NMRC -Medicaid Cost Payable
66500	40171	Department of Health	Human Services Department	63000	97601	4,473,806	DD Waiver
66500	06105	Department of Health	Children, Youth and Family	69000	91100	242	CYFD Daycare Fund
Total Due to Other State Agencies						<u>\$ 4,748,518</u>	
34100	02100	Department of Finance & Administration	Department of Health	66500	21904	\$ 307,201	CSMF 6/2017 Fund Balance
51600	19800	Game & Fish Department	Department of Health	66500	06104	3,142	Water testing
63000	05200	Human Services Department	Department of Health	66500	06104	129,672	Medicaid Waiver Administration & Other Programs
67000	06500	Veterans' Service Commission	Department of Health	66500	06105	1,104	Leasing of space
92400	67200	Department of Public Education	Department of Health	66500	06104	11,139	National School lunch program
Total Due from Other State Agencies						<u>\$ 452,258</u>	

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 5 - SUPPLEMENTARY SCHEDULE OF INTERGOVERNMENTAL RECEIVABLES AND PAYABLES
YEAR ENDED JUNE 30, 2018**

Agency Due From	Agency Due To	Amount	Reason
Department of Health	University of New Mexico (UNM) Hospital	\$ 11,953	Patients for Children's Medical Services, Breast and Cervical Cancer
Department of Health	University of New Mexico (UNM) Hospital	23,333	Patients for Maternal Health and HIV/AIDS Prevention
Department of Health	The University of New Mexico	<u>57,644</u>	Shared Costs
	Total Intergovernmental Payables	<u>\$ 92,930</u>	
The University of New Mexico	Department of Health	\$ 10,171	BFIT Program
The University of New Mexico	Department of Health	3,194	Grant DOHFMNEP18
UNM Hospital	Department of Health	<u>41,400</u>	Birthing Hospitals (FHB/CMS - Genetic Testing Kits)
	Total Intergovernmental Receivables	<u>\$ 54,765</u>	

Local Government Due From	Agency Due To	Amount	Reason
City of Las Cruces	Department of Health	\$ 21,138	Vaccine Purchase Fund
Otero County Hospital	Department of Health	3,805	Vaccine Purchase Fund
Jicarilla Apache Nation	Department of Health	4,813	Vaccine Purchase Fund
Albuquerque Water Utility Authority	Department of Health	14,545	Laboratory testing services.
Albuquerque Air Quality	Department of Health	3,945	Air quality testing.
Bernalillo County Environmental Health	Department of Health	1,965	Laboratory testing services.
NM Department of Agriculture-Veterinary Diagnostic Services	Department of Health	36,300	Shared costs of building.
Office of the Medical Investigator	Department of Health	<u>89,666</u>	Shared costs of building.
		<u>\$ 176,177</u>	

See Independent Auditors' report

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 6 - SUPPLEMENTAL SCHEDULE OF AGENCIES' TRANSFERS IN AND TRANSFERS OUT
YEAR ENDED JUNE 30, 2018

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	\$ 8,562,002
40170	Human Services Department	63000	97600	DDSD Waiver Services and Other Programs	<u>107,003,970</u>
Total Transfers Out					<u><u>\$ 115,565,972</u></u>
<u>Transfers In</u>					
Transfers from Other State Agencies					
06100	Department of Finance & Administration	34101	85300	General Fund Appropriations	\$ 172,838,900
40170	Department of Finance & Administration	34101	85300	GFA - Developmental Disabilities	106,616,300
25700	Department of Finance & Administration	34101	85300	GFA - Trauma Systems	1,635,400
75600	Department of Finance & Administration	34101	85300	GFA - Emergency Medical Services	2,821,900
95810	Department of Finance & Administration	34101	85300	Birthing Workforce Retention	31,300
20480	Department of Finance & Administration	34101	85300	Capital Lease Bond Fund	4,050,000
93100	Department of Finance & Administration	34101	85300	GF Capital Outlay	500,000
Subtotal General Fund Appropriations					<u>288,493,800</u>
06100	Department of Finance & Administration				
06100	Department of Finance & Administration	34100	69700	Tobacco Settlement Program	6,011,589
21900	Department of Finance & Administration	34101	02100	CSMF Distribution	<u>2,993,136</u>
Subtotal Other Transfer In					<u>9,004,725</u>
Transfers from Other Components of the State					
	University of New Mexico			BFIT Program	19,389
	New Mexico State University			Veterinary Diagnostic Services	8,354
Subtotal Transfers from Other Components of the State					<u>27,743</u>
Total Transfers In					<u><u>\$ 297,526,268</u></u>

This schedule was prepared on an accrual basis.

In addition, the Department transferred capital assets with a net book value of \$1,550,215 to the Department of Veteran Services. This transfer out of capital assets is recorded at the government-

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**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 7 - SUPPLEMENTARY SCHEDULE OF SPECIAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2018**

Description	Fund	Department	Reversion Date	Final Budget	Appropriation Received 6/30/2018	Actual Cash Received Prior Years	Current Year Expenditures	Prior Year Expenditures	Current Year Reversions/ Transfers	Balance as of 6/30/2018
Data Processing Appropriation Laws of 2016, Ch. 11, Section 7, - §17 -To plan and implement a Developmental Disabilities Client Management Support System- Interagency transfer from HSD	06104	ZA0717	6/30/2018	\$ 360,000	\$ -	\$ 360,000	\$ -	\$ -	360,000.00	\$ -
Data Processing Appropriation Laws of 2016, Ch. 11, Section 7, - §17 -To plan and implement a Developmental Disabilities Client Management Support System- Other State Funds.	06105	ZA0717	6/30/2018	40,000	-	40,000	40,000	-	-	-
Data Processing Appropriation Laws of 2016, Ch. 11, Section 7 - §18 - To implement infrastructure upgrades- Other state funds. Partial allotment for initiation and planning. Other State Funds	06105	ZA0718	6/30/2018	500,000	-	500,000	202,260	297,140	600	-
Special Appropriation Laws of 2017, Ch. 135, Section 5 - § 22 - Federal Waldrop settlement agreement and Jackson lawsuit disengagement - General Fund	06101	ZB0522	6/30/2018	1,000,000	-	1,000,000	1,000,000	-	-	-
Special Appropriation Laws of 2017, Ch. 135, Section 5 - § 22 - Federal Waldrop settlement agreement and Jackson lawsuit disengagement - Interagency transfer from HSD	06104	ZB0522	6/30/2018	230,000	230,000	-	230,000	-	-	-
Supplemental and Deficiency Appropriation Laws of 2018, Ch. 73, Section 6- § 12- For a new internal quality review unit in the health certification, licensing, and oversight program of the department of Health to replace the independent Jackson lawsuit community practice review.	06101	ZC6012	6/30/2018	269,300	269,300	-	269,300	-	-	-
Supplemental and Deficiency Appropriation Laws of 2018, Ch. 73, Section 6- § 13- For projected shortfall in Medicaid matching revenue for the developmental disabilities Medicaid waiver.	06101	ZC6013	6/30/2018	2,000,000	2,000,000	-	2,000,000	-	-	-
Supplemental and Deficiency Appropriation Laws of 2018, Ch. 73, Section 6- § 14- For projected shortfall in the facilities management program.	06101	ZC6014	6/30/2018	375,000	375,000	-	375,000	-	-	-
Supplemental and Deficiency Appropriation Laws of 2018, Ch. 73, Section 6- § 15- For costs related to the compliance of the REAL ID Act of 2005.	06101	ZC6015	6/30/2018	700,000	700,000	-	608,705	-	91,295	-
Supplemental and Deficiency Appropriation Laws of 2018, Ch. 73, Section 6- § 16- To address a projected increase in the number of children referred and determined eligible for the family infant toddler program.	06101	ZC6016	6/30/2018	1,300,000	1,300,000	-	1,300,000	-	-	-
Data Processing Appropriation Laws of 2017, Ch. 135, Section 7- § 10-To continue implementation of the DDS client management support system.	06102	ZB0710	6/30/2019	2,160,000	-	-	-	-	-	2,160,000
Data Processing Appropriation Laws of 2017, Ch. 135, Section 7- § 10-To continue implementation of the DDS client management support system.	06105	ZB0710	6/30/2019	240,000	-	-	-	-	-	240,000
Special Appropriation Laws of 2018, Ch. 73, Section 5- § 87-For the dance and fitness programs in the schools.	06101	ZC5587	6/30/2019	80,000	80,000	-	-	-	-	80,000

See Independent Auditors' report

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 7 - SUPPLEMENTARY SCHEDULE OF SPECIAL APPROPRIATIONS
YEAR ENDED JUNE 30, 2018**

Description	Fund	Department	Reversion Date	Final Budget	Appropriation Received 6/30/2018	Actual Cash Received Prior Years	Current Year Expenditures	Prior Year Expenditures	Current Year Reversions/Transfers	Balance as of 6/30/2018
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 22- To upgrade the children's medical services medical provider enrollment system to integrate with the human services department's Medicaid management information system replacement project.	06104	ZC7022	6/30/2020	180,000	-	-	-	-	-	180,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 22- To upgrade the children's medical services medical provider enrollment system to integrate with the human services department's Medicaid management information system replacement project.	06105	ZC7022	6/30/2020	20,000	-	-	-	-	-	20,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 23- To purchase hardware and software to implement a facilities licensing system.	06104	ZC7023	6/30/2020	315,000	-	-	-	-	-	315,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 23- To purchase hardware and software to implement a facilities licensing system.	06105	ZC7023	6/30/2020	35,000	-	-	-	-	-	35,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 24- To integrate the families first Medicaid eligibility system with the human services department's Medicaid management information system replacement project.	06104	ZC7024	6/30/2020	225,000	-	-	-	-	-	225,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 24- To integrate the families first Medicaid eligibility system with the human services department's Medicaid management information system replacement project.	06105	ZC7024	6/30/2020	25,000	-	-	-	-	-	25,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 25- To purchase and implement a commercial off-the-shelf incident management system.	06104	ZC7025	6/30/2020	180,000	-	-	-	-	-	180,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 25- To purchase and implement a commercial off-the-shelf incident management system.	06105	ZC7025	6/30/2020	20,000	-	-	-	-	-	20,000
Special Appropriation Laws of 2018, Ch. 73, Section 7- § 26- To purchase and implement an integrated document management system and upgrade the vital records database.	06105	ZC7026	6/30/2020	2,750,000	-	-	-	-	-	2,750,000
Capital Projects House Bill 306, Laws of 2018, Ch. 80, Section 41- § -To purchase and install scientific, analytical, and medical equipment, including the recalibration of existing equipment, at the department of health facilities statewide.	93100	A18C2719	6/30/2022	500,000	500,000	-	-	-	-	500,000
				<u>\$ 13,504,300</u>	<u>\$ 5,454,300</u>	<u>\$ 1,900,000</u>	<u>\$ 6,025,265</u>	<u>\$ 297,140</u>	<u>\$ 451,895</u>	<u>\$ 6,730,000</u>

NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE 8 - SUPPLEMENTARY SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY
FUNDS
YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Fund 51000 - Patients' Trust Fund</u>				
ASSETS				
Cash	\$ 1,096,400	\$ -	\$ 437,628	\$ 658,772
Petty Cash	1,175	-	325	850
Total Assets	<u>\$ 1,097,575</u>	<u>\$ -</u>	<u>\$ 437,953</u>	<u>\$ 659,622</u>
LIABILITIES				
Deposits Held for others	<u>\$ 1,097,575</u>	<u>\$ -</u>	<u>\$ 437,953</u>	<u>\$ 659,622</u>
Total Liabilities	<u>\$ 1,097,575</u>	<u>\$ -</u>	<u>\$ 437,953</u>	<u>\$ 659,622</u>

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - NMBHI
YEAR ENDED JUNE 30, 2018**

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
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	10,431,334	14,499,415	17,770,528
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>10,431,334</u>	<u>14,499,415</u>	<u>17,770,528</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	35,672,896	38,995,319	45,460,056
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	<u>297,250</u>	<u>239,426</u>	<u>240,513</u>
B5 Other costs of providing Indigent Care (please specify)			
Total Cost of Providing Indigent Care	<u>35,970,146</u>	<u>39,234,745</u>	<u>45,700,569</u>
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (25,538,812)</u>	<u>\$ (24,735,330)</u>	<u>\$ (27,930,041)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	766	891	1,064
C2 Total number of patient encounters receiving indigent care	1,077	1,181	1,641

**NEW MEXICO DEPARTMENT OF HEALTH
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - NMBHI
YEAR ENDED JUNE 30, 2018**

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
Uninsured patients qualifying for indigent care			
Charges for these patients	\$ 31,706,423	\$ 38,384,997	\$ 41,813,885
Ratio of cost to charges	112.51%	101.59%	108.72%
Cost for uninsured patients qualifying for indigent care	<u>35,672,896</u>	<u>38,995,318</u>	<u>45,460,056</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	<u>297,250</u>	<u>239,426</u>	<u>240,513</u>
	<u>\$ 297,250</u>	<u>\$ 239,426</u>	<u>\$ 240,513</u>

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - FBMC
YEAR ENDED JUNE 30, 2018**

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
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	-	8,837	21,640
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
Total Funding for Indigent Care	<u>-</u>	<u>43,938</u>	<u>59,394</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	1,057,763	1,865,852	2,320,055
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	84,633	247	1,104
B5 Other costs of providing Indigent Care (please specify)			
Total Cost of Providing Indigent Care	<u>1,142,396</u>	<u>1,866,099</u>	<u>2,321,159</u>
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (1,142,396)</u>	<u>\$ (1,822,161)</u>	<u>\$ (2,261,765)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	6	125	196
C2 Total number of patient encounters receiving indigent care	6	127	205

**NEW MEXICO DEPARTMENT OF HEALTH
CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - FBMC
YEAR ENDED JUNE 30, 2018**

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
Uninsured patients qualifying for indigent care			
Charges for these patients	\$ 874,257	\$ 1,679,586	\$ 2,057,516
Ratio of cost to charges	120.99%	111.09%	112.76%
Cost for uninsured patients qualifying for indigent care	<u>1,057,764</u>	<u>1,865,852</u>	<u>2,320,055</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	84,633	247	1,104
	<u>\$ 84,633</u>	<u>\$ 247</u>	<u>\$ 1,104</u>

See Independent Auditors' report

**NEW MEXICO DEPARTMENT OF HEALTH
INDIGENT CARE COST AND FUNDING REPORT - TLH
YEAR ENDED JUNE 30, 2018**

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

		For the Year Ended June 30,		
		2018	Unaudited - 2017	Unaudited - 2016
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	4,324	3,758	8,696
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>4,324</u>	<u>3,758</u>	<u>8,696</u>
B Cost of Providing Indigent Care				
	Total cost of care for providing services to:			
B1	Uninsured patients qualifying for indigent care	3,914,691	4,014,584	4,971,555
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	<u>3,914,691</u>	<u>4,014,584</u>	<u>4,971,555</u>
	Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (3,910,367)</u>	<u>\$ (4,010,826)</u>	<u>\$ (4,962,859)</u>
C Patients Receiving Indigent Care Services				
C1	Total number of patients receiving indigent care	844	969	863
C2	Total number of patient encounters receiving indigent care	1,233	1,085	942

NEW MEXICO DEPARTMENT OF HEALTH
 CALCULATIONS OF COST OF PROVIDING INDIGENT CARE - TLH
 YEAR ENDED JUNE 30, 2018

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
Uninsured patients qualifying for indigent care			
Charges for these patients	\$ 3,462,796	\$ 3,620,004	\$ 4,687,493
Ratio of cost to charges	113.05%	110.90%	106.06%
Cost for uninsured patients qualifying for indigent care	<u>3,914,691</u>	<u>4,014,584</u>	<u>4,971,555</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
YEAR ENDED JUNE 30, 2018**

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
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	-	22,331	40,752
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>-</u>	<u>22,331</u>	<u>40,752</u>
B Cost of Providing Indigent Care			
Total cost of care for providing services to:			
B1 Uninsured patients qualifying for indigent care	174,483	773,656	2,478,948
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	<u>174,483</u>	<u>773,656</u>	<u>2,478,948</u>
Excess (Shortfall) of Funding for Charity Care to Cost of Providing Indigent Care	<u>\$ (174,483)</u>	<u>\$ (751,325)</u>	<u>\$ (2,438,196)</u>
C Patients Receiving Indigent Care Services			
C1 Total number of patients receiving indigent care	11	11	222
C2 Total number of patient encounters receiving indigent care	11	11	222

**NEW MEXICO DEPARTMENT OF HEALTH
CALCLUATIONS OF COST OF PROVIDING INDIENT CARE - NMRC
YEAR ENDED JUNE 30, 2018**

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

	For the Year Ended June 30,		
	2018	Unaudited - 2017	Unaudited - 2016
Uninsured patients qualifying for indigent care			
Charges for these patients	\$ 143,065	\$ 401,295	\$ 2,668,117
Ratio of cost to charges	121.96%	192.79%	92.91%
Cost for uninsured patients qualifying for indigent care	<u>174,482</u>	<u>773,657</u>	<u>2,478,948</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	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Agency / Pass-through Agency	Pass-Through Identifying Number	CFDA Program Title per CFDA.gov / SUBRECIPIENT NAME	CFDA No.	Passed through to Subrecipients	Federal Participating Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Dept of Agriculture		WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ -	\$ 43,387,725
Dept of Agriculture		FIRST CHOICE COMMUNITY HEALTHCARE INC	10.557	852,446	
Dept of Agriculture		FIRST NATIONS COMMUNITY	10.557	269,486	
Dept of Agriculture		WIC Farmers' Market Nutrition Program (FMNP)	10.572		189,965
Dept of Agriculture		Senior Farmers Market Nutrition Program	10.576		290,542
Dept of Agriculture		WIC Grants To States (WGS)	10.578		2,986,535
Dept of Agriculture Total				1,121,932	\$ 46,854,767
U.S. DEPARTMENT OF EDUCATION					
DOED		Special Education-Grants for Infants and Families	84.181	\$ -	\$ 3,227,477
DOED Total				\$ -	\$ 3,227,477
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
DHHS		Strengthening Public Health Services at the Outreach Offices of the U.S.-Mexico Border Health Commission	93.018	\$ -	\$ 244,627
DHHS		Chronic Diseases: Research, Control, and Prevention	93.068		104,069
DHHS		Public Health Emergency Preparedness	93.069		6,719,375
DHHS		Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073		133,052
DHHS		Affordable Care Act (ACA) Personal Responsibility Education Program	93.092		364,415
DHHS		Maternal and Child Health Federal Consolidated Programs	93.110		130,590
DHHS		Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116		395,322
DHHS		Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130		188,373
DHHS		Injury Prevention and Control Research and State and Community Based Programs	93.136		1,842,198
DHHS		Family Planning_Services	93.217		3,339,992
DHHS		Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235		759,227
DHHS		State Rural Hospital Flexibility Program	93.241		394,308
DHHS		Universal Newborn Hearing Screening	93.251		258,861
DHHS		Occupational Safety and Health Program	93.262		169,531
DHHS		Viral Hepatitis Prevention and Control	93.270		128,500
DHHS		Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		163,128
DHHS		Small Rural Hospital Improvement Grant Program	93.301		107,970
DHHS		PPHF 2018: Office of Smoking and Health-National State - Based Tobacco Control Programs - Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305		858,230
DHHS		Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314		81,290
DHHS		Emerging Infections Programs	93.317		2,089,581
DHHS		THE UNIVERSITY OF NEW MEXICO	93.317	833,153	
DHHS		Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323		2,925,065
DHHS		NM MEDICAL REVIEW ASSOCIATION	93.323	230,000	
DHHS		NON-ACA/PPHF—Building Capacity of the Public Health System to Improve Population Health through National Nonprofit Organizations	93.424		2,080
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) Cooperative Agreements;PPHF	93.521		446,271

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Agency / Pass-through Agency	Pass-Through Identifying Number	CFDA Program Title per CFDA.gov / SUBRECIPIENT NAME	CFDA No.	Passed through to Subrecipients	Federal Participating Expenditures
DHHS		Refugee and Entrant Assistance Discretionary Grants	93.576		51,485
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		419,472
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		359,422
DHHS		Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	93.753		291,059
DHHS		State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757		1,289,913
DHHS		Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758		1,944,102
DHHS		Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761		223,525
DHHS		State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777 *		2,499,213
DHHS		Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	93.815		300,407
DHHS		Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817		119,808
DHHS		Antimicrobial Resistance Surveillance in Retail Food Specimens	93.876		124,128
DHHS		National Bioterrorism Hospital Preparedness Program	93.889		846,043
DHHS		Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898		2,493,930
DHHS		Grants to States for Operation of State Offices of Rural Health	93.913		161,233
DHHS		HIV Care Formula Grants	93.917		4,432,576
DHHS		ALIANZA OF NEW MEXICO	93.917	478,140	
DHHS		SOUTHWEST CARE CENTER	93.917	983,084	
DHHS		HIV Prevention Activities Health Department Based	93.940		900,657
DHHS		Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944		131,154
DHHS		Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946		163,600
DHHS		Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977		566,172
DHHS		Maternal and Child Health Services Block Grant to the States	93.994		3,725,297
DHHS		Immunization Cooperative Agreements	93.268		\$ 3,225,051
DHHS		Federal In-Kind assistance, Immunization	93.268		32,943,879
		Total Immunization Program	93.268		\$ 36,168,930
DHHS		Environmental Public Health and Emergency Response	93.070		\$ 1,481,471
State of Utah	1U88EH001153-01	Environmental Public Health and Emergency Response	93.070		134,398
		Total Environmental Public Health and Emergency Response	93.070		\$ 1,615,869
DHHS Total				\$ 2,524,377	\$ 80,674,051
NEW MEXICO ENERGY, MINERALS & NATURAL RESOURCES DEPARTMENT					
EMNRD	DE-FC29-88AL53813	Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106	\$ -	\$ 84,932

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Agency / Pass-through Agency	Pass-Through Identifying Number	CFDA Program Title per CFDA.gov / SUBRECIPIENT NAME	CFDA No.	Passed through to Subrecipients	Federal Participating Expenditures
EMNRD Total				\$ -	\$ 84,932
<u>NEW MEXICO HUMAN SERVICES DEPARTMENT - JOINT POWERS AGREEMENTS</u>					
HSD	17-630-9000-0014, 17-630-9000	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ -	\$ 428,729
HSD	18-630-7101-0001-A3	Child Support Enforcement	93.563		66,301
HSD	18-630-9000-0003	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566		222,377
HSD	18-630-8000-0003, 18-630-8000	Medical Assistance Program	93.778	*	13,801,163
HSD	17-630-7903-0012	Block Grants for Prevention and Treatment of Substance Abuse	93.959		715,958
HSD Total				\$ -	\$ 15,234,528
<u>U.S. DEPARTMENT OF JUSTICE</u>					
DOJ		Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	\$ -	\$ 6,854
DOJ Total				\$ -	\$ 6,854
<u>NEW MEXICO PUBLIC EDUCATION DEPARTMENT</u>					
PED	97000	National School Lunch Program	10.555	\$ -	\$ 58,285
PED	14-924-00229	Race to the Top Early Learning Challenge	84.412		1,255,122
PED Total				\$ -	\$ 1,313,407
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
DOT		National Priority Safety Programs	20.616	\$ -	\$ 38,841
DOT Total				\$ -	\$ 38,841
<u>U.S. DEPARTMENT OF VETERANS AFFAIRS</u>					
DVA		Grants to States for Construction of State Home Facilities	64.005	\$ -	\$ 732,244
DVA Total				\$ -	\$ 732,244
<u>ENVIRONMENTAL PROTECTION AGENCY</u>					
EPA		TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	\$ -	\$ 49,517
EPA Total				\$ -	\$ 49,517
TOTAL EXPEDITURES CASH / NON-CASH FEDERAL AWARDS				\$ 7,292,618	\$ 148,216,619

* These are part of the Medicaid Cluster, with total expenditures of \$ 16,300,376

^ These are CFDA 93.268, with total expenditures of \$ 36,168,930

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

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, 2018. The information in this schedule is presented in accordance with the requirements 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 or 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 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

NOTE 3 - LOANS OUTSTANDING

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

NOTE 4 - IN-KIND, NON-CASH ASSISTANCE

Amounts reported under Non-Cash Assistance do not represent cash expenditures but are based upon the value of drug vaccines provided to the State of New Mexico by the Federal Centers for Disease Control.

NOTE 5 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Department provided federal awards to local entities in the amount of \$3,646,309. The Entities are listed below:

<u>Subrecipient Name</u>	<u>CFDA No.</u>	<u>Identification No.</u>	<u>Amount</u>
First Choice Community Healthcare Inc	10.557	PA#18FHBWIC0001	\$ 852,446
First Nations Community	10.557	PA#18FHBWIC0002	269,486
Alianza New Mexico	93.917	PA#17IDBHIV0100	478,140
Southwest Care Center	93.323	PA#17IDBHIV0107	983,084
NM Medical Review Association	93.917	80-665-18-63313	230,000
The University Of New Mexico	93.317	FY18 UNM 030046	833,153
Subrecipient Amount Total			<u><u>\$ 3,646,309</u></u>

**NEW MEXICO DEPARTMENT OF HEALTH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 6 - RECONCILIATION

Reconciliation of federal expenditures to federal revenue and assistance:

Per Financial Statements:

Federal Revenue	\$ 124,075,704
Federal vendor relationship contracts and other grants:	<u>(5,951,272)</u>
Adjusted Federal Revenue	118,124,432
Revenue paid on services not expenditure - agreements allow for more revenue	(2,519,151)
Adjustments to the Federal Government for prior year activity	(332,541)
In-kind assistance (immunization)	<u>32,943,879</u>
Per Schedule of Expenditures of Awards	<u>\$ 148,216,619</u>

**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
and Mr. Wayne Johnson, 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 fund of New Mexico Department of Health, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise New Mexico Department of Health's basic financial statements, and have issued our report thereon dated November 1, 2018.

Internal Control Over Financial Reporting

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

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. 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.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
and Mr. Wayne Johnson, New Mexico State Auditor

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 2018-001, 2018-005, 2018-006, 2018-007, and 2018-008.

New Mexico Department of Health's Response to Findings

New Mexico Department of Health's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New Mexico Department of Health's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 results 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, 2018



**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
and Mr. Wayne Johnson, New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited 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 New Mexico Department of Health's major federal programs for the year ended June 30, 2018. 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 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 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 New Mexico Department of Health's compliance.

Opinion on Each Major Federal Program

In our opinion, 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 major federal programs for the year ended June 30, 2018.

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 2018-002, 2018-003, and 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of 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 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 New Mexico Department of Health's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, and 2018-004, that we consider to be significant deficiencies.

New Mexico Department of Health's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. New Mexico Department of Health's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Lynn Gallagher, Cabinet Secretary
New Mexico Department of Health
and Mr. Wayne Johnson, New Mexico State Auditor

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 1, 2018

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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? _____ yes x 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)
84.181	Special Education-Grants for Infants and Families
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
JUNE 30, 2018**

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

Please see Section IV – Other Matters

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

2018–002 (Previously 2017-004) Allowability – Internal Control over Payroll (Significant Deficiency and Noncompliance)

Federal agency: CFDA 10.557 – Special Supplemental Nutrition Program for Women,
Infants and Children (WIC)
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 93.758)

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

Award Period: 6NM700504 (2018) (CFDA 10.557)
NB01OT009147-01-01 (CFDA 93.758)
JPA 11-630-8000-0003 (2018) (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

- 1 out 40 certifications tested were not signed by the supervisor.

CFDA 93.758

- 3 out of 10 certificates tested were certified working for CFDA 93.991, not CFDA 93.758.
- 3 out of 28 timesheets reviewed did not agree to the charges entered into SHARE. For these transactions totaling an approximate of \$1,508.24, the amounts were not charged the correct percentage on SHARE. No adjusting journal entries were provided to us.
- 1 out of 28 timesheets reviewed did not agree to the charges entered in SHARE. For the transaction, adjusting journals were provided to correct an approximate amount of \$371. The adjusting journal entry, however, did not correct an approximate amount of \$627.37.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

2018–002 (Previously 2017-004) Allowability – Internal Control over Payroll (Significant Deficiency and Noncompliance) (Continued)

Condition (Continued):

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 WIC Policy, form will then be reviewed and signed by their supervisor (CFDA 10.557). 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
JUNE 30, 2018**

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

2018–002 (Previously 2017-004) Allowability – Internal Control over Payroll (Significant Deficiency and Noncompliance) (Continued)

Management’s response:

CFDA 10.557

A time study will be conducted for the Northwest Regional Program Manager. If 100% of this employee’s time is WIC, certification will be signed. If time study indicates a percentage of time is spent outside of WIC, time studies will be done twice a year for this employee. The time study will be performed in February & June 2019 for this employee. The WIC Director and WIC Deputy Director will be responsible for this corrective action.

CFDA 93.758

The Public Health Division (PHD) Health Promotion Program Staff used an old certification form and will be reminded to check the certification form for the correct CFDA numbers. Both Lee Collen (Deputy Director of the Epidemiology and Response Division) and Cathy Rocke (Deputy Director of the Public Health Division) will work to correct this finding by December 31, 2018.

The PHD recognizes there were no Adjusting Journal Entries completed for these employees. Share HCM was charged according to the Task Profile Identifications (TPIDS) from the programs. PHD will begin conducting “self-check” audits on timesheets to correct any discrepancies identified. Both Lee Collen (Deputy Director of the Epidemiology and Response Division) and Cathy Rocke (Deputy Director of the Public Health Division) will work to correct this finding by December 31, 2018.

The PHD recognizes the variance; although the FY17 General Ledger had been closed and could not make the necessary correcting entries. PHD will begin conducting “self-check” audits on timesheets to correct any discrepancies identified. Both Lee Collen (Deputy Director of the Epidemiology and Response Division) and Cathy Rocke (Deputy Director of the Public Health Division) will work to correct this finding by December 31, 2018.

CFDA 93.777/778

This item has been discussed by Senior Management at DDSD and the decision was made to hold employees and supervisors accountable for compliance with the established policy rather than changing the policy to allow more time to complete and sign the time study. When time studies are not submitted timely the supervisor will be notified and it will be discussed at the bi-monthly Bureau Chiefs meetings. The Division has established a process to include time study compliance in the Performance Evaluations of employees and supervisors. The individuals responsible for correcting this issue is both the employee and their supervisor. As employee performance evaluations are renewed, this will be added to the Quality section. As of September 2018, supervisors have begun to track employee compliance and will use the data to impact the employee performance evaluation scores on all employees. Supervisors will also have the compliance of their employees tracked and that will impact the supervisor’s performance evaluation scores as well.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

2018-003 (Previously 2017-005) 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 (2018) (CFDA 10.557)

Questioned costs: Unknown

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

CFDA 10.557

- 7 out of 40 participant files selected did not include sufficient documentation related to the determination of income.
- 1 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.
- 1 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 record of blood test.
- 1 out of 40 participant files did not have the Rights and Responsibilities Form for the certified period. These are the forms that are used by the program to document that the participant has been properly screened for categorical and income eligibility.

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.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

2018-003 (Previously 2017-005) Eligibility (Significant Deficiency and Noncompliance)

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.

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 response: Implementation of the new WIC MIS software system (NMSOL). NMSOL will capture fields that are mandatory before the certification of the applicant/participant can be processed and benefits issued. The rollout of NMSOL was completed in September 30, 2018. Issues with the completed rollout are still being worked on. In January 2019, WIC staff will re-evaluate these findings and ensure they are being addressed by NMSOL. The WIC Clinic Operations section is updating audit forms to reflect changes of the new MIS system. 31% of the WIC clinics will be reviewed in year 2019 (only 20% is required by Food Nutrition Services (FNS) grant). Audits will be the internal control to ensure staff are using the application correctly. The WIC Director and WIC Deputy Director will be responsible for this corrective action.

2018-004 Special Provisions (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 (2018) (CFDA 10.557)

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

2018-004 Special Provisions (Significant Deficiency and Noncompliance) (continued)

Questioned costs: Unknown

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

- 4 out of 4 quarterly cost neutrality assessments were not completed. The Program did not request for the extension to submit the report until we brought to their attention.
- No follow up actions were performed by WIC for 6 out of 8 compliance.

Criteria: Per 7 CFR §246.12(g) (4) (i) (D), the State Agency must ensure that the prices of above-50-percent vendors do not inflate the competitive price criteria and allowable reimbursement levels for the peer groups or result in higher total food costs if program participants transact their food instruments at above-50-percent vendors rather than at other vendors that do not meet the above-50-percent criterion. To comply with this requirement, the State agency must compare the average cost of each type of food instrument redeemed by above-50-percent vendors against the average cost of the same type of food instrument redeemed by regular vendors. The average cost per food instrument may be weighted to reflect the relative proportion of food instruments redeemed by each category of vendors in the peer group system. The State agency must compute statewide average costs per food instrument at least quarterly to monitor compliance with this requirement. Per 7 CFR §246.12(k), The State agency must follow up on FIs containing errors and other questionable FIs and CVVs detected through this process within 120 days following detection.

Context: See “Condition”.

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

Effect: Noncompliance with applicable regulations and policies.

Recommendation: We recommend the Program implements effective internal controls and monitors the process to reasonably ensure compliance with regulations and policies.

Management’s response: The Vendor Manager will be hired in January 2019 and it will be their responsibility to review all prior compliance buys and ensure all follow-up letters are reviewed, and processes have been met according to what was found on the compliance buy report. The WIC Director and WIC Deputy Director will be responsible for this corrective action.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section IV – Other

2018–001 Petty Cash (Finding that does not rise to the level of a significant deficiency)

Condition: During our surprise cash count, the balance was off by \$1.

Criteria: Petty cash count reconciliation be performed using the division’s Petty Cash Accountability Report and should reconcile at any given point in time; regardless if it’s been entered into SHARE. Per MAPs, all petty cash, change funds, and miscellaneous special funds shall be restricted to a designated state employee. Funds are to be reconciled monthly and independently reconciled annually and upon transfer of custody. CFO’s shall establish written procedures to ensure compliance with the FIN 5.16 Establishing Petty Cash, Miscellaneous Change Funds, and Miscellaneous Special Accounts, FIN 5.17 Closing Petty Cash, Miscellaneous Change Funds, and Miscellaneous Special Accounts, and FIN 5.18 Updating Petty Cash, Miscellaneous Change Funds, and Miscellaneous Special Accounts.

Context: We performed surprised petty cash count.

Effect: The Department is not in compliance with MAPs.

Cause: Management oversight.

Recommendation: Management establishes effective controls and procedures to ensure monthly reconciliation is being done for petty cash. Also, management reviews its policy and update as needed to reflect current conditions.

Management’s response: The division acknowledges that the petty cash was short by \$1.00 due to staff shortages and not reconciling. Daily reconciliation of the petty cash will be conducted immediately, and signed forms will be submitted monthly to the Financial Accounting Bureau. The division’s Finance Director along with the Financial Accounting Bureau Cash Manager will be responsible for this corrective action.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section IV – Other

2018-005 (Previously 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 does not have written policies in place regarding the treatment and documentation of indigent care.

TLH

- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

FBMC

- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

NMRC

- The facility does not have written policies in place regarding the treatment and documentation of indigent care.

Management's Progress for Repeat Findings: This is a repeated and modified finding. The Department has not maintained written policy to reasonably ensure compliance with State Audit Rule.

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, 2018.

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: 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: The hospital acknowledges that the proper procurement procedures were not followed. Employees were re-trained immediately and informed that no services can be conducted without a valid contract and procurement documents in place. In addition, all employees involved with this transaction went through Procurement Code and Contracts training immediately. The Hospital Administrator, Director of Nursing, and Finance Director are responsible for this corrective action and implementation of procedures by November 30, 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section IV – Other (Continued)

2018-006 P-cards (Compliance and Other Matters)

Condition: During our testing over procurement cards, we noted the following:

- The P-Card signature list were not up to date.
- There are two transactions were charged sales tax in the amount of \$4.84 and \$6.12 respectively while no sales tax should have been charged.

Criteria: Per 2.20.5 (C) (1) NMAC – It is the responsibility of the chief financial officer to ensure that an internal control structure exists at the state agency and is functioning properly. Per 2.20.5 (C) (8) NMAC – It is the responsibility of the chief financial officer to ensure that all payments to vendors are accurate, timely and the state agency has certified they are for services rendered or goods received in accordance with Section 13-1-158 NMSA 1978, as amended.

Context: See “Condition”.

Cause: Management oversight.

Effect: The Department is not in compliance with NMAC 2.20.5.

Recommendation: Management establishes effective controls and procedures to ensure p-cards are in compliance with applicable laws and Department policy.

Management’s response: Effective March 23, 2018, a new signature list was submitted to DFA that captured the employees who have signature authority for certain transactions. The Accounts Payable Supervisor and Chief Financial Officer will be responsible in adding/deleting employees from the signature authority listing and immediately submit to DFA.

Both employees have been re-trained and were informed immediately that no taxes could be imposed on P-Card purchases for products only and ensure that we proactively provide vendors with tax-exempt certificates. The P-Card holders, Accounts Payable Supervisor, and Procurement Supervisor will be responsible in addressing such instances and work together to ensure that vendors have tax-exempt certificates prior to making any such purchases with the procurement card.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section IV – Other (Continued)

2018-007 Procurements (Compliance and Other Matters)

Condition: An after-the-fact payment for expenditures of \$190,183.01 to Maxim Healthcare Solutions for developmental disabilities related services at the Los Lunas Community Program during the period July 2017 through February 2018. Delays in finalizing the nursing contracts resulted in DOH accruing past due amounts owed to Maxim without a contract in place during the period vendor services continued.

Criteria: Per NMSA6-5-3, before any vouchers or purchase orders are issued or contracts are entered into involving the expenditure of public funds by a state agency, the authority for the proposed expenditure shall be determined by the division and the state agency. After the authority for the expenditure is determined, the appropriate fund shall be shown by the division to be encumbered to the extent of the proposed expenditure. The division may request, and the state agency shall provide, such documentation and other information as the division deems necessary to justify the state agency's determination of authority. The division may disapprove the proposed expenditure if it determines that the justification is inadequate or is not substantiated by law. The division may perform, on a statistical or stratified basis, internal pre-audit and post-audit procedures to monitor and enforce compliance with the provisions of this section.

Context: See "Condition".

Cause: Management oversight.

Effect: The Department is not in compliance with Procurement Code (Sections 13-1-1 through 13-1-199, NMSA 1978 and Section 6-5-3 NMSA 1978 statutory encumbrance violation.

Recommendation: The Department monitors procedures to ensure the Program is following division guidelines.

Management's response: The hospital acknowledges that the proper procurement procedures were not followed. Employees were re-trained immediately and informed that no services can be conducted without a valid contract and procurement documents in place. In addition, all employees involved with this transaction went through Procurement Code and Contracts training immediately. The Hospital Administrator, Director of Nursing, and Finance Director are responsible for this corrective action and implementation of procedures by November 30, 2018.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section IV – Other (Continued)

2018-008 (Previously 2017-010) Information Technology (Compliance and Other Matters)

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

1. 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.
2. Disaster Recovery Plan Test - The Department has a disaster recovery plan; however, the plan has not regularly been tested.

Management's Progress for Repeat Findings: This is a repeated and modified finding. The Department continues to work on its formal IT risk assessment processes and improving its overall controls over IT.

Criteria:

1. 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.
2. 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.

Context: See "Condition".

Effect:

1. 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.
2. 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.

Cause:

1. 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.
2. The Department uses the data center maintained by the Department of Information Technology and relies on them for disaster recovery services.

**NEW MEXICO DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Section IV – Other (Continued)

**2018-008 (Previously 2017-010) Information Technology (Compliance and Other Matters)
(Continued)**

Recommendation: Below are our recommendations:

1. 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.
2. 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.

Management's Response:

1. The IT Division is in the process of hiring a Deputy Chief Security Officer. In conjunction with working with the Chief Security Officer, the IT Division will implement a risk assessment and management program to include searching for funding opportunities to conduct a third-party risk assessment and create a plan for mitigating identified risks. Upon hiring of this position in November 2018, implementation of a risk management program will be a priority to be conducted by late December 2018. Contract with a third-party risk assessment vendor by April 2019 to create a risk remediation plan by June 2019. The Chief Security Office will be responsible for this corrective action.
2. Upon hiring of the Deputy Chief Security Officer in November 2018, the IT Division will research viable options for co-location of the Albuquerque Tiwa and Oso Grande sites by March 2019. In addition, this position will also explore cloud hosted solutions with Microsoft Azure and assess third-party hosted solutions to coordinate testing of their disaster recovery plan by April 2019. The complete plan for implementation and testing of disaster recovery for both premise solutions and third-party hosted systems should be completed by June 2019 with proper funding. The Chief Security Office will be responsible for this corrective action.

**STATE OF NEW MEXICO DEPARTMENT OF HEALTH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2018**

2017-001 Interagency Transactions	Resolved
2017-002 Reporting of Subrecipients	Resolved
2017-003 Inventory Observation	Resolved
2017-004 Allowability – Internal Control over Cash Disbursements and Payroll	Revised/Repeated (2018-002)
2017-005 (Previously 2016-005) Eligibility	Revised/Repeated (2018-003)
2017-006 (Previously 2016-009) Subrecipients	Resolved
2017-007 (Previously 2016-010) Gas Card Control Process	Resolved
2017-008 Other Per Diem	Resolved
2017-009 Indigent Care	Revised/Repeated (2018-005)
2017-010 (Information Technology)	Revised/Repeated (2018-008)

**NEW MEXICO DEPARTMENT OF HEALTH
EXIT CONFERENCE
YEAR ENDED JUNE 30, 2018**

An exit conference was held with the Department on October 31, 2018. 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
Dawn Hunter, DOH - Deputy Secretary
Roy McDonald, DOH - ASD Director
Charles Jaramillo, DOH - CFO
Eve T. Banner, CPA, DOH - Bureau Chief, FAB
Santana Griego, DOH - Accounting Operations Manager
Alex Williams, CPA, DOH - Financial Analyst

CLIFTONLARSONALLENLLP

Georgie Ortiz, CPA, CGFM, Managing Principal - New Mexico
Laura Beltran-Schmitz, CPA, CFE, Assurance Director
Genevia Choi, Senior Associate