

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

**Financial Statements
For the Year Ended June 30, 2011**

(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, 2011**

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**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Official Roster
as of June 30, 2011**

Administrative Officials

<u>Name</u>	<u>Title</u>
Michael S. Duvall	Cabinet Secretary
John J. Martinez	Deputy Cabinet Secretary and Chief Financial Officer
Deborah K. Romero	Administrative Services Division Bureau Chief

FINANCIAL SECTION

ROBERT J. RIVERA, CPA, PC

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INDEPENDENT AUDITOR'S REPORT

Gregory Myers, Acting 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, 2011, 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, 2011, 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, 2011, 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, 2011, 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 February 6, 2012, 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 ix through xv 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
February 6, 2012

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2011

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, 2011. This is the fourth 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, 2011

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 statements 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), one (1) special revenue fund, Executive Orders - State Disaster Fund (Fund No. 20380), and one (1) capital projects fund, Capital Projects Fund (Fund No. 89200).

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.

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2011

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, 2011. 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, 2011	Prior Year June 30, 2010	Increase or (Decrease)	% Increase or (Decrease)
ASSETS				
Investment in the State Treasurer General				
Fund Investment Pool (deficit)	\$ 9,144,647	\$ 9,355,481	\$ (210,834)	-2.25%
Other receivables	125	1,663	(1,538)	-92.48%
Due from other state agencies	159,002	398,525	(239,523)	-60.10%
Due from local governments	-	30,000	(30,000)	-100.00%
Due from federal government	3,138,160	1,665,634	1,472,526	88.41%
Capital assets (net of accumulated depreciation)	3,832,951	3,558,001	274,950	7.73%
Total assets	<u>16,274,885</u>	<u>15,009,304</u>	<u>1,265,581</u>	<u>8.43%</u>
LIABILITIES				
Accounts payable	1,072,408	1,547,641	(475,233)	-30.71%
Accrued payroll payable	116,120	99,455	16,665	16.76%
Payroll taxes payable	14,021	41,055	(27,034)	-65.85%
Payroll benefits payable	20,699	71,009	(50,310)	-70.85%
Due to State General Fund	266,073	2,528,074	(2,262,001)	-89.48%
Due to federal government	22,109	-	22,109	100.00%
Compensated absences - current	138,243	133,872	4,371	3.27%
Compensated absences - long-term	61,761	56,909	4,852	8.53%
Total liabilities	<u>1,711,434</u>	<u>4,478,015</u>	<u>(2,766,581)</u>	<u>-61.78%</u>
NET ASSETS				
Invested in capital assets	3,832,951	3,558,001	274,950	7.73%
Restricted for subsequent year's expenditure by enabling legislation	11,008,604	8,052,010	2,956,594	36.72%
Unrestricted	(278,104)	(1,078,722)	800,618	-74.22%
Total net assets	<u>\$ 14,563,451</u>	<u>\$ 10,531,289</u>	<u>\$ 4,032,162</u>	<u>38.29%</u>

The governmental activities current assets (excluding capital assets) increased by \$990,631, from \$11,451,303 to \$12,441,934, in 2011 or 8.65%. This change is insignificant.

The governmental activities current liabilities decreased by \$2,771,433 from \$4,421,106 in 2010, to \$1,649,673 in 2011, or 62.69%. This substantial decrease is mostly attributable to a decrease in accounts payable of \$475,233 and a decrease in the amount due to the state general fund of \$2,262,001. Long-term liabilities which are comprised of compensated absences increased insignificantly by \$4,852.

The governmental activities net assets increased by \$4,032,162 which was attributable to a \$274,950 increase in capital assets (depreciation expense of \$858,369, capital asset additions of \$561,016 and deletions of \$-0-, and a prior-period adjustment to the beginning net capital assets of \$572,303). In addition, the amount restricted for subsequent year's expenditures by enabling legislation increased by \$2,956,594 and the unrestricted net assets increased by \$800,618 because the Department received a deficiency state general fund appropriation amounting to \$817,700. This was the result of prior year grants receivables which were denied by the federal government.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2011

Changes in Net Assets

Exhibit B summarizes the Department's changes net assets for the fiscal year ending June 30, 2011. The following condensed financial information was derived from the entity-wide Statement of Activities for the current year.

Statement of Activities

	Current Year Ended June 30, 2011	Prior-Year Ended June 30, 2010	Increase or (Decrease)	% Increase or (Decrease)
Expenses:				
Governmental activities:				
Public safety	\$ 24,145,054	\$ 30,334,227	\$ (6,189,173)	-20.40%
Depreciation	858,369	674,978	183,391	27.17%
Total expenses	<u>25,003,423</u>	<u>31,009,205</u>	<u>(6,005,782)</u>	-19.37%
Program revenue:				
Intergovernmental:				
Federal grants - operating	20,141,731	25,964,921	(5,823,190)	-22.43%
Charges for services:				
Other filing fees	51,269	58,340	(7,071)	-12.12%
Total program revenue	<u>20,193,000</u>	<u>26,023,261</u>	<u>(5,830,261)</u>	-22.40%
Net program (expenses) revenue	<u>(4,810,423)</u>	<u>(4,985,944)</u>	175,521	-3.52%
General revenues and transfers:				
General revenue:				
Miscellaneous revenue	23,566	372,650	(349,084)	-93.68%
Transfers:				
State General Fund appropriation	9,053,800	4,504,671	4,549,129	100.99%
Severance tax bond appropriation	146,459	-	146,459	100.00%
Loss on transfer of capital assets to other state agencies	-	(5,519)	5,519	-100.00%
Reversions to State General Fund	(940,038)	(2,628,074)	1,688,036	-64.23%
Total general revenues and transfers	<u>8,283,787</u>	<u>2,243,728</u>	<u>6,040,059</u>	269.20%
Change in net assets	<u>3,473,364</u>	<u>(2,742,216)</u>	<u>6,215,580</u>	-226.66%
Net assets, beginning, as reported	10,531,289	13,991,820	(3,460,531)	-24.73%
Restatements:				
Prior-period adjustments	558,798	(718,315)	1,277,113	-177.79%
Net assets, beginning, as restated	<u>11,090,087</u>	<u>13,273,505</u>	<u>(2,183,418)</u>	-16.45%
Net assets, ending	<u>\$ 14,563,451</u>	<u>\$ 10,531,289</u>	<u>\$ 4,032,162</u>	38.29%

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Changes in Net Assets (Cont'd)

The governmental activities change in net assets increased significantly from the previous year by \$6,215,580. Changes which increased the change in net assets was an increase in the State General Fund appropriations by \$4,549,129; a decrease in federal grant revenues by (\$5,823,190); a decrease in governmental activities expense of (\$6,005,782), and a decrease of (\$1,688,036) in the amount due to the State General Fund.

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 three 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. The Department's capital projects fund is used to account for the acquisition or construction of major capital facilities.

As the Department completed the year, its governmental funds (as presented in the balance sheet on page 3, Exhibit C) reported a combined fund balance of \$10,930,504. The fund balance is attributable to the Department's Executive Orders-State Disaster Fund of \$6,111,289 and \$4,819,215 of the General Fund.

The General Fund of the Department reflects a fund balance of \$4,819,215. 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 \$266,073 due to the State General Fund from unused State General Fund appropriations from the General Fund at June 30, 2011. In addition, the Department reverted \$674,264 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 \$30,428,640 below budget amounts. However, this amount includes \$24,465,944 in federal grant funds authorized for use in subsequent fiscal years, and \$4,178,577 (from unexpended multi-year appropriation - Ruidoso Flooding Z810505) available for multi-year projects. All budgeted State General Fund appropriation were drawn and utilized for current operations, except for \$266,073, which is being reverted to the State General Fund.

Analysis of Significant Budget Variations

The original Department's General Fund No. 20050 budget as \$44,742,685. Budget increases of \$8,952,275 occurred in FY 2011 from federal revenues.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
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Analysis of Significant Budget Variations (Cont'd)

The expenditure budget categories were adjusted to reflect the \$8,952,275 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 original and final budget for the Executive Orders-State Disaster Fund was \$7,930,386.

The original and final budget for the Capital Projects Fund was \$951,515.

Capital Assets and Debt Administration

Capital Assets

The Department's investments in capital assets for its governmental activities as June 30, 2011, amounts to \$3,832,951 (net of accumulated depreciation). This investment in capital assets consists mainly of buildings, construction in progress, equipment and automobiles. There were additions of \$561,016 which were purchased by the Department during the fiscal year. There were deletions of capital assets totaling \$858,369 during the fiscal year. In addition, the capital assets at the beginning of the year were increased by a net adjustment of \$572,303. 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 \$61,760, 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 FY 2012 budget was submitted with no increase and was reduced to cover an across the board reduction to the state's retirement rate. Federal revenues have been reduced due to funds being paid out to local jurisdictions. Since 2010, the agency has gone from 78 full time employees (FTE's) to 61 FTEs, a loss of 17 positions. Federal Homeland Security funding continues to decrease, therefore, we anticipate future federal funding to the State to decrease.

The following is a comparison of the FY2011 and FY2012 budgets:

	<u>FY12</u>	<u>FY11</u>	<u>Increase (Decrease)</u>
General Fund	\$49,659,623	\$53,694,960	\$(4,035,337)
Executive Orders-State Disasters Fund	7,183,872	5,780,386	1,403,486
Capital Projects Fund	<u>951,515</u>	<u>951,515</u>	<u>-</u>
	<u>\$57,795,010</u>	<u>\$60,426,861</u>	<u>\$(2,631,851)</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2011

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
Gregory Myers, Acting Secretary
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Santa Fe, NM 87504
or
P.O. Box 27111
Santa Fe, NM 87502
(505) 476-9600

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
Investment in the State Treasurer General Fund Investment Pool	\$ 9,144,647
Other receivables	125
Due from other state agencies	99,525
Due from other state agencies - federal grant pass-through	59,477
Due from federal government	3,138,160
Capital assets (net of accumulated depreciation)	<u>3,832,951</u>
Total assets	<u>16,274,885</u>
LIABILITIES	
Accounts payable	1,072,408
Accrued payroll payable	116,120
Payroll taxes payable	14,021
Payroll benefits payable	20,699
Due to State General Fund	266,073
Due to federal government	22,109
Compensated absences - current portion	138,243
Compensated absences - long-term portion	<u>61,761</u>
Total liabilities	<u>1,711,434</u>
NET ASSETS	
Invested in capital assets	3,832,951
Restricted for subsequent year's expenditure by enabling legislation	11,008,604
Unrestricted	<u>(278,104)</u>
Total net assets	<u>\$ 14,563,451</u>

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Activities
For the Year Ended June 30, 2011

	<u>Governmental Activities</u>
Expenses:	
Governmental activities:	
Public safety	\$ 24,145,054
Depreciation	858,369
	<hr/>
Total expenses	25,003,423
	<hr/>
Program revenue:	
Intergovernmental:	
Federal grants - operating	20,141,731
Charges for services:	
Other filing fees	51,269
	<hr/>
Total program revenue	20,193,000
	<hr/>
Net program (expenses) revenue	(4,810,423)
	<hr/>
General revenues and transfers:	
General revenue:	
Miscellaneous revenue	23,566
Transfers:	
State General Fund appropriation	8,236,100
State General Fund appropriation - deficiency appropriation	817,700
Severance Tax bond proceeds	146,459
Reversions to State General Fund-FY 2011	(940,038)
	<hr/>
Total general revenues and transfers	8,283,787
	<hr/>
Change in net assets	3,473,364
	<hr/>
Net assets, beginning, as reported	10,531,289
Restatements:	
Prior-period adjustments (note 15)	558,798
	<hr/>
Net assets, beginning, as restated	11,090,087
	<hr/>
Net assets, ending	\$ <u>14,563,451</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, 2011

	Major Funds		Non-Major Funds	Total Governmental Funds
	General Fund (SHARE 20050)	Executive Orders State Disasters Fund (SHARE 20380)	Capital Projects Fund (SHARE 89200)	
ASSETS				
Investment in the State Treasurer				
General Fund Investment Pool	\$ 3,121,518	\$ 6,121,104	\$ -	\$ 9,242,622
Other receivables	125	-	-	125
Due from other state agencies	1,550	-	97,975	99,525
Due from other state agencies-federal grant pass through	59,477	-	-	59,477
Due from local governments	-	-	-	-
Due from federal government	3,138,160	-	-	3,138,160
Total assets	\$ 6,320,830	\$ 6,121,104	\$ 97,975	\$ 12,539,909
LIABILITIES				
Investment in the State Treasurer				
General Fund Investment Pool (deficit)	\$ -	\$ -	\$ 97,975	\$ 97,975
Accounts payable	1,062,593	9,815	-	1,072,408
Accrued salaries payable	116,120	-	-	116,120
Payroll taxes payable	14,021	-	-	14,021
Payroll benefits payable	20,699	-	-	20,699
Due to federal government	22,109	-	-	22,109
Due to State General Fund	266,073	-	-	266,073
Total liabilities	1,501,615	9,815	97,975	1,609,405
FUND BALANCES				
Restricted:				
Subsequent year's expenditures	4,897,315	6,111,289	-	11,008,604
Unassigned (deficit)	(78,100)	-	-	(78,100)
Total fund balances	4,819,215	6,111,289	-	10,930,504
Total liabilities and fund balances	\$ 6,320,830	\$ 6,121,104	\$ 97,975	\$ 12,539,909

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, 2011

Total fund balance for the governmental funds (balance sheet) **\$ 10,930,504**

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	\$ 8,228,283	
Accumulated depreciation	<u>(4,395,332)</u>	3,832,951

Compensated absences accrued in the government-wide financial statements are not budgeted in the current period, therefore, excluded from the governmental funds current portion of compensated absences.

(200,004)

Net assets of governmental activities (statement of net assets) **\$ 14,563,451**

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, 2011

	<u>Major Funds</u>		<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u> <u>(SHARE 20050)</u>	<u>Executive Orders State Disasters Fund</u> <u>(SHARE 20380)</u>	<u>Capital Projects Fund</u> <u>(SHARE 89200)</u>	
Revenues:				
Intergovernmental:				
Federal grants-operating	\$ 20,141,731	\$ -	\$ -	\$ 20,141,731
Charges for services:				
Other filing fees	51,269	-	-	51,269
Miscellaneous revenue	23,566	-	-	23,566
	<u>20,216,566</u>	<u>-</u>	<u>-</u>	<u>20,216,566</u>
Expenditures:				
Public safety:				
Current:				
Personal services	3,991,888	2,698	-	3,994,586
Contractual services	1,398,136	-	97,975	1,496,111
Other costs	17,259,879	1,681,828	-	18,941,707
Capital outlay	264,444	-	-	264,444
	<u>22,914,347</u>	<u>1,684,526</u>	<u>97,975</u>	<u>24,696,848</u>
Excess (deficiency) of revenues over expenditures	<u>(2,697,781)</u>	<u>(1,684,526)</u>	<u>(97,975)</u>	<u>(4,480,282)</u>
Other financing sources (uses):				
Transfers in (out):				
State General Fund appropriation	2,711,100	5,525,000	-	8,236,100
State General Fund appropriation - Deficiency appropriation	817,700	-	-	817,700
Severance Tax bond proceeds	48,485	-	97,975	146,460
Reversion to State General Fund-FY 2011	(265,774)	(674,264)	-	(940,038)
	<u>3,311,511</u>	<u>4,850,736</u>	<u>97,975</u>	<u>8,260,222</u>
Net change in fund balance	<u>613,730</u>	<u>3,166,210</u>	<u>-</u>	<u>3,779,940</u>
Fund balances:				
Fund balance, beginning, as reported	4,218,990	2,945,079	-	7,164,069
Restatement:				
Prior-period adjustments (note 15)	(13,505)	-	-	(13,505)
Fund balance, beginning, as restated	<u>4,205,485</u>	<u>2,945,079</u>	<u>-</u>	<u>7,150,564</u>
Fund balance, ending	<u>\$ 4,819,215</u>	<u>\$ 6,111,289</u>	<u>\$ -</u>	<u>\$ 10,930,504</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, 2011

Net change in fund balance - Governmental Funds	
(Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ 3,779,940
Exhibit E	

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

Increase in compensated absences	(9,223)
----------------------------------	---------

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	\$ 561,016	
Current period depreciation	<u>(858,369)</u>	<u>(297,353)</u>
Change in net assets of governmental activities (Statement of Activities)		\$ <u>3,473,364</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 (Budgetary Basis)
Major Fund - General Fund - All Departments (Fund 20050)
For the Year Ended June 30, 2011

(Statements 1-8)

	Budgeted Amounts		Received/ Expended Through 06/30/2010	Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 8,528,800	\$ 8,528,800	\$ 5,000,000	\$ 3,528,800	\$ -
Federal funds:					
Intra-state federal grants	35,655,400	44,607,675	-	20,141,731	(24,465,944)
Other funds:					
Other	10,000	10,000	-	23,566	13,566
Other filing fees	-	-	-	51,269	51,269
Severance tax bond appropriation	548,485	548,485	500,000	48,485	-
Total revenues	44,742,685	53,694,960	\$ 5,500,000	\$ 23,793,851	\$ (24,401,109)
Prior-year cash	-	-			
Total revenues budgeted	\$ 44,742,685	\$ 53,694,960			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ 4,043,800	\$ 4,297,437	\$ -	\$ 3,991,888	\$ 305,549
Contractual services	1,846,285	2,214,685	-	1,398,136	816,549
Other costs	38,852,600	47,182,838	351,973	17,524,323	29,306,542
Total expenditures	\$ 44,742,685	\$ 53,694,960	\$ 351,973	\$ 22,914,347	\$ 30,428,640
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 23,793,851	
Adjustments: None				-	
Budget basis revenue				\$ 23,793,851	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 22,914,347	
Adjustments: None				-	
Budget basis expenditures				\$ 22,914,347	

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 2012 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, 2011

(From Statements 9-16)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ 5,525,000	\$ 5,525,000	\$ 5,525,000	\$ -
Miscellaneous	-	-	-	-
Total revenues	5,525,000	5,525,000	\$ 5,525,000	\$ -
Prior-year fund balance	2,405,386	2,405,386		
Total revenues budgeted	\$ 7,930,386	\$ 7,930,386		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ 20,000	\$ 20,000	\$ 2,699	\$ 17,301
Contractual services	657	657	-	657
Other costs	7,909,729	7,909,729	1,681,827	6,227,902
Total expenditures	\$ 7,930,386	\$ 7,930,386	\$ 1,684,526	\$ 6,245,860
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 5,525,000	
Adjustments:				
None			-	
Budget basis revenue			\$ 5,525,000	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,684,526	
Adjustments:				
None			-	
Budget basis expenditures			\$ 1,684,526	

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 2012 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, 2011

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, 2011

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, 2011

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, 2011

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) (Major Fund) - 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) (Major Fund) - 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.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The Department's Capital Projects Fund is as follows:

Capital Projects Fund (DHSEM Addition Fund) (SHARE Fund No. 89200) (Non-Major Fund) - The Capital Projects Fund was established to account for the construction and equipping of an addition to the existing DHSEM facility (North Office Addition), as authorized by Laws 2011, Chapter 183, Severance Tax Bonds. Unexpended balances from the proceeds of severance tax bonds issued for the project revert to the severance tax bonding fund.

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),

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2011

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

E. Basis of Accounting (Cont'd)

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 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 and when eligibility requirements are met. 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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2011

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

F. Budgets and Budgetary Accounting (Cont'd)

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, Special Revenue Funds and Capital Projects 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 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 and Capital Projects 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, all special revenue funds and the Capital Projects Fund 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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2011

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

F. Budgets and Budgetary Accounting (Cont'd)

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 2011 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.

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.

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

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.

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

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, 2011, 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.

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

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

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.

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. Classifications of Fund Balance

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned, as per GASB Statement 54, effective for financial statements for periods beginning after June 15, 2010.

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 American 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.

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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 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, 2011 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	Agency Number	SHARE		Type of Account	Interest Bearing	Depository Balance at 06/30/2011	Reconciled Balance at 6/30/2011
			Fund Number					
State Treasurer General Fund Investment Pool:								
NM State Treasurer	Homeland Security & Emergency Management General Fund	79500	20050		State Treasury	No	\$3,121,518	\$3,121,518
NM State Treasurer	Executive Orders- State Disaster Special Revenue Fund	79500	20380		State Treasury	No	6,121,104	6,121,104
NM State Treasurer	Capital Projects	79500	89200		State Treasury	No	(97,975)	(97,975)
Total Governmental Fund Types							<u>\$9,144,647</u>	<u>\$9,144,647</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;

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

- (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 or other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- (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, 2011.

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4. Due From/Due To Other State Agencies

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

	Agency/Share Fund No.	Purpose	Due From	Due To
<u>Fund 20050-General Fund</u>				
Due from Department of Finance and Administration	34101/85300	Payroll liability overpayment	\$ 1,550	\$ -
Due from Energy Mineral & Natural Resources Dept.	52100/20054	Federal grant pass through-WIPP Project	59,477	-
Due to Department of Finance and Administration (State General Fund Reversion)	34101/85300	State General Fund Reversion-FY 2011	-	266,073
			<u>\$ 61,027</u>	<u>\$ 266,073</u>
<u>Fund 89200-Capital Projects Fund</u>				
Due from Board of Finance	34000/89200	Severance Tax Bond Proceeds	97,975	-
			<u>\$ 97,975</u>	<u>\$ -</u>

5. Capital Assets

The capital asset activity for the governmental activities for the year ended June 30, 2011, is as follows:

	Governmental Activities					
	Beginning Balance 06/30/2010	Adjustments	Adjusted Balance 06/30/2010	Additions	Deletions	Ending Balance 06/30/2011
	<u>Cost</u>					
Buildings	\$ 4,000,000	\$ -	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000
Construction in Progress	-	-	-	516,821	-	516,821
Data processing equipment	468,557	805,738	1,274,295	-	-	1,274,295
Equipment and machinery	776,841	(338,621)	438,220	-	-	438,220
Automobile	1,597,352	357,400	1,954,752	44,195	-	1,998,947
Total capital assets	<u>6,842,750</u>	<u>824,517</u>	<u>7,667,267</u>	<u>561,016</u>	<u>-</u>	<u>8,228,283</u>
<u>Accumulated Depreciation</u>						
Buildings	1,522,916	-	1,522,916	200,000	-	1,722,916
Construction in Progress	-	-	-	-	-	-
Data processing equipment	231,775	236,376	468,151	302,898	-	771,049
Equipment and machinery	447,285	(186,689)	260,596	48,558	-	309,154
Automobile	1,082,773	202,527	1,285,300	306,913	-	1,592,213
Total accumulated depreciation	<u>3,284,749</u>	<u>252,214</u>	<u>3,536,963</u>	<u>858,369</u>	<u>-</u>	<u>4,395,332</u>
<u>Net Capital Assets</u>						
Buildings	2,477,084	-	2,477,084	(200,000)	-	2,277,084
Construction in Progress	-	-	-	516,821	-	516,821
Data processing equipment	236,782	569,362	806,144	(302,898)	-	503,246
Equipment and machinery	329,556	(151,932)	177,624	(48,558)	-	129,066
Automobile	514,579	154,873	669,452	(262,718)	-	406,734
Net capital assets	<u>\$ 3,558,001</u>	<u>\$ 572,303</u>	<u>\$ 4,130,304</u>	<u>\$ (297,353)</u>	<u>\$ -</u>	<u>\$ 3,832,951</u>

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$858,369 and is considered a public safety expense.

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6. Accrued Payroll Payable

Accrued payroll payable at June 30, 2011 amounted to \$116,120. This amount represents 100% of the total payroll paid on July 1, 2011, for the pay period ended June 24, 2011, and 40% of the total payroll paid on July 15, 2011, for the pay period ended July 8, 2011.

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 \$200,004 in the Statement of Net Assets for annual leave based on current pay rates and hours accumulated at June 30, 2011. 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, 2011, is as follows:

	<u>Balance</u> <u>06/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2011</u>	<u>Current</u> <u>Portion</u>
Total compensated absences payable	\$ 190,781	\$ 192,832	\$ (183,609)	\$ 200,004	\$ 138,243

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 2011, the Department was appropriated \$2,711,100 from the state general fund. In addition, the Department was provided a deficiency appropriation of \$817,700 resulting from expenditures from previous years which were to have been reimbursed by the federal government under various federal grants; however, the Department was notified that these expenditures would not be reimbursed to the Department and would have to be absorbed by the State of New Mexico. 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.

Cash balance, June 30, 2011	\$ 3,121,518
Add:	
Due from federal government, 6/30/2011	3,138,160
Due from other state agencies (DFA-Central Payroll), 6/30/2011	1,550
Other receivables, 6/30/2011	125
Due from other state agencies - federal grant pass-through (EMNRD-WIPP), 6/30/2011	59,477
Amount available (all state cash)	6,320,830
Less:	
Accounts payable, 6/30/2011	(1,062,593)
Accrued salaries payable, 6/30/2011	(116,120)
Payroll taxes payable, 6/30/2011	(14,021)
Payroll benefits payable, 6/30/2011	(20,699)
Due to federal government, 6/30/2011	(22,109)
Unexpended multi-year appropriation-Ruidoso Flooding Z810505	(4,178,577)
Unexpended federal indirect cost revenue (revenues over expenses) FY 2009	31,764
Unexpended federal indirect cost revenue (revenues over expenses) FY 2010	(309,403)
Unexpended federal indirect cost revenue (revenues over expenses) FY 2011	(441,099)
Due from other state agencies (DFA-Central Payroll), 6/30/2011 (pending)	1,550
Over expended funds from the State Treasury (see note 17)	76,550
Due to State General Fund, June 30, 2011	\$ 266,073

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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 4.0% 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, 2011, 2010 and 2009 were \$426,684, \$494,742, and \$569,126 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, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 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
FY12	1.834%	.917%
FY13	2.000%	1.000%

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, 2011, 2010 and 2009 were \$46,764, \$40,481 and \$39,208, 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, 2010, through June 30, 2011.

12. Due From Federal Government

At June 30, 2011, \$3,138,160 was due from the federal government representing reimbursable expenditures for grant awards.

13. Net Assets (Deficit)

GASB #34 requires the inclusion of long-term debt in the balance of unrestricted net asset. At June 30, 2011, the unrestricted net assets balance was a deficit of (\$278,104). This deficit is created by compensated absences liabilities of (\$200,004), (\$76,550) caused by expenditures of prior years which will not be reimbursed by the federal government, and (\$1,550) due from other state agencies (DFA-Central Payroll Account.).

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14. Transfers To/From Other Agencies

<u>From Agency/Fund</u>		<u>To Agency/Fund</u>		<u>Purpose</u>	<u>Amount</u>
34100/85300	DFA	79500/20050	DHSEM	State General Fund appropriation	\$ 2,711,100
34100/85300	DFA	79500/20050	DHSEM	State General Fund appropriation - Deficiency appropriation	817,700
35000/19704	GSD	79500/20050	DHSEM	EAP Refunds for FY08, FY09, FY10	1,007
79500/20050	DHSEM	34100/85300	DFA	Reversion to State General Fund - FY 10	(387,487)
79500/20050	DHSEM	34100/85300	DFA	Reversion to State General Fund - FY 11 (Due to State General Fund, 6/30/2011)	(265,774)
79500/20050	DHSEM	34100/85300	DFA	Reversion to State General Fund - State dated warrants	(1,071)
34100/85300	DFA	79500/20380	DHSEM	State General Fund appropriation	5,525,000
79500/20380	DHSEM	34101/85300	DFA	Reversion to State General Fund - State Disasters	(674,264)

15. Prior Period Adjustment to Net Assets/Fund Balance

	<u>Government-Wide Net Assets</u>	<u>General Fund Balance</u>	<u>Executive Orders Fund Balance</u>
Net Assets/Fund Balance, 6/30/ 2010, as reported	\$ 10,531,289	\$ 4,218,990	\$ 2,945,079
Restatements:			
Adjustment to grants receivable at 6/30/2010	69,509	69,509	-
Adjustment to due from other state agencies at 6/30/2010	(83,014)	(83,014)	-
Adjustment to capital assets and accumulated depreciation at 6/30/2010	572,303	-	-
Total restatements	558,798	(13,505)	-
Net Assets/Fund Balance, 6/30/2010, as restated	\$ 11,090,087	\$ 4,205,485	\$ 2,945,079

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16. Special and Other Specific Appropriations

<u>Fund/ Fund No.</u>	<u>Appropriation Laws</u>	<u>Balance at 6/30/10</u>	<u>New Appropriations</u>	<u>Refunds of P/Y Expenditures</u>	<u>FY2011 Expenditures Disbursements</u>	<u>Reverted</u>	<u>Unexpended Balance</u>
<u>General Fund 20050</u>							
Flooding in Lincoln and Otero counties (\$4,900,000)	Laws 2008 Ch. 8, Sec. 1, Item A	\$ 4,763,025	\$ -	\$ -	\$ (584,648)	\$ -	\$ 4,178,577
Deficiency appropriation	Laws 2011, Ch. 179	-	817,700	-	(817,700)	-	-
<u>Executive Orders-State Disaster Fund 20380</u>							
	Laws 2009, Ch. 24 Legal Authority						
Flooding	NMEO 2007-017	\$ 984	\$ -	\$ -	\$ -	\$ 984	\$ -
Flooding	NMEO 2007-018	11,909	-	-	-	11,909	-
Flooding	NMEO 2007-019	267,572	-	-	176,916	-	90,656
Flooding	NMEO 2007-020	741,264	-	-	-	-	741,264
Flooding	NMEO 2007-022	624,404	-	-	-	-	624,404
Flooding	NMEO 2007-046	1,381	-	-	-	1,381	-
Wildfire	NMEO 2008-036	324,907	-	-	-	324,907	-
Drought	NMEO 2008-037	311,087	-	-	-	-	311,087
Flooding	NMEO 2008-042	49,327	-	-	-	49,327	-
Flooding	NMEO 2008-049	37,648	-	-	-	37,648	-
Flooding	NMEO 2008-050	536	-	-	-	536	-
Flooding	NMEO 2008-051	66,497	-	-	-	66,497	-
Storm	NMEO 2009-001	46,430	-	-	-	46,430	-
Storm	NMEO 2009-048	54,041	-	-	37,361	16,679	-
Storm	NMEO 2010-005	157,092	-	-	155,426	1,666	-
Flooding	NMEO 2010-025	250,000	-	-	210,073	-	39,927
Flooding	NMEO 2010-031	-	200,000	-	-	-	200,000
Flooding	NMEO 2010-034	-	750,000	-	264,020	-	485,980
Flooding	NMEO 2010-035	-	400,000	-	1,736	-	398,264
Flooding	NMEO 2010-036	-	750,000	-	31,712	-	718,288
Flooding	NMEO 2010-039	-	250,000	-	133,700	116,300	-
Flooding	NMEO 2010-040	-	25,000	-	11,744	-	13,256
Storm	NMEO 2010-042	-	250,000	-	31,530	-	218,470
Flooding	NMEO 2010-045	-	750,000	-	539,044	-	210,956
Flooding	NMEO 2010-051	-	250,000	-	78,750	-	171,250
Storm	NMEO 2011-014	-	750,000	-	-	-	750,000
Wildfire	NMEO 2011-040	-	200,000	-	2,681	-	187,487
Wildfire	NMEO 2011-047	-	200,000	-	455	-	200,000
Wildfire	NMEO 2011-053	-	750,000	-	9,378	-	750,000
Totals		\$ 2,945,079	\$ 5,525,000	\$ -	\$ 1,684,526	\$ 674,264	\$ 6,111,289

17. Fund Balance/Deficit

The General Fund has an unassigned deficit fund balance at June 30, 2011, totaling \$78,100. 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/SUPPLEMENTARY INFORMATION

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, 2011

(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	\$ 2,711,100	\$ 2,711,100	\$ 2,711,100	\$ -
Federal funds:				
Intra-state federal grants	35,655,400	35,655,400	16,248,150	(19,407,250)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	10,000	10,000	10,973	973
Other filing fees	-	-	51,269	51,269
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	<u>38,376,500</u>	<u>38,376,500</u>	<u>\$ 19,021,492</u>	<u>\$ (19,355,008)</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ 38,376,500</u>	<u>\$ 38,376,500</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 4,043,800	\$ 4,261,200	\$ 3,991,888	\$ 269,312
Contractual services	1,797,800	1,813,200	1,349,651	463,549
Other costs	<u>32,534,900</u>	<u>32,302,100</u>	<u>12,915,887</u>	<u>19,386,213</u>
Total expenditures	<u>\$ 38,376,500</u>	<u>\$ 38,376,500</u>	<u>\$ 18,257,426</u>	<u>\$ 20,119,074</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 19,021,492	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 19,021,492</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 18,257,426	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 18,257,426</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 2012 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, 2011

(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	-	2,367,646	555,911	(1,811,735)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	-	2,367,646	\$ 555,911	\$ (1,811,735)
Total revenues	-	2,367,646	\$ 555,911	\$ (1,811,735)
Prior-year fund balance	-	-		
Total revenues budgeted	\$ -	\$ 2,367,646		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	2,367,646	675,472	1,692,174
	-	2,367,646	675,472	1,692,174
Total expenditures	\$ -	\$ 2,367,646	\$ 675,472	\$ 1,692,174
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 555,911	
Adjustments: None			-	
Budget basis revenue			\$ 555,911	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 675,472	
Adjustments: None			-	
Budget basis expenditures			\$ 675,472	

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 2012 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, 2011

(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	-	1,546,754	39,179	(1,507,575)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>1,546,754</u>	<u>39,179</u>	<u>(1,507,575)</u>
Total revenues	-	1,546,754	\$ 39,179	\$ (1,507,575)
	<u>-</u>	<u>-</u>		
Prior-year fund balance	-	-		
Total revenues budgeted	\$ -	\$ 1,546,754		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ 36,237	\$ -	\$ 36,237
Contractual services	-	353,000	-	353,000
Other costs	-	1,157,517	1,399	1,156,118
	<u>-</u>	<u>1,546,754</u>	<u>1,399</u>	<u>1,545,355</u>
Total expenditures	\$ -	\$ 1,546,754	\$ 1,399	\$ 1,545,355
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 39,179	
Adjustments: None			<u>-</u>	
Budget basis revenue			\$ 39,179	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,399	
Adjustments: None			<u>-</u>	
Budget basis expenditures			\$ 1,399	

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 2012 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 Z1936 FEMA 1936 (Fund 20050)
For the Year Ended June 30, 2011

(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	-	5,037,875	3,298,491	(1,739,384)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	<u>-</u>	<u>5,037,875</u>	<u>\$ 3,298,491</u>	<u>\$ (1,739,384)</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 5,037,875</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>-</u>	<u>5,037,875</u>	<u>3,346,917</u>	<u>1,690,958</u>
Total expenditures	<u>\$ -</u>	<u>\$ 5,037,875</u>	<u>\$ 3,346,917</u>	<u>\$ 1,690,958</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 3,298,491	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 3,298,491</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 3,346,917	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 3,346,917</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 2012 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 Z10608 Special Appropriation (Fund 20050)
For the Year Ended June 30, 2011

(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	\$ 817,700	\$ 817,700	\$ 817,700	\$ -
Federal funds:				
Intra-state federal grants	-	-	-	-
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>817,700</u>	<u>817,700</u>	<u>\$ 817,700</u>	<u>\$ -</u>
Total revenues				
	<u>-</u>	<u>-</u>		
Prior-year fund balance				
	<u>\$ 817,700</u>	<u>\$ 817,700</u>		
Total revenues budgeted				
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	817,700	-	-	-
Other financing sources	-	817,700	-	817,700
	<u>-</u>	<u>817,700</u>	<u>-</u>	<u>817,700</u>
Total expenditures	<u>\$ 817,700</u>	<u>\$ 817,700</u>	<u>\$ -</u>	<u>\$ 817,700</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 817,700	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 817,700</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 2012 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, 2011

(To Exhibit G)

	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2010</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	-	-	-	12,593	12,593
Other financing sources-compensation	-	-	-	-	-
Other financing sources	-	-	-	-	-
Severance tax bond appropriation	-	-	-	-	-
Total revenues	4,900,000	4,900,000	\$ 4,900,000	\$ 12,593	\$ 12,593
Prior-year fund balance	-	-			
Total revenues budgeted	\$ 4,900,000	\$ 4,900,000			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	4,900,000	4,900,000	136,775	584,648	4,178,577
Total expenditures	\$ 4,900,000	\$ 4,900,000	\$ 136,775	\$ 584,648	\$ 4,178,577
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 12,593	
Adjustments: None				-	
Budget basis revenue				\$ 12,593	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 584,648	
Adjustments: None				-	
Budget basis expenditures				\$ 584,648	

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 2012 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, 2011

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2010	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	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>
Prior-year fund balance	-	-			
Total revenues budgeted	<u>\$ 100,000</u>	<u>\$ 100,000</u>			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	100,000	100,000	-	-	100,000
Total expenditures	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</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				\$ -	
Adjustments: None				-	
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 2012 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, 2011

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2010	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 2012 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-Addition
For the Year Ended June 30, 2011

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2010	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	48,485	48,485	-	48,485	-
Total revenues	48,485	48,485	\$ -	\$ 48,485	\$ -
Prior-year fund balance	-	-			
Total revenues budgeted	\$ 48,485	\$ 48,485			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	48,485	48,485	-	48,485	-
Other costs	-	-	-	-	-
Total expenditures	\$ 48,485	\$ 48,485	\$ -	\$ 48,485	\$ -
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 48,485	
Adjustments: None				-	
Budget basis revenue				\$ 48,485	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 48,485	
Adjustments: None				-	
Budget basis expenditures				\$ 48,485	

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 2012 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- Department Z20387 (Fund 20380)
For the Year Ended June 30, 2011

(To Exhibit H)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	-	-	<u>\$ -</u>	<u>\$ -</u>
Prior-year fund balance	<u>1,633,167</u>	<u>1,633,167</u>		
Total revenues budgeted	<u>\$ 1,633,167</u>	<u>\$ 1,633,167</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>1,633,167</u>	<u>1,633,167</u>	<u>176,916</u>	<u>1,456,251</u>
Total expenditures	<u>\$ 1,633,167</u>	<u>\$ 1,633,167</u>	<u>\$ 176,916</u>	<u>\$ 1,456,251</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ -</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 176,916	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 176,916</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 2012 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 - Department Z20388 (Fund 20380)
For the Year Ended June 30, 2011

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	-	-	\$ -	\$ -
Prior-year fund balance	311,087	311,087		
Total revenues budgeted	\$ <u>311,087</u>	\$ <u>311,087</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	311,087	311,087	-	311,087
Total expenditures	\$ <u>311,087</u>	\$ <u>311,087</u>	\$ -	\$ <u>311,087</u>
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 2012 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 - Department Z20389 (Fund 20380)
For the Year Ended June 30, 2011

(To Exhibit H)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Total revenues	-	-	<u>\$ -</u>	<u>\$ -</u>
Prior-year fund balance	<u>54,040</u>	<u>54,040</u>		
Total revenues budgeted	<u>\$ 54,040</u>	<u>\$ 54,040</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>54,040</u>	<u>54,040</u>	<u>37,361</u>	<u>\$ 16,679</u>
Total expenditures	<u>\$ 54,040</u>	<u>\$ 54,040</u>	<u>\$ 37,361</u>	<u>\$ 16,679</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ -	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ -</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 37,361	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 37,361</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 2012 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 - Department Z203810 (Fund 20380)
For the Year Ended June 30, 2011

(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	\$ 3,625,000	\$ 3,625,000	\$ 3,625,000	\$ -
Miscellaneous revenue	-	-	-	-
	<u>3,625,000</u>	<u>3,625,000</u>	<u>\$ 3,625,000</u>	<u>\$ -</u>
Total revenues				
Prior-year fund balance	<u>157,092</u>	<u>157,092</u>		
Total revenues budgeted	<u>\$ 3,782,092</u>	<u>\$ 3,782,092</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>3,782,092</u>	<u>3,782,092</u>	<u>1,247,662</u>	<u>2,534,430</u>
Total expenditures	<u>\$ 3,782,092</u>	<u>\$ 3,782,092</u>	<u>\$ 1,247,662</u>	<u>\$ 2,534,430</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 3,625,000	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 3,625,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,247,662	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 1,247,662</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 2012 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 - Department Z203811 (Fund 20380)
For the Year Ended June 30, 2011**

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ 750,000	\$ 750,000	\$ 750,000	\$ -
Miscellaneous revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	750,000	750,000	\$ 750,000	\$ -
	<hr/>	<hr/>		
Prior-year fund balance	-	-		
	<hr/>	<hr/>		
Total revenues budgeted	\$ 750,000	\$ 750,000		
	<hr/>	<hr/>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	750,000	750,000	-	750,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	\$ 750,000	\$ 750,000	\$ -	\$ 750,000
	<hr/>	<hr/>	<hr/>	<hr/>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 750,000	
Adjustments:				
None			<hr/>	-
Budget basis revenue			\$ 750,000	
			<hr/>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ -	
Adjustments:				
None			<hr/>	-
Budget basis expenditures			\$ -	
			<hr/>	

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 2012 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 Fund - Department Z203810 (Fund 20380)
For the Year Ended June 30, 2011

(To Exhibit H)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	-	-	\$ -	\$ -
Prior-year fund balance	250,000	250,000		
Total revenues budgeted	\$ 250,000	\$ 250,000		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	250,000	250,000	210,073	39,927
Total expenditures	\$ 250,000	\$ 250,000	\$ 210,073	\$ 39,927
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			\$ 210,073	
Adjustments:				
None			-	
Budget basis expenditures			\$ 210,073	

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 2012 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 Fund - Department Z203811 (Fund 20380)
For the Year Ended June 30, 2011

(To Exhibit H)	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2010</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	\$ 1,150,000	\$ 1,150,000	\$ -	\$ 1,150,000	\$ -
Miscellaneous revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	1,150,000	1,150,000	<u>\$ -</u>	<u>\$ 1,150,000</u>	<u>\$ -</u>
Prior-year fund balance	<u>-</u>	<u>-</u>			
Total revenues budgeted	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ 20,000	\$ 20,000	\$ -	\$ 2,699	\$ 17,301
Contractual services	657	657	-	-	657
Other costs	<u>1,129,343</u>	<u>1,129,343</u>	<u>-</u>	<u>9,815</u>	<u>1,119,528</u>
Total expenditures	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	<u>\$ -</u>	<u>\$ 12,514</u>	<u>\$ 1,137,486</u>
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 1,150,000	
Adjustments:					
None				<u>-</u>	
Budget basis revenue				<u>\$ 1,150,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 12,514	
Adjustments:					
None				<u>-</u>	
Budget basis expenditures				<u>\$ 12,514</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 2012 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)
Non-Major Capital Projects Fund-DHSEM-Addition - Department A093084 (Fund 89200)
For the Year Ended June 30, 2011

	Budgeted Amounts		Received/ Expended Through 06/30/2010	Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General fund appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Severance tax bond appropriation	951,515	951,515	-	97,975	(853,540)
Total revenues	951,515	951,515	\$ -	\$ 97,975	\$ (853,540)
Prior-year fund balance	-	-			
Total revenues budgeted	\$ 951,515	\$ 951,515			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	851,515	851,515	-	97,975	753,540
Other costs	100,000	100,000	-	-	100,000
Total expenditures	\$ 951,515	\$ 951,515	\$ -	\$ 97,975	\$ 853,540
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 97,975	
Adjustments:					
None				-	
Budget basis revenue				\$ 97,975	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 97,975	
Adjustments:					
None				-	
Budget basis expenditures				\$ 97,975	

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 2012 budget.

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

SINGLE AUDIT INFORMATION

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Oper Unit	Program Title	CFDA #	Grant Number	Grant Period		Federal Award Amount	Fund	A/R 6/30/2010	Receipts	Federal Expenditures	Adjmnts	A/R 6/30/11	Indirect Receipts	Indirect Expenditures
				From	To									
FEDERAL EMERGENCY MANAGEMENT AGENCY														
PDMF07	07 FEMA PDM	97.017	PDMC-06-NM-2007	9/17/2007	9/16/2010	\$ 322,511	20052	\$ (540)	\$ 110,773	\$ 130,426	0	\$ 19,113		
PDMF08	08 FEMA PDM	97.017	PDMC-PL-06-NM-2008	9/26/2008	9/25/2011	129,000	20052	0	0	16,789	0	16,789		
CAPO8F	08 FEMA CAP-SSSE	97.023	EMT-2008-GR-0004	10/1/2007	9/30/2008	75,000	20052	(16,692)	0	0	0	(16,692)		
CAPO9F	09 FEMA CAP-SSSE	97.023	EMT-2009-GR-0003	10/1/2008	9/30/2009	60,000	20052	27,027	0	0	0	27,027		
CAPO9I	09 FEMA CAP-SSSE-INDIRECT	97.023	EMT-2009-GR-0003	10/1/2008	9/30/2009	60,000	20052	0	0	0	0	0		
CAP10F	10 FEMA CAP-SSSE	97.023	EMT-2010-GR-0004	10/1/2009	9/30/2010	60,000	20052	5,675	18,104	12,613	0	185		
CAP10I	10 FEMA CAP-SSSE-INDIRECT	97.023	EMT-2010-GR-0004	10/1/2009	9/30/2010	60,000	20052	0	0	0	0	0	\$ 3,733	\$ 533
CAP11F	11 FEMA CAP-SSSE	97.023	EMT-2011-GR-0006	10/1/2010	9/30/2011	60,000	20052	0	0	34,050	0	34,050		
CAP11ID	11 FEMA CAP-SSSE-INDIRECT	97.023	EMT-2011-GR-0006	10/1/2010	9/30/2011	60,000	20052	0	0	0	0	0		1,569
* USAR08	08 FEMA US&R	97.025	EMW-2008-CA-0826	5/1/2008	8/31/2010	1,000,179	20052	416,750	309,244	0	0	107,507		
* USAR09MA	09 FEMA US&R	97.025	2009-SR-24-K028	5/1/2009	8/31/2010	1,001,910	20052	179,237	13,278	28,737	0	194,695		
* USAR09	09 FEMA US&R	97.025	2009-SR-24-K028	5/1/2009	8/31/2010	1,001,910	20052	(133,876)	0	0	0	(133,876)		
* USAR09EQ	09 FEMA US&R	97.025	2009-SR-24-K028	5/1/2009	8/31/2010	1,001,910	20052	0	4,213	8,830	0	4,617		
* USAR09TR	09 FEMA US&R	97.025	2009-SR-24-K028	5/1/2009	8/31/2010	1,001,910	20052	20,357	134,551	10,245	0	(103,949)		
								65,718	152,042	47,811	0	(38,512)		
* USAR10ID	10 FEMA US&R-INDIRECT	97.025	2010-SR-24-K040	5/1/2010	10/31/2011	1,041,900	20052	0	0	0	0	0	59,979	64,215
* USAR10MA	10 FEMA US&R	97.025	2010-SR-24-K040	5/1/2010	10/31/2011	1,041,900	20052	35,436	323,924	355,314	0	66,826		
* USAR10EQ	10 FEMA US&R	97.025	2010-SR-24-K040	5/1/2010	10/31/2011	1,041,900	20052	0	8,865	58,728	0	49,863		
* USAR10SM	10 FEMA US&R	97.025	2010-SR-24-K040	5/1/2010	10/31/2011	1,041,900	20052	0	18,744	23,874	0	5,131		
* USAR10TR	10 FEMA US&R	97.025	2010-SR-24-K040	5/1/2010	10/31/2011	1,041,900	20052	0	49,279	57,946	0	8,667		
								35,436	400,812	495,863	0	130,487		
* USAR11MA	11 FEMA US&R	97.025	TBD after Federal Budget				20052	0	0	43,791	0	43,791		
* USAR11ID	11 FEMA US7R	97.025	TBD after Federal Budget				20052	0	0	0	0	0		8,171
1783FT	FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM	8/14/2008	CURRENT	8,939,269	20052	(201,073)	0	0	0	(201,073)		
1783MA	FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM	8/14/2008	CURRENT	8,939,269	20052	45,208	19,513	1,399	0	27,094		
1783AD	FEMA-1783-DR PA	97.036	FEMA-1783-DR-NM	8/14/2008	CURRENT	8,939,269	20052	(170)	0	0	0	(170)		
								(156,035)	19,513	1,399	0	(174,150)		
* 1301HM	FEMA - 13101 HM	97.039		9/22/1999	CURRENT	305,320	20052	0	145,276	145,276	0	0		
* 1329DR	FEMA-1329-DR	97.039	FEMA-1329-DR-NM	6/26/2000	CURRENT	1,740,259	20052	89,058	0	0	25,000	64,058		
* 1329HM	FEMA-1329-HMGP	97.039	FEMA-1329-HMGP	5/31/2000	CURRENT	1,740,259	20052	(145,000)	(145,276)	0	276	0		
* 1659AD	FEMA-1659-PA	97.039	FEMA-1659-DR-NM	8/30/2006	CURRENT	32,357,166	20052	(6)	0	0	0	(6)		
* 1659MA	FEMA-1659-PA	97.039	FEMA-1659-DR-NM	8/30/2006	CURRENT	32,357,166	20052	(366,653)	109,508	0	0	(476,161)		
* 1659FT	FEMA-1659-PA	97.039	FEMA-1659-DR-NM	8/30/2006	CURRENT	32,357,166	20052	(68,593)	538,459	675,472	0	68,420		
								(435,252)	647,967	675,472	0	(407,748)		
* 1659HM	FEMA-1659-DR-NM (ISLETA/JEMEZ)	97.039	FEMA-1659-DR-NM	4/30/2008	4/30/2011	87,000	20052	0	0	0	0	0		
* 1936FT	FEMA-1936-PA	97.039	FEMA-1936-DR-NM	4/4/2011	CURRENT	5,433,232	20052	0	2,369,799	3,342,236	0	972,436		
* 1936MA	FEMA-1936-PA	97.039	FEMA-1936-DR-NM	9/13/2010	CURRENT	5,433,232	20052	0	2,982	4,681	0	1,699		
								0	2,372,781	3,346,917	0	974,135		
* 2818FM	FEMA-2818-FM-NM BUCKWOOD FIRE	97.039	FEMA-2818-FM-NM	5/5/2009	5/14/2009	339,716	20052	0	339,716	339,716	0	0		
* 2842FM	FEMA-2842-FM-NM CABAZON FIRE	97.039	FEMA-2842-FM-NM	5/23/2010	5/4/2010	178,186	20052	0	0	178,183	0	178,183		
* 2843FM	FEMA-2843-FM-NM RIO FIRE	97.039	FEMA-2843-FM-NM	6/1/2010	6/29/2010	55,983	20052	0	0	55,983	0	55,983		
EHRSAPO9	2009 FEMA Earthquake Grant	97.082	EMT-2009-GR-0007	8/27/2009	2/26/2011	53,464	20052	0	2,776	850	0	(1,926)		
EHRSAPI0	2010 FEMA Earthquake Grant	97.082	EMT-2010-GR-0008	9/1/2010	8/31/2011	49,164		0	5,451	7,087	0	1,637		
Total Federal Emergency Management Agency								(113,854)	4,379,179	5,532,228	25,276	1,013,919	63,712	74,488
U.S. DEPARTMENT OF HOMELAND SECURITY														
* HS07PSIC	07-DHS PSIC	11.555	2007-GS-HT-0045	10/1/2007	9/30/2010	8,288,725	20052	(65,715)	777,983	1,441,815	0	598,117		
* HS07PSMA	07-DHS PSIC	11.555	2007-GS-HT-0046	10/1/2007	9/30/2010	8,288,725	20052	78,931	73,616	52,998	0	58,313		
								13,216	851,598	1,494,812	0	656,430		
Homeland Security Cluster CFDA 97.004														
HS04EQ	04 DHS SHSGP	97.004	2004-GE-T4-0005	7/1/2004	6/30/2008	24,946,000	20052	(542,477)	0	0	0	(542,477)		
HS04LE	04 DHS SHSGP	97.004	2004-GE-T4-0005	7/1/2004	6/30/2008	24,946,000	20052	0	0	0	0	0		
HS04MA	04 DHS SHSGP	97.004	2004-GE-T4-0005	7/1/2004	6/30/2008	24,946,000	20052	(2,826)	0	0	0	(2,826)		
HS04TE	04 DHS SHSGP	97.004	2004-GE-T4-0005	7/1/2004	6/30/2008	24,946,000	20052	36,906	0	0	0	36,906		
								(508,397)	0	0	0	(508,397)		
* EM07FD	07 DHS EMPG	97.042	2007-EM-E7-0035	10/1/2006	9/30/2008	2,188,210	20052	(21,653)	0	0	0	(21,653)		
* EM07FT	07 DHS EMPG	97.042	2007-EM-E7-0035	10/1/2006	9/30/2008	2,188,210	20052	(16,588)	0	0	0	(16,588)		
								(38,241)	0	0	0	(38,241)		

* DENOTES MAJOR PROGRAM

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Oper Unit	Program Title	CFDA #	Grant Number	Grant Period		Federal Award Amount	Fund	A/R 6/30/2010	Receipts	Federal Expenditures	Adjmnts	A/R 6/30/11	Indirect Receipts	Indirect Expenditures
				From	To									
* EM07SP	07 DHS EMPG SUPP	97.042	2007-EM-E7-0090	9/1/2007	8/31/2009	563,972	20052	131,457	11,220	0	0	120,236		
* EM08FD	08 DHS EMPG	97.042	2008-EM-E8-0034	10/1/2007	9/30/2009	3,310,547	20052	(232,547)	112,084	0	0	(344,631)		
* EM08FT	08 DHS EMPG	97.042	2008-EM-E8-0034	10/1/2007	9/30/2009	3,310,547	20052	320,319	0	0	0	320,319		
* EM08ID	08 DHS EMPG INDIRECT	97.042	2008-EM-E8-0035	10/1/2007	9/30/2009	3,310,547	20052	0	0	0	0	0		
								87,771	112,084	0	0	(24,313)		
Homeland Security Cluster CFDA 97.067														
* EM09FD	2009 DHS EMPG	97.042	2009-EP-E9-0002	10/1/2008	9/30/2011	3,476,558	20052	313,483	231,952	155,982	0	237,513		
* EM09FT	2009 DHS EMPG	97.042	2009-EP-E9-0003	10/1/2008	9/30/2011	3,476,558	20052	304,059	627,924	1,320,582	0	996,718		
* EM09ID	2009 DHS EMPG	97.042	2009-EP-E9-0004	10/1/2008	9/30/2011	3,476,558	20052	0	0	0	0	0	38,426	(8)
								617,542	859,875	1,476,564	0	1,234,231		
* EM10FD	2010 DHS EMPG	97.042	2010-EP-E0-0022	10/1/2009	9/30/2011	3,476,008	20052	0	201,248	295,457	0	94,209		
* EM10FT	2010 DHS EMPG	97.042	2010-EP-E0-0022	10/1/2009	9/30/2011	3,476,008	20052	0	1,207,081	709,331	0	(497,751)		
* EM10ID	2010 DHS EMPG	97.042	2010-EP-E0-0022	10/1/2009	9/30/2011	3,476,008	20052	0	0	0	0	0	213,760	154,617
								0	1,408,329	1,004,788	0	(403,541)		
* HS05CC	05 DHS SHSGP	97.067	2005-GE-T5-0012	7/1/2006	9/30/2008	16,766,029	20052	6,039	0	0	0	6,039		
* HS05EQ	05 DHS SHSGP	97.067	2005-GE-T5-0012	7/1/2006	9/30/2008	16,766,029	20052	(50,767)	0	0	0	(50,767)		
* HS05ID	05 DHS SHSGP	97.067	2005-GE-T5-0012	7/1/2006	9/30/2008	16,766,029	20052	0	0	0	0	0		
* HS05LE	05 DHS SHSGP	97.067	2005-GE-T5-0012	7/1/2006	9/30/2008	16,766,029	20052	4,114	0	0	0	4,114		
* HS05MA	05 DHS SHSGP	97.067	2005-GE-T5-0012	7/1/2006	9/30/2008	16,766,029	20052	35,391	0	0	0	35,391		
* HS05TE	05 DHS SHSGP	97.067	2005-GE-T5-0012	7/1/2006	9/30/2008	16,766,029	20052	654,439	30,000	0	0	624,439		
								649,217	30,000	0	0	619,217		
* HS06CC	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	20,356	0	0	0	20,356		
* HS06EQ	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	(3,160,174)	26,203	554,195	(674,709)	(3,306,891)		
* HS06ID	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	0	0	0	0	0		
* HS06LE	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	20,851	0	0	0	20,851		
* HS06MA	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	434,341	0	0	0	434,341		
* HS06TE	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	1,279,615	1,007	(517)	0	1,278,091		
* HS06MM	06 DHS SHSGP	97.067	2006-GE-T6-0064	7/1/2006	6/30/2008	8,270,273	20052	17,207	0	0	0	17,207		
								(1,387,805)	27,210	553,678	(674,709)	(1,536,045)		
* HS07CC	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2009	6,973,253	20052	22,866	22,866	14,204	0	14,204		
* HS07EQ	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	330,768	2,262,749	1,509,370	674,709	252,097		
* HS07EX	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	0	1,095	1,117	0	22		
* HS07MA	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	(138,244)	7,579	0	0	(145,823)		
* HS07TE	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	0	0	0	0	0		
* HS07LE	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	2,353	6,428	5,726	0	1,651		
* HS07ID	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	0	0	0	0	0	221,577	
* HS07TR	07 DHS SHSGP	97.067	2007-GE-T7-0023	7/1/2007	6/30/2010	6,973,253	20052	81,925	225,395	195,054	0	51,583		
* HS07MM	07 DHS MMRS	97.067	2007-GE-T7-0024	7/1/2007	6/30/2010	6,973,253	20052	(37,234)	0	0	0	(37,234)		
								262,433	2,526,113	1,725,470	674,709	136,500		
* HS07SG	07 DHS Stonegarden	97.067	2007-SG-N6-0005	11/1/2006	9/30/2008	1,185,000	20052	(37,770)	0	0	0	(37,770)		
* HS75GS	07 DHS Stonegarden Supp	97.067	2007-SG-N6-0001	11/1/2006	10/31/2008	1,580,258	20052	74,343	0	0	0	74,343		
* HS08CC	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	0	26,181	26,181	0	0		
* HS08EQ	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	280,560	1,264,544	1,082,720	0	98,736		
* HS08ID	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	0	0	0	0	0	23,523	
* HS08MM	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	0	0	0	0	0		
* HS08PL	08 DHS PLANNING	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	72,564	96,747	24,182	0	0		
* HS08TR	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	77,034	295,618	265,149	0	46,564		
* HS08EX	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	322	3,590	3,836	0	568		
* HS08LE	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	0	998	998	0	0		
* HS08MA	08 DHS SHSGP	97.067	2008-GE-T8-0020	9/1/2008	8/31/2011	6,170,000	20052	12,701	54,630	355	0	(41,573)		
								443,181	1,742,308	1,403,422	0	104,295		
* HS08SG	08 DHS Stonegarden	97.067	2008-SG-T8-0003	9/1/2008	8/31/2011	4,680,000	20052	915,071	1,804,724	889,653	0	0		
* HS08ECGP	08 DHS IECGP	97.067	2008-IO-T8-0037	9/1/2008	8/31/2010	290,478	20052	(60,721)	17,506	102,180	0	23,953		
* HS08ECMA	08 DHS IECGP	97.067	2008-IO-T8-0037	9/1/2008	8/31/2010	290,478	20052	0	1,857	1,842	0	(25)		
								(60,721)	19,373	104,022	0	23,928		
* HS08EOC	08 DHS EOC	97.067	2008-TO-E8-0012	9/1/2008	2/29/2012	1,000,000	20052	0	117,890	418,846	0	300,957		
* HS8EOCMA	08 DHS EOC	97.067	2008-TO-E8-0012	9/1/2008	2/29/2012	1,000,000	20052	0	3,537	7,199	0	3,662		
								0	121,427	426,045	0	304,618		

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Oper Unit	Program Title	CFDA #	Grant Number	Grant Period		Federal Award Amount	Fund	A/R 6/30/2010	Receipts	Federal Expenditures	Adjmnts	A/R 6/30/11	Indirect Reclepts	Indirect Expenditures	
				From	To										
* HS08BZ	08 DHS BZPP	97.067	2008-BZ-T8-0015	9/1/2008	8/31/2011	597,000	20052	0	0	113,298	0	113,298			
* HS08BZMA	08 DHS BZPP	97.067	2008-BZ-T8-0015	9/1/2008	8/31/2011	597,000	20052	336	305	14,620	0	14,651			
								336	305	127,918	0	127,949			
* HS09CC	09 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	0	13,852	13,852	0	0			
* HS09EQ	09 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	93,476	890,691	1,221,455	0	424,241			
* HS09EX	97 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	0	29,396	58,085	0	28,689			
* HS09ID	09 DHS SHSGP-INDIRECT	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	0	0	0	0	0	146,298	46,838	
* HS09MA	09 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	49,992	131,942	110,522	0	28,573			
* HS09MM	09 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	0	0	0	0	0			
* HS09PL	09 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	78,741	124,067	141,866	0	96,540			
* HS09TR	09 DHS SHSGP	97.067	2009-SS-T9-0031	8/1/2009	7/31/2012	7,011,302	20052	29,212	602,478	642,570	0	69,304			
								251,422	1,792,425	2,188,351	0	647,348			
* HS09BZMA	09 DHS BZPP	97.067	2009-BF-T9-0001	4/10/2009	3/31/2012	400,000	20052	210	210	0	0	0			
* HS09BZ	09 DHS BZPP	97.067	2009-BF-T9-0001	4/10/2009	3/31/2012	400,000	20052	0	0	0	0	0			
								210	210	0	0	0			
* HS09ECGP	09 DHS IECGP Commun	97.067	2009-IP-T9-0007	6/10/2009	5/31/2011	303,544	20052	7,347	25,294	19,330	0	1,383			
* HS09ECMA	97 DHS IECGP M&A	97.067	2009-IP-T9-0007	6/10/2009	5/31/2011	303,544	20052	0	1,088	2,058	0	969			
								7,347	26,382	21,388	0	2,352			
* HS09SG	09 DHS Stonegarden	97.067	2009-SI-T9-0001	7/1/2009	6/30/2012	3,981,414	20052	210,252	1,357,898	1,353,990	0	206,344			
* HS09SGS	09 DHS Stonegarden Suppl	97.067	2009-SI-T9-0001	7/1/2009	6/30/2012	2,589,002	20052	197,969	372,470	454,892	0	280,383			
								408,212	1,730,368	1,808,883	0	486,727			
* HS10EX	10 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	3,115	3,115	0	0			
* HS10EQ	10 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	0	0	0	0			
* HS10MA	10 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	140,516	188,498	0	47,982			
* HS10PL	10 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	122,770	165,186	0	42,416			
* HS10REN	10 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	75	17,398	0	17,323			
* HS10TR	10 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	92,418	118,561	0	26,142			
* HS10LE	11 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	0	28,188	0	28,188			
* HS10ID	12 DHS SHSGP	97.067	2010-SS-T0-011	8/1/2010	7/31/2013	11,087,913	20052	0	0	0	0	0	91,747	93,675	
								0	358,893	520,945	0	162,052			
HS05BZ	2005 DHS BZPP	97.078	2005-GE-T5-0029	4/1/2005	3/31/2008	500,000	20052	(78,801)	0	0	0	(78,801)			
Total Homeland Security Cluster									1,750,025	13,422,845	13,745,938	0	2,073,119	735,331	295,122
U.S. DEPARTMENT OF TRANSPORTATION															
DOT8TR	2008 DOT/HMGP	20.703	HMENM8056150	9/30/2008	9/30/2009	254,219	20052	24,634	0	0	0	24,634			
DOT8PL	2008 DOT/HMGP	20.703	HMENM8056150	9/30/2008	9/30/2009	254,219	20052	2,618	0	0	0	2,618			
								27,252	0	0	0	27,252			
DOT9TR	2009 DOT/HMGP	20.703	HM-HMP-0031-09-01-00	10/1/2009	9/30/2010	254,219	20052	71,719	72,117	6,645	0	6,247			
DOT10TR	2010 DOT/HMGP	20.703	HM-HMP-0168-10-01-00	9/30/2010	9/30/2011	313,774	20052	0	2,418	20,041	0	17,623			
Total US Department of Transportation									98,971	74,535	26,686	0	51,122		
US DEPARTMENT OF ENERGY															
NM ENERGY & MINERALS DEPARTMENT PASS-THROUGH															
WIPP09	09 EMNRD WIPP	81.106	DE-FC29-88ALS38L3	7/1/2008	6/30/2009	185,262	20054	10,036	0	0	0	10,036			
WIPP10	10 EMNRD WIPP	81.106	DE-FC29-88ALS38L3	7/1/2009	6/30/2010	194,360	20054	52,278	51,095	0	0	1,183			
WIPP10ID	WIPP INDIRECT	81.106	DE-FC29-88ALS38L3	7/1/2009	6/30/2010	194,630	20054	0	0	0	0	0	7,388		
WIPP11	11 EMNRD WIPP	81.106	DE-FC29-88ALS38L3	7/1/2010	6/30/2011	181,582	20054	0	41,349	89,607	0	48,258			
WIPP11ID	WIPP INDIRECT	81.106	DE-FC29-88ALS38L3	7/1/2010	6/30/2011	181,582	20054	0	0	0	0	0	8,484	4,206	
Total US Department of Energy									62,314	92,444	89,607	0	59,477	15,872	4,206
TOTAL ALL FEDERAL AWARDS									\$ 1,797,456	\$ 17,969,002	\$ 19,394,460	\$ 25,276	\$ 3,197,637	\$ 814,915	\$ 373,816

Due from federal government \$3,138,160
 Due from other state agencies - NMEM Dept. 59,477
\$3,197,637

* DENOTES MAJOR PROGRAM

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2011

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	\$19,394,460
Add: Federal Indirect Cost Receipts	814,915
Less: Refunds - prior-year grant expenditures	(30,000)
Other reconciling adjustments	<u>(37,644)</u>
Federal revenues per the Fund Financial Statements	<u>\$20,141,731</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

Gregory Myers, Acting 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, 2011, which collectively comprise the Department's basic financial statements and have issued our report thereon dated February 6, 2012. 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 Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses (Findings 2010-1 and 2011- 1).



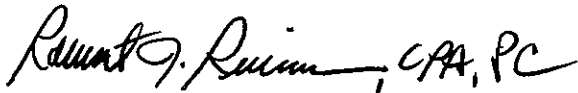
A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies. (Finding 2011-2).

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 one immaterial instance of noncompliance or other matters that is required to be reported under **Government Auditing Standards**, and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 2011-4.

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
February 6, 2012

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Gregory Myers, Acting Cabinet Secretary
Department of Homeland Security
and Emergency Management
and
Mr. Hector H. Baldéras
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 could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2011. The Department's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department's compliance based on our audit.

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

In our opinion, the Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the requirements



that could have a direct and material effect on a major federal 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 over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 and 2011-3. 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 questioned costs. 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
February 6, 2012

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, 2011

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. vii-viii*).
2. There were three deficiencies disclosed during the audit of the **financial statements** of the State of New Mexico, Department of Homeland Security and Emergency Management. Two of the deficiencies are also reported as material weaknesses, and one is reported as a significant deficiency. (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. 47-48*).
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. 47-48*).
4. Two significant deficiencies in internal control over **major federal award programs** disclosed during the audit are reported in the audit of the State of New Mexico, Department of Homeland Security and Emergency Management. The deficiencies are not reported as material weaknesses. (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. 49-50*).
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. 49-50*).
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>	<u>Major Program Expenditures</u>
US Department of Homeland Security		
97.042	Homeland Security Grant Program	\$ 2,481,352
97.067	Homeland Security Grant Program - Cluster	9,769,774
11.555	Public Safety Interoperable Communications Grant Program	1,494,812
Federal Emergency Management Program		
97.039	Hazardous Mitigation-Fire Management Assistance Program	4,741,547
97.025	National Urban Search and Rescue (US&R) Response System	<u>587,466</u>
		<u>\$19,074,951</u>

8. The threshold for distinguishing between Types A and B programs was \$581,614.
9. The Department of Homeland Security and Emergency Management does not qualify as a low-risk auditee. Audit coverage of major federal programs was 98.35% of total federal expenditures.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section II - FINANCIAL STATEMENT AUDIT - FINDINGS

Finding 2010-1 Federal Grants Receivable and Schedule of Expenditures of Federal Awards
(Deficiency and Material Weakness) (Repeated and Modified)

Condition

The Department does not perform or prepare consistent, timely and complete reconciliations of federal grant expenditures, cash receipts and revenue to timely provide accurate information for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). At the commencement of the audit, the Department provided the auditors with an inaccurate and incomplete SEFA. The grants receivable at June 30, 2011 as reflected on the grant schedule did not agree with the balance as reported in the general ledger. In addition, the balance of grants receivable as reflected in the general ledger at June 30, 2011 was also inaccurate. The Department had not prepared accurate reconciliations for each grant award which supported balances in the SEFA. The accounting records for federal grant activity were not timely and accurately reconciled during the year, and in some cases, since the inception of each grant award. As a result, the auditor's recommended that the Department personnel to go back and reconcile each grant award since the inception of the each grant. This reconciliation process resulted in discrepancies noted by the Department which required various adjustments to individual grants receivable balances as of June 30, 2010. In addition, the reconciliation process disclosed that the accounting records reflected some grant transactions which had been incorrectly recorded in the general ledger. After completion of the reconciliation process by the Department, and after the reconciliations were reviewed and verified by the auditors, total grants receivable as reflected on the grant schedule at June 30, 2011, amounted to \$3,197,637. As a result, the grants receivable balance in the general ledger had to be adjusted as of June 30, 2010 by \$13,505 (prior-period adjustment), and further adjusted at June 30, 2011 by \$412,674.

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 to ensure the accurate preparation of the SEFA. 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 and to ensure the accurate preparation of the SEFA.

Per OMB A-133, §____.300. Auditee responsibilities,

The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and awards identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal award programs that provide reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section II - FINANCIAL STATEMENT AUDIT - FINDINGS (Cont'd)

Finding 2010-1 Federal Grants Receivable and Schedule of Expenditures of Federal Awards
(Deficiency and Material Weakness) (Repeated and Modified) (Cont'd)

Criteria (Cont'd)

(d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with § __.310.

(e) Ensure that the audits required by this part are properly performed and submitted when due. When extensions to the report submission due date by § __.320(a) are granted by the cognizant or oversight agency for audit, promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

(f) Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan in accordance with § __.315(b) and § __.315©, respectively.

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. The Department may not have the ability to prevent and detect material misstatements on its Schedule of Expenditures of Federal Awards and its general ledger.

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. In the past, the Department's grant program management appears to have operated somewhat independently of its financial management and there was limited coordination between the two groups. The Department has not fully established the processes and controls, and has not trained personnel properly on reconciling federal revenue and expenditures for the preparation of a accurate and meaningful SEFA.

Recommendation

We recommend that the Department establish effective internal control policies and procedures that require timely and accurate reconciliations of grant receivables, grant receipts, grant revenue and grant expenditures between the Department's general ledger and its subsidiary grant records, spreadsheets and the SEFA. The Department should implement review procedures to ensure that the SEFA is complete and accurate on a monthly basis. This includes obtaining all grant awards and agreements, reviewing them for proper identification, and transferring the correct information to the SEFA. 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. Department personnel should obtain additional training covering the federal grant award reimbursement process.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section II - FINANCIAL STATEMENT AUDIT - FINDINGS (Cont'd)

Finding 2010-1 Federal Grants Receivable and Schedule of Expenditures of Federal Awards
(Deficiency and Material Weakness) (Repeated and Modified) (Cont'd)

Entity Response and Corrective Action Plan

The Department of Homeland Security and Emergency Management (DHSEM) acknowledges the problem created by the lack of consistent, timely and complete reconciliations for federal grant expenditures, cash receipts and revenues. The DHSEM has worked with the Auditor to correct the deficiencies. The DHSEM has established policies, procedures and practices to ensure the accurate reporting of federal grants in the Schedule of Expenditures of Federal Awards (SEFA).

Finding 2011-1 Reconciliation of General Ledger (Deficiency and Material Weakness)

Condition

Some of the general ledger accounts were not reconciled throughout the fiscal year. The specific accounts are the following:

<u>Account Name</u>	<u>Account Number</u>
Due from Other State Agencies	142900
Due from Federal Government	145900
Payroll benefits payable	223500
Payroll taxes payable	223900
Due to Federal Government	235900
Other liabilities	292900
Federal grant revenue	451903
Intra-state warrants-Federal grants revenue	499505

There does not appear to be any review of the general ledger activity and account balances during the year related to the financial activity. A review of the general ledger account balances is necessary in order to verify that the balances are accurate and supported by detailed information. This is an effective tool in strengthening internal controls and identifying errors should they occur. Currently, all accounting tasks related to the general ledger seem to be the responsibility of one individual within the accounting department. The review process is lacking for financial reporting and general journal entries to the general ledger is lacking..

Criteria

The DFA Manual of Model Accounting Practices (MAPs), Volume 1, chapter 8, Section 3.2 requires monthly reconciliations of all general accounts. Individual general ledger accounts should be reconciled on a monthly basis. Discrepancies and inconsistencies should be investigated and corrected as soon as they are discovered.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
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Section II - FINANCIAL STATEMENT AUDIT - FINDINGS (Cont'd)

Finding 2011-1 Reconciliation of General Ledger (Deficiency and Material Weakness)
(Cont'd)

Cause

The lack of staff training for financial statements reporting, and the lack of management oversight over the review and reconciliation process in reviewing general ledger account balances. In addition, the general ledger accounting staff appears to lack an individual with a strong accounting background who is capable of preparing financial statements.

Effect

Errors in financial transaction postings to the general ledger may not be prevented or discovered without the timely reconciliation and review process of the general ledger account balances thereby causing the financial statements to be inaccurate.

Recommendation

We recommend that Department review the current responsibilities and tasks of its accounting staff. Responsibilities should include the review and reconciliation of the general ledger account balances for the purpose of preparing accurate financial statements. Employees should be made aware of the importance and necessity for reviewing and reconciling the general ledger account balances. In addition, management should review and approve the monthly reconciliations prepared by staff.

Entity Response and Corrective Action Plan

The Department of Homeland Security and Emergency Management (DHSEM) acknowledges the problem created by the lack of consistent, timely and complete reconciliations. The DHSEM has worked with the auditor to identify and correct the deficiencies. The DHSEM has established policies, procedures and practices to ensure the timely, consistent and complete reconciliations with the general ledger for the purpose of preparing accurate financial statements. The Department will provide staff with the necessary training/education to develop and improve on their accounting skills.

Finding 2011-2 Financial Statement Preparation SAS-115 (Significant Deficiency)

Condition

The financial statements were not prepared by the Department's staff. The Department's internal control system over financial reporting does not include the preparation of financial statements. Audit adjustments were required to be made by the auditors which should be customary year-end adjustments made by the Department's accounting staff.

Criteria

Statement on Auditing Standards 115, *Communicating Internal Control Related Matters in an Audit*, states that the auditor is responsible for evaluating the Department's internal control over the preparation of financial statements. The Department is not currently capable of producing a complete set of financial statements, including required footnote disclosures.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section II - FINANCIAL STATEMENT AUDIT - FINDINGS (Cont'd)

Finding 2011-2 Financial Statement Preparation SAS-115 (Significant Deficiency) (Cont'd)

Cause

There is a lack of effective internal controls surrounding the financial reporting process.

Effect

The Department does not currently have the capacity to prepare the financial statements. This diminishes the adequacy of the internal control structure over financial reporting as there are not adequate qualifications and training among personnel to apply generally accepted accounting principles.

Recommendation

We recommend that the Department develop and implement controls over financial reporting, including the necessary education and training for its financial staff as a means having trained staff that are capable of producing financial statements.

Entity Response and Corrective Action Plan

The Department of Homeland Security and Emergency Management (DHSEM) acknowledges that the financial staff assigned to this function may require additional education and training. The DHSEM is committed to make education and training available to the finance staff.

Finding 2011-4 Late Submission of Audit Report (State Non-Compliance)

Condition

The audit report for the year ended June 30, 2011 was not submitted to the New Mexico State Auditor's Office by the required deadline of December 15, 2012. The audit report was submitted on February 13, 2012.

Criteria

State Auditor Rule 2.2.2.9 (A)(f) , NMAC requires that State agencies submit their annual financial audit report for the year ended June 30, 2011, by December 15, 2011.

Cause

The Department's records were not ready for the timely completion of the audit. A reconciled schedule of expenditures of federal awards (SEFA) was not provided to the auditors until January 27, 2012.

Effect

The Department is not in compliance with the New Mexico State Auditor's requirement for timely submission of the audit report. Users of financial statements do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on future state and federal funding.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section II - FINANCIAL STATEMENT AUDIT - FINDINGS (Cont'd)

Finding 2011-4 Late Submission of Audit Report (State Non-Compliance) (Cont'd)

Recommendation

We recommend that the Department ensure that all future audit reports are submitted to the New Mexico State Auditor's Office by the required deadline. We further recommend that the Department have accurate and completed trial balances and other critical supporting schedules, such as the SEFA, no later than October 15th of each year, in order for the auditors to meet the December 15th submission deadline.

Entity Response and Corrective Action Plan

The Department of Homeland Security and Emergency Management (DHSEM) acknowledges the late submission. It was necessary for the Department to go through a complete reconciliation process in order to provide correct financial information. Working with the Auditor, DHSEM has established policies, procedures and practices to ensure accurate reconciliation and reporting. In addition, the Department will ensure that the proper training and/or education are provided to finance staff. These steps will result in correct and timely financial reporting for auditing purposes.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

Section III - MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS and QUESTIONED COSTS -

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

Finding 2010-1 Federal Grants Receivable and Schedule of Expenditures of Federal Awards (Non-Compliance and Significant Deficiency) (Repeated and Modified)

As discussed in Finding 2010-1 (finding in its entirety on pages 51-53 as it pertains to the financial statements), the Department does not perform consistent, timely and complete reconciliations of federal grant expenditures, cash receipts and revenue, to timely provide accurate information for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). As a result, after the commencement of the audit, the auditors recommend that Department personnel go back and reconcile each grant award since the inception of each grant. This resulted in discrepancies noted by the Department which required various adjustments to individual grants receivable balances as of June 30, 2010, and June 30, 2011. The grants receivable balance in the general ledger was adjusted by \$13,505 as of June 30, 2010, and was further adjusted by \$412,674 as of June 30, 2011. Effective internal control policies and procedures should be established that require timely and accurate reconciliations of grants receivable, grant receipts, grant revenue and grant expenditures between the Department's general ledger and its subsidiary grant records and SEFA. The Department should implement review procedures to ensure that the SEFA is complete and accurate on a monthly basis. Drawdowns should not be made until the transactions 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 and department personnel should obtain additional training covering the federal grant award reimbursement process.

				Questioned Costs
US DEPARTMENT OF HOMELAND SECURITY				
Finding 2010-1	CFDA	97.042	Homeland Security Grant Program	None
Finding 2010-1	CFDA	97.067	Homeland Security Grant Program	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	97.039	Hazardous Mitigation-Fire Management Assistance Pgm.	None

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
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Section III - MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS and QUESTIONED COSTS -

Finding 2011-3 Excess Reimbursements - Over-Drawn Federal Grants (Non-Compliance-Activities Allowed and Unallowed and Significant Deficiency)

Condition

The following federal grant awards were from the federal funding sources by the Department as of June 30, 2011:

Federal Grant Programs

		<u>Amount</u>
US DEPARTMENT OF HOMELAND SECURITY		
CFDA 97.004	Homeland Security Grant Program-SHSGP 2004 GE-T4-0005	\$ 508,397
CFDA 97.042	Homeland Security Grant Program-EMPG 2010 EP-EO 0002	403,541
CFDA 97.042	Homeland Security Grant Program-EMPG 2008 EM-E8 0034	24,313
CFDA 97.042	Homeland Security Grant Program-EMPG 2007 EM-E7 0035	38,241
CFDA 97.067	Homeland Security Grant Program-SHSGP 2006 -GE-T6-0064	1,536,045
CFDA 97.067	Homeland Security Grant Program-DHS Stonegarden 2007-SG-N6-0005	37,770
CFDA 97.078	Buffer Zone Protection Pgm. (BZPP) 2005-GE-T5-0029	<u>78,801</u>
		<u>2,627,108</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY		
CFDA 97.023	FEMA - CAP - SSEE EMT-2008-GR-0004	16,692
CFDA 97.025	National Urban Search and Rescue (US&R) 2009-SR-24-K028	38,512
CFDA 97.036	Public Assistance FEMA-1783-DR-NM	174,150
CFDA 97.039	Public Assistance FEMA-1659-DR-NM	407,748
CFDA 97.082	2009 FEMA Earthquake Grant	<u>1,926</u>
		<u>639,028</u>
		<u>\$3,266,136</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Section III - MAJOR FEDERAL AWARD PROGRAMS AUDIT - FINDINGS and QUESTIONED COSTS -

Finding 2011-3 Excess Reimbursements - Over-Drawn Federal Grants (Non-Compliance-Activities Allowed and Unallowed and Significant Deficiency) (Cont'd)

Criteria

In accordance with OMB Circular A-133, when non-federal agencies are funded on a reimbursement basis, federal grant program costs must be paid for by the non-federal agency before reimbursement is requested from the Federal government.

Cause

There is a lack of effective controls and procedures over the draw-down process. It does not appear that Department personnel have been properly trained on the fundamental elements regarding cost reimbursement grant awards and the draw-down process. It appears that the draw-down of federal funds is not being made entirely based on reimbursement of actual expenditures, but rather, based on available budgeted grant balances.

Effect

The Department has over-drawn grants and must subsequently reduce future billing for the over-drawn amounts. This is contrary to the expenditure reimbursement process. Any excess over-drawn funds which are not supported by allowable expenditures must be returned to the federal funding source.

Recommendation

We recommend that Department personnel be properly trained on the fundamental elements regarding cost reimbursement grant awards and the draw-down process. In addition, we recommend that the Department implement effective procedures and controls to ensure that grants are not over-drawn. We further recommend that draw downs for reimbursement of federal grant expenditures from grantor agencies not be made until the expenditure transaction establishing a grant reimbursement is completed. In addition, the grants receivable and recognition of the revenue should first be recorded by the accounting department in the general ledger, formally approved, prior to the actual draw-down request.

Entity Response and Corrective Action Plan

The Department of Homeland Security and Emergency Management (DHSEM) working with the Auditor has identified the problems associated with the draw process. The first audit finding regarding the reconciliation of federal funds is related to this finding. The DHSEM has established policies, procedures and practices to ensure that federal grant expenditures are not over-drawn. Training and education has been scheduled and will continue to be provided to staff on the reimbursement and draw-down process.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
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SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS -

	Major Federal Award <u>Program Audit</u>	Financial Statements Audit
Finding 2010-1 - Federal Grants Receivable and Schedule of Expenditures of Federal Awards	Repeated and Modified	Repeated and Modified

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2011**

Financial Statements Preparation

The financial statements were prepared by the auditors and reviewed by 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 February 9, 2012, to discuss the audit. The following individuals were in attendance:

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

Gregory Myers, Acting Cabinet Secretary
Deborah K. Romero, Administrative Services Division Bureau Chief
Erica Cummings, Grants Coordinator
Paula Flores, Grants Unit Manager
Georgette Chavez, Budget Analyst
Michelle Varela, Finance Supervisor

Independent Auditor - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA