
**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY
AND EMERGENCY MANAGEMENT**

**Financial Statements
For the Year Ended June 30, 2009**

(With Independent Auditor's Report Thereon)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2009**

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**STATE OF NEW MEXICO
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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2009**

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**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Official Roster
as of June 30, 2009**

Administrative Officials

<u>Name</u>	<u>Title</u>
John W. Wheeler	Cabinet Secretary
John Martinez	Deputy Cabinet Secretary
Ben Rael	Deputy Cabinet Secretary and Chief Financial Officer

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Mr. John W. Wheeler, Cabinet Secretary
New Mexico Department of Homeland Security
and Emergency Management

and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparisons for the General Fund and major special revenue fund of the State of New Mexico, Department of Homeland Security and Emergency Management (Department) as of and for the year ended June 30, 2009, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the State of New Mexico, Department of Homeland Security and Emergency Management's governmental funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the State of New Mexico, Department of Homeland Security and Emergency Management's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1.A., the financial statements of the State of New Mexico, Department of Homeland Security and Emergency Management are intended to present the financial position and changes in financial position of only that portion of the governmental activities and major funds of the State of New Mexico that is attributable to the transactions of the State of New Mexico, Department of Homeland Security and Emergency Management. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State of New Mexico, Department of Homeland Security and Emergency Management, as of June 30, 2009, and the respective changes in financial position, thereof and the budgetary comparisons for the General Fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the individual fund financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with **Government Auditing Standards**, we have also issued our report dated December 14, 2009, on our consideration of the State of New Mexico, Department of Homeland Security and Emergency Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with **Government Auditing Standards** and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the individual fund financial statements and budgetary comparisons. The accompanying schedule of expenditures of federal awards listed in the table of contents is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, **Audits of States, Local Governments, and Not-for-Profit Organizations**, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 14, 2009

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

The Department of Homeland Security and Emergency Management's (the Department) Management's Discussion and Analysis provides the reader of the financial statements this narrative overview and analysis of the financial activities of the Department for the fiscal year ended June 30, 2009. This is the second year that the Department provides the Management's Discussion and Analysis. On July 1, 2007, the Department was created by NMSA, Section 9-28-1 through 9-28-7. Prior to July 1, 2007, the majority of the affairs of the Department were the responsibility of the New Mexico Department of Public Safety. The Department is the primary State agency responsible for all New Mexico's homeland security and emergency management efforts. The Department coordinates with federal agencies in emergency and disaster preparedness, response, recovery, and mitigation for all hazards.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and a section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different view of the Department.

- A. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Department's overall financial status.
- B. The remaining statements are fund financial statements that focus on individual parts of the Department, reporting the Department's operations in more detail than the government-wide statements.
- C. The governmental funds statements tell how general government services (the primary functions of the Department) were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

REPORTING ON THE DEPARTMENT AS A WHOLE

Government-Wide Statements

The government-wide statements report information about the Department as a whole using accounting methods similar to those used by private-sector companies.

The **Statement of Net Assets** presents information on all of the Department's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of the Department's financial position over time.

The **Statement of Activities** presents information on how the Department's net assets changed during the most recent fiscal year. Changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are included in this statement for some items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation and uncollected accounts receivable.)

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

The two government-wide statements report the Department's net assets and how they have changed. Net assets – the difference between the Department's assets and liabilities – is one way to measure the Department's financial health or position. Over time, increases or decreases in the Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the Department fall into the governmental activities category. State appropriations, federal grants and proceeds from severance tax bond appropriations finance these activities.

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide more detailed information about the Department's most significant funds. Funds are accounting devices that the Department uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law. The State Legislature also establishes other funds to control and manage money for particular purposes or to show that it is properly using certain grants. The Department's funds are all governmental funds. The **Balance Sheets** and the **Statements of Revenue, Expenditures and Changes in Fund Balance** provide this information.

Governmental Funds –

All of the Department's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statement provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent pages that explain the relationship (or differences) between them.

The Department maintains its fund structure in the Statewide Human Resources, Accounting and Management Reporting (SHARE) System. The Department maintains the General Fund (Fund No. 20050), and one (1) special revenue fund, Executive Orders - State Disaster Fund (Fund No. 20380)

Budgetary Comparisons

The budget comparison information required by GASB #34 for the General Fund and major special revenue funds that have legally adopted budgets is presented as a part of the basic financial statements. All other budget comparisons that have legally adopted budgets are presented as required supplemental information (RSI). The budgetary comparisons present both the original and final budgets for the reporting period as well as the actual inflows, outflows, and balances on the budgetary basis, which is the modified accrual basis of accounting.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

Financial Analysis of the Department as a Whole

Statement of Net Assets

Exhibit A summarizes the Department's net assets for the fiscal year ending June 30, 2009. The following condensed financial information was derived from the entity-wide Statement of Net Assets for the current and prior year.

Statement of Net Assets

	Current Year June 30, 2009	Prior Year June 30, 2008	Increase or (Decrease)
ASSETS			
Investment in the State Treasurer General			
Fund Investment Pool (deficit)	\$ 349,732	\$ (9,494,876)	\$ 9,844,608
Due from other state agencies	28,626	7,079,090	(7,050,464)
Due from State General Fund	-	3,356,650	(3,356,650)
Due from federal government	11,242,841	10,707,748	535,093
Capital assets (net of accumulated depreciation)	3,892,011	4,138,046	(246,035)
Total assets	15,513,210	15,786,658	(273,448)
LIABILITIES			
Accounts payable	966,136	228,619	737,517
Accrued payroll payable	101,959	96,082	5,877
Payroll taxes payable	40,440	39,940	500
Payroll benefits payable	69,162	63,722	5,440
Due to State General Fund	128,218	90,071	38,147
Compensated absences - current	147,770	136,764	11,006
Compensated absences - long-term	67,705	72,246	(4,541)
Total liabilities	1,521,390	727,444	793,946
NET ASSETS			
Invested in capital assets	3,892,011	4,138,046	(246,035)
Restricted for subsequent year's expenditure by enabling legislation	10,315,284	11,130,178	(814,894)
Unrestricted	(215,475)	(209,010)	(6,465)
Total net assets	\$ 13,991,820	\$ 15,059,214	\$ (1,067,394)

The governmental activities current assets decreased by \$377,145, from \$11,648,612 to \$11,621,199 in 2009 or 0.2%. This change is insignificant.

The governmental activities current liabilities increased by \$798,487, from \$655,198 in 2008, to \$1,453,685 in 2009, or 122%. This substantial increase is mostly attributable to an increase in accounts payable of \$737,517. Long-term liabilities which are comprised of compensated absences decreased insignificantly by \$4,541.

The governmental activities net assets decreased by \$1,067,394 which was attributable to a \$246,035 decrease in capital assets (depreciation expense of \$605,437, capital asset additions of \$387,231 and deletions of \$35,526). In addition, the amount restricted for subsequent year's expenditures by enabling legislation decreased by \$814,894.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

Changes in Net Assets

Exhibit B summarizes the Department's changes net assets for the fiscal year ending June 30, 2009. The following condensed financial information was derived from the entity-wide Statement of Activities for the current year.

Statement of Activities

	Current Year Ended June 30, 2009	Prior Year Ended June 30, 2008	Increase or (Decrease)
Expenses:			
Governmental activities:			
Public safety	\$ 39,483,728	\$ 38,537,183	\$ 946,545
Depreciation	605,437	484,041	121,396
	<u>40,089,165</u>	<u>39,021,224</u>	<u>1,067,941</u>
Program revenue:			
Intergovernmental:			
Federal grants - operating	30,312,625	31,777,805	(1,465,180)
Federal - indirect cost revenue	86,884	-	86,884
Charges for services:			
Other filing fees	58,646	53,825	4,821
Other claims	-	10,760	(10,760)
	<u>30,458,155</u>	<u>31,842,390</u>	<u>(1,384,235)</u>
Net program (expenses) revenue	<u>(9,631,010)</u>	<u>(7,178,834)</u>	<u>(2,452,176)</u>
General revenues and transfers:			
General revenue:			
Miscellaneous revenue	146,228	13,995	132,233
Transfers:			
State General Fund appropriation	12,095,117	11,090,650	1,004,467
Severance tax bond appropriation	22,962	192,237	(169,275)
Other appropriations - compensation package	52,100	74,100	(22,000)
Operating transfers - in	600,000	6,599,561	(5,999,561)
Operating transfers - out	(600,000)	-	(600,000)
Transfer of capital assets to other state agencies	-	4,357,576	(4,357,576)
Loss on transfer of capital assets to other state agencies	(27,829)	-	(27,829)
Reversions to State General Fund-FY 2009	(3,724,962)	(90,071)	(3,634,891)
	<u>8,563,616</u>	<u>22,238,048</u>	<u>(13,674,432)</u>
Change in net assets	(1,067,394)	15,059,214	(16,126,608)
Net assets, beginning	15,059,214	-	15,059,214
Net assets, ending	<u>\$ 13,991,820</u>	<u>\$ 15,059,214</u>	<u>\$ (1,067,394)</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

Changes in Net Assets (Cont'd)

The governmental activities change in net assets decreased significantly from the previous year by (\$16,126,608). This was mainly attributable to the fund balance of \$6,599,561 for the Executive Orders State Disaster Fund having been transferred over to the DHSEM by the Department of Public Safety in the previous year. In addition, capital assets totaling \$4,357,576 were also transferred over to the DHSEM by the Department of Public Safety in the previous year. Other changes which decreased the change in net assets was a decrease in the State General Fund appropriations by \$1,004,467; a decrease in federal grant revenues by \$1,465,180; and an increase in governmental activities expense of \$1,067,941.

THE DEPARTMENT'S FUNDS

Governmental Funds

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. As mentioned previously, funds are used by the Department to keep track of specific sources of funding and spending for a particular purpose.

For the current year, the Department had two governmental funds. The Department's general fund is used to account for State General Fund appropriations and federal grants. The Department's Executive Orders-State Disaster Fund is used to account for State General Fund appropriations designated for use in disaster assistance. Funds are utilized in rendering aid in emergency situations.

As the Department completed the year, its governmental funds (as presented in the balance sheet on page 3, Exhibit C) reported a combined fund balance of \$10,315,284. The fund balance is attributable to the Department's Executive Orders-State Disaster Fund of \$5,379,677 and \$4,935,607 of the General Fund. The entire amount is reserved for subsequent years expenditures.

The General Fund of the Department reflects a fund balance of \$4,935,607. Since the General Fund is a "reverting" fund, only balances appropriated into future fiscal years may be retained by the Department. The Department had an amount of \$128,218 due to the State General Fund from unused State General Fund appropriations from the General Fund at June 30, 2009. In addition, the Department reverted \$3,596,744 from the Executive Orders State Disaster Fund from unused State General Fund appropriations for disaster projects which were completed.

General Fund Budgetary Highlights

The State Legislature makes annual appropriations to the Department. Adjustments to the budget require approval by the Budget Division of the Department of Finance and Administration. Over the course of the year, the Department revised its budget. These budget adjustments fall into two categories:

1. Within Department budget transfer of appropriations to prevent budget overruns.
2. Budget increases for funds made available during the year.

With these adjustments, actual expenditures were \$26,084,944 below budget amounts. However, this amount includes \$24,637,484 in federal grant funds authorized for use in subsequent fiscal years. All budgeted State General Fund appropriation were drawn and utilized for current operations, except for \$128,218, which is being reverted to the State General Fund.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

Analysis of Significant Budget Variations

The original Department's General Fund No. 20050 budget was \$60,996,412. Budget decreases of \$93,700 occurred in FY 2009 for the purpose of reduction in budget as mandated by the State Legislature.

The expenditure budget categories were adjusted to reflect the \$93,700 increase. Additionally, budget adjustments were made between expenditure categories. All budget increases and budget adjustments were approved by the State Budget Division of the Department of Finance and Administration.

The final budget for the Executive Orders-State Disaster Fund was \$9,326,743. The budget is increased during the year based on Executive Order Declarations made by the Governor of the State of New Mexico.

Capital Assets and Debt Administration

Capital Assets

The Department's investments in capital assets for its governmental activities as June 30, 2009, amounts to \$3,892,011 (net of accumulated depreciation). This investment in capital assets consists mainly of buildings, equipment and automobiles. There were additions of \$387,231 which were purchased by the Department during the fiscal year. There were deletions of capital assets totaling \$35,526 during the fiscal year. There was no debt related with capital assets at year end.

Infrastructure Assets

The Department does not own any infrastructure assets.

Long-Term Debt

At the end of the current fiscal year, the Department had total long-term debt outstanding of \$215,475, comprising accumulated balances for terminal and sick leave eligible for payment to employees upon termination of their employment from the department. Employees can receive compensation for a maximum of 240 hours upon severance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Department's could be affected in State General Fund appropriations in the future because of the decrease in gas and oil revenues for the entire State. Federal grant funds could be steadily increased by additional focus on homeland security due to national security efforts in the country.

The following is a comparison of the FY2009 and FY2010 budgets:

	<u>FY09</u>	<u>FY10</u>	<u>Increase (Decrease)</u>
General Fund	\$60,902,712	\$56,379,888	\$4,521,824
Executive Orders-State Disasters Fund	\$9,326,743	\$3,317,136	\$6,009,607

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2009

Contacting the Department's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department.

Department of Homeland Security and Emergency Management
John W. Wheeler, Cabinet Secretary
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Santa Fe, NM 87504
or
P.O. Box 27111
Santa Fe, NM 87502
(505) 476-9600

BASIC FINANCIAL STATEMENTS

Exhibit A

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Net Assets
June 30, 2009

ASSETS	<u>Governmental Activities</u>
Investment in the State Treasurer General Fund Investment Pool	\$ 349,732
Due from other state agencies	28,626
Due from federal government	11,242,841
Capital assets (net of accumulated depreciation)	<u>3,892,011</u>
Total assets	<u>15,513,210</u>
 LIABILITIES	
Accounts payable	966,136
Accrued payroll payable	101,959
Payroll taxes payable	40,440
Payroll benefits payable	69,162
Due to State General Fund	128,218
Compensated absences - current	147,770
Compensated absences - long-term	<u>67,705</u>
Total liabilities	<u>1,521,390</u>
 NET ASSETS	
Invested in capital assets	3,892,011
Restricted for subsequent year's expenditure by enabling legislation	10,315,284
Unrestricted	<u>(215,475)</u>
Total net assets	<u>\$ 13,991,820</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Activities
For the Year Ended June 30, 2009

	<u>Governmental Activities</u>
Expenses:	
Governmental activities:	
Public safety	\$ 39,483,728
Depreciation	605,437
	<hr/>
Total expenses	40,089,165
	<hr/>
Program revenue:	
Intergovernmental:	
Federal grants - operating	30,312,625
Federal-indirect cost revenue	86,884
Charges for services:	
Other filing fees	58,646
	<hr/>
Total program revenue	30,458,155
	<hr/>
Net program (expenses) revenue	(9,631,010)
	<hr/>
General revenues and transfers:	
General revenue:	
Miscellaneous revenue	146,228
Transfers:	
State General Fund appropriation	12,095,117
Severance tax bond appropriation	22,962
Other appropriations - compensation package	52,100
Operating transfers - in	600,000
Operating transfers - out	(600,000)
Loss on transfer of capital assets to other state agencies	(27,829)
Reversions to State General Fund-FY 2009	(3,724,962)
	<hr/>
Total general revenues and transfers	8,563,616
	<hr/>
Change in net assets	(1,067,394)
Net assets, beginning	15,059,214
	<hr/>
Net assets, ending	\$ 13,991,820
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Balance Sheet
Governmental Funds
June 30, 2009

	Major Funds		
	General Fund 20050	Executive Orders State Disasters Fund 20380	Total Govern- mental Funds
ASSETS			
Investment in the State Treasurer			
General Fund Investment Pool	\$ -	\$ 5,400,147	\$ 5,400,147
Due from other state agencies	2,853	-	2,853
Due from other state agencies-federal grant pass through	25,773	-	25,773
Due from federal government	11,242,841	-	11,242,841
Total assets	\$ 11,271,467	\$ 5,400,147	\$ 16,671,614
LIABILITIES			
Investment in the State Treasurer			
General Fund Investment Pool (Deficit)	\$ 5,050,416	\$ -	\$ 5,050,416
Accounts payable	945,665	20470	966,135
Accrued salaries payable	101,959	-	101,959
Payroll taxes payable	40,440	-	40,440
Payroll benefits payable	69,162	-	69,162
Due to State General Fund	128,218	-	128,218
Total liabilities	6,335,860	20,470	6,356,330
FUND BALANCES			
Fund balances:			
Reserved for subsequent year's expenditures	4,935,607	-	4,935,607
Unreserved-undesignated			
Reported in:			
Special Revenue Funds	-	5,379,677	5,379,677
Total fund balances	4,935,607	5,379,677	10,315,284
Total liabilities and fund balances	\$ 11,271,467	\$ 5,400,147	\$ 16,671,614

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2009

Total fund balance for the governmental funds (balance sheet)		\$ 10,315,284
Exhibit C		
Amounts reported for governmental activities in the statement of net assets are different because:		
<p>Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, excluded from the governmental funds.</p>		
<p>These assets consist of:</p>		
Capital assets	\$ 6,469,728	
Accumulated depreciation	<u>(2,577,717)</u>	3,892,011
<p>Compensated absences accrued in the government-wide financial statements and not budgeted in the current period, therefore, excluded from the governmental funds current portion of compensated absences.</p>		
		<u>(215,475)</u>
Net assets of governmental activities (statement of net assets)		\$ <u>13,991,820</u>
Exhibit A		

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2009

	Major Funds		Total Govern- mental Funds
	General Fund 20050	Executive Orders State Disasters Fund 20380	
Revenues:			
Intergovernmental:			
Federal grants-operating	\$ 30,312,625	\$ -	\$ 30,312,625
Federal-indirect cost revenue	86,884	-	86,884
Charges for services:			
Other filing fees	58,646	-	58,646
Other claims	-	-	-
	<u>30,458,155</u>	<u>-</u>	<u>30,458,155</u>
Expenditures:			
Public safety:			
Current:			
Personal services	4,661,398	-	4,661,398
Contractual services	1,130,842	48,000	1,178,842
Other costs	27,616,034	5,598,726	33,214,760
Capital outlay	809,494	-	809,494
Total expenditures	<u>34,217,768</u>	<u>5,646,726</u>	<u>39,864,494</u>
Excess (deficiency) of revenues over expenditures	<u>(3,759,613)</u>	<u>(5,646,726)</u>	<u>(9,406,339)</u>
Other financing sources (uses):			
Transfers in (out):			
State General Fund appropriation	8,604,500	3,490,617	12,095,117
Severance tax bond appropriation	22,962	-	22,962
Other appropriations - compensation package	52,100	-	52,100
Other appropriations	600,000	-	600,000
Operating transfers- out	(600,000)	-	(600,000)
Reversion to State General Fund-FY 2009	(128,218)	(3,596,744)	(3,724,962)
Other:			
Miscellaneous revenue	143,876	2,352	146,228
Total other financing sources (uses)	<u>8,695,220</u>	<u>(103,775)</u>	<u>8,591,445</u>
Net change in fund balance	4,935,607	(5,750,501)	(814,894)
Fund balances:			
Fund balance, beginning	-	11,130,178	11,130,178
Fund balance, ending	<u>\$ 4,935,607</u>	<u>\$ 5,379,677</u>	<u>\$ 10,315,284</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balance - Governmental Funds		
(Statement of Revenues, Expenditures and Changes in Fund Balance)	\$	(814,894)
Exhibit E		
Amounts reported for governmental activities in the Statement of Activities are different because:		
Increase in compensated absences		(6,465)
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset purchases exceeded depreciation expense in the current period.		
Capital asset purchases	\$	387,231
Loss on transfer of capital assets to other agencies		(27,829)
Current period depreciation		<u>(605,437)</u>
		<u>(246,035)</u>
Change in net assets of governmental activities (Statement of Activities)	\$	<u>(1,067,394)</u>
Exhibit B		

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual
General Fund - All Departments (Fund 20050)
For the Year Ended June 30, 2009

(Statements 1-7)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ 8,698,200	\$ 8,604,500	\$ 8,604,500	\$ -
Federal funds:				
Intra-state federal grants	51,136,112	51,136,112	30,312,625	(20,823,487)
Federal indirect cost revenue	-	-	86,884	86,884
Other funds:				
Other	10,000	10,000	143,876	133,876
Other filing fees	-	-	58,646	58,646
Other financing sources-compensation	52,100	52,100	52,100	-
Other financing sources	600,000	600,000	600,000	-
Severance tax bond appropriation	500,000	500,000	22,962	(477,038)
 Total revenues	 60,996,412	 60,902,712	 <u>\$ 39,881,593</u>	 <u>\$ (21,021,119)</u>
 Prior-year cash	 -	 -		
 Total revenues budgeted	 <u>\$ 60,996,412</u>	 <u>\$ 60,902,712</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ 4,910,800	\$ 4,853,200	\$ 4,661,398	\$ 191,802
Contractual services	2,454,300	2,386,500	1,130,842	1,255,658
Other costs	53,631,312	53,063,012	28,425,528	24,637,484
Other financing uses	-	600,000	600,000	-
 Total expenditures	 <u>\$ 60,996,412</u>	 <u>\$ 60,902,712</u>	 <u>\$ 34,817,768</u>	 <u>\$ 26,084,944</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 39,881,593	
Adjustments:				
None			-	
 Budget basis revenue			 <u>\$ 39,881,593</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 34,817,768	
Adjustments:				
None			-	
 Budget basis expenditures			 <u>\$ 34,817,768</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders-State Disaster Fund - All Departments (Fund 20380)
For the Year Ended June 30, 2009

(From Statements 8-13)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ 3,490,617	\$ 3,490,617	\$ 7,856,650	\$ 4,366,033
Miscellaneous	-	-	2,352	2,352
Total revenues	<u>3,490,617</u>	<u>3,490,617</u>	<u>\$ 7,859,002</u>	<u>\$ 4,368,385</u>
Prior-year fund balance	<u>5,836,126</u>	<u>5,836,126</u>		
Total revenues budgeted	<u>\$ 9,326,743</u>	<u>\$ 9,326,743</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Contractual services	48,000	48,000	48,000	-
Other costs	<u>9,263,743</u>	<u>9,263,743</u>	<u>5,598,726</u>	<u>3,665,017</u>
Total expenditures	<u>\$ 9,326,743</u>	<u>\$ 9,326,743</u>	<u>\$ 5,646,726</u>	<u>\$ 3,680,017</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 7,829,002	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 7,829,002</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 5,646,726	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 5,646,726</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

1. History and Functions

On July 1, 2007, the Department of Homeland Security and Emergency Management (DHSEM) was created by NMSA, Section 9-28-1 through 9-28-7 in 2007. The Department of Homeland Security and Emergency Management includes the following programs:

1. Recovery and Response
2. Preparedness
3. Intelligence
4. Administrative Services
5. Director

The Department of Homeland Security and Emergency Management is the primary State agency responsible for all of New Mexico's Homeland Security and Emergency Management efforts. The agency coordinates with federal agencies in emergency and disaster preparedness, response, recovery, and mitigation for all hazards.

The Department is the central coordination point for the State of New Mexico in preventing and preparing for, responding to, mitigating against, and recovering from emergencies and disasters. The Department provides technical assistance to the private sector, local jurisdictions and State agencies in all areas of homeland security and emergency management.

The accounting policies of the Department of Homeland Security and Emergency Management conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

2. Summary of Significant Account Policies

The financial statements of the Department of Homeland Security and Emergency Management have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Department applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 to the government-wide financial statements, unless they conflict with GASB pronouncements. The more significant of the Department's accounting policies are described below:

A. Reporting Entity and Component Units

The chief executive of the Department is the State Executive Director, who is appointed by the Governor of the State of New Mexico and is a member of the Governor's cabinet. The Department is a component unit to the executive branch and these financial statements include all funds, programs and activities of operations of only those *Statewide Human Resources, Accounting and Management Reporting System* (SHARE) funds over which the Department State Executive Director has oversight responsibility.

In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial independency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

A. Reporting Entity and Component Units (Cont'd)

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. Based upon the application of these criteria, the Department does not have any component units.

The Department is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR). Even though the Department's State Executive Director is appointed by the Governor, the Department's State Executive Director has decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability of fiscal matters.

The Department is a user organization of the Statewide Human Resource, Accounting, and Management Reporting System. The service organization is the Department of Finance and Administration (DFA).

B. Basic Financial Statements - Government-Wide Statements

The Department's basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic statement) categorize primary activities as either governmental or business type, excluding fiduciary funds or component units that are fiduciary in nature. The Department is a single purpose government entity and has no business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. The Department's net assets are reported in three parts; invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety), which are otherwise supported by general government revenues. The Statement of Activities reduces gross expense (including depreciation expense on capital assets) by related program revenues, operating and capital grants. Program revenue must be directly associated with the function (public safety). Program revenue must be directly associated with the function (public safety).

The net cost by function is normally covered by general revenue. Since the Department only has one program, it does not employ indirect cost allocation. Program revenue consist of federal and state grants and fines and fees.

The appropriation from the State General Fund not included among program revenues is reported instead as transfers. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB 33. The revenue recognition policy for grants is when the eligibility requirements have been met, and costs have been incurred.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

B. Basic Financial Statements - Government-Wide Statements (Cont'd)

The net cost by function is normally covered by general revenue.

The government-wide focus is more on the sustainability of the Department as an entity and the change in the Department's net assets resulting from the current year's activities.

Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the Department would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

C. Basic Financial Statements - Fund Financial Statements

Emphasis is on the major funds of the governmental category. Non-major funds are summarized into a single column. The Department's major funds are its General Fund and Executive Order Fund (State Disaster Funds).

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

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

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

The following fund types are used by the Department:

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

C. Basic Financial Statements - Fund Financial Statements (Cont'd)

said to present a summary of sources and uses of available spendable resources during a period. Revenues are recognized as soon as they are both measurable and available. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

General Fund - 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 is made up of the following SHARE fund.

General Operating (SHARE Fund No. 20050) - The operating account for the Department. Except for special appropriations which may extend into subsequent fiscal years, and federal grant funds, this is a reverting fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Department's Special Revenue Funds are as follows:

Executive Order Fund (State Disaster Funds) (SHARE Fund No. 20380) - The Executive Order Fund (State Disaster Funds) was established in accordance with Section 6-7-3 NMSA 1978 Compilation to account for funds designated for use in disaster assistance. Funds are utilized in rendering aid in emergency situations. Unexpended funds revert at the end of the authorization period.

D. Non-Current Governmental Assets/Liabilities

Such information is incorporated into the governmental column in the government-wide Statement of Net Assets.

E. Basis of Accounting

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

The government-wide financial statements are prepared using the "economic resources" measurement focus and the accrual basis of accounting. The Department has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. The governmental funds in the fund financial statements are presented on a modified accrual basis. Under the accrual method of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

E. Basis of Accounting (Cont'd)

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 meaning collectible within the current period or soon enough thereafter, 60 days, to be used to pay liabilities of the current period.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred. 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. However, in the government-wide financial statements, both current and long-term are accrued. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time, requirements, are met. Resources transmitted before the eligibility requirement are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

F. Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Department which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget and a financial control system, which permits a budget-to-actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the appropriation unit level.

Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico, Department of Finance and Administration, within the limitations as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the original and final authorized amounts as legally revised during the year.

The General Appropriations Act of 2004 established the modified accrual basis of accounting for governmental funds in accordance with the Manual of Model Accounting Practices issued by the Department of Finance and Administration as the budgetary basis of accounting for the State of New Mexico. The change in policy resulted in the recognition of budgetary control from a fiscal year to an appropriation period. Under the budgetary basis, prior year encumbrances allowed for money to be expended in one fiscal year, while charging the expenditure to another year's budget. Under the new policy, as long as the appropriation period has not lapsed, and a budget has been approved by the Department of Finance and Administration, an encumbrance can be charged against the budget. However, when the appropriation period has lapsed, so does the authority for the budget.

The General Fund and Special Revenue Funds budgetary legal authorization to incur obligations is on a basis that differs from the basis of accounting required by generally accepted accounting principles (GAAP). The budget is prepared on a modified accrual basis and may include encumbrances for

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

F. Budgets and Budgetary Accounting (Cont'd)

multiple year appropriations in fund expenditures (commitments for the expenditure of monies relating to unperformed contracts of orders for goods and services). GAAP includes accrued expenditures but does not include encumbrances in fund expenditures.

The Department follows these procedures in establishing the budgetary data reflected in the financial statements:

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House of Appropriations and Senate Finance Committees. The final outcome of those hearings are incorporated into the state's General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. No later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1.

All subsequent budgetary adjustments must be approved by the Director of the DFA Budget Division and by the LFC.

5. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds.
6. Budgetary control is exercised by the Department at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
7. The budget for the General Fund and all special revenue funds is adopted on a modified accrual basis of accounting (General Appropriations Act, Chapter 3, Laws of 2008, Paragraph O) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Department has not included such reconciliation for fiscal year 2009 as all payables were paid by the statutory deadline.
8. The original budgets differ from the final budgets presented in the budget comparison statements by amendments made during the fiscal year.
9. Appropriations lapse at the end of the fiscal year except for those amounts related to unexpended valid encumbrances for multi-year appropriations.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

F. Budgets and Budgetary Accounting (Cont'd)

In accordance with the requirements of Section 2.2.2.10.A (2) (b) of 2.2.2 NMAC Requirements for Contracting and Conducting Audits of Agencies and the allowance made by GASB 34, footnote 53, the budgetary comparison statements for major funds have been included as part of the basic financial statements.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year. Unused and excess encumbrances are adjusted in the year that the appropriation lapses.

H. Cash

Cash is deposited by the Department into its accounts with the State Treasurer which are pooled and invested by the State Treasurer at various financial institutions.

I. Federal Grants Receivable (Deferred Revenue)

Various reimbursement procedures are used for federal awards received by the Department. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date. Conversely, deferred revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or deferred balances caused by differences in the timing of cash reimbursements and expenditures will be reversed or returned to the grantor in the remaining grant period.

Determining the amount of expenditures reimbursable by the federal government, in some cases, requires management to estimate allowable costs to be charged to the federal government. As a result of this and other issues, management provides an allowance for potential contractual allowances for federal revenue. Any changes in these estimates are recorded in the period that the estimate is changed.

Certain federal program funds are passed through the Department to subgrantee organizations.

J. Capital Assets

Capital assets purchased or acquired at a value of \$5,000 or greater are capitalized. In some cases, assets acquired at a value of \$5,000 or less are capitalized. Assets are carried at historical costs or estimated historical cost. Contributed assets are recorded at estimated fair market value at the date of 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 are expensed when incurred. There is no debt related to the capital assets. Depreciation on all assets is provided on the straight-line basis over the following estimated useful life with no salvage value.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

J. Capital Assets (Cont'd)

	<u>Years</u>
Buildings	20
Furniture/Fixtures	10
Equipment and machinery	5
Automobiles	4
Data Processing Equipment	3

The Department utilizes facilities and buildings that are owned by the Department. These assets and the related depreciation expense are included in the accompanying financial statements. GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Department does not own any infrastructure assets.

K. Accrued Compensated Absences - Annual and Sick Leave

Qualified employees accumulate annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>	<u>Days Earned Per Month</u>	<u>Days of Maximum Accrual</u>
1-3	6.67	.83	30
4-6	8.00	1.00	30
7-10	9.99	1.25	30
11-14	12.00	1.50	30
15 th /Beyond	13.33	1.67	30

Thirty (30) days of accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is forfeited. When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of thirty (30) days. Accrued annual leave is recorded as a non-current liability in the government-wide financial statements.

Employees who have over 600 hours of accumulated sick leave can receive payment for hours over 600, up to 120 hours on July 1 or January 1 of each year. However, sick leave is paid at fifty percent of the employee's regular hourly wage. At retirement, employees can receive fifty percent payment for up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, the only leave which has been accrued represents the hours earned at June 30, 2009, over 600 hours up to 120 hours per employee. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a non-current liability in the government-wide financial statements.

Fair Labor Standards Act (FLSA) nonexempt employees accumulate compensation time at the rate of 1.5 times the number of hours worked, in excess of forty hours per week, based on their regular hourly rate. Exempt and classified employees who are FLSA exempt accumulate compensation time at the same rate as the number of hours worked. Exempt employees could not carry forward unused compensation time into January of the 2004 calendar year. Overtime must be pre-approved by management. Payment of this liability can be made by compensated leave time or cash payment.

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

2. Summary of Significant Accounting Policies (Cont'd)

K. Accrued Compensated Absences - Annual and Sick Leave (Cont'd)

In accordance with GASB 16, accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720, and compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes.

L. Reservations and Designations - Fund Balance

Reservations of fund balance in the governmental fund statements are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Subsequent Year's Expenditures - This reserve was created to represent appropriation made for special projects that extend beyond the current fiscal year.

M. Net Assets

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as investments in capital assets (net of related debt), restricted and unrestricted.

Investment in Capital Assets - is intended to reflect 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 - are liquid assets (generated from revenues and not bond proceeds appropriations), which have third-party (statutory enabling legislation or granting agency) limitation on their use, and which are legally enforceable as to their use.

Unrestricted Assets - represent unrestricted liquid assets.

The Department allocates expenses to restricted or unrestricted resources based on the budgeted source of funds. It is the Department's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could differ from those estimates.

3. Cash (Investment in the State Treasurer General Fund Investment Pool)

Investment in the State Treasurer General Fund Investment Pool. All funds allotted to the Department are held by the New Mexico State Treasurer. Deposits are non-interest bearing. Money deposited by the Department with the State Treasurer is pooled and invested by the State Treasurer. The State Treasurer deposits monies with New Mexico financial institutions in denominations which generally are in excess of the \$100,000 in insurance coverage provided by federal agencies. Accordingly, the State Treasurer requires that

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June 30, 2009

3. Cash (Investment in the State Treasurer General Fund Investment Pool) (Cont'd)

depository financial institutions provide additional collateral for such investments. The collateral generally is in the form of marketable debt securities and is required in amounts ranging from 50% to 102% of the par value of the investment dependent upon the institutions operating results and capital. Collateral for the fiscal account is required in amounts equal to 50% of the average investment balance. Separate financial statements of the State Treasurer indicate collateral categories of risk and market value of purchased investments. All collateral is held in third-party safekeeping. A supplemental schedule of cash that the Department held as of June 30, 2009 is presented in the financial statements as supplemental information. Cash on deposit with the State Treasurer in the General Fund Investment Pool consists of the following:

Name of Depository	Account Name	SHARE		Type of Account	Interest Bearing	Depository Balance at 06/30/2009	Reconciled Balance at 6/30/2009
		Agency Number	Fund Number				
State Treasurer General Fund Investment Pool:							
NM State Treasurer	Homeland Security & Emergency Management General Fund	79500	20050	State Treasury	No	(\$5,050,416)	(\$5,050,416)
NM State Treasurer	Executive Orders- State Disaster Special Revenue Fund	79500	20380	State Treasury	No	5,400,148	5,400,148
Total Governmental Fund Types						<u>\$349,732</u>	<u>\$349,732</u>

Cash accounts on deposit with the New Mexico State Treasurer do not require collateral to be pledged because they are deposits with another governmental entity. The Department is not authorized to make investments. However, certain cash accounts are authorized to earn interest and are deposited by DFA into the New Mexico State Treasurer's Office Interest Bearing Pool. The pool invests in repurchase agreements secured at 102% by U. S. Treasury notes and bills, certificates of deposit and other interest bearing instruments. Because all monies are held by another governmental entity, Governmental Accounting Standards Board Statement #3, "Deposit with Financial Institutions Investments (Including Repurchase Agreements)," and "Reverse Purchase Agreements" is not applicable. Deposits do not have to be classified according to custodial credit risk.

The State Treasurer has the power to invest money held in demand deposits and not immediately needed for the operation of state government in securities in accordance with Sections 6-10-10 I through P, NMSA 1978, as amended. The State Treasurer with the advice and consent of the state board of finance can invest money held in demand deposits and investments not immediately needed for the operation of state government in:

- (a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- (b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds appropriations, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

3. Cash (Investment in the State Treasurer General Fund Investment Pool) (Cont'd)

- (c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;
- (d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- (e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- (f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

No public funds can be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable third-party safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser.

For additional GASB 40 disclosure information regarding cash held by the State Treasurer, the reader should see the separate audit report for the State Treasurer's Office for the fiscal year ended June 30, 2009.

4. Due from Other State Agencies

The following are short-term amounts owed between other state agencies and are classified as due from other state agencies:

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

4. Due from Other State Agencies (Cont'd)

<u>Fund 20050-General Fund</u>	<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
Due from Department of Finance and Admin.	Payroll liability overpayment	\$ 2,853	\$ -
Due from Energy Mineral & Natural Resources Dept.	Federal grant pass through - WIPP Project	25,773	-
		<u>\$ 28,626</u>	<u>\$ -</u>

5. Capital Assets

The capital asset activity for the governmental activities for the year ended June 30, 2009, is as follows:

	<u>Governmental Activities</u>			
	<u>Beginning Balance</u> <u>06/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u> <u>06/30/2009</u>
<u>Cost</u>				
Buildings	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000
Data processing equipment	132,091	155,921	-	288,012
Equipment and machinery	570,591	143,750	-	714,341
Automobile	1,415,341	87,560	(35,526)	1,467,375
Total capital assets	<u>6,118,023</u>	<u>387,231</u>	<u>(35,526)</u>	<u>6,118,023</u>
<u>Accumulated Depreciation</u>				
Buildings	1,122,916	200,000	-	1,322,916
Data processing equipment	69,006	37,463	-	106,469
Equipment and machinery	204,121	121,582	-	325,703
Automobile	583,934	246,392	(7,697)	822,629
Total accumulated depreciation	<u>1,979,977</u>	<u>605,437</u>	<u>(7,697)</u>	<u>2,577,717</u>
<u>Net Capital Assets</u>				
Buildings	2,877,084	(200,000)	-	2,677,084
Data processing equipment	63,085	118,458	-	181,543
Equipment and machinery	366,470	22,168	-	388,638
Automobile	831,407	(158,832)	(27,829)	644,746
Net capital assets	<u>\$ 4,138,046</u>	<u>\$ (218,206)</u>	<u>\$ (27,829)</u>	<u>\$ 3,892,011</u>

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$605,437 and is considered a public safety expense.

6. Accrued Payroll Payable

Accrued payroll payable at June 30, 2009 amounted to \$101,959. This amount represents 100% of the total payroll paid on July 3, 2009, for the pay period ended June 26, 2009, and 10% of the total payroll paid on July 17, 2009, for the pay period ended July 10, 2009.

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Notes to the Financial Statements
June 30, 2009

7. Compensated Absences Payable

Employees are entitled to accumulate annual leave at a graduated rate based on years of service. A maximum of 240 hours can be carried forward at calendar year end. The Department has recognized a liability of \$215,475 in the Statement of Net Assets for annual leave based on current pay rates and hours accumulated at June 30, 2009. The General Fund is typically used to liquidate compensated absences.

A summary of changes in the compensated absences payable for the year ended June 30, 2009, is as follows:

	<u>Balance</u> <u>06/30/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2009</u>	<u>Current</u> <u>Portion</u>
Current compensated absences payable	\$ 209,010	\$ 195,169	\$ (188,704)	\$ 215,475	\$ 147,770

8. Due to State General Fund (Reversions)

Unexpended cash balances at year end of State General Fund monies appropriated to the Department are reverted to the State General Fund, unless otherwise specified in the appropriation language.

The General Fund (SHARE Fund No. 20050) receives a State General Fund appropriation annually. Any unexpended funds at the end of the year revert to the State General Fund. In 2009, the Department was appropriated \$3,698,200 from the state general fund, but was reduced to \$3,604,500 as a result of a legislative mandated reduction of \$93,700 during the fiscal year, and an addition of \$52,100 for compensation adjustments. Unexpended balances remaining at the end of the year revert to the State General Fund. In addition, any other revenue received in the fund, which is not specifically appropriated by the legislature, also reverts to the State General Fund.

Unexpended balances of FY 2009 State General Fund appropriations at June 30, 2009 is due to the State General Fund computed as follows:

Cash balance, June 30, 2009	\$ (5,050,416)
Add:	
Due from federal government, 6/30/2009	11,239,312
Due from other state agencies (DFA-Central Payroll), 6/30/2009	2,851
Due from other state agencies, 6/30/2009 (EMNRD-WIPP)	<u>29,304</u>
Amount available (all state cash)	6,221,051
Less:	
Accounts payable, 6/30/09	(945,665)
Accrued salaries payable, 6/30/09	(101,959)
Payroll taxes payable, 6/30/2009	(40,440)
Payroll benefits payable, 6/30/2009	(69,162)
Unexpended multi-year appropriation-Ruidoso Flooding Z810505	(4,835,607)
Unexpended multi-year appropriation-Ruidoso Flooding Emergency Relief Z81506	<u>(100,000)</u>
Due To State General Fund, June 30, 2009	\$ <u>128,218</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

9. Pension Plan - Public Employees Retirement Association

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 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department's 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 contribution to PERA for the fiscal year ending June 30, 2009 and June 30, 2008 was \$569,126, and \$493,789. (The Department is a new Department effective July 1, 2007.) The amount equals the amount of the required contributions for the fiscal year.

10. Post Employment Benefits - State Retiree Health Care Plan

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

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

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

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

10. Post Employment Benefits - State Retiree Health Care Plan (Cont'd)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the year ended June 30, 2009 and June 30, 2008, was \$39,208 and \$33,439. (The Department is a new Department effective July 1, 2007.) The amount equals the required contributions for the fiscal year.

11. Insurance Coverage - Risk Management

The Department obtains coverage through Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. These coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2008, through June 30, 2009.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

10. Post Employment Benefits - State Retiree Health Care Plan (Cont'd)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after January 1, 1998, are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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12. Due From Federal Government

At June 30, 2009, \$11,242,841 was due from the federal government representing reimbursable expenditures for grant awards. As a result, the Department's investment in the State General Fund Investment Pool (cash) with the New Mexico State Treasurer has a negative balance of \$(5,050,416). The New Mexico State Treasurer allows the Department to create a negative balance when federal grant receivables are present.

13. Net Assets (Deficit)

GASB #34 requires capitalized assets, net of accumulated depreciation, and the inclusion of long-term debt resulting in an unrestricted net asset deficit of \$(215,475). This deficit is created by compensated absences liabilities which will be paid from subsequent years State General Fund Appropriations.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

14. Transfers To/From Other Agencies

From Agency/Fund		To Agency/Fund		Purpose	Amount	Outstanding at 06/30/2009
36900/85300	DFA	79500/20050	DHSEM	State General Fund appropriation	\$ 8,604,500	No
34100/62000	DFA	79500/20050	DHSEM	Appropriation-compensation package	52,100	No
79500/20050	DHSEM	36900/85300	DFA	Reversion to State General Fund - FY 2009	(128,218)	Yes
79500/20050	DHSEM	36900/85300	DFA	Reversion to State General Fund - FY 2008	(90,071)	No
34100/01900	DFA, BOF	79500/20050	DHSEM	Bond proceeds appropriation - Severance Tax Bonding Projects	500,000	No
36900/85300	DFA	79500/20050	DHSEM	Account for payroll liability overpayment	2,853	Yes
36900/85300	DFA	79500/20380	DHSEM	State General Fund appropriation	3,490,617	No
79500/20380	DHSEM	34101/85400	DFA	Reversion to State General Fund - FY08 \$1,870,862, FY09 \$1,725,882 - State Disasters	(3,596,744)	No
34100/00000	DFA	79500/20050	DHSEM	Capital Project appropriation for Lordsburg Radio	600,000	No
79500/20050	DHSEM	79000/09000	DHSEM	Transfer to DPS - Capital Project appropriation for Lordsburg Radio	(600,000)	No
79000/85500	DPS	79500/20380	DHSEM	Transfer of fund balance to DHSEM- Executive Orders-State Disaster Fund from 6/30/2008	6,599,561	No

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2009

15. Special and Other Specific Appropriations

<u>Fund/ Fund No.</u>	<u>Appropriation Laws</u>	<u>Amount</u>	<u>Appropriation Period</u>	<u>Expenditures to Date</u>	<u>Reverted</u>	<u>Unexpended Balance</u>
<u>General Fund 20050</u>						
Flooding in Lincoln and Otero counties	Laws 2008 Ch. 8, Sec. 1, Item A	\$ 4,900,000	7/1/09 - 6/30/13	\$ 64,393	-	\$ 4,835,607
Emergency Relief-flood victims along Rio Ruidoso	Laws 2008 Ch. 8, Sec. 1, Item B	100,000	7/1/09 - 6/30/10	-	-	100,000
<u>Executive Orders-State Disaster Fund 20380</u>						
	Laws 2008, Ch. 3 Legal Authority	Balance at 6/30/08	Appropriation Period	Expenditures to Date	Reverted	Unexpended Balance
Drought	NMEO 2006-012	\$ 107,771	3/14/06-ongoing	\$ 107,771	-	-
Flooding	NMEO 2006-045	212,595	8/2/06-ongoing	207,974	-	4,621
Flooding	NMEO 2006-054	119,386	8/17/06-ongoing	119,386	-	-
Flooding	NMEO 2006-055	292,567	8/31/06-ongoing	292,567	-	-
Flooding	NMEO 2007-001	164,260	1/25/07-ongoing	164,620	-	-
Flooding	NMEO 2007-004	377,561	1/1/07-ongoing	377,561	-	-
Severe storm	NMEO 2007-013	94,931	3/24/07-ongoing	42,056	-	52,875
Flooding	NMEO 2007-017	335,541	4/24/07-ongoing	334,558	-	983
Flooding	NMEO 2007-018	498,793	4/24/07-ongoing	286,926	-	211,867
Flooding	NMEO 2007-019	581,407	4/24/07-ongoing	-	-	581,407
Landslide	NMEO 2007-021	451,630	4/24/07-ongoing	-	451,630	-
Flooding	NMEO 2007-046	71,291	9/11/07-ongoing	-	-	71,291
Winter storm	NMEO 2008-005a	465,905	2/7/08-ongoing	465,905	-	-
Wildfire	NMEO 2008-036	420,000	7/11/08-ongoing	364,478	55,522	-
Drought	NMEO 2008-037	500,000	7/14/08-ongoing	71,021	-	428,979
Flooding	NMEO 2008-042a	750,000	7/28/08-ongoing	750,000	-	-
Flooding	NMEO 2008-042	750,000	7/28/08-ongoing	538,339	-	211,661
Flooding	NMEO 2008-048	200,000	10/20/08-ongoing	74,997	-	125,003
Flooding	NMEO 2008-049	50,000	10/20/08-ongoing	8,119	-	41,881
Flooding	NMEO 2008-050	50,000	10/20/08-ongoing	49,464	-	536
Flooding	NMEO 2008-051	300,000	10/20/08-ongoing	123,395	-	176,605
Storm	NMEO 2008-001	100,000	1/7/09-ongoing	53,570	-	46,430
Storm	NMEO 2007-040	932,745	8/13/07-ongoing	932,745	-	-
Fire	NMEO 2008-018	750,000	5/20/08-ongoing	281,274	468,726	-
Fire	NMEO 2008-033	750,000	6/25/08-ongoing	-	750,000	-

INDIVIDUAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Fund - General Fund 20050 (Department P759)
For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ 3,698,200	\$ 3,604,500	\$ 3,604,500	\$ -
Federal funds:				
Intra-state federal grants	34,564,300	34,564,300	20,641,780	(13,922,520)
Federal indirect cost revenue	-	-	86,884	86,884
Other funds:				
Other	10,000	10,000	143,876	133,876
Other filing fees	-	-	58,646	58,646
Other financing sources-compensation	52,100	52,100	52,100	-
Other financing sources	291,700	291,700	-	(291,700)
Severance tax bond appropriation	-	-	-	-
 Total revenues	 38,616,300	 38,522,600	 <u>\$ 24,587,786</u>	 <u>\$ (13,934,814)</u>
 Prior-year fund balance	 -	 -		
 Total revenues budgeted	 <u>\$ 38,616,300</u>	 <u>\$ 38,522,600</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 4,827,200	\$ 4,769,600	\$ 4,661,399	\$ 108,201
Contractual services	2,454,300	2,386,500	1,130,842	1,255,658
Other costs	31,334,800	31,366,500	17,290,298	14,076,202
 Total expenditures	 <u>\$ 38,616,300</u>	 <u>\$ 38,522,600</u>	 <u>\$ 23,082,539</u>	 <u>\$ 15,440,061</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 24,587,786	
Adjustments: None			-	
 Budget basis revenue			 <u>\$ 24,587,786</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 23,082,539	
Adjustments: None			-	
 Budget basis expenditures			 <u>\$ 23,082,539</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Fund - General Fund- Department Z1659 FEMA 1659 (Fund 20050)
For the Year Ended June 30, 2009

(To Exhibit G)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds:				
Intra-state federal grants	8,375,966	8,375,966	3,370,808	(5,005,158)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	<u>8,375,966</u>	<u>8,375,966</u>	<u>\$ 3,370,808</u>	<u>\$ (5,005,158)</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ 8,375,966</u>	<u>\$ 8,375,966</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 83,600	\$ 83,600	\$ -	\$ 83,600
Contractual services	-	-	-	-
Other costs	<u>8,292,366</u>	<u>8,292,366</u>	<u>4,757,500</u>	<u>3,534,866</u>
Total expenditures	<u>\$ 8,375,966</u>	<u>\$ 8,375,966</u>	<u>\$ 4,757,500</u>	<u>\$ 3,618,466</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 3,370,808	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 3,370,808</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 4,757,500	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 4,757,500</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Fund - General Fund- Department Z1783 FEMA 1783 (Fund 20050)
For the Year Ended June 30, 2009

(To Exhibit G)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds:				
Intra-state federal grants	7,904,146	7,904,146	6,300,037	(1,604,109)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	<u>7,904,146</u>	<u>7,904,146</u>	<u>\$ 6,300,037</u>	<u>\$ (1,604,109)</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ 7,904,146</u>	<u>\$ 7,904,146</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>7,904,146</u>	<u>7,904,146</u>	<u>6,098,138</u>	<u>1,806,008</u>
Total expenditures	<u>\$ 7,904,146</u>	<u>\$ 7,904,146</u>	<u>\$ 6,098,138</u>	<u>\$ 1,806,008</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 6,300,037	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 6,300,037</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 6,098,138	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 6,098,138</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
MULTI-YEAR Budget and Actual (Budgetary Basis)
Major Fund - General Fund- Department Z81505 (Fund 20050)
For the Year Ended June 30, 2009

(To Exhibit G)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General Fund appropriation	\$ 4,900,000	\$ 4,900,000	\$ 4,900,000	\$ -
Federal funds:				
Intra-state federal grants	-	-	-	-
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	4,900,000	4,900,000	\$ 4,900,000	\$ -
Prior-year fund balance	-	-		
Total revenues budgeted	\$ 4,900,000	\$ 4,900,000		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	4,900,000	4,900,000	64,393	4,835,607
Total expenditures	\$ 4,900,000	\$ 4,900,000	\$ 64,393	\$ 4,835,607
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 4,900,000	
Adjustments: None			-	
Budget basis revenue			\$ 4,900,000	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 64,393	
Adjustments: None			-	
Budget basis expenditures			\$ 64,393	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
MULTI-YEAR Budget and Actual (Budgetary Basis)
Major Fund - General Fund- Department Z81506 (Fund 20050)
For the Year Ended June 30, 2009

(To Exhibit G)

	Budgeted Amounts		Actual	Variance
	Original	Final	Budget	Favorable
			Basis	(Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Federal funds:				
Intra-state federal grants	-	-	-	-
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	100,000	100,000	\$ 100,000	\$ -
Prior-year fund balance	-	-		
Total revenues budgeted	\$ 100,000	\$ 100,000		
 Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	100,000	100,000	-	100,000
Total expenditures	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
 Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 100,000	
Adjustments: None			-	
Budget basis revenue			\$ 100,000	
 Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ -	
Adjustments: None			-	
Budget basis expenditures			\$ -	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
MULTI-YEAR Budget and Actual (Budgetary Basis)
Major Fund - General Fund- Department A8075359 (Fund 20050) Lordsburg/Anthony Radio
For the Year Ended June 30, 2009

(To Exhibit G)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds:				
Intra-state federal grants	-	-	-	-
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	600,000	600,000	600,000	-
Severance tax bond appropriation	-	-	-	-
Total revenues	600,000	600,000	\$ 600,000	\$ -
Prior-year fund balance	-	-		
Total revenues budgeted	\$ 600,000	\$ 600,000		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	600,000	-	-	-
Other financing uses	-	600,000	600,000	-
Total expenditures	\$ 600,000	\$ 600,000	\$ 600,000	\$ -
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 600,000	
Adjustments: None			-	
Budget basis revenue			\$ 600,000	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 600,000	
Adjustments: None			-	
Budget basis expenditures			\$ 600,000	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
MULTI-YEAR Budget and Actual (Budgetary Basis)
Major Fund - General Fund- Department A060563 (Fund 20050) DHSEM-Radio Emergency Network
For the Year Ended June 30, 2009

(To Exhibit G)

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds:				
Intra-state federal grants	-	-	-	-
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total revenues	<u>500,000</u>	<u>500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ 500,000</u>	<u>\$ 500,000</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>500,000</u>	<u>500,000</u>	<u>215,198</u>	<u>284,802</u>
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 215,198</u>	<u>\$ 284,802</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 22,962	
Adjustments:				
Revenue recognition of capital project appropriations at the time eligibility requirements have been met			<u>477,038</u>	
Budget basis revenue			<u>\$ 500,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 215,198	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 215,198</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders State Disaster - Department Z20386 (Fund 20380)
For the Year Ended June 30, 2009

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
	-	-	-	-
Total revenues	-	-	\$ -	\$ -
	-	-	-	-
Prior-year fund balance	732,319	732,319		
	732,319	732,319		
Total revenues budgeted	\$ 732,319	\$ 732,319		
	732,319	732,319		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	732,319	732,319	727,698	\$ 4,621
	732,319	732,319	727,698	\$ 4,621
Total expenditures	\$ 732,319	\$ 732,319	\$ 727,698	\$ 4,621
	732,319	732,319	727,698	\$ 4,621
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			-	
			-	
Budget basis revenue			\$ -	
			-	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 727,698	
Adjustments:				
None			-	
			-	
Budget basis expenditures			\$ 727,698	
			727,698	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders State Disaster - Department Z20387 (Fund 20380)
For the Year Ended June 30, 2009

(To Exhibit H)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	-	\$ -	\$ -
	<u>2,575,774</u>	<u>2,575,774</u>		
Prior-year fund balance	<u>2,575,774</u>	<u>2,575,774</u>		
Total revenues budgeted	\$ <u>2,575,774</u>	\$ <u>2,575,774</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>2,575,774</u>	<u>2,575,774</u>	<u>1,205,721</u>	<u>\$ 1,370,053</u>
Total expenditures	\$ <u>2,575,774</u>	\$ <u>2,575,774</u>	\$ <u>1,205,721</u>	\$ <u>1,370,053</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ -</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,205,721	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 1,205,721</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders State Disaster - Department Z20388 (Fund 20380)
For the Year Ended June 30, 2009

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ 3,390,617	\$ 3,390,617	\$ 3,390,617	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	3,390,617	3,390,617	<u>\$ 3,390,617</u>	<u>\$ -</u>
Prior-year fund balance	<u>95,288</u>	<u>95,288</u>		
Total revenues budgeted	<u>\$ 3,485,905</u>	<u>\$ 3,485,905</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ 15,000	\$ -	\$ 15,000
Contractual services	-	48,000	48,000	-
Other costs	<u>95,288</u>	<u>3,422,905</u>	<u>2,397,719</u>	<u>\$ 1,025,186</u>
Total expenditures	<u>\$ 95,288</u>	<u>\$ 3,485,905</u>	<u>\$ 2,445,719</u>	<u>\$ 1,040,186</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 3,390,617	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 3,390,617</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 2,445,719	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 2,445,719</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders State Disaster - Department Z20389 (Fund 20380)
For the Year Ended June 30, 2009

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	100,000	100,000	<u>\$ 100,000</u>	<u>\$ -</u>
Prior-year fund balance	-	-		
Total revenues budgeted	<u>\$ 100,000</u>	<u>\$ 100,000</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	100,000	100,000	53,570	\$ 46,430
Total expenditures	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 53,570</u>	<u>\$ 46,430</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 100,000	
Adjustments:				
None			-	
Budget basis revenue			<u>\$ 100,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 53,570	
Adjustments:				
None			-	
Budget basis expenditures			<u>\$ 53,570</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
MULTI-YEAR Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders State Disaster - Department Z20387 (Fund 20380)
For the Year Ended June 30, 2009

(To Exhibit H)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	-	-	<u>\$ -</u>	<u>\$ -</u>
Prior-year fund balance	<u>932,745</u>	<u>932,745</u>		
Total revenues budgeted	<u>\$ 932,745</u>	<u>\$ 932,745</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>932,745</u>	<u>932,745</u>	<u>932,745</u>	<u>\$ -</u>
Total expenditures	<u>\$ 932,745</u>	<u>\$ 932,745</u>	<u>\$ 932,745</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ -</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 932,745	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 932,745</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures
MULTI-YEAR Budget and Actual (Budgetary Basis)
Major Special Revenue Fund-Executive Orders State Disaster - Department Z20388 (Fund 20380)
For the Year Ended June 30, 2009

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	-	-	\$ -	\$ -
Prior-year fund balance	1,500,000	1,500,000		
Total revenues budgeted	\$ 1,500,000	\$ 1,500,000		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	1,500,000	1,500,000	281,274	\$ 1,218,726
Total expenditures	\$ 1,500,000	\$ 1,500,000	\$ 281,274	\$ 1,218,726
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			-	
Budget basis revenue			\$ -	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 281,274	
Adjustments:				
None			-	
Budget basis expenditures			\$ 281,274	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2010 budget.

The accompanying notes are an integral part of the financial statements.

SINGLE AUDIT INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2009

Schedule 1

Federal Grantor/Agency Program Title	FEDERAL CFDA #	Grant Number	Grant Period		Federal Award Amt.	A/R 06/30/2008	Adjustments	Received by DHSEM	Federal Expenditures	A/R 06/30/2009
			From	To						
US DEPARTMENT OF HOMELAND SECURITY										
Homeland Security Cluster										
03 DHS SHSGP	97.004	2003-TE-TX-0193	04/01/2003	12/31/2007	6,401,000	\$ 810,742	\$ -	\$ -	-	810,742
04 DHS SHSGP	97.004	2004-GE-T4-0005	12/01/2003	06/30/2008	24,946,000	\$ 1,067	0	(5,965,760)	4,661,415	(1,303,278)
06 DHS EMPG	97.042	2006-EM-E60015	10/01/2005	09/30/2007	2,003,853	\$ 55,000	-	-	0	55,000
07 DHS EMPG	97.042	2007-EM-E7-0035	10/01/2006	09/30/2008	2,188,210	\$ 1,177,923	(300)	(487,369)	220,501	910,755
07 DHS EMPG SUPP	97.042	2007-EM-E7-0090	09/01/2007	08/31/2009	1,127,944	\$ -	0	(5,099)	195,712	190,613
08 DHS EMPG	97.042	2008-EM-E8-0034	10/01/2007	09/30/2009	3,310,547	\$ 23,448	-	(1,680,189)	2,394,067	737,326
03 DHS SHSGP	97.067	2003-MU-T3-0047	05/01/2003	12/31/2007	16,956,000	\$ 6,913	0	0	0	6,913
05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	\$ 1,295,778	90	(4,985,453)	4,512,172	822,587
06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	\$ 3,442,553	0	(2,376,796)	1,165,944	2,231,701
07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2010	6,973,253	\$ 78,517	-	(1,498,252)	1,689,941	270,206
07 DHS Stonegarden Supp	97.067	2007-SG-N6-0005	11/01/2006	09/30/2008	1,185,000	\$ 248,446	-	(417,473)	507,634	338,607
07 DHS Stonegarden	97.067	2007-SG-N6-0001	11/01/2006	10/31/2008	1,580,258	\$ 957,082	-	(1,752,834)	472,240	(323,512)
08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	\$ -	-	(1,465)	126,610	125,145
08 DHS Stonegarden	97.067	2008-SG-T8-0003	09/01/2008	08/31/2011	4,680,000	\$ -	-	(794,817)	1,021,364	226,547
05 DHS EMPG	97.087	2005-EM-E5-	07/01/2006	09/30/2008	1,960,687	\$ -	-	0	0	0
05-DHS BZZP	97.078	2005-GR-T5-0029	04/01/2005	09/30/2007	500,000	\$ 78,579	-	(157,380)	0	(78,801)
06 DHS BZZP	97.078	2006-BZT-60036	10/01/2006	09/30/2008	189,000	\$ -	-	0	-	0
07-DHS PSIC	11.555	2007-GS-HT-0045	10/01/2007	09/30/2010	8,288,725	\$ -	-	(68,827)	1,415,793	1,346,966
Total Homeland Security Cluster						\$ 8,176,048	\$ (210)	\$ (20,191,714)	\$ 18,383,393	\$ 6,367,517
US DEPARTMENT OF TRANSPORTATION										
07 DOT HMEP	20.703	HMENM 7056140	09/30/2007	09/30/2008	150,123	\$ 49,208	-	-	0	49,208
2008 DOT/HMGP	20.703	HMENM 8056150	09/30/2008	09/30/2009	150,000	\$ -	-	-	79,637	79,637
Total US Department of Transportation						\$ 49,208	\$ -	\$ -	\$ 79,637	\$ 128,845
FEDERAL EMERGENCY MANAGEMENT AGENCY										
08 DHS SHSGP OIT	97.001	2008-ID-T8-0037	09/01/2008	08/31/2010	290,478	\$ -	0	(408)	0	(408)
03 FEMA PDM	97.017	EMT2003-GR-0024	07/01/2003	06/30/2006	130,000	\$ -	0	0	0	0
04 FEMA PDM	97.017	FEMA 2004	04/08/2004	06/30/2008	29,250	\$ -	0	0	0	0
07 FEMA PDM	97.017	FEMA 2006	09/17/2007	09/18/2010	322,511	\$ -	0	(121,240)	26,424	(94,816)
09 FEMA CAP-SSSE	97.023	EMT-2009-GR-0003	10/01/2008	09/30/2009	60,000	\$ -	0	0	36,751	36,751
08 FEMA CAP-SSSE	97.023	EMT-2008-GR-0004	10/01/2007	09/30/2008	75,000	\$ 18,085	0	(30,972)	11,392	(1,495)
07 FEMA CAP-SSSE	97.023	EMT-2007-GR-0005	10/01/2006	09/30/2007	126,487	\$ 16,210	0	(16,210)	0	0
08 FEMA CAP-SSSE	97.023	EMT-2006-GR-0004	10/01/2005	09/30/2006	\$ -	\$ -	0	0	0	0
04 FEMA US&R	97.025	EMW-2004-CA-0458	09/01/2004	06/30/2008	973,035	\$ 40,879	0	(46,937)	5,821	(237)
05 FEMA US&R	97.025	EMW-2005-CA-0284	03/01/2005	06/30/2008	892,000	\$ 22,705	0	(224,985)	90,097	(112,183)
06 FEMA US&R	97.025	EMW-2006-CA-0225	04/01/2006	06/30/2008	592,915	\$ 91,673	0	0	(218)	91,455
07 FEMA US&R	97.025	EMW-2007-CA-0171	12/31/2007	07/30/2008	769,500	\$ 266,736	0	(363,777)	83,561	(13,460)
08 FEMA US&R	97.025	EMW-2008-CA-0826	05/01/2008	08/31/2009	1,000,179	\$ -	0	(243,495)	555,501	312,006
09 FEMA US&R	97.025	200-SR-24-K028	05/01/2009	08/31/2010	1,001,910	\$ -	0	0	44,699	44,699
FEMA-1659-Crisis Counseling	97.032	FEMA-1329-ISCC-NM	09/30/2006	On-going	58,961	\$ -	0	0	0	0
FEMA-1514-DRNM	97.036	FEMA-1514-PA	04/29/2004	On-going	4,499,777	\$ -	0	0	0	0
FEMA-3229-EMNMP-000000001	97.036	FEMA-3229-EMNMP	08/29/2005	On-going	1,067,175	\$ -	0	0	0	0
FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM	08/14/2008	On-going	\$ -	\$ -	0	(3,505,437)	6,098,138	2,592,701
FEMA-1301	97.039	FEMA-1301-DRHM	09/22/1999	On-going	305,320	\$ -	-	-	0	0
FEMA-1329-DR (Cerro Grande)	97.039	FEMA-1329-DR-NM	06/26/2000	On-going	1,740,259	\$ 89,058	0	0	0	89,058
FEMA-1329-HMGP	97.039	FEMA-1329-HMPG	05/13/2000	On-going	1,740,259	\$ -	-	(145,000)	0	(145,000)
FEMA-1659-PA	97.039	FEMA-1329-DR-NM	09/30/2006	On-going	31,054,570	\$ 573,047	0	(4,490,466)	4,757,500	840,081
FEMA-2600-FM (SE NM Fire)	97.046	FEMA-2600-DR-NM	N/A	N/A	107,390	\$ 10,337	0	(10,337)	0	0
FEMA-2636-FM (Ojo Feliz Fire)	97.046	FEMA-2636-DR-NM	N/A	N/A	2,406,369	\$ -	0	0	0	0
FEMA-2644-FM (Mailpals Fire)	97.046	FEMA-2644-DR-NM	N/A	N/A	113,353	\$ -	0	0	0	0
FEMA-2647-FM (Rivera Mesa Fire)	97.046	FEMA-2647-DR-NM	N/A	N/A	2,718,548	\$ -	0	0	0	0
FEMA-2682-FM (Belen Fire)	97.046	FEMA-2682-DR-NM	N/A	N/A	89,839	\$ 89,839	0	(89,839)	0	0
FEMA-2741-GM (Ojo Peak Fire)	97.046	FEMA-2741-DR-NM	N/A	N/A	17,440	\$ 17,440	0	(17,440)	41,086	41,086
FEMA-2631-FM	97.046	FEMA-2631-DR-NM	N/A	N/A	262,647	\$ -	0	0	0	0
Total Federal Emergency Management Agency						\$ 1,236,009	\$ -	\$ (9,306,543)	\$ 11,750,752	\$ 3,680,218
US DEPARTMENT OF ENERGY										
NM ENERGY & MINERALS DEPARTMENT-PASS THROUGH										
08 EMNRD WIPP	81.106	DE-FC29-88AL53813	07/01/2004	On-going	436,091	\$ 168,220	-	(167,699)	0	521
WIPP INDIRECT	81.106	DE-FC29-88AL53813	07/01/2004	On-going	\$ -	\$ 12,000	-	(85,592)	98,844	25,252
Total US Department of Energy						\$ 180,220	\$ -	\$ (253,291)	\$ 98,844	\$ 25,773
TOTAL ALL FEDERAL AWARDS						\$ 10,707,748	\$ (210)	\$ (29,751,548)	\$ 30,312,628	\$ 11,268,616

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2009

1. **Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Department of Homeland Security and Emergency Management (Department) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the basic financial statements.

2. **Reconciliation of Schedule to Basic Financial Statements**

Expenditures per Schedule of Expenditures of Federal Awards	\$ 30,312,626
Less: Rounding	<u>(1)</u>
Federal revenues per the Fund Financial Statements	<u>\$ 30,312,625</u>

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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

Mr. John W. Wheeler, Cabinet Secretary
Department of Homeland Security
and Emergency Management
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, the budgetary comparisons for the general fund and major special revenue fund, and the individual governmental funds and the budgetary comparisons presented as supplemental information of the State of New Mexico, Department of Homeland Security and Emergency Management, (Department) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the Department's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Department's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section, and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

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

This report is intended solely for the information and use of the Department's management, others within the Department, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 14, 2009

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. John W. Wheeler, Cabinet Secretary
Department of Homeland Security
and Emergency Management
and

Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Compliance

We have audited the compliance of the State of New Mexico, Department of Homeland Security and Emergency Management (Department) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Department's compliance with those requirements.

In our opinion, the State of New Mexico, Department of Homeland Security and Emergency Management complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Department's internal control over compliance.

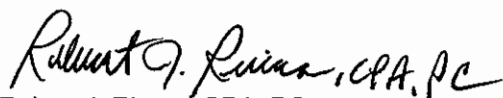


A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Department's management, others within the Department, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 14, 2009

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs (Single Audit-Federal Award Programs)
Year Ended June 30, 2009

I. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements and the individual fund financial statements of the State of New Mexico, Department of Homeland Security and Emergency Management.
2. There were no significant deficiencies disclosed during the audit of the financial statements of the State of New Mexico, Department of Homeland Security and Emergency Management.
3. No instances of noncompliance material to the financial statements of the State of New Mexico, Department of Homeland Security and Emergency Management which would be required to be reported in accordance with **Government Auditing Standards**, were disclosed during the audit.
4. No significant deficiency in internal control over major federal award programs disclosed during the audit is reported in the audit of the State of New Mexico, Department of Homeland Security and Emergency Management.
5. The auditor's report on compliance for the major federal award programs for the State of New Mexico, Department of Homeland Security and Emergency Management expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule. There were none.
7. The programs tested as major programs including the following:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	US Department of Homeland Security
97.004	Homeland Security Grant Program
97.042	Emergency Management Performance Grant Program
97.067	Homeland Security Grant Program
11.555	Public Safety Interoperable Communications Grant Program
	Federal Emergency Management Program
97.036	Public Assistance
97.046	Fire Management Assistance Grant Program
97.039	Hazardous Mitigation-Fire Management Assistance Program

8. The threshold for distinguishing between Types A and B programs was \$909,379.
9. The Department of Homeland Security and Emergency Management does not qualify as a low-risk auditee.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs (Single Audit-Federal Award Programs)
Year Ended June 30, 2009**

II. FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

			<u>Questioned Costs</u>
US DEPARTMENT OF HOMELAND SECURITY			
CFDA	97.004	Homeland Security Grant Program	None
CFDA	97.042	Emergency Management and Performance Grant Pgm.	None
CFDA	97.067	Homeland Security Grant Program	None
CFDA	11.555	Public Safety Interoperable Communications Grant Pgm.	None
FEDERAL EMERGENCY MANAGEMENT AGENCY			
CFDA	97.036	Public Assistance	None
CFDA	97.036	Hazardous Mitigation-Fire Management Assistance Pgm.	None
CFDA	97.046	Fire Management Assistance Grant Program	None

III. STATUS OF PRIOR AUDIT FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

US DEPARTMENT OF HOMELAND SECURITY and FEDERAL EMERGENCY MANAGEMENT AGENCY

**Finding 2008-2 Federal Grants Receivable and Schedule of Expenditures of Federal Awards
- Significant Deficiency and Material Weakness**

CFDA 97.042 (Homeland Security Cluster)
CFDA 97.067 (Homeland Security Cluster)
CFDA 97.046 (Fire Management Assistance Program)

Condition: This finding was a significant deficiency and a material weakness stating that the accounting records for federal grant activity were not timely and accurately reconciled during the year. As a result, at year end, grant revenue was understated in the general ledger by approximately \$7,329,345; federal grants receivable was understated by approximately \$9,940,865. Policies and procedures should be established that require the timely and accurate reconciliations of grant receivables, grant revenue and grant expenditures between the general ledger and subsidiary grant records. Draw downs for reimbursement of federal grant expenditures from grantor agencies should be timely submitted preferably monthly.

Recommendation: The auditor recommended that the Department establish effective internal control policies and procedures that require timely and accurate reconciliations of grant receivables, grant revenue and grant expenditures between the Department's general ledger and its subsidiary grant records and spreadsheets. This would help to ensure that grant reporting to grantor agencies is accurate and timely. The auditor further recommends that draw downs for reimbursement of federal grant expenditures from grantor agencies be timely submitted, preferable monthly.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs (Single Audit-Federal Award Programs)
Year Ended June 30, 2009**

III. STATUS OF PRIOR AUDIT FINDINGS and QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS (Cont'd)

US DEPARTMENT OF HOMELAND SECURITY and FEDERAL EMERGENCY MANAGEMENT AGENCY

**Finding 2008-2 Federal Grants Receivable and Schedule of Expenditures of Federal Awards
- Significant Deficiency and Material Weakness (Cont'd)**

CFDA 97.042 (Homeland Security Cluster)
CFDA 97.067 (Homeland Security Cluster)
CFDA 97.046 (Fire Management Assistance Program)

Current Status: The DHSEM has developed and implemented internal controls, policies and detailed procedures to ensure timely and accurate reconciliations of grants receivable, grant revenues and expenditures. The policies include required monthly draws for reimbursement of federal grant expenditures and a reconciliation of trial balances on a monthly basis for all funds. In addition, the DHSEM developed a schedule of Expenditures of Federal Awards which is maintained on an on-going basis. We did find that there were some reconciliation issues at year-end, but these were resolved and adjustments were made to the schedule as well as the general ledger.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Responses (Pertaining to Financial Statements)
Year Ended June 30, 2009

I. PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current year

None

b. Resolved and not included in current year

Finding No. 2008-1, Capital Asset Records and Inventory

Finding No. 2008-2, Federal Grants Receivable and Schedule of Expenditures of Federal Awards

Finding No. 2008-3, Late Delivery of Audit Report to the State Auditor's Office

Finding No. 2008-4, Reconciliation of Interest in the State General Fund Investment Pool

II. CURRENT YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED

None

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2009**

Financial Statement Preparation

The financial statements were prepared by the auditors with the assistance of the Department. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance.

Exit Conference

An exit conference was held on December 15, 2009, to discuss the audit. The following individuals were in attendance:

State of New Mexico - Department of Homeland Security and Emergency Management

John Wheeler, Cabinet Secretary
John Martinez, Deputy Cabinet Secretary
Ben Rael, Deputy Cabinet Secretary and Chief Financial Officer
Gayle Mascarenas, Budget Director
George Heidke, General Counsel
Maria Ortiz, HR Manager
Michelle Varela, Finance Supervisor

Independent Auditor - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA