

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

**Financial Statements
For the Year Ended June 30, 2010**

(With Independent Auditor's Report Thereon)

**ROBERT J. RIVERA, CPA, PC
CERTIFIED PUBLIC ACCOUNTANTS
SANTA FE, NEW MEXICO 87505-4761**

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2010**

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**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Official Roster
as of June 30, 2010**

Administrative Officials

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

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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, 2010, 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, 2010, 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, 2010, and changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

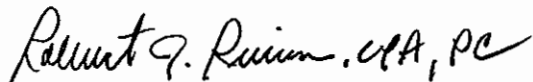
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the State of New Mexico, Department of Homeland Security and Emergency Management, as of June 30, 2010, and the 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 8, 2010, 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 8, 2010

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2010

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, 2010. This is the third 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, 2010

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, 2010

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, 2010. 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, 2010	Prior Year June 30, 2009	Increase or (Decrease)
ASSETS			
Investment in the State Treasurer General			
Fund Investment Pool (deficit)	\$ 9,355,481	\$ 349,732	\$ 9,005,749
Other receivables	1,663	-	1,663
Due from other state agencies	398,525	28,626	369,899
Due from local governments	30,000	-	30,000
Due from federal government	1,665,634	11,242,841	(9,577,207)
Capital assets (net of accumulated depreciation)	3,558,001	3,892,011	(334,010)
Total assets	<u>15,009,304</u>	<u>15,513,210</u>	<u>(503,906)</u>
LIABILITIES			
Accounts payable	1,547,641	966,136	581,505
Accrued payroll payable	99,455	101,959	(2,504)
Payroll taxes payable	41,055	40,440	615
Payroll benefits payable	71,009	69,162	1,847
Due to State General Fund	2,528,074	128,218	2,399,856
Compensated absences - current	133,872	147,770	(13,898)
Compensated absences - long-term	56,909	67,705	(10,796)
Total liabilities	<u>4,478,015</u>	<u>1,521,390</u>	<u>2,956,625</u>
NET ASSETS			
Invested in capital assets	3,558,001	3,892,011	(334,010)
Restricted for subsequent year's expenditure by enabling legislation	8,052,010	10,315,284	(2,263,274)
Unrestricted	(1,078,722)	(215,475)	(863,247)
Total net assets	<u>\$ 10,531,289</u>	<u>\$ 13,991,820</u>	<u>\$ (3,460,531)</u>

The governmental activities current assets decreased by \$169,896, from \$11,621,199 to \$11,451,303, in 2010 or 1%. This change is insignificant.

The governmental activities current liabilities increased by \$2,967,422, from \$1,453,685 in 2009, to \$4,421,106 in 2010, or 204%. This substantial increase is mostly attributable to an increase in accounts payable of \$581,505 and an increase in the amount due to the state general fund of \$2,399,856. Long-term liabilities which are comprised of compensated absences decreased insignificantly by \$10,796.

The governmental activities net assets decreased by \$3,460,531 which was attributable to a \$334,010 decrease in capital assets (depreciation expense of \$674,978, capital asset additions of \$250,324 and deletions of \$5,519). In addition, the amount restricted for subsequent year's expenditures by enabling legislation decreased by \$2,263,274 and the unrestricted net assets decreased by \$863,247 because prior year receivables from the federal government were denied by the federal government.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2010

Changes in Net Assets

Exhibit B summarizes the Department's changes net assets for the fiscal year ending June 30, 2010. The following condensed financial information was derived from the entity-wide Statement of Activities for the current year.

Statement of Activities

	<u>Current Year Ended June 30, 2010</u>	<u>Prior Year Ended June 30, 2009</u>	<u>Increase or (Decrease)</u>
Expenses:			
Governmental activities:			
Public safety	\$ 30,334,227	\$ 39,483,728	\$ (9,149,501)
Depreciation	674,978	605,437	69,541
Total expenses	<u>31,009,205</u>	<u>40,089,165</u>	<u>(9,079,960)</u>
Program revenue:			
Intergovernmental:			-
Federal grants - operating	25,964,921	30,312,625	(4,347,704)
Charges for services:			
Other filing fees	58,340	58,646	(306)
Total program revenue	<u>26,023,261</u>	<u>30,458,155</u>	<u>(4,434,894)</u>
Net program (expenses) revenue	<u>(4,985,944)</u>	<u>(9,631,010)</u>	4,645,066
General revenues and transfers:			
General revenue:			
Miscellaneous revenue	372,650	146,228	226,422
Transfers:			
State General Fund appropriation	4,504,671	12,095,117	(7,590,446)
Severance tax bond appropriation	-	22,962	(22,962)
Other appropriations - compensation package	-	52,100	(52,100)
Operating transfers - in	-	600,000	(600,000)
Operating transfers - out	-	(600,000)	600,000
Loss on transfer of capital assets to other state agencies	(5,519)	(27,829)	22,310
Reversions to State General Fund-FY 2010	(2,628,074)	(3,724,962)	1,096,888
Total general revenues and transfers	<u>2,243,728</u>	<u>8,563,616</u>	<u>(6,319,888)</u>
Change in net assets	<u>(2,742,216)</u>	<u>(1,067,394)</u>	<u>(1,674,822)</u>
Net assets, beginning, as reported	13,991,820	15,059,214	(1,067,394)
Restatements:			
Prior-period adjustments	(718,315)	-	(718,315)
Net assets, beginning, as restated	<u>13,273,505</u>	<u>15,059,214</u>	<u>(1,785,709)</u>
Net assets, ending	<u>\$ 10,531,289</u>	<u>\$ 13,991,820</u>	<u>\$ (3,460,531)</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2010

Changes in Net Assets (Cont'd)

The governmental activities change in net assets decreased significantly from the previous year by (\$1,674,822). Changes which decreased the change in net assets was a decrease in the State General Fund appropriations by \$7,590,446; a decrease in federal grant revenues by \$4,347,704; and a decrease in governmental activities expense of \$9,079,960.

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 \$8,052,010. The fund balance is attributable to the Department's Executive Orders-State Disaster Fund of \$2,945,079 and \$5,106,931 of the General Fund. The entire amount is reserved for subsequent years expenditures.

The General Fund of the Department reflects a fund balance of \$4,218,990. 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 \$387,487 due to the State General Fund from unused State General Fund appropriations from the General Fund at June 30, 2010. In addition, the Department reverted \$2,140,587 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 \$28,343,268 below budget amounts. However, this amount includes \$21,550,391 in federal grant funds authorized for use in subsequent fiscal years, and \$6,148,027 available for multi-year projects. All budgeted State General Fund appropriation were drawn and utilized for current operations, except for \$387,487, 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, 2010

Analysis of Significant Budget Variations

The original Department's General Fund No. 20050 budget as \$44,417,000. Budget increases of \$7,440,312 occurred in FY 2010 from federal revenues.

The expenditure budget categories were adjusted to reflect the \$7,440,312 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 \$4,438,427.

Capital Assets and Debt Administration

Capital Assets

The Department's investments in capital assets for its governmental activities as June 30, 2010, amounts to \$3,558,001 (net of accumulated depreciation). This investment in capital assets consists mainly of buildings, equipment and automobiles. There were additions of \$250,324 which were purchased by the Department during the fiscal year. There were deletions of capital assets totaling \$5,519 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 \$190,781, 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 FY2010 and FY2011 budgets:

	<u>FY11</u>	<u>FY10</u>	<u>Increase (Decrease)</u>
General Fund	\$50,070,029	\$57,357,312	\$(7,287,283)
Executive Orders-State Disasters Fund	\$5,780,386	\$4,438,427	\$1,341,959

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2010**

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
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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Net Assets
June 30, 2010

	Governmental Activities
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 9,355,481
Other receivables	1,663
Due from other state agencies	398,525
Due from local governments	30,000
Due from federal government	1,665,634
Capital assets (net of accumulated depreciation)	3,558,001
Total assets	15,009,304
LIABILITIES	
Accounts payable	1,547,641
Accrued payroll payable	99,455
Payroll taxes payable	41,055
Payroll benefits payable	71,009
Due to State General Fund	2,528,074
Compensated absences - current portion	133,872
Compensated absences - long-term portion	56,909
Total liabilities	4,478,015
NET ASSETS	
Invested in capital assets	3,558,001
Restricted for subsequent year's expenditure by enabling legislation	8,052,010
Unrestricted	(1,078,722)
Total net assets	\$ 10,531,289

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, 2010

	<u>Governmental Activities</u>
Expenses:	
Governmental activities:	
Public safety	\$ 30,334,227
Depreciation	<u>674,978</u>
Total expenses	<u>31,009,205</u>
Program revenue:	
Intergovernmental:	
Federal grants - operating	25,964,921
Charges for services:	
Other filing fees	<u>58,340</u>
Total program revenue	<u>26,023,261</u>
Net program (expenses) revenue	<u>(4,985,944)</u>
General revenues and transfers:	
General revenue:	
Miscellaneous revenue	372,650
Transfers:	
State General Fund appropriation	4,504,671
Loss on transfer of capital assets to other state agencies	(5,519)
Reversions to State General Fund-FY 2010	<u>(2,628,074)</u>
Total general revenues and transfers	<u>2,243,728</u>
Change in net assets	<u>(2,742,216)</u>
Net assets, beginning, as reported	13,991,820
Restatements:	
Prior-period adjustments (note 15)	<u>(718,315)</u>
Net assets, beginning, as restated	<u>13,273,505</u>
Net assets, ending	<u>\$ 10,531,289</u>

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, 2010

	<u>Major Funds</u>		
	<u>General Fund (SHARE 20050)</u>	<u>Executive Orders State Disasters Fund (SHARE 20380)</u>	<u>Total Governmental Funds</u>
ASSETS			
Investment in the State Treasurer General Fund Investment Pool	\$ 4,519,815	\$ 4,835,666	\$ 9,355,481
Other receivables	1,663	-	1,663
Due from other state agencies	3,197	250,000	253,197
Due from other state agencies-federal grant pass through	145,328	-	145,328
Due from local governments	30,000	-	30,000
Due from federal government	1,665,634	-	1,665,634
	<u>6,365,637</u>	<u>5,085,666</u>	<u>11,451,303</u>
Total assets	\$ <u>6,365,637</u>	\$ <u>5,085,666</u>	\$ <u>11,451,303</u>
LIABILITIES			
Accounts payable	\$ 1,547,641	\$ -	\$ 1,547,641
Accrued salaries payable	99,455	-	99,455
Payroll taxes payable	41,055	-	41,055
Payroll benefits payable	71,009	-	71,009
Due to State General Fund	387,487	2,140,587	2,528,074
	<u>2,146,647</u>	<u>2,140,587</u>	<u>4,287,234</u>
Total liabilities	<u>2,146,647</u>	<u>2,140,587</u>	<u>4,287,234</u>
FUND BALANCES			
Fund balances:			
Unreserved (deficit)	(887,941)	-	(887,941)
Reserved for subsequent year's expenditures	5,106,931	2,945,079	8,052,010
	<u>4,218,990</u>	<u>2,945,079</u>	<u>7,164,069</u>
Total fund balances	<u>4,218,990</u>	<u>2,945,079</u>	<u>7,164,069</u>
Total liabilities and fund balances	\$ <u>6,365,637</u>	\$ <u>5,085,666</u>	\$ <u>11,451,303</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 Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2010

Total fund balance for the governmental funds (balance sheet)	\$	7,164,069
Exhibit C		
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, excluded from the governmental funds.		
These assets consist of:		
Capital assets	\$ 6,842,750	
Accumulated depreciation	<u>(3,284,749)</u>	3,558,001
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.		
		<u>(190,781)</u>
Net assets of governmental activities (statement of net assets)	\$	<u>10,531,289</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, 2010

	<u>Major Funds</u>		<u>Total Govern- mental Funds</u>
	<u>General Fund (SHARE 20050)</u>	<u>Executive Orders State Disasters Fund (SHARE 20380)</u>	
Revenues:			
Intergovernmental:			
Federal grants-operating	\$ 25,964,921	\$ -	\$ 25,964,921
Charges for services:			
Other filing fees	58,340	-	58,340
Miscellaneous revenue	13,868	358,782	372,650
	<u>26,037,129</u>	<u>358,782</u>	<u>26,395,911</u>
Expenditures:			
Public safety:			
Current:			
Personal services	4,398,393	-	4,398,393
Contractual services	1,719,221	-	1,719,221
Other costs	21,939,615	1,752,120	23,691,735
Capital outlay	677,225	122,671	799,896
Total expenditures	<u>28,734,454</u>	<u>1,874,791</u>	<u>30,609,245</u>
Excess (deficiency) of revenues over expenditures	<u>(2,697,325)</u>	<u>(1,516,009)</u>	<u>(4,213,334)</u>
Other financing sources (uses):			
Transfers in (out):			
State General Fund appropriation	3,332,000	1,172,671	4,504,671
Reversion to State General Fund-FY 2010	(487,487)	(2,140,587)	(2,628,074)
Total other financing sources (uses)	<u>2,844,513</u>	<u>(967,916)</u>	<u>1,876,597</u>
Net change in fund balance	<u>147,188</u>	<u>(2,483,925)</u>	<u>(2,336,737)</u>
Fund balances:			
Fund balance, beginning, as reported	4,935,607	5,379,677	10,315,284
Restatement:			
Prior-period adjustments (note 15)	(863,805)	49,327	(814,478)
Fund balance, beginning, as restated	<u>4,071,802</u>	<u>5,429,004</u>	<u>9,500,806</u>
Fund balance, ending	<u>\$ 4,218,990</u>	<u>\$ 2,945,079</u>	<u>\$ 7,164,069</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, 2010

Net change in fund balance - Governmental Funds	-
(Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ (2,336,737)
Exhibit E	

Amounts reported for governmental activities in the Statement of Activities are different because:

Decrease in compensated absences	24,694
----------------------------------	--------

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	\$ 250,324	
Loss on transfer of capital assets to other agencies	(5,519)	
Current period depreciation	<u>(674,978)</u>	<u>(430,173)</u>

Change in net assets of governmental activities (Statement of Activities)	\$ <u>(2,742,216)</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, 2010

(Statements 1-7)

	Budgeted Amounts		Received/ Expended Through 06/30/2009	Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 8,332,000	\$ 8,332,000	\$ 5,000,000	\$ 3,332,000	\$ -
Federal funds:					
Intra-state federal grants	40,075,000	47,515,312	-	25,964,921	(21,550,391)
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	10,000	10,000	-	13,868	3,868
Other filing fees	-	-	-	58,340	58,340
Severance tax bond appropriation	1,500,000	1,500,000	500,000	-	(1,000,000)
Total revenues	49,917,000	57,357,312	\$ 5,500,000	\$ 29,369,129	\$ (22,488,183)
Prior-year cash	-	-			
Total revenues budgeted	\$ 49,917,000	\$ 57,357,312			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ 4,740,200	\$ 5,092,518	\$ -	\$ 4,398,393	\$ 694,125
Contractual services	2,671,498	3,093,698	-	1,419,221	1,674,477
Other costs	42,505,302	49,171,096	279,591	22,616,840	26,274,665
Total expenditures	\$ 49,917,000	\$ 57,357,312	\$ 279,591	\$ 28,434,454	\$ 28,643,267
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 29,369,129	
Adjustments:				-	
Budget basis revenue				<u>\$ 29,369,129</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 28,734,454	
Adjustments:				-	
Budget basis expenditures				<u>\$ 28,734,454</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 2011 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, 2010

(From Statements 8-13)

	<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	\$ 1,172,671	\$ 1,172,671	\$ 1,172,671	\$ -
Miscellaneous	-	-	358,782	358,782
Total revenues	<u>1,172,671</u>	<u>1,172,671</u>	<u>\$ 1,531,453</u>	<u>\$ 358,782</u>
Prior-year fund balance	<u>3,265,756</u>	<u>3,265,756</u>		
Total revenues budgeted	<u>\$ 4,438,427</u>	<u>\$ 4,438,427</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>4,438,427</u>	<u>4,438,427</u>	<u>1,874,791</u>	<u>\$ 2,563,636</u>
Total expenditures	<u>\$ 4,438,427</u>	<u>\$ 4,438,427</u>	<u>\$ 1,874,791</u>	<u>\$ 2,563,636</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 1,531,453	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 1,531,453</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,874,791	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 1,874,791</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 2011 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, 2010

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, 2010

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).

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, 2010

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, 2010

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 of 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, 2010

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 establishes 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, 2010

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 124, Laws of 2009, Section 3, Paragraph N) 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 2010 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, 2010

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 in 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, 2010

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, 2010, 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 next 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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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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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, 2010 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 06/30/2010	Reconciled Balance at 6/30/2010
		Agency Number	Fund Number				
State Treasurer General Fund Investment Pool:							
NM State Treasurer	Homeland Security & Emergency Management General Fund	79500	20050	State Treasury	No	\$4,519,815	\$4,519,815
NM State Treasurer	Executive Orders-State Disaster Special Revenue Fund	79500	20380	State Treasury	No	4,835,666	4,835,666
Total Governmental Fund Types						<u>\$9,355,481</u>	<u>\$9,355,481</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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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, 2010.

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:

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Notes to the Financial Statements
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4. Due from Other State Agencies (Cont'd)

		<u>Purpose</u>	<u>Due From</u>	<u>Due To</u>
<u>Fund 20050-General Fund</u>				
Due from Department of Finance and Admin.	Payroll liability overpayment		\$ 3,197	\$ -
Due from Energy Mineral & Natural Resources Dept.	Federal grant pass through - WIPP Project		<u>145,328</u>	<u>-</u>
			<u>\$ 148,525</u>	<u>\$ -</u>
<u>Fund 20050-General Fund</u>				
Due from Nambe Pueblo	Reimbursement		<u>30,000</u>	<u>-</u>
			<u>\$ 30,000</u>	<u>\$ -</u>
<u>Fund 20380-Executive Orders State Disasters Fund</u>				
Due from Department of Finance and Admin.	Executive Order 2010-025		<u>250,000</u>	<u>-</u>
			<u>\$ 250,000</u>	<u>\$ -</u>

5. Capital Assets

The capital asset activity for the governmental activities for the year ended June 30, 2010, is as follows:

	Governmental Activities						
	Beginning Balance			Adjusted Balance			Ending Balance
	06/30/2009	Adjustments	06/30/2009	Additions	Deletions	06/30/2010	
<u>Cost</u>							
Buildings	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000	
Data processing equipment	288,012	128,217	416,229	57,847	(5,519)	468,557	
Equipment and machinery	714,341	-	714,341	62,500	-	776,841	
Automobile	<u>1,467,375</u>	<u>-</u>	<u>1,467,375</u>	<u>129,977</u>	<u>-</u>	<u>1,597,352</u>	
Total capital assets	<u>6,469,728</u>	<u>128,217</u>	<u>6,597,945</u>	<u>250,324</u>	<u>(5,519)</u>	<u>6,842,750</u>	
<u>Accumulated Depreciation</u>							
Buildings	1,322,916	-	1,322,916	200,000	-	1,522,916	
Data processing equipment	106,469	32,054	138,523	93,252	-	231,775	
Equipment and machinery	325,703	-	325,703	121,582	-	447,285	
Automobile	<u>822,629</u>	<u>-</u>	<u>822,629</u>	<u>260,144</u>	<u>-</u>	<u>1,082,773</u>	
Total accumulated depreciation	<u>2,577,717</u>	<u>32,054</u>	<u>2,609,771</u>	<u>674,978</u>	<u>-</u>	<u>3,284,749</u>	
<u>Net Capital Assets</u>							
Buildings	2,677,084	-	2,677,084	(200,000)	-	2,477,084	
Data processing equipment	181,543	96,163	277,706	(35,405)	(5,519)	236,782	
Equipment and machinery	388,638	-	388,638	(59,082)	-	329,556	
Automobile	<u>644,746</u>	<u>-</u>	<u>644,746</u>	<u>(130,167)</u>	<u>-</u>	<u>514,579</u>	
Net capital assets	<u>\$ 3,892,011</u>	<u>\$ 96,163</u>	<u>\$ 3,988,174</u>	<u>\$ (424,654)</u>	<u>\$ (5,519)</u>	<u>\$ 3,558,001</u>	

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$674,978 and is considered a public safety expense.

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6. Accrued Payroll Payable

Accrued payroll payable at June 30, 2010 amounted to \$99,455. This amount represents 100% of the total payroll paid on July 2, 2010, for the pay period ended June 25, 2010, and 30% of the total payroll paid on July 16, 2010, for the pay period ended July 9, 2010.

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 \$190,781 in the Statement of Net Assets for annual leave based on current pay rates and hours accumulated at June 30, 2010. 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, 2010, is as follows:

	Balance 06/30/2009	Additions	Deletions	Balance 06/30/2010	Current Portion
Current compensated absences payable	\$ 215,475	\$ 196,960	\$ (221,654)	\$ 190,781	\$ 133,872

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 2010, the Department was appropriated \$3,332,000 from the state general fund. 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 2010 State General Fund appropriations at June 30, 2010, is due to the State General Fund computed as follows:

Cash balance, June 30, 2010	\$	4,519,815
Add:		
Due from federal government, 6/30/2010		1,665,634
Due from other state agencies (DFA-Central Payroll), 6/30/2010		3,197
Other receivables, 6/30/2010		1,663
Due from local governments, 6/30/2010		30,000
Due from other state agencies, 6/30/2010 (EMNRD-WIPP)		145,328
Amount available (all state cash)		6,365,637
Less:		
Accounts payable, 6/30/2010		(1,547,641)
Accrued salaries payable, 6/30/2010		(99,455)
Payroll taxes payable, 6/30/2010		(41,055)
Payroll benefits payable, 6/30/2010		(71,009)
Unexpended multi-year appropriation-Ruidoso Flooding Z810505		(4,763,225)
Unexpended federal indirect cost revenue (revenues over expenses) FY 2010		(346,903)
Due from other state agencies (DFA-Central Payroll), 6/30/2010 (pending)		3,197
Over expended funds from the State Treasury (see note 17)		887,941
Due to State General Fund, June 30, 2010	\$	387,487

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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 8.92% (ranges from 3.83% to 16.65% depending upon the plan, i.e., state general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Department is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) 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, 2010, 2009 and 2008 were \$494,742, \$569,126, and \$493,789 respectively, which equals the amount of the required contributions for each 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 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.

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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. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	1.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) the contribution rates will be:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY11	2.084%	1.042%
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

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

The Department's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$40,481, \$39,208 and \$33,439, respectively, which equal the required contributions for each 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, 2009, through June 30, 2010.

12. Due From Federal Government

At June 30, 2010, \$1,665,634 was due from the federal government representing reimbursable expenditures for grant awards.

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13. Net Assets (Deficit)

GASB #34 requires the inclusion of long-term debt in the balance of unrestricted net asset. At June 30, 2010, the unrestricted net assets balance was a deficit of (\$1,078,722). This deficit is created by compensated absences liabilities of (\$190,781) and (\$887,941) caused by expenditures of prior years which will not be reimbursed by the federal government.

14. Transfers To/From Other Agencies

From Agency/Fund		To Agency/Fund		Purpose	Amount	Outstanding at 06/30/2010
36900/85300	DFA	79500/20050	DHSEM	State General Fund appropriation	\$ 3,332,000	No
79500/20050	DHSEM	36900/85300	DFA	Reversion to State General Fund - FY 2010	(387,487)	Yes
79500/20050	DHSEM	36900/85300	DFA	Reversion to State General Fund - FY 2010	(100,000)	No
79500/20050	DHSEM	36900/85300	DFA	Reversion to State General Fund - FY 2009	(224,916)	No
36900/85300	DFA	79500/20050	DHSEM	Account for payroll liability overpayment	3,197	Yes
36900/85300	DFA	79500/20380	DHSEM	State General Fund appropriation	922,671	No
36900/85300	DFA	79500/20380	DHSEM	State General Fund appropriation	250,000	Yes
79500/20380	DHSEM	34101/85400	DFA	Reversion to State General Fund - State Disasters	(2,140,587)	Yes

15. Prior Period Adjustment to Net Assets/Fund Balance

	Government-Wide Net Assets	General Fund Balance	Executive Orders Fund Balance
Net Assets/Fund Balance, 6/30/2009, as reported	\$ 13,991,820	\$ 4,935,607	\$ 5,379,677
Restatements:			
Grants receivable at June 30, 2009, which will not be reimbursed by grantor - funds overexpended in the State Treasury	(887,420)	(887,420)	-
Adjustment to grants receivable at 6/30/2009	20,316	20,316	-
Adjustment to due to State General Fund at 6/30/2009	3,299	3,299	-
Adjustment to capital assets and accumulated depreciation at 6/30/2009	96,163	-	-
Adjustment to amount due from other funds, 6/30/2010	49,327	-	49,327
Total restatements	(718,315)	(863,805)	49,327
Net Assets/Fund Balance, 6/30/2009, as restated	\$ 13,273,505	\$ 4,071,802	\$ 5,429,004

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Notes to the Financial Statements
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16. Special and Other Specific Appropriations

Fund/ Fund No.	Appropriation Laws	Amount	New Appropriations	Refunds of P/Y Expenditures	FY 2010 Expenditures	Reverted	Unexpended Balance
General Fund 20050							
Flooding in Lincoln and Otero counties	Laws 2008 Ch. 8, Sec. 1, Item A	\$ 4,900,000	-	-	\$ 136,975	-	\$ 4,763,025
Emergency Relief-flood victims along Rio Ruidoso	Laws 2008 Ch. 8, Sec. 1, Item B	100,000	-	-	-	100,000	100,000
Executive Orders-State Disaster Fund 20380							
	Laws 2009, Ch. 24 Legal Authority	Balance at 6/30/09	New Appropriations	Refunds of P/Y Expenditures	FY 2010 Expenditures	Reverted	Unexpended Balance
Flooding-Katrina	NMEO 2005-043	\$ 716,369	-	-	-	\$ 716,369	-
Flooding	NMEO 2005-045	(1,268)	-	1,268	-	-	-
Flooding	NMEO 2005-054	(20,698)	-	20,698	-	-	-
Flooding	NMEO 2005-058	117,613	-	-	-	117,613	-
Border Security	NMEO 2005-061	317,144	-	-	-	317,144	-
Storm	NMEO 2006-070	2,352	-	-	-	2,352	-
Flooding	NMEO 2006-045	4,621	-	-	-	4,621	-
Flooding	NMEO 2006-055	20,698	-	-	-	20,698	-
Storm	NMEO 2007-013	52,876	-	-	149	52,727	-
Flooding	NMEO 2007-017	984	-	-	-	-	984
Flooding	NMEO 2007-018	211,866	-	11,909	211,866	-	11,909
Flooding	NMEO 2007-019	580,004	-	-	312,432	-	267,572
Flooding	NMEO 2007-020	741,264	-	-	-	-	741,264
Flooding	NMEO 2007-022	624,404	-	-	-	-	624,404
Flooding	NMEO 2007-046	71,292	-	-	69,911	-	1,381
Wildfire	NMEO 2008-036	-	-	324,907	-	-	324,907
Drought	NMEO 2008-037	428,978	-	-	117,891	-	311,087
Flooding	NMEO 2008-042	211,660	-	49,327	211,660	-	49,327
Flooding	NMEO 2008-048	125,003	-	-	125,003	-	-
Flooding	NMEO 2008-049	41,881	-	-	4,233	-	37,648
Flooding	NMEO 2008-050	536	-	-	-	-	536
Flooding	NMEO 2008-051	176,605	-	-	110,108	-	66,497
Storm	NMEO 2009-001	46,430	-	-	-	-	46,430
NM National Guard	NMEO 2009-030	-	122,671	-	122,671	-	-
Storm	NMEO 2009-048	-	500,000	-	445,959	-	54,041
Storm	NMEO 2010-005	-	300,000	-	142,908	-	157,092
Flooding	NMEO 2010-025	-	250,000	-	-	-	250,000
	From DPS	909,063	-	-	-	909,063	-
Totals		\$ 5,379,677	\$ 1,172,671	\$ 408,109	\$ 1,874,791	\$ 2,140,587	\$ 2,945,079

17. Fund Balance/Deficit

The General Fund has a deficit fund balance at June 30, 2010, totaling \$887,941. This deficit is the result of expenditures from previous years which were to have been reimbursed by the federal government under various federal grant awards. The Department has been notified that these expenditures will not be reimbursed to the Department. As a result, these expenditures have been absorbed by the State of New Mexico. The Department, however, does not have the resources or appropriations from the State General Fund to reimburse the State Treasurer for these disbursements out of the State Treasury.

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, 2010

	<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	\$ 3,332,000	\$ 3,332,000	\$ 3,332,000	\$ -
Federal funds:				
Intra-state federal grants	40,075,000	39,953,928	23,102,103	16,851,825
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	10,000	10,000	13,868	(3,868)
Other filing fees	-	-	58,340	(58,340)
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	<u>43,417,000</u>	<u>43,295,928</u>	<u>\$ 26,506,311</u>	<u>\$ 16,789,617</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ 43,417,000</u>	<u>\$ 43,295,928</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 4,740,200	\$ 4,980,090	\$ 4,329,010	\$ 651,080
Contractual services	1,672,800	2,740,698	1,719,221	1,021,477
Other costs	<u>37,004,000</u>	<u>35,575,140</u>	<u>19,751,023</u>	<u>15,824,117</u>
Total expenditures	<u>\$ 43,417,000</u>	<u>\$ 43,295,928</u>	<u>\$ 25,799,254</u>	<u>\$ 17,496,674</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 26,506,311	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 26,506,311</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 25,799,254	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 25,799,254</u>	

Note:

The actual expenditures on the budgetary basis does not include any accounts payable that required a request to pay prior-year bills out of the FY 2011 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, 2010

(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	-	4,854,117	1,684,770	3,169,347
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	-	4,854,117	\$ 1,684,770	\$ 3,169,347
Prior-year fund balance	-	-		
Total revenues budgeted	\$ -	\$ 4,854,117		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ 41,800	\$ 34,992	\$ 6,808
Contractual services	-	-	-	-
Other costs	-	4,812,317	1,649,778	3,162,539
Total expenditures	\$ -	\$ 4,854,117	\$ 1,684,770	\$ 3,169,347
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 1,684,770	
Adjustments: None			-	
Budget basis revenue			\$ 1,684,770	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,684,770	
Adjustments: None			-	
Budget basis expenditures			\$ 1,684,770	

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 2011 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, 2010

(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	-	2,707,267	1,178,048	1,529,219
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>2,707,267</u>	<u>\$ 1,178,048</u>	<u>\$ 1,529,219</u>
Total revenues	-	2,707,267	\$ 1,178,048	\$ 1,529,219
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 2,707,267</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ 70,628	\$ 34,391	\$ 36,237
Contractual services	-	353,000	-	353,000
Other costs	<u>-</u>	<u>2,283,639</u>	<u>1,143,657</u>	<u>1,139,982</u>
Total expenditures	<u>\$ -</u>	<u>\$ 2,707,267</u>	<u>\$ 1,178,048</u>	<u>\$ 1,529,219</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 1,178,048	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 1,178,048</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,178,048	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 1,178,048</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 2011 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, 2010

(To Exhibit G)

	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2009</u>	<u>Current Year Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>			
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	<u>4,900,000</u>	<u>4,900,000</u>	<u>\$ 4,900,000</u>	<u>\$ -</u>	<u>\$ -</u>
Prior-year fund balance	<u>-</u>	<u>-</u>			
Total revenues budgeted	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	<u>4,900,000</u>	<u>4,900,000</u>	<u>64,393</u>	<u>72,382</u>	<u>4,763,225</u>
Total expenditures	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>	<u>\$ 64,393</u>	<u>\$ 72,382</u>	<u>\$ 4,763,225</u>
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ -	
Adjustments: None				-	
Budget basis revenue				<u>\$ -</u>	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 72,382	
Adjustments: None				-	
Budget basis expenditures				<u>\$ 72,382</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 2011 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, 2010

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2009	Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
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				\$ -	
Adjustments: None				-	
Budget basis revenue				\$ -	
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 2011 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, 2010

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2009	Current Year 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	-	-	-	-	-
Severance tax bond appropriation	500,000	500,000	500,000	-	-
Total revenues	500,000	500,000	\$ 500,000	\$ -	\$ -
Prior-year fund balance	-	-			
Total revenues budgeted	\$ 500,000	\$ 500,000			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	500,000	500,000	215,198	-	284,802
Total expenditures	\$ 500,000	\$ 500,000	\$ 215,198	\$ -	\$ 284,802
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				\$ -	
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 2011 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 A093084 (Fund 20050) DHSEM-Additional C
For the Year Ended June 30, 2010

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2009	Current Year 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	-	-	-	-	-
Severance tax bond appropriation	1,000,000	1,000,000	-	-	(1,000,000)
Total revenues	1,000,000	1,000,000	\$ -	\$ -	\$ (1,000,000)
Prior-year fund balance					
Total revenues budgeted	\$ 1,000,000	\$ 1,000,000			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	998,698	998,698	-	-	998,698
Other costs	1,302	1,302	-	-	1,302
Total expenditures	\$ 1,000,000	\$ 1,000,000	\$ -	\$ -	\$ 1,000,000
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				\$ -	
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 2011 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, 2010

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	11,908	11,908
Total revenues	-	-	\$ 11,908	\$ 11,908
Prior-year fund balance	2,281,631	2,281,631		
Total revenues budgeted	\$ 2,281,631	\$ 2,281,631		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	2,281,631	2,281,631	594,358	1,687,273
Total expenditures	\$ 2,281,631	\$ 2,281,631	\$ 594,358	\$ 1,687,273
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 11,908	
Adjustments:				
None			-	
Budget basis revenue			\$ 11,908	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 594,357	
Adjustments:				
None			-	
Budget basis expenditures			\$ 594,357	

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 2011 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, 2010

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	324,907	324,907
Total revenues	-	-	\$ 324,907	\$ 324,907
Prior-year fund balance	984,125	984,125		
Total revenues budgeted	\$ 984,125	\$ 984,125		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	984,125	984,125	568,895	415,230
Total expenditures	\$ 984,125	\$ 984,125	\$ 568,895	\$ 415,230
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 324,907	
Adjustments:				
None			-	
Budget basis revenue			\$ 324,907	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 568,895	
Adjustments:				
None			-	
Budget basis expenditures			\$ 568,895	

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 2011 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, 2010

(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	\$ 622,671	\$ 622,671	\$ 622,671	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	622,671	622,671	<u>\$ 622,671</u>	<u>\$ -</u>
Prior-year fund balance	-	-		
Total revenues budgeted	<u>\$ 622,671</u>	<u>\$ 622,671</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	622,671	622,671	568,630	\$ 54,041
Total expenditures	<u>\$ 622,671</u>	<u>\$ 622,671</u>	<u>\$ 568,630</u>	<u>\$ 54,041</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 622,671	
Adjustments:				
None			-	
Budget basis revenue			<u>\$ 622,671</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 568,630	
Adjustments:				
None			-	
Budget basis expenditures			<u>\$ 568,630</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 2011 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 Z203810 (Fund 20380)
For the Year Ended June 30, 2010

(To Exhibit H)

	<u>Budgeted Amounts</u>		Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General fund appropriation	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	300,000	300,000	<u>\$ 300,000</u>	<u>\$ -</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ 300,000</u>	<u>\$ 300,000</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>300,000</u>	<u>300,000</u>	<u>142,908</u>	<u>\$ 157,092</u>
Total expenditures	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 142,908</u>	<u>\$ 157,092</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 300,000	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 300,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 142,908	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 142,908</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 2011 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 Z203810 (Fund 20380)
For the Year Ended June 30, 2010

(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	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	<u>250,000</u>	<u>250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>
Prior-year fund balance	-	-		
Total revenues budgeted	<u>\$ 250,000</u>	<u>\$ 250,000</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>250,000</u>	<u>250,000</u>	-	<u>\$ 250,000</u>
Total expenditures	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 250,000</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 250,000	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 250,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ -	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ -</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 2011 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, 2010

(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	-	-	21,967	21,967
	<u>-</u>	<u>-</u>	<u>21,967</u>	<u>21,967</u>
Total revenues	-	-	\$ 21,967	\$ 21,967
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	\$ <u>-</u>	\$ <u>-</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 21,967	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			\$ <u>21,967</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ -	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			\$ <u>-</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 2011 budget.

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

Oper Unit	Program Title	CFOA #	Grant Number	Grant Period		Federal Award Amount	Fund	A/R 6/30/2009	Receipts	Federal Expenditures	Adjmnts	A/R 6/30/10	Indirect Revenue
				From	To								
FEDERAL EMERGENCY MANAGEMENT AGENCY													
PDMF03	03 FEMA PDM	97.017	EMT2003-GR-0024	07/01/2003	06/30/2006	\$ 130,000	20052	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PDMF07	07 FEMA PDM	97.017	PDMC-06-NM-2007	09/17/2007	09/16/2010	322,511	20052	(94,816)	5,873	100,149	-	(540)	-
PDMF08	08 FEMA PDM	97.017	PDMC-PL-06-NM-2008			-	20052	-	-	-	-	-	-
CAP08F	08 FEMA CAP-SSSE	97.023	EMT-2008-GR-0004	10/01/2007	09/30/2008	75,000	20052	[1,495]	-	-	-	(1,495)	-
CAP09F	09 FEMA CAP-SSSE	97.023	EMT-2009-GR-0003	10/01/2008	09/30/2009	60,000	20052	36,752	50,653	20,143	-	6,241	-
CAP09I	09 FEMA CAP-SSSE-INDIRECT	97.023	EMT-2009-GR-0003			-	20052	-	-	-	-	-	12,022
CAP10F	10 FEMA CAP-SSSE	97.023	EMT-2009-GR-0003			-	20052	-	29,532	35,207	-	5,675	-
CAP10I	10 FEMA CAP-SSSE-INDIRECT	97.023	EMT-2009-GR-0003			-	20052	-	-	-	-	-	7,785
USAR04	04 FEMA US&R	97.025	EMW-2004-CA-0458			-	20052	(238)	-	-	(238)	-	-
USAR05	05 FEMA US&R	97.025	EMW-2005-CA-0284	03/01/2005	06/30/2008	892,000	20052	(112,183)	-	-	(112,183)	-	-
USAR06	06 FEMA US&R	97.025	EMW-2006-CA-0225			-	20052	91,456	-	-	91,456	-	-
USAR07	07 FEMA US&R	97.025	EMW-2007-CA-0171	12/31/2007	07/30/2008	769,500	20052	(13,480)	-	-	(13,480)	-	-
USAR08	08 FEMA US&R	97.025	EMW-2008-CA-0826	05/01/2008	08/31/2009	1,000,179	20052	312,007	433,880	497,320	-	375,447	-
USAR08ID	08 FEMA US&R	97.025	EMW-2008-CA-0827			-	20052	-	-	-	-	-	-
USAR09MA	09 FEMA US&R	97.025	2009-SR-24-K028	05/01/2009	08/31/2010	1,001,910	20052	44,699	151,650	286,287	-	179,335	-
USAR09	09 FEMA US&R	97.025	2009-SR-24-K029			-	20052	-	133,876	-	-	(133,876)	-
USAR09ID	09 FEMA US&R-INDIRECT	97.025	2009-SR-24-K030			-	20052	-	-	-	-	-	7,853
USAR09TR	09 FEMA US&R	97.025	2009-SR-24-K031			-	20052	-	17,223	37,580	-	20,357	-
USAR10ID	10 FEMA US&R-INDIRECT	97.025	2010-SR-24-K040			-	20052	-	-	-	-	-	3,848
USAR10MA	10 FEMA US&R	97.025	2010-SR-24-K040			-	20052	-	17,334	47,309	-	29,975	-
3229PA	FEMA-3229-EMNMP-000000001	97.036	FEMA-3229-EMNMP	09/07/2005	03/31/2009	1,067,175	20052	-	-	-	-	-	-
1783FT	FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM	08/14/2008	CURRENT	-	20052	2,592,701	4,011,054	1,121,808	-	(296,546)	-
1783MA	FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM			-	20052	-	11,203	56,241	-	45,038	-
1783AD	FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM			-	20052	-	-	-	-	-	-
1329DR	FEMA-1329-DR	97.039	FEMA-1329-DR-NM	06/26/2000	CURRENT	1,740,259	20052	89,058	-	-	-	89,058	-
1329HM	FEMA-1329-HMGP	97.039	FEMA-1329-HMGP	05/31/2000	CURRENT	1,740,259	20052	(145,000)	-	-	-	(145,000)	-
1659AD	FEMA-1659-PA	97.039	FEMA-1329-DR-NM	08/30/2006	CURRENT	32,357,166	20052	742	401,645	181	-	(400,722)	-
1659MA	FEMA-1659-PA	97.039	FEMA-1329-DR-NM			-	20052	-	2,230	34,992	-	32,762	-
1659FT	FEMA-1659-PA	97.039	FEMA-1329-DR-NM			-	20052	839,339	1,551,693	1,649,597	79,969	857,274	-
1659HM	FEMA-1659-PA	97.039	FEMA-1329-DR-NM			-	20052	-	1,411,692	-	-	(1,411,692)	-
FM2600	FEMA-2600-FM (SE NM Fire)	97.046	FEMA-2600-DR-NM	N/A	N/A	107,390	20052	-	-	-	-	-	-
FM2682	FEMA-2682-FM (Belen Fire)	97.046	FEMA-2682-DR-NM	N/A	N/A	89,839	20052	-	-	-	-	-	-
2741FM	FEMA-2741-GM (Ojo Peak Fire)	97.046	FEMA-2741-DR-NM	N/A	N/A	17,440	20052	41,086	41,086	-	-	-	-
FM2631	FEMA-2631-FM	97.046	FEMA-2631-DR-NM	N/A	N/A	262,647	20052	-	-	-	-	-	-
2762FM	FEMA-2672-FM	97.046	FEMA-2672-DR-NM	N/A	N/A	-	20052	-	2,175,243	2,175,243	-	-	-
2777FM	FEMA-2777-FM	97.046	FEMA-2777-DR-NM	N/A	N/A	-	20052	-	406,862	406,862	-	-	-
EHR5AP	2009 FEMA Earthquake Grant	97.082	EMT-2010-GR-0008			-	20052	-	4,574	7,249	-	2,676	-
Total Federal Emergency Management Agency								3,680,627	10,857,302	6,476,168	45,524	(746,032)	36,950
U.S. DEPARTMENT OF HOMELAND SECURITY													
Homeland Security Cluster													
HS07PSIC	07-DHS PSIC	11.555	2007-G5-HT-0045	10/01/2007	09/30/2010	8,288,725	20052	1,346,966	2,294,768	882,087	-	(65,715)	-
HS07PSMA	07-DHS PSIC	11.555	2007-G5-HT-0046			-	20052	-	-	78,931	-	78,931	-
HS08ECGP	08 DHS SHSGP OIT	97.001	2008-ID-T8-0037	09/01/2008	08/31/2010	290,478	20052	(408)	69,862	9,549	-	(60,721)	-
HS03	03 DHS SHSGP	97.004	2003-			-	20052	817,656	-	-	817,656	-	-
HS04CC	04 DHS SHSGP	97.004	2004-GE-T4-0005	12/01/2004	06/30/2008	24,946,000	20052	-	-	-	-	-	-
HS04EQ	04 DHS SHSGP	97.004	2004-GE-T4-0005	07/01/2004	06/30/2008	24,946,000	20052	(274,099)	-	258,933	-	(15,166)	-
HS04LE	04 DHS SHSGP	97.004	2004-GE-T4-0005	07/01/2004	06/30/2008	24,946,000	20052	-	-	-	-	-	-
HS04MA	04 DHS SHSGP	97.004	2004-GE-T4-0005	07/01/2004	06/30/2008	24,946,000	20052	174	-	-	-	174	-
HS04TE	04 DHS SHSGP	97.004	2004-GE-T4-0005	07/01/2004	06/30/2008	24,946,000	20052	36,906	-	-	-	36,906	-
EM06FD	06 DHS EMPG	97.042	2007-EM-E7-0035			-	20052	55,000	-	-	55,000	-	-
EM07FD	07 DHS EMPG	97.042	2007-EM-E7-0035	10/01/2006	09/30/2008	2,188,210	20052	(7,080)	-	618	-	(6,463)	-
EM07FT	07 DHS EMPG	97.042	2007-EM-E7-0035			-	20052	917,835	-	-	-	917,835	-
EM07SP	07 DHS EMPG SUPP	97.042	2007-EM-E7-0050	09/01/2007	08/31/2009	563,972	20052	190,613	232,257	173,101	-	131,457	-
EM08FD	08 DHS EMPG	97.042	2008-EM-E8-0034	10/01/2007	09/30/2009	3,310,547	20052	275,688	808,329	188,010	-	(344,631)	-
EM08FT	08 DHS EMPG	97.042	2008-EM-E8-0034	10/01/2007	09/30/2009	-	20052	461,637	684,384	680,710	-	457,964	-
EM08ID	08 DHS EMPG INDIRECT	97.042	2008-EM-E8-0035			-	20052	-	-	-	-	-	11,920
EM09FD	2009 DHS EMPG	97.042	2009-EP-E9-0002			-	20052	-	425,608	517,253	-	91,645	-
EM09FT	2009 DHS EMPG	97.042	2009-EP-E9-0003			-	20052	-	940,980	1,188,583	-	247,603	-
EM09ID	2009 DHS EMPG	97.042	2009-EP-E9-0004			-	20052	-	-	-	-	-	262,625
HS05CC	05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	20052	-	6,969	13,008	-	6,039	-
HS05EQ	05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	20052	815,130	4,236,276	2,752,033	-	(669,113)	-
HS05ID	05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	20052	-	-	-	-	-	-
HS05LE	05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	20052	2,498	85	1,701	-	4,114	-
HS05MA	05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	20052	35,928	944	406	-	35,391	-
HS05TE	05 DHS SHSGP	97.067	2005-GE-T5-0012	07/01/2006	09/30/2008	16,766,029	20052	(30,969)	111,989	767,397	-	624,439	-
HS06CC	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	36,076	31,440	15,720	-	20,356	-
HS06EQ	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	655,721	5,440,423	1,624,031	-	(3,160,671)	-
HS06ID	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	12,495	-	-	-	12,495	-
HS06LE	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	14,814	122,230	128,266	-	20,851	-
HS06MA	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	435,236	3,739	2,844	-	434,341	-
HS06TE	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	1,060,152	212,674	432,634	-	1,280,112	-
HS06MM	06 DHS SHSGP	97.067	2006-GE-T6-0064	07/01/2006	06/30/2008	8,270,273	20052	17,207	56,769	56,769	-	17,207	-
HS07CC	07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2009	6,973,253	20052	15,627	27,283	34,522	-	22,866	-
HS07EQ	07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2010	6,973,253	20052	107,254	479,893	714,281	-	341,642	-
HS07MA	07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2010	6,973,253	20052	(46,216)	113,884	9,342	-	(150,759)	-
HS07TE	07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2010	6,973,253	20052	-	-	-	-	-	-
HS07LE	07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2010	6,973,253	20052	4,706	2,353	-	-	2,353	-
HS07ID	07 DHS SHSGP	97.067	2007-GE-T7-0023	07/01/2007	06/30/2010	6,973,253	20052	-	-	-	-	-	12,874
HS07TR</													

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2010

Oper Unit	Program Title	CFDA #	Grant Number	Grant Period		Federal Award Amount	Fund	A/R 6/30/2009	Receipts	Federal Expenditures	Adjmnts	A/R 6/30/10	Indirect Revenue
				From	To								
HS08CC	08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	20052	-	20,256	20,256	-	-	-
HS08EQ	08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	20052	120,324	1,534,570	1,694,805	-	280,560	-
HS08ID	08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	20052	-	-	-	-	-	54,390
HS08MM	08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	20052	-	-	-	-	-	-
HS08PL	08 DHS PLANNING	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	20052	-	77,100	149,665	-	72,564	-
HS08TR	08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	6,170,000	20052	4,820	585,836	658,050	-	77,034	-
HS08EX	08 DHS SHSGP	97.067	2008-GE-T8-0020	09/01/2008	08/31/2011	-	20052	-	-	322	-	-	322
HS08SG	08 DHS Stonegarden	97.067	2008-SG-T8-0003	09/01/2008	08/31/2011	4,680,000	20052	226,547	1,790,282	2,478,776	-	915,041	-
HS08BZ	08 DHS BZPP	97.067	2008-BZ-T8-0015	-	-	-	20052	-	465,791	465,791	-	-	-
HS08BZMA	08 DHS BZPP	97.067	2008-BZ-T8-0016	-	-	-	20052	-	2,986	3,322	-	336	-
HS09CC	09 DHS SHSGP	97.067	2009-SS-T9-0031	-	-	-	20052	-	-	-	-	-	-
HS09EQ	09 DHS SHSGP	97.067	2009-SS-T9-0032	-	-	-	20052	-	240,205	333,681	-	93,476	-
HS09ID	09 DHS SHSGP-INDIRECT	97.067	2009-SS-T9-0033	-	-	-	20052	-	-	-	-	-	138,121
HS09MA	09 DHS SHSGP	97.067	2009-SS-T9-0034	-	-	-	20052	-	246,763	296,755	-	49,992	-
HS09MM	09 DHS SHSGP	97.067	2009-SS-T9-0035	-	-	-	20052	-	-	-	-	-	-
HS09PL	09 DHS SHSGP	97.067	2009-SS-T9-0036	-	-	-	20052	-	285,879	364,620	-	78,741	-
HS09TR	09 DHS SHSGP	97.067	2009-SS-T9-0037	-	-	-	20052	-	274,071	303,283	-	29,212	-
HS09BZMA	09 DHS BZPP	97.067	2009-BF-T9-0001	-	-	-	20052	-	-	210	-	210	-
HS09BZ	09 DHS BZPP	97.067	2009-BF-T9-0002	-	-	-	20052	-	-	-	-	-	-
HS09CGP	09 DHS IECGP Communications	97.067	2009-IP-T9-0007	-	-	-	20052	-	6,081	13,428	-	7,347	-
HS09SG	09 DHS Stonegarden	97.067	2009-SJ-T9-0001	-	-	-	20052	-	-	289,903	-	289,903	-
HS09SGS	09 DHS Stonegarden Supplements	97.067	2009-SJ-T9-0001	-	-	-	20052	-	140,234	258,543	-	118,309	-
HS08MA	9 DHS SHSGP	97.068	2008-GE-T8-0021	09/01/2008	08/31/2011	6,170,000	20052	-	119,907	132,608	-	12,701	-
HS05BZ	2005 DHS BZPP	97.078	2005-GE-T5-0029	04/01/2005	03/31/2008	500,000	20052	(78,801)	-	-	-	(78,801)	-
HS06BZ	06 DHS BZPP	97.078	2006-BZ-T6-0036	10/01/2006	09/30/2008	189,000	20052	-	183,313	183,313	-	-	-
EM07ID	07 DHS EMPG INDIRECT	97.042	2007-EM-E7-0035	-	-	-	-	-	-	-	-	-	-
HS08EOC	08 DHS Emerg. Operat. Center	97.067	2008-EO-T8-0012	-	-	-	20052	-	20,532	20,532	-	-	-
Total Homeland Security Cluster								7,433,370	22,975,102	18,727,083	872,656	2,312,696	479,930
U.S. DEPARTMENT OF TRANSPORTATION													
DOT5TR	2005 DOT/HMGP	20.703				-	20052	26,740	-	-	26,740	-	-
DOT7TR	2007 DOT/HMGP	20.703	HMENM7056140			-	20052	22,468	-	-	22,468	-	-
DOT8TR	2008 DOT/HMGP	20.703	HMENM8056150	09/30/2008	09/30/2009	254,219	20052	79,637	78,073	23,070	-	24,634	-
DOT8PL	2008 DOT/HMGP	20.703	HMENM8056150	09/30/2008	09/30/2009	-	20052	-	-	2,618	-	2,618	-
DOT9TR	2009 DOT/HMGP	20.703	HM-HMP-0031-09-01-00	10/01/2009	09/30/2010	-	20052	-	-	71,719	-	71,719	-
Total US Department of Transportation								128,845	78,073	97,407	49,208	98,971	-
US DEPARTMENT OF ENERGY													
NM ENERGY & MINERALS DEPARTMENT PASS-THROUGH													
WIPP08	08 EMNRD WIPP	81.106	DE-FC29-88AL53813	07/01/2007	06/30/2008	168,220	20054	522	-	-	522	-	-
WIPP09	09 EMNRD WIPP	81.106	DE-FC29-88AL53813	07/01/2008	06/30/2009	185,262	20054	25,253	-	-	-	25,253	-
WIPP10	10 EMNRD WIPP	81.106	DE-FC29-88AL53813	07/01/2009	06/30/2010	-	20054	-	23,433	143,507	-	120,075	-
WIPPID	WIPP INDIRECT	81.106	DE-FC29-88AL53813	-	-	-	20054	-	-	-	-	-	3,876
Total US Department of Energy								25,774	23,433	143,507	522	145,327	3,876
TOTAL ALL FEDERAL AWARDS								\$ 11,268,616	\$ 33,933,909	\$ 25,444,165	\$ 967,910	\$ 1,810,961	\$ 520,756

Due from federal government \$ 1,665,634
 Due from other state agencies - NMEM Dept. 145,327
\$ 1,810,961

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2010

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	\$25,444,165
Add: Federal Indirect Revenue	<u>520,756</u>
Federal revenues per the Fund Financial Statements	<u>\$25,964,921</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

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 budgetary comparisons presented as supplemental information of the State of New Mexico, Department of Homeland Security and Emergency Management (Department), a component unit of the State of New Mexico, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 8, 2010. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness (**Finding 2010-1**).



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**.

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

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 Department of Finance and Administration, the New Mexico Legislature, applicable federal grantors and pass-through entities, 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 8, 2010

ROBERT J. RIVERA, CPA, PC

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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

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, 2010. 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 referred to above 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 identified in the accompanying schedule of findings and questioned costs 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 Department complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.



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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2010-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report is intended solely for the information and use of 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 8, 2010

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, 2010

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. (See *Independent Auditor's Report on pgs. vi-vii*).
2. There was one significant deficiency disclosed during the audit of the **financial statements** of the State of New Mexico, Department of Homeland Security and Emergency Management. The deficiency is also reported as a material weakness. (See *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 on pgs. 42-43*).
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. (See *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 on pgs. 42-43*).
4. One 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. The deficiency is not reported as a material weakness. (See *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 on pgs. 44-45*).
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. (See *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 on pgs. 44-45*).
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.
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 - Cluster
97.067	Homeland Security Grant Program - Cluster
11.555	Public Safety Interoperable Communications Grant Program
97.078	Buffer Zone Protection Program (BZPP)
	Federal Emergency Management Program
97.036	Public Assistance
97.039	Hazardous Mitigation-Fire Management Assistance Program
97.025	National Urban Search and Rescue (US&R) Response System

8. The threshold for distinguishing between Types A and B programs was \$769,666.
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, 2010**

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

The following finding applies to all Major Federal Award Programs as listed below:

**Finding 2010-1 Federal Grants Receivable and Schedule of Expenditures of Federal Awards
(Significant Deficiency)**

As discussed in Finding 2010-1 (finding presented in its entirety on pages 48-49 as it pertains to the financial statements), the accounting records for federal grant activity were not timely and accurately reconciled during the year. As a result, at year end, total grant receivables as reflected on the grant schedule was overstated by approximately \$79,969, compared to the actual grants receivable at June 30, 2010, amounting to \$1,665,634. In addition, the general ledger grants receivable balance was overstated by approximately \$751,532. Effective internal control policies and procedures should be established that require the timely and accurate reconciliations of grants receivable, grant revenue and grant expenditures between the general ledger and the subsidiary grant records and spreadsheets. Drawdowns of federal funds should not be made until the transaction establishing a grants receivable and recognition of the revenue is made by the accounting department. Posting of accounting transactions to the general ledger should be made in logical order.

				<u>Questioned Costs</u>
US DEPARTMENT OF HOMELAND SECURITY				
Finding 2010-1	CFDA	97.004	Homeland Security Grant Program	None
Finding 2010-1	CFDA	97.067	Homeland Security Grant Program	None
Finding 2010-1	CFDA	97.078	Buffer Zone Protection Pgm. (BZPP)	None
Finding 2010-1	CFDA	11.555	Public Safety Interoperable Communications Grant Program	None
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Finding 2010-1	CFDA	97.025	National Urban Search and Rescue (US&R) Response System	None
Finding 2010-1	CFDA	97.036	Public Assistance	None
Finding 2010-1	CFDA	97.039	Hazardous Mitigation-Fire Management Assistance Pgm.	None
Finding 2010-1	CFDA	97.046	Fire Management Assistance Grant Pgm.	None

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

No prior-year audit findings and questioned costs for Major Federal Award Programs.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Responses (Pertaining to Financial Statements)
Year Ended June 30, 2010

I. PRIOR-YEAR AUDIT FINDINGS

a. Repeated in current year

None

b. Resolved and not included in current year

None

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

Finding 2010-1

Federal Grants Receivable and Schedule of Expenditures of Federal Awards (Significant Deficiency and Material Weakness)

Condition

The accounting records for federal grant activity were not timely and accurately reconciled during the year. The Schedule of Expenditures of Federal Awards was incomplete and not accurately prepared and reconciled to the general ledger. In addition, the accounting records reflected some grant transactions which had been incorrectly recorded in the general ledger. We also noted that federal indirect cost revenue when received, was posted in the general ledger as a reduction of grants receivable. However, federal indirect cost revenue is not considered a reimbursable cost, and as a result, the general ledger account for grants receivable does not reconcile with the federal grant schedule. At year end, total grants receivable as reflected on the grant schedule was overstated by approximately \$79,969 compared to the actual grants receivable at June 30, 2010, amounting to \$1,665,634. In addition, the general ledger grants receivable balance was overstated by approximately \$751,532.

Criteria

Effective internal control policies and procedures require the timely and accurate reconciliation of grant receivables, grant revenue and grant expenditures between the Department's general ledger and its subsidiary grant records and spreadsheets. This is necessary in order to ensure that grant activity transactions are completely and accurately recorded in the general ledger, that reimbursement from grantor agencies are accurate and timely, and that grant reporting to grantor agencies is accurate and timely. The grants section of the Department must work closely with the accounting section to ensure that transactions are properly recorded in the general ledger.

Effect

The Department had difficulty analyzing and recording transactions accurately, and ensuring the accuracy of financial statement and federal reporting. As a result, the general ledger grants receivable and federal grants revenue balances were inaccurate and unreconciled to the federal grant schedule.

Cause

The Department did not have effective internal control policies and procedures in place during the year which would provide for timely and accurate reconciliations between the Department's general ledger and its subsidiary grant records and spreadsheets.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Responses (Pertaining to Financial Statements)
Year Ended June 30, 2010

II. CURRENT YEAR FINDINGS PERTAINING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED (Cont'd)

Finding 2010-1

Federal Grants Receivable and Schedule of Expenditures of Federal Awards (Significant Deficiency and Material Weakness) (Cont'd)

Recommendation

We recommend 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 will help to ensure that grant reporting to grantor agencies is accurate. We further recommend that draw downs for reimbursement of federal grant expenditures from grantor agencies be timely submitted, preferably monthly. Drawdowns should not be made until the transaction establishing a grants receivable and recognition of the revenue is made by the accounting department. Posting of accounting transactions to the general ledger should be made in logical order.

Entity Response and Corrective Action Plan

The Department recognized the need for change before the conclusion of this audit and has already taken steps to address these weaknesses. The Department is in the process of acquiring a financial reporting system that will better coordinate financial and grant reporting. The Grants Unit has been and continues to be short staffed. As a result staff that should have been focused on accounting and auditing was pulled away to conduct monitoring and compliance for federal purposes and requirements. A reorganization of the Grants Unit is underway. This will allow the appropriate staff to focus their efforts on timely reporting and reconciliations of grant receivables, grant revenue and grant expenditures. The Department feels confident that this corrective action will address any weaknesses identified in the audit.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2010**

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, 2010, to discuss the audit. The following individuals were in attendance:

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

John J. Martinez, Deputy Cabinet Secretary and Chief Financial Officer
Deborah K. Romero, Administrative Services Division Bureau Chief
Gayle Mascarenas, Budget Director
Maria Ortiz, HR Manager
Michelle Varela, Finance Supervisor
Paula Flores, Grants Unit Manager

Independent Auditor - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA
Bill Valdes