

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

**Financial Statements
For the Year Ended June 30, 2012**

(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, 2012**

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**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Official Roster
as of June 30, 2012**

Administrative Officials

<u>Name</u>	<u>Title</u>
Gregory Myers	Cabinet Secretary
Anita Tallarico	Deputy Cabinet Secretary
Deborah K. Romero	Administrative Services Division Bureau Chief

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Gregory Myers, 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, the aggregate remaining fund information 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, 2012, 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 Department's non-major governmental funds, and the budgetary comparisons for all non-major funds presented as supplementary information in the accompanying individual fund financial statements as of and for the year ended June 30, 2012, 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, 2012, 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information of the State of New Mexico, Department of Homeland Security and Emergency Management, as of June 30, 2012, and the respective changes in financial position, thereof and the respective 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 financial statements referred to previously present fairly, in all material respects, the respective financial position of each non-major governmental fund of the Department as of June 30, 2012, and the respective changes in financial position,



thereof, and the respective budgetary comparisons for the non-major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with **Government Auditing Standards**, we have also issued our report dated December 10, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages ix through xvi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards 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 Non-Profit Organizations**, and is not a required part of the financial statements. The additional schedules listed as "other supplemental schedules" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 10, 2012

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2012

DHSEM'S MANAGEMENT ROLE FOR THE STATE OF NEW MEXICO

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, 2012. This is the fifth 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 of Homeland Security and Emergency Management (DHSEM) is the primary State agency responsible for all New Mexico's homeland security and emergency management efforts. The Department coordinates with state agencies, county and local municipalities, federal agencies and the private sector to prepare for, respond to, recover from and mitigate all emergencies and disasters. The DHSEM implements an "All-Hazard" approach to homeland security and emergency management, recognizing and planning for disasters, as well as possible acts of terror or pandemics. New Mexico is at risk from human-caused hazards due to an active environmental extremist group, increased gang and drug cartels, and increased illegal activity along our Mexican border. However, natural disasters remain the state's most common and greatest threat. The state is using the Department of Homeland Security's (DHS) Risk Management Framework to enhance security of the state's critical infrastructure and key resources. The New Mexico All Source Intelligence Center (NMASIC), a bureau in DHSEM, provides capability to collect, analyze, and disseminate intelligence and information to key state and federal stakeholders. Maintaining current plans and having a goal of long-term resiliency that includes equipment, training, exercise, personnel and planning is critical to our success.

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.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2012

REPORTING ON THE DEPARTMENT AS A WHOLE (Cont'd)

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.)

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

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REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Cont'd)

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.

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, 2012. 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

	<u>Current Year June 30, 2012</u>	<u>Prior Year June 30, 2011</u>	<u>Increase or (Decrease)</u>	<u>% Increase or (Decrease)</u>
ASSETS				
Investment in the State Treasurer General				
Fund Investment Pool (deficit)	\$ 5,534,689	\$ 9,144,647	\$ (3,609,958)	-39.48%
Other receivables	-	125	(125)	-100.00%
Due from other state agencies	385,000	159,002	225,998	142.14%
Due from federal government	11,049,655	3,138,160	7,911,495	252.11%
Capital assets (net of accumulated depreciation)	<u>4,785,250</u>	<u>3,832,951</u>	<u>952,299</u>	<u>24.85%</u>
Total assets	<u>21,754,594</u>	<u>16,274,885</u>	<u>5,479,709</u>	<u>33.67%</u>
LIABILITIES				
Accounts payable	3,729,633	1,072,408	2,657,225	247.78%
Accrued payroll payable	37,725	116,120	(78,395)	-67.51%
Payroll taxes payable	59,714	14,021	45,693	325.89%
Payroll benefits payable	76,561	20,699	55,862	269.88%
Due to State General Fund	234,283	266,073	(31,790)	-11.95%
Due to federal government	55,188	22,109	33,079	140.06%
Compensated absences - current	139,114	138,243	871	0.63%
Compensated absences - long-term	<u>55,416</u>	<u>61,761</u>	<u>(6,345)</u>	<u>-10.27%</u>
Total liabilities	<u>4,387,634</u>	<u>1,711,434</u>	<u>2,676,200</u>	<u>156.37%</u>
NET ASSETS				
Invested in capital assets	4,785,250	3,832,951	952,299	24.85%
Restricted for subsequent year's expenditure by enabling legislation	12,776,240	11,008,604	1,767,636	16.06%
Unrestricted	<u>(194,530)</u>	<u>(278,104)</u>	<u>83,574</u>	<u>-30.05%</u>
Total net assets	<u>\$ 17,366,960</u>	<u>\$ 14,563,451</u>	<u>\$ 2,803,509</u>	<u>19.25%</u>

The governmental activities current assets (excluding capital assets) increased by \$4,527,410, from \$12,441,934 to \$16,969,344, in 2012 or 36.4%. This change is significant and primarily results from increased grants receivable.

The governmental activities current liabilities increased by \$2,682,545 from \$1,649,673 in 2011, to \$4,332,218 in 2012, or 162.6%. This substantial increase is mostly attributable to an increase in accounts payable of \$2,657,225. Long-term liabilities which are comprised of compensated absences decreased insignificantly by \$6,345.

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Management's Discussion and Analysis
June 30, 2012

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Cont'd)

The governmental activities net assets increased by \$2,803,509 which was attributable to a \$952,299 increase in capital assets (depreciation expense of \$858,994, capital asset additions of \$1,811,293 which were purchased during the year and \$516,821 which was reclassified from "construction in progress" into "buildings", and deletions of \$-0-.) In addition, the amount restricted for subsequent year's expenditures by enabling legislation decreased by \$1,767,636 and the unrestricted net assets increased insignificantly by \$83,574.

Changes in Net Assets

Exhibit B summarizes the Department's changes in net assets for the fiscal year ending June 30, 2012. 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, 2012	Prior-Year Ended June 30, 2011	Increase or (Decrease)	% Increase or (Decrease)
Expenses:				
Governmental activities:				
Public safety	\$ 25,221,818	\$ 24,145,054	\$ 1,076,764	4.46%
Depreciation	858,994	858,369	625	0.07%
Total expenses	<u>26,080,812</u>	<u>25,003,423</u>	<u>1,077,389</u>	<u>4.31%</u>
Program revenue:				
Intergovernmental:				
Federal grants - operating	22,332,686	20,141,731	2,190,955	10.88%
Charges for services:				
Other filing fees	53,280	51,269	2,011	3.92%
Total program revenue	<u>22,385,966</u>	<u>20,193,000</u>	<u>2,192,966</u>	<u>10.86%</u>
Net program (expenses) revenue	<u>(3,694,846)</u>	<u>(4,810,423)</u>	<u>1,115,577</u>	<u>-23.19%</u>
General revenues and transfers:				
General revenue:				
Miscellaneous revenue	161	23,566	(23,405)	-99.32%
Transfers:				
State General Fund appropriation	6,317,600	9,053,800	(2,736,200)	-30.22%
Severance tax bond appropriation	775,485	146,459	629,026	118.89%
Other financing sources	2,332	-	2,332	100.00%
Reversions to State General Fund	(366,516)	(940,038)	573,522	-61.01%
Total general revenues and transfers	<u>6,729,062</u>	<u>8,283,787</u>	<u>(1,554,725)</u>	<u>-18.77%</u>
Change in net assets	<u>3,034,216</u>	<u>3,473,364</u>	<u>(439,148)</u>	<u>-12.64%</u>
Net assets, beginning, as reported	14,563,451	10,531,289	4,032,162	38.29%
Restatements:				
Prior-period adjustments	(230,707)	558,798	(789,505)	-141.29%
Net assets, beginning, as restated	<u>14,332,744</u>	<u>11,090,087</u>	<u>3,242,657</u>	<u>29.24%</u>
Net assets, ending	<u>\$ 17,366,960</u>	<u>\$ 14,563,451</u>	<u>\$ 2,803,509</u>	<u>19.25%</u>

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Management's Discussion and Analysis
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REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Cont'd)

The governmental activities change in net assets decreased significantly from the previous year by \$439,148. Changes which mainly decreased the change in net assets were the following:

	<u>Increase (Decrease)</u>
State General Fund appropriation	\$(2,736,200)
Severance tax bond appropriation	629,026
Federal grants revenue	2,190,955
Expenditures	(1,077,389)
Reversion to State General Fund	<u>573,522</u>
	<u>\$ (420,086)</u>

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 \$12,776,240. The fund balance is attributable to the Department's Executive Orders-State Disaster Fund of \$8,181,935 and \$4,594,305 of the General Fund.

The General Fund of the Department reflects a fund balance of \$4,594,305. 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 \$234,283 due to the State General Fund from unused State General Fund appropriations from the General Fund at June 30, 2012. In addition, the Department reverted \$153,792 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.

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2012

THE DEPARTMENT'S FUNDS (Cont'd)

With these adjustments, actual expenditures were \$25,244,904 below budget amounts. However, this amount includes \$20,608,716 in federal grant funds authorized for use in subsequent fiscal years, and \$3,968,423 (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 \$234,283, which is being reverted to the State General Fund.

Analysis of Significant Budget Variations

The original Department's General Fund No. 20050 budget was \$42,895,400. Budget increases of \$7,923,602 occurred in FY 2012 mainly from federal revenues.

The expenditure budget categories were adjusted to reflect the \$7,923,602 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 budget for the Executive Orders-State Disaster Fund was \$8,583,872, and the final budget was \$9,433,872.

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, 2012, amounts to \$4,785,250 (net of accumulated depreciation). This investment in capital assets consists mainly of buildings, equipment and automobiles. There were additions of \$1,811,293 which were purchased by the Department during the fiscal year and \$516,821 which was reclassified from "construction in progress" into "buildings". There were no deletions of capital assets during the fiscal year. There was no debt related with capital assets at year end.

Infrastructure Assets

The Department does not own any infrastructure assets.

Long-Term Debt

At the end of the current fiscal year, the Department had total long-term debt outstanding of \$55,416, 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 2013 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 2012, the agency has gone from 62 full-time employees (FTE's) to 61 FTEs, a loss of 1 position. Federal Homeland Security funding continues to decrease, therefore, we anticipate future federal funding to the State to decrease.

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2012**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Cont'd)

The mandated reduction in staff has comprised the Department's ability to fully address all identified findings and observations presented through the audit process. Significant progress continues to be made and is evident within this report.

The following is a comparison of the FY2012 and FY2013 budgets:

	<u>FY13</u>	<u>FY12</u>	<u>Increase (Decrease)</u>
General Fund	\$55,810,500	\$51,569,002	\$4,241,498
Executive Orders-State Disasters Fund	8,855,552	9,433,215	(577,663)
Capital Projects Fund	<u>-</u>	<u>951,515</u>	<u>(951,515)</u>
	<u>\$64,666,052</u>	<u>\$61,953,732</u>	<u>\$2,712,320</u>

Administrative Services Division

The Administrative Services Division (ASD) has 12 staff that include:
one financial management supervisor,

- one accounts payable specialist,
- one procurement officer (position only filled for four months of the FY)
- one grant coordinator,
- one draw specialist,
- one grant unit manager,
- three grant specialists, (two specialists are new and have been working with us for less than four months and the other has been with us for just over a year)
- one budget manager
- one HR manager, and
- one bureau chief (position vacant for 3 months of the FY).

During the course of FY12 our accounts payable employee was out for three months which left the one financial supervisor to hold the work load. This delayed her attendance to scheduled training and slowed the process for all the required work. The grant unit manager took over the task of reconciling the grant schedule and we have noted significant progress in this area. We've also had our budget manager for only six months. With a high turnover rate the ASD is continually short staffed. Cross training needs have been identified, and a clearer delineation of duties for all staff within ASD will be completed. In addition because the ASD is small it is difficult to have multiple staff out at the same time attending training.

None of the staff have accounting degrees. Through state sponsored training the Grant Coordinator has earned three certificates, the Grants Unit Manager has one certificate, and the Draw Specialist has eared one certificate in the areas of accounting and federal grants management.

All NMDHSM staff are required to participate in rotation of daily duty in the State's Emergency Operations Center (EOC) for training. This diverts all staff, to include ASD, away from their daily tasks. Still, it is a worthwhile activity to ensure all DHSEM staff can perform in the EOC when we are required to activate in support of a disaster or threat. Having a trained staff is a Department priority to obtain national certification though the Emergency Management Accreditation Program.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Management's Discussion and Analysis
June 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Cont'd)

The budget manager is responsible for processing budget modifications such as increases and decreases to Executive Orders, disasters, and FMAGs on the federal and state funding sides. Currently we have about \$40M in open budgets pertaining to various disasters NM has experienced in this last year. The budget manager works with the Recovery Unit to close out old disasters ensuring that all state and federal funds have been expended or returned to FEMA and the General Fund. The budget manager monitors on a weekly basis all new funds incoming that may affect the current open disasters, also ensuring that there is funding for the claimants to these disasters. With the CFO position currently vacant, the budget manager is assisting with day-to-day functions that would otherwise be left unattended, worked with the independent auditor to ensure that the FY12 audit was completed on time. During the year, there are statutory deadlines for budget request submissions and operating budgets due to DFA which the budget manager is responsible for compiling and submitting. During legislative session, the budget manager participates in the analysis of bills that pertain to DHSEM and monitoring the upcoming budget to reflect on the impacts of potential decreases.

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.

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Gregory Myers, Cabinet Secretary Designate
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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Net Assets
June 30, 2012

ASSETS	<u>Governmental Activities</u>
Investment in the State Treasurer General Fund Investment Pool	\$ 5,534,689
Due from other state agencies	3,130
Due from other state agencies - federal grant pass-through	381,870
Due from federal government	11,049,655
Capital assets (net of accumulated depreciation)	<u>4,785,250</u>
Total assets	<u>21,754,594</u>
 LIABILITIES	
Accounts payable	3,729,633
Accrued payroll payable	37,725
Payroll taxes payable	59,714
Payroll benefits payable	76,561
Due to State General Fund (note 8)	234,283
Due to federal government	55,188
Compensated absences - current portion	139,114
Compensated absences - long-term portion	<u>55,416</u>
Total liabilities	<u>4,387,634</u>
 NET ASSETS	
Invested in capital assets	4,785,250
Restricted for subsequent year's expenditure by enabling legislation	12,776,240
Unrestricted	<u>(194,530)</u>
Total net assets	<u><u>\$ 17,366,960</u></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, 2012

	<u>Governmental Activities</u>
Expenses:	
Governmental activities:	
Public safety	\$ 25,221,818
Depreciation	858,994
	<hr/>
Total expenses	26,080,812
	<hr/>
Program revenue:	
Intergovernmental:	
Federal grants - operating	22,332,686
Charges for services:	
Other filing fees	53,280
	<hr/>
Total program revenue	22,385,966
	<hr/>
Net program (expenses) revenue	(3,694,846)
	<hr/>
General revenues and transfers:	
General revenue:	
Miscellaneous revenue	161
Transfers:	
State General Fund appropriation	6,317,600
Severance Tax bond proceeds	775,485
Other financing sources	2,332
Reversions to State General Fund-FY 2012	(366,516)
	<hr/>
Total general revenues and transfers	6,729,062
	<hr/>
Change in net assets	3,034,216
	<hr/>
Net assets, beginning, as reported	14,563,451
Restatements:	
Prior-period adjustments (note 16)	(230,707)
	<hr/>
Net assets, beginning, as restated	14,332,744
	<hr/>
Net assets, ending	\$ <u>17,366,960</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, 2012

	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	\$ -	\$ 7,433,616	\$ -	\$ 7,433,616
Due from other funds	-	750,000	-	750,000
Due from other state agencies	3,130	-	277,233	280,363
Due from other state agencies-federal grant pass through	104,637	-	-	104,637
Due from federal government	11,049,655	-	-	11,049,655
Total assets	<u>\$ 11,157,422</u>	<u>\$ 8,183,616</u>	<u>\$ 277,233</u>	<u>\$ 19,618,271</u>
LIABILITIES				
Investment in the State Treasurer				
General Fund Investment Pool (deficit)	\$ 1,621,694	\$ -	\$ 277,233	\$ 1,898,927
Accounts payable	3,727,952	1,681	-	3,729,633
Accrued salaries payable	37,725	-	-	37,725
Payroll taxes payable	59,714	-	-	59,714
Payroll benefits payable	76,561	-	-	76,561
Due to other funds	750,000	-	-	750,000
Due to federal government	55,188	-	-	55,188
Due to State General Fund (note 8)	234,283	-	-	234,283
Total liabilities	<u>6,563,117</u>	<u>1,681</u>	<u>277,233</u>	<u>6,842,031</u>
FUND BALANCES				
Restricted:				
Subsequent year's expenditures	4,594,305	8,181,935	-	12,776,240
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>4,594,305</u>	<u>8,181,935</u>	<u>-</u>	<u>12,776,240</u>
Total liabilities and fund balances	<u>\$ 11,157,422</u>	<u>\$ 8,183,616</u>	<u>\$ 277,233</u>	<u>\$ 19,618,271</u>

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Assets
June 30, 2012

Total fund balance for the governmental funds (balance sheet)	\$	12,776,240
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	\$	10,039,576
Accumulated depreciation		<u>(5,254,326)</u>
		4,785,250
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.		
		<u>(194,530)</u>
Net assets of governmental activities (statement of net assets)	\$	<u>17,366,960</u>
Exhibit A		

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2012

	Major Funds		Non-Major Funds	Total Govern- mental Funds
	General Fund (SHARE 20050)	Executive Orders State Disasters Fund (SHARE 20380)	Capital Projects Fund (SHARE 89200)	
Revenues:				
Intergovernmental:				
Federal grants-operating	\$ 22,332,686	\$ -	\$ -	\$ 22,332,686
Charges for services:				
Other filing fees	53,280	-	-	53,280
Miscellaneous revenue	102	59	-	161
	<u>22,386,068</u>	<u>59</u>	<u>-</u>	<u>22,386,127</u>
Expenditures:				
Public safety:				
Current:				
Personal services	3,794,084	-	-	3,794,084
Contractual services	1,589,750	-	581,847	2,171,597
Other costs	18,934,226	1,625,621	193,638	20,753,485
Capital outlay	319,417	-	-	319,417
	<u>24,637,477</u>	<u>1,625,621</u>	<u>775,485</u>	<u>27,038,583</u>
Excess (deficiency) of revenues over expenditures	<u>(2,251,409)</u>	<u>(1,625,562)</u>	<u>(775,485)</u>	<u>(4,652,456)</u>
Other financing sources (uses):				
Transfers in (out):				
State General Fund appropriation	2,467,600	3,850,000	-	6,317,600
Severance Tax bond proceeds	-	-	775,485	775,485
Other financing sources	2,332	-	-	2,332
Reversion to State General Fund-FY 2012	<u>(212,724)</u>	<u>(153,792)</u>	<u>-</u>	<u>(366,516)</u>
	<u>2,257,208</u>	<u>3,696,208</u>	<u>775,485</u>	<u>6,728,901</u>
Net change in fund balance	<u>5,799</u>	<u>2,070,646</u>	<u>-</u>	<u>2,076,445</u>
Fund balances:				
Fund balance, beginning, as reported	4,819,215	6,111,289	-	10,930,504
Restatement:				
Prior-period adjustments (note 16)	(261,364)	-	-	(261,364)
Prior-period adjustments (note 16)	30,655	-	-	30,655
	<u>4,588,506</u>	<u>6,111,289</u>	<u>-</u>	<u>10,699,795</u>
Fund balance, beginning, as restated	<u>4,588,506</u>	<u>6,111,289</u>	<u>-</u>	<u>10,699,795</u>
Fund balance, ending	<u>\$ 4,594,305</u>	<u>\$ 8,181,935</u>	<u>\$ -</u>	<u>\$ 12,776,240</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, 2012

Net change in fund balance - Governmental Funds	
(Statement of Revenues, Expenditures and Changes in Fund Balance)	\$ 2,076,445
Exhibit E, page 5	

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

Decrease in compensated absences	5,474
----------------------------------	-------

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	\$ 2,328,114	
Construction-in-progress transferred to capital assets	(516,821)	
Current period depreciation	<u>(858,994)</u>	952,299
Rounding		<u>(2)</u>

Change in net assets of governmental activities (Statement of Activities)	\$ <u>3,034,216</u>
Exhibit B, page 2	

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, 2012

(Statements 1-8)

	Budgeted Amounts		Received/ Expended Through 06/30/2011	Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 7,386,600	\$ 7,367,600	\$ 4,900,000	\$ 2,467,600	\$ -
Federal funds:					
Intra-state federal grants	34,998,800	42,941,402	-	22,332,686	(20,608,716)
Other funds:					
Other	10,000	10,000	12,593	102	2,695
Other filing fees	-	-	-	53,280	53,280
Other financing sources	-	-	-	2,332	2,332
Severance tax bond appropriation	500,000	500,000	500,000	-	-
Total revenues	42,895,400	50,819,002	\$ 5,412,593	\$ 24,856,000	\$ (20,550,409)
Prior-year cash	-	-			
Total revenues budgeted	\$ 42,895,400	\$ 50,819,002			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ 3,929,900	\$ 4,144,837	\$ -	\$ 3,794,084	\$ 350,753
Contractual services	2,919,500	3,290,200	-	1,589,750	1,700,450
Other costs	36,046,000	43,383,965	936,621	19,253,643	23,193,701
Total expenditures	\$ 42,895,400	\$ 50,819,002	\$ 936,621	\$ 24,637,477	\$ 25,244,904
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 24,856,000	
Adjustments: None				-	
Budget basis revenue				\$ 24,856,000	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 24,637,477	
Adjustments: None				-	
Budget basis expenditures				\$ 24,637,477	

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 2013 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, 2012

(From Statements 9-16)

	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2011</u>	<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>			
Revenues:					
State General Fund:					
General fund appropriation	\$ 4,150,000	\$ 5,000,000	\$ 1,150,000	3,850,000	\$ -
Miscellaneous	-	-	-	59	59
Total revenues	<u>4,150,000</u>	<u>5,000,000</u>	<u>\$ 1,150,000</u>	<u>3,850,059</u>	<u>\$ 59</u>
Prior-year fund balance	<u>4,433,872</u>	<u>4,433,872</u>			
Total revenues budgeted	<u>\$ 8,583,872</u>	<u>\$ 9,433,872</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>8,563,215</u>	<u>9,413,215</u>	<u>219,888</u>	<u>1,625,621</u>	<u>7,567,706</u>
Total expenditures	<u>\$ 8,583,872</u>	<u>\$ 9,433,872</u>	<u>\$ 222,587</u>	<u>1,625,621</u>	<u>\$ 7,585,664</u>
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 3,850,059	
Adjustments:					
None				-	
Budget basis revenue				<u>\$ 3,850,059</u>	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 1,625,621	
Adjustments:					
None				-	
Budget basis expenditures				<u>\$ 1,625,621</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 2013 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, 2012

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, 2012

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, 2012

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, 2012

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),

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
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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

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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

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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 2012 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, 2012, 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.

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. State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. 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, 2012 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 Fund Number	Type of Account	Interest Bearing	Depository Balance at 06/30/2012	Reconciled Balance at 6/30/2012
State Treasurer General Fund Investment Pool:							
NM State Treasurer	Homeland Security & Emergency Management General Fund	79500	20050	State Treasury	No	(\$1,621,694)	(\$1,621,694)
NM State Treasurer	Executive Orders- State Disaster Special Revenue Fund	79500	20380	State Treasury	No	7,433,616	7,433,616
NM State Treasurer	Capital Projects	79500	89200	State Treasury	No	(277,233)	(277,233)
Total Governmental Fund Types						<u>\$5,534,689</u>	<u>\$5,534,689</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:

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

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

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

Interest Rate Risk - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2012.

General Fund Investment Pool Not Reconciled

In June 2012, an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management REporting system (SHARE) system in July 2006. The diagnostic report is available in the resources section of the cash control page of the New Mexico Department of Finance & Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx. The document title is Current State Diagnostic of Cash Control.

The General Fund Investment Pool is the State of New Mexico's main operating account. State revenues such as income taxes, sales taxes, rents and royalties, and other recurring revenues are credited to the General Fund Investment Pool. The fund also comprises numerous State agency accounts whose assets, by statute (Section 8-6-3 NMSA 1978), must be held at the State Treasury.

As of June 30, 2012, the General Fund Investment Pool has not been reconciled at the business unit/fund level. Essentially, independent, third-party verification/confirmation of the Department's balances at the business unit/fund level is not possible. It is the DFA/FCD's responsibility to perform the monthly reconciliation at the business unit/fund level to the General Fund Investment Pool.

Under the direction of the State Controller/Financial Control Division Director, the Financial Control Division of the New Mexico Department of Finance & Administration (DFA/FCD) is taking aggressive action to resolve this serious problem. DFA/FCD has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology, and a contracted third party PeopleSoft Treasury expert.

The purpose of the Remediation Project is to design and implement the changes necessary to reconcile the General Fund Investment Pool in a manner that is complete, accurate, and timely. The Remediation Project will make changes to the State's current SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. The scheduled implementation date for the changes associated with the Remediation Project is February 1, 2013. An approach and plan to address the population of historical reconciling items will be developed during the Remediation Project, but a separate initiative will be undertaken to resolve the historical reconciling items.

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

General Fund Investment Pool Not Reconciled (Cont'd)

The initial phase of the Remediation Project, completed on October 11, 2012, focused on developing a project plan and documenting current statewide business processes. The work product of the initial phase of the Remediation Project is a document entitled Cash Management Plan and Business Processes. This document is available on the Cash Control page of the New Mexico Department of Finance and Administration's website at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

The Department has cash reconciliation policies and procedures in place which are performed on a monthly basis to ensure that the agency's cash balances in SHARE are correct and to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2012.

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	\$ 3,130	\$ -
Due from Energy, Mineral & Natural Resources Department	52100/20054	Federal grant pass-through - WIPP Project	104,637	-
Due to Department of Finance and Administration (State General Fund Reversion)	34101/85300	State General Fund Reversion - FY2012	-	<u>234,283</u>
			<u>107,767</u>	<u>234,283</u>
<u>Fund 89200-Capital Projects Fund</u>				
Due from Board of Finance	34000/89200	Severance Tax Bond Proceeds	<u>277,233</u>	-
Total - Due from/to Other State Agencies			<u>\$ 385,000</u>	<u>\$ 234,283</u>

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5. Capital Assets

The capital asset activity for the governmental activities for the year ended June 30, 2012, is as follows:

	Governmental Activities					
	Beginning Balance 06/30/2011	Adj.'s	Adjusted Balance 06/30/2011	Additions	Deletions	Ending Balance 06/30/2012
<u>Cost</u>						
Buildings	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 1,617,533	\$ -	\$ 5,617,533
Construction in Progress	516,821	-	516,821	-	(516,821)	-
Data processing equipment	1,274,295	(23,716)	1,250,579	123,158	-	1,373,737
Equipment and machinery	438,220	381,116	819,336	512,388	-	1,331,724
Automobile	1,998,947	(357,400)	1,641,547	75,035	-	1,716,582
Total capital assets	8,228,283	-	8,228,283	2,328,114	(516,821)	10,039,576
<u>Accumulated Depreciation</u>						
Buildings	1,722,916	-	1,722,916	226,959	-	1,949,875
Construction in Progress	-	-	-	-	-	-
Data processing equipment	771,049	(8,567)	762,482	285,405	-	1,047,887
Equipment and machinery	309,154	282,574	591,728	173,286	-	765,014
Automobile	1,592,213	(274,007)	1,318,206	173,344	-	1,491,550
Total accumulated depr.	4,395,332	-	4,395,332	858,994	-	5,254,326
<u>Net Capital Assets</u>						
Buildings	2,277,084	-	2,277,084	1,390,574	-	3,667,658
Construction in Progress	516,821	-	516,821	-	(516,821)	-
Data processing equipment	503,246	(15,149)	488,097	(162,247)	-	325,850
Equipment and machinery	129,066	98,542	227,608	339,102	-	566,710
Automobile	406,734	(83,393)	323,341	(98,309)	-	225,032
Net capital assets	\$ 3,832,951	\$ -	\$ 3,832,951	\$ 1,469,120	\$ (516,821)	\$ 4,785,250

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$858,994 and is considered a public safety expense.

6. Accrued Payroll Payable

Accrued payroll payable at June 30, 2012 amounted to \$37,725. This amount represents 50% of the total payroll paid on July 13, 2012, for the pay period ended July 6, 2012.

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 \$139,114 in the Statement of Net Assets for annual leave based on current pay rates and hours accumulated at June 30, 2012. The General Fund is typically used to liquidate compensated absences.

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DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2012

7. Compensated Absences Payable

A summary of changes in the compensated absences payable for the year ended June 30, 2012, is as follows:

	<u>Balance</u> <u>06/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2012</u>	<u>Current</u> <u>Portion</u>
Total compensated absences payable	\$ 200,004	\$ 203,177	\$ (208,651)	\$ 194,530	\$ 139,114

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 2012, the Department was appropriated \$2,467,600 from the state general fund. Unexpended balances remaining at the end of the year revert to the State General Fund. In addition, any other revenue received in the fund, which is not specifically appropriated by the legislature, also reverts to the State General Fund.

Cash balance, June 30, 2012	\$ (1,621,694)
Add:	
Due from federal government, 6/30/2012	11,049,655
Due from other state agencies (DFA-Central Payroll), 6/30/2012	3,130
Due from other state agencies - federal grant pass-through (EMNRD-WIPP), 6/30/2012	<u>104,637</u>
Amount available (all state cash)	9,535,728
Less:	
Accounts payable, 6/30/2012	(3,727,952)
Accrued salaries payable, 6/30/2012	(37,725)
Payroll taxes payable, 6/30/2012	(59,714)
Payroll benefits payable, 6/30/2012	(76,561)
Due to federal government, 6/30/2012	(55,188)
Due to other funds (Executive Orders State Disasters Fund 20380)	(750,000)
Unexpended multi-year appropriation-Ruidoso Flooding Z810505	(3,968,423)
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)
Unexpended federal indirect cost revenue (revenues over expenses) FY 2012	<u>92,856</u>
Due to State General Fund, June 30, 2012	\$ <u>234,283</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
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June 30, 2012

9. Pension Plan - Public Employees Retirement Association

Plan Description. Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 8.92% (ranges from 3.83% to 16.65% depending upon the plan, i.e., state general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Department is required to contribute 15.09% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the Department's are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contribution to PERA for the fiscal year ending June 30, 2012, 2011 and 2010 were \$361,506, \$426,684, and \$494,742, 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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Notes to the Financial Statements
June 30, 2012

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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% 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
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, 2012, 2011 and 2010 were \$49,437, \$46,764, and \$40,481, 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, 2011, through June 30, 2012.

12. Due From Federal Government

At June 30, 2012, \$11,049,655 was due from the federal government representing reimbursable expenditures for grant awards. However, included in this amount is \$828,790 resulting from expenditures from previous years which were to have been reimbursed by the federal government under various federal grants. The Department has been notified by the federal funding sources that these expenditures will not be reimbursed to the Department and will have to be 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 that were paid out of the State Treasury.

13. Due To Federal Government

At June 30, 2012, \$55,188 was due to the federal government representing stale-dated warrants of prior-year federal expenditures which were not presented for payment by the payees.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
June 30, 2012

14. Federal Indirect Revenues and Expenditures

The Department receives federal indirect revenue for various grants that the Department administers. Excess funds that the Department receives over the expenditures associated with the indirect revenue is available for expenditures in subsequent fiscal years. The funds are also subject to be returned to the federal granting agency after the grant funding period expires. At June 30, 2012, the Department had the following balances of indirect revenue available for expenditure in subsequent years:

<u>FY</u>	<u>Amount</u>
FY 2009	\$ (31,763)
FY 2010	309,403
FY 2011	441,098
FY 2012	<u>92,856</u>
	<u>\$ 625,882</u>

Included in the above amount is \$384,425 of federal indirect grant funding which has expired. The Department will establish a liability for the funds when the federal funding sources notify the Department as to its disposition.

15. Transfers To/From Other Agencies

<u>From</u>		<u>To</u>		<u>Purpose</u>	<u>Amount</u>
Agency/Fund		Agency/Fund			
34100/85300	DFA	79500/20050	DHSEM	State General Fund appropriation	\$ 2,467,600
35000/19704	GSD	79500/20050	DHSEM	EAP Refunds for FY09, FY10, FY11	102
79500/20050	DHSEM	34100/85300	DFA	Reversion to State General Fund - FY 11	(244,515)
79500/20050	DHSEM	34100/85300	DFA	Reversion to State General Fund - FY 12 (Due to State General Fund, 6/30/2012)	(234,283)
34100/85300	DFA	79500/20380	DHSEM	State General Fund appropriation	3,850,000
79500/20380	DHSEM	34101/85300	DFA	Reversion to State General Fund - State Disasters	(153,792)

16. 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>	<u>Capital Projects Fund Balance</u>
Net Assets/Fund Balance, 6/30/ 2011, as reported	\$ 14,563,451	\$ 4,819,215	\$ 6,111,289	\$ -
Restatements:				
Adjustment to grants receivable at 6/30/2011	(261,364)	(261,364)	-	-
Adjustment to due to State General Fund at 6/30/2011	30,655	30,655	-	-
Adjustment - rounding	2	-	-	-
Total restatements	<u>(230,707)</u>	<u>(230,709)</u>	<u>-</u>	<u>-</u>
Net Assets/Fund Balance, 6/30/2011, as restated	<u>\$ 14,332,744</u>	<u>\$ 4,588,506</u>	<u>\$ 6,111,289</u>	<u>\$ -</u>

STATE OF NEW MEXICO
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17. Special and Other Specific Appropriations

Fund/ Fund No.	Appropriation Laws	Balance at 6/30/11	New Appropriations	Refund of P/Y Expenditures	FY2012 Expenditures Disbursements	Reverted	Unexpended Balance
General Fund 20050							
Flooding In Lincoln and Otero counties (\$4,900,000)	Laws 2008 Ch. 8, Sec. 1, Item A	\$ 4,178,577	-	-	(210,154)	-	\$ 3,968,423
Executive Orders-State Disaster Fund 20380							
	Laws 2009, Ch. 24 Legal Authority						
Flooding	NMEO 2007-019	\$ 90,656	-	59	(66,582)	(59)	24,074
Flooding	NMEO 2007-020	741,264	-	-	(63,528)	-	677,736
Flooding	NMEO 2007-022	624,404	-	-	-	-	624,404
Drought	NMEO 2008-037	311,087	-	-	-	-	311,087
Flooding	NMEO 2010-025	39,927	-	-	(39,927)	-	-
Flooding	NMEO 2010-031	200,000	-	-	(94,939)	-	105,061
Flooding	NMEO 2010-034	485,980	-	-	(61,943)	-	424,037
Flooding	NMEO 2010-035	398,264	-	-	(552)	-	397,712
Flooding	NMEO 2010-036	718,288	-	-	(600)	-	717,688
Flooding	NMEO 2010-040	13,256	-	-	(2,626)	(10,630)	-
Storm	NMEO 2010-042	218,470	-	-	-	-	218,470
Flooding	NMEO 2010-045	210,956	-	-	(150,046)	(60,910)	-
Flooding	NMEO 2010-051	171,250	-	-	(89,057)	(82,193)	-
Storm	NMEO 2011-014	750,000	-	-	(301,892)	-	448,108
Wildfire	NMEO 2011-040	187,487	-	-	-	-	187,487
Wildfire	NMEO 2011-047	200,000	-	-	(111)	-	199,889
Wildfire	NMEO 2011-053	750,000	-	-	(6,526)	-	743,474
Wildfire	NMEO 2011-061	-	100,000	-	-	-	100,000
Flooding	NMEO 2011-063	-	750,000	-	(745,611)	-	4,389
Wildfire	NMEO 2011-075	-	300,000	-	-	-	300,000
Wildfire	NMEO-2012-007	-	250,000	-	-	-	250,000
Flooding	NMEO-2012-008	-	450,000	-	-	-	450,000
Wildfire	NMEO 2012-014	-	500,000	-	-	-	500,000
Wildfire	NMEO 2012-015	-	750,000	-	-	-	750,000
Wildfire	NMEO 2012-2018	-	750,000	-	(1,681)	-	748,319
Totals		\$ 6,111,289	\$ 3,850,000	\$ 59	\$ (1,625,621)	\$ (153,792)	\$ 8,181,935

18. Reserve for Subsequent Year's Expenditures

	Executive Orders		
	General Fund	State Disaster Fund	Total
Unexpended Multi-Year appropriation-Ruidoso Flooding Z810505	\$ 3,968,423	-	\$ 3,968,423
Unexpended federal indirect cost revenue (revenues over expenses) FY2009	(31,764)	-	(31,764)
Unexpended federal indirect cost revenue (revenues over expenses) FY2010	309,403	-	309,403
Unexpended federal indirect cost revenue (revenues over expenses) FY2011	441,099	-	441,099
Unexpended federal indirect cost revenue (revenues over expenses) FY2012	(92,856)	-	(92,856)
Unexpended Executive Orders State Disaster Fund appropriations	-	8,181,935	8,181,935
Reserved for Subsequent Years' Expenditures, June 30, 2012	\$ 4,594,305	\$ 8,181,935	\$ 12,776,240

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Financial Statements
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19. Subsequent Events

As described above in note 12, included in the "amount due from the federal government" representing reimbursable expenditures for grant awards is \$828,790 resulting from 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 will have to be 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. The Department will request a deficiency State General Fund appropriation during the 2013 New Mexico legislative session as a means of replenishing the State Treasury for these expenditures which will not be reimbursed to the Department by the federal government.

20. Deficit Net Assets Balance

The unrestricted net assets balance of the Department reflects a deficit of (\$194,530). This deficit is the result of the liability for compensated absences payable of \$194,53 at June 30, 2012.

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, 2012

(To Exhibit G)

	Budgeted Amounts		Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
State General Fund:				
General Fund appropriation	\$ 2,486,600	\$ 2,467,600	\$ 2,467,600	\$ -
Federal funds:				
Intra-state federal grants	34,817,200	34,808,446	18,051,976	(16,756,470)
Federal indirect cost revenue	181,600	180,800	112,703	(68,097)
Other funds:				
Other	10,000	10,000	98	(9,902)
Other filing fees	-	-	53,280	53,280
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	2,332	2,332
Severance tax bond appropriation	-	-	-	-
Total revenues	37,495,400	37,466,846	\$ 20,687,989	\$ (16,778,857)
Prior-year fund balance	-	-		
Total revenues budgeted	\$ 37,495,400	\$ 37,466,846		
Expenditures:				
General government:				
Personal services and employee benefits	\$ 3,929,900	\$ 4,108,600	\$ 3,794,084	\$ 314,516
Contractual services	2,919,500	2,937,200	1,589,750	1,347,450
Other costs	30,646,000	30,421,046	14,875,482	15,545,564
Total expenditures	\$ 37,495,400	\$ 37,466,846	\$ 20,259,316	\$ 17,207,530
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 20,687,989	
Adjustments: None			-	
Budget basis revenue			\$ 20,687,989	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 20,259,316	
Adjustments: None			-	
Budget basis expenditures			\$ 20,259,316	

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 2013 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, 2012

(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	-	765,207	557,213	(207,994)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	-	765,207	\$ 557,213	\$ (207,994)
Prior-year fund balance	-	-		
Total revenues budgeted	\$ -	\$ 765,207		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	765,207	557,213	207,994
Total expenditures	\$ -	\$ 765,207	\$ 557,213	\$ 207,994
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 557,213	
Adjustments: None			-	
Budget basis revenue			\$ 557,213	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 557,213	
Adjustments: None			-	
Budget basis expenditures			\$ 557,213	

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 2013 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, 2012

(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	-	1,929,643	772,260	(1,157,383)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	-	1,929,643	\$ 772,260	\$ (1,157,383)
Prior-year fund balance	-	-		
Total revenues budgeted	\$ -	\$ 1,929,643		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ 36,237	\$ -	\$ 36,237
Contractual services	-	353,000	-	353,000
Other costs	-	1,540,406	772,260	768,146
Total expenditures	\$ -	\$ 1,929,643	\$ 772,260	\$ 1,157,383
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 772,260	
Adjustments: None			-	
Budget basis revenue			\$ 772,260	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 772,260	
Adjustments: None			-	
Budget basis expenditures			\$ 772,260	

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 2013 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, 2012

(To Exhibit G)

	<u>Budgeted Amounts</u>		<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds:				
Intra-state federal grants	-	2,086,315	776,981	(1,309,334)
Other funds:				
Other	-	-	4	4
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>2,086,315</u>	<u>\$ 776,985</u>	<u>\$ (1,309,330)</u>
Total revenues	-	2,086,315	\$ 776,985	\$ (1,309,330)
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 2,086,315</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	2,086,315	776,981	1,309,334
	<u>-</u>	<u>2,086,315</u>	<u>776,981</u>	<u>1,309,334</u>
Total expenditures	<u>\$ -</u>	<u>\$ 2,086,315</u>	<u>\$ 776,981</u>	<u>\$ 1,309,334</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 776,985	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 776,985</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 776,981	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 776,981</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 2013 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 Z1962 FEMA 1962 (Fund 20050)
For the Year Ended June 30, 2012

(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	-	1,791,602	1,682,209	(109,393)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	1,791,602	<u>\$ 1,682,209</u>	<u>\$ (109,393)</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 1,791,602</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing sources	-	1,791,602	1,682,209	109,393
	<u>-</u>	<u>1,791,602</u>	<u>1,682,209</u>	<u>109,393</u>
Total expenditures	<u>\$ -</u>	<u>\$ 1,791,602</u>	<u>\$ 1,682,209</u>	<u>\$ 109,393</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 1,682,209	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>\$ 1,682,209</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,682,209	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>\$ 1,682,209</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 2013 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 Z4047 FEMA 4047 (Fund 20050)
For the Year Ended June 30, 2012

(To Exhibit G)

	<u>Budgeted Amounts</u>		Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Federal funds:				
Intra-state federal grants	-	1,379,389	379,344	(1,000,045)
Other funds:				
Other	-	-	-	-
Other financing sources-compensation	-	-	-	-
Other financing sources	-	-	-	-
Severance tax bond appropriation	-	-	-	-
Total revenues	<u>-</u>	<u>1,379,389</u>	<u>\$ 379,344</u>	<u>\$ (1,000,045)</u>
Prior-year fund balance	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 1,379,389</u>		
Expenditures:				
General government:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>-</u>	<u>1,379,389</u>	<u>379,344</u>	<u>1,000,045</u>
Total expenditures	<u>\$ -</u>	<u>\$ 1,379,389</u>	<u>\$ 379,344</u>	<u>\$ 1,000,045</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			379,344	
Adjustments: None			<u>-</u>	
Budget basis revenue			<u>379,344</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			379,344	
Adjustments: None			<u>-</u>	
Budget basis expenditures			<u>379,344</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 2013 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, 2012

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2011	Current Year Actual Budget Basis	Variance Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 4,900,000	\$ 4,900,000	\$ 4,900,000	\$ -	\$ -
Federal funds:					
Intra-state federal grants	-	-	-	-	-
Other funds:					
Other	-	-	12,593	-	12,593
Other financing sources-compensation	-	-	-	-	-
Other financing sources	-	-	-	-	-
Severance tax bond appropriation	-	-	-	-	-
Total revenues	<u>4,900,000</u>	<u>4,900,000</u>	<u>\$ 4,912,593</u>	<u>\$ -</u>	<u>\$ 12,593</u>
Prior-year fund balance	<u>-</u>	<u>-</u>			
Total revenues budgeted	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>			
Expenditures:					
General government:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	<u>4,900,000</u>	<u>4,900,000</u>	<u>721,423</u>	<u>210,154</u>	<u>3,968,423</u>
Total expenditures	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>	<u>\$ 721,423</u>	<u>\$ 210,154</u>	<u>\$ 3,968,423</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				\$ 210,154	
Adjustments: None				<u>-</u>	
Budget basis expenditures				<u>\$ 210,154</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 2013 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, 2012

(To Exhibit G)

	Budgeted Amounts		Received/ Expended Through 06/30/2011	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 2013 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, 2012

(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	-	-	59	59
	<u>-</u>	<u>-</u>	<u>59</u>	<u>59</u>
Total revenues	-	-	\$ 59	\$ 59
Prior-year fund balance	<u>1,456,323</u>	<u>1,456,323</u>		
Total revenues budgeted	\$ <u>1,456,323</u>	\$ <u>1,456,323</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>1,456,323</u>	<u>1,456,323</u>	<u>130,110</u>	<u>1,326,213</u>
Total expenditures	\$ <u>1,456,323</u>	\$ <u>1,456,323</u>	\$ <u>130,110</u>	\$ <u>1,326,213</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 59	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			\$ <u>59</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 130,110	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			\$ <u>130,110</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 2013 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, 2012

(To Exhibit H)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	-	\$ -	\$ -
	<u>311,087</u>	<u>311,087</u>		
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
	<u>311,087</u>	<u>311,087</u>	<u>-</u>	<u>311,087</u>
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			<u>-</u>	
Budget basis revenue			\$ <u>-</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 2013 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, 2012

(To Exhibit H)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Budget</u>	<u>Favorable</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
Revenues:				
State General Fund:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	-	\$ -	\$ -
	<u>2,416,462</u>	<u>2,416,462</u>		
Prior-year fund balance				
Total revenues budgeted	\$ <u>2,416,462</u>	\$ <u>2,416,462</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>2,416,462</u>	<u>2,416,462</u>	<u>399,763</u>	<u>\$ 2,016,699</u>
Total expenditures	\$ <u>2,416,462</u>	\$ <u>2,416,462</u>	\$ <u>399,763</u>	\$ <u>2,016,699</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			\$ 399,763	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 399,763</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 2013 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, 2012

(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	\$ 750,000	\$ 1,600,000	\$ 850,000	\$ (750,000)
Miscellaneous revenue	-	-	-	-
Total revenues	750,000	1,600,000	<u>\$ 850,000</u>	<u>\$ (750,000)</u>
Prior-year fund balance	-	-		
Total revenues budgeted	<u>\$ 750,000</u>	<u>\$ 1,600,000</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	750,000	1,600,000	1,047,503	552,497
Total expenditures	<u>\$ 750,000</u>	<u>\$ 1,600,000</u>	<u>\$ 1,047,503</u>	<u>\$ 552,497</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 850,000	
Adjustments:				
None			-	
Budget basis revenue			<u>\$ 850,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,047,503	
Adjustments:				
None			-	
Budget basis expenditures			<u>\$ 1,047,503</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 2013 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 Z20380 (Fund 20380)
For the Year Ended June 30, 2012

(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	\$ 2,250,000	\$ 2,250,000	\$ 2,250,000	\$ -
Miscellaneous revenue	-	-	-	-
Total revenues	<u>2,250,000</u>	<u>2,250,000</u>	<u>\$ 2,250,000</u>	<u>\$ -</u>
Prior-year fund balance	-	-		
Total revenues budgeted	<u>\$ 2,250,000</u>	<u>\$ 2,250,000</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	<u>2,250,000</u>	<u>2,250,000</u>	<u>1,681</u>	<u>2,248,319</u>
Total expenditures	<u>\$ 2,250,000</u>	<u>\$ 2,250,000</u>	<u>\$ 1,681</u>	<u>\$ 2,248,319</u>
Reconciliation of GAAP basis to budget basis revenue:				
GAAP basis revenue			\$ 2,250,000	
Adjustments:				
None			<u>-</u>	
Budget basis revenue			<u>\$ 2,250,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:				
GAAP basis expenditures			\$ 1,681	
Adjustments:				
None			<u>-</u>	
Budget basis expenditures			<u>\$ 1,681</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 2013 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, 2012

(To Exhibit H)	Budgeted Amounts		Received/ Expended Through 06/30/2011	Current Year 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				\$ 39,927	
Adjustments:					
None				-	
Budget basis expenditures				\$ 39,927	

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 2013 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, 2012

(To Exhibit H)	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2011</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>\$ 1,150,000</u>	<u>\$ -</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>9,815</u>	<u>6,637</u>	<u>1,112,891</u>
Total expenditures	<u>\$ 1,150,000</u>	<u>\$ 1,150,000</u>	<u>\$ 12,514</u>	<u>\$ 6,637</u>	<u>\$ 1,130,849</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				\$ 6,637	
Adjustments:					
None				<u>-</u>	
Budget basis expenditures				<u>\$ 6,637</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 2013 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 Z4047 (Fund 20380)
For the Year Ended June 30, 2012

(To Exhibit H)	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2011</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	\$ -	\$ -	\$ -	\$ 750,000	\$ 750,000
Miscellaneous revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	-	-	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ 750,000</u>
Prior-year fund balance	<u>-</u>	<u>-</u>			
Total revenues budgeted	<u>\$ -</u>	<u>\$ -</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 750,000	
Adjustments:					
None				<u>-</u>	
Budget basis revenue				<u>\$ 750,000</u>	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ -	
Adjustments:					
None				<u>-</u>	
Budget basis expenditures				<u>\$ -</u>	

Note:

The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY 2013 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, 2012

	<u>Budgeted Amounts</u>		<u>Received/ Expended Through 06/30/2011</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	\$ -	\$ -	\$ -	\$ -	\$ -
Severance tax bond appropriation	951,515	951,515	97,975	775,485	(176,030)
Total revenues	951,515	951,515	<u>97,975</u>	<u>775,485</u>	<u>(176,030)</u>
Prior-year fund balance	-	-			
Total revenues budgeted	<u>\$ 951,515</u>	<u>\$ 951,515</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	851,515	732,640	97,975	581,847	150,793
Other costs	100,000	218,875	-	193,638	25,237
Total expenditures	<u>\$ 951,515</u>	<u>\$ 951,515</u>	<u>97,975</u>	<u>775,485</u>	<u>176,030</u>
Reconciliation of GAAP basis to budget basis revenue:					
GAAP basis revenue				\$ 775,485	
Adjustments:					
None				-	
Budget basis revenue				<u>\$ 775,485</u>	
Reconciliation of GAAP basis to budget basis expenditures:					
GAAP basis expenditures				\$ 775,485	
Adjustments:					
None				-	
Budget basis expenditures				<u>\$ 775,485</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 2013 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
Year Ended June 30, 2012

Oper Unit	Program Title	CFDA #	Grant Number	Grant Period		Federal Award Amount	Fund	A/R 6/30/2011	Adj.'s	Adjusted A/R 6/30/2011	Receipts	Federal Expend.'s	Refunds to Grantor	Inter Program Exp. Adjimts	A/R 6/30/12	Indirect Receipts	Indirect Expend.
				From	To												
• WIPP10	10 EMNRD WIPP	81.106	DE-FC29-88A153813	7/1/2009	6/30/2010	\$ 194,360.00	20054	1,183	-	1,183	-	-	-	-	1,183	-	-
• WIPP10D	WIPP INDIRECT	81.106	DE-FC29-88A153813	7/1/2009	6/30/2010	\$ 194,630.00	20054	-	-	-	-	-	-	-	-	-	-
• WIPP11	11 EMNRD WIPP	81.106	DE-FC29-88A153813	7/1/2010	6/30/2011	\$ 181,582.00	20054	48,258	-	48,258	48,113	-	-	-	145	-	-
• WIPP11D	WIPP INDIRECT	81.106	DE-FC29-88A153813	7/1/2010	6/30/2011	\$ 181,582.00	20054	-	-	-	-	-	-	-	-	8,919	-
• WIPP12	12 EMNRD WIPP	81.106	DE-FC29-88A153813	7/1/2011	6/30/2012	\$ 181,907.00	20054	-	-	-	20,884	114,157	-	-	93,273	-	-
• WIPP12D	WIPP INDIRECT	81.106	DE-FC29-88A153813	7/1/2011	6/30/2012	\$ 181,907.00	20054	-	-	-	-	-	-	-	-	4,515	4,560
• WIPP1D	WIPP INDIRECT	81.106	DE-FC29-88A153813	7/1/2011	6/30/2012	\$ 181,907.00	20054	-	-	-	-	-	-	-	-	-	1,053
	Total US Department of Energy							59,477	-	59,477	68,997	114,157	-	-	104,637	13,434	5,613
	TOTAL ALL FEDERAL AWARDS							3,197,638	(261,364)	2,936,274	16,241,526	21,870,890	2,588,654	-	11,154,282	413,311	502,156

Due from federal government \$ 11,049,655
 Due from other state agencies - NM/EM Dept. 104,637
\$ 11,154,292

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012**

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	\$21,870,890
Add: Federal Indirect Cost Receipts	413,311
Add: Other reconciling adjustments	<u>48,485</u>
 Federal revenues per the Fund Financial Statements	 \$ <u>22,332,686</u>

3. Grants Administered by Department

During FY12 the ASD managed 64 federal grants. Within those awards there are a minimum of 250 individual sub-grantees with sub-grant agreements that are distributed and managed between four ASD staff. While the Grants Schedule contains information for disaster grants the number of sub-grantees and sub-grant agreements listed here only reflect Non-Disaster grants. When the ASD takes over direct administration of disaster grants these duties in FY13/FY14 this number will rise significantly. The grants that are managed in ASD are listed below.

DHS/FEMA Emergency Management Performance Grant (EMPG)

Description: An all-hazards approach to emergency response, including the development of a comprehensive program of planning, training, and exercises, provides the foundation for an effective and consistent response to any threatened or actual disaster or emergency, regardless of the cause. As appropriated by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110-329), the Emergency Management Performance Grant (EMPG) Program provides funding to assist State and local governments to enhance and sustain all-hazards emergency management capabilities.

DHS/FEMA State Homeland Security Grant Program (SHSGP)

Description: SHSGP supports the implementation of State Homeland Security Strategies to address the identified planning, organization, equipment, training, and exercise needs for acts of terrorism and other catastrophic events. In addition, SHSGP supports the implementation of the National Preparedness Guidelines, the National Incident Management System (NIMS), and the National Response Framework (NRF).

DHS/FEMA Community Assistance Program-State Support Service Element (CAP-SSSE)

Description: The CAP-SSSE provides financial assistance to states with identified flood hazard areas. In a cost effective partnership, it enables states to provide technical assistance to individual communities in order to promote floodplain management practices consistent with the intent of the National Flood Insurance Program (NFIP). To this end, State officials work with NFIP communities to identify and resolve floodplain management issues before they result in an enforcement action by the Federal Emergency Management Agency.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

3. Grants Administered by Department (Cont'd)

DHS/FEMA Urban Search & Rescue (USAR)

Description: The purpose of this Readiness Cooperative Agreement is to continue the development and maintenance of National Urban Search and Rescue (US&R) Response System resources to be prepared for mission response and to provide qualified personnel in support of Emergency Support Function-9 (ESF-9) activities under the National Incident Management System (NIMS) and the National Response Plan (NRP).

DHS Operation Stonegarden Grant Program (OPSG)

Description: Operation Stonegarden (OPSG) provides funding to designated localities to enhance cooperation and coordination between Federal, State, local, and tribal law enforcement agencies in a joint mission to secure the United States borders along routes of ingress from International borders to include travel corridors in States bordering Mexico and Canada, as well as States and territories with International water borders.

DHS Buffer Zone Protection Program (BZPP)

Description: The BZPP is one tool among a comprehensive set of measures authorized by Congress and implemented by the Administration to help strengthen the nation's critical infrastructure against risks associated with potential terrorist attacks. The BZPP is authorized by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 110-329). Below are some of our major federal grants. Our 33 county customers, as well as cities, villages and tribes participate in some or all of these programs.

DHS Public Safety Interoperable Communications Grant (PSIC)

Description: The Public Safety Interoperable Communications (PSIC) Grant Program is a one-time formula-based, matching grant program intended to enhance interoperable communications with respect to voice, data, and/or video signals. PSIC provides public safety agencies with the opportunity to achieve meaningful and measurable improvements to the state of public safety communications interoperability through the full and efficient use of all telecommunications resources.

DOT Hazardous Material Emergency Planning Grant (HMEP)

Description: The Hazardous Materials Emergency Planning Grant from DOT provides for hazardous materials emergency planning and training under the Federal Hazardous Materials Transportation Law for state and local personnel.

DHS Interoperable Emergency Communication Grant Program (IECGP)

Description: IECGP provides governance, planning, training and exercise funding to States, territories, and local and tribal governments to carry out initiatives to improve interoperable emergency communications, including communications in collective response to natural disasters, acts of terrorism, and other man-made disasters. All activities proposed under IECGP must be integral to interoperable emergency communications and must be aligned with the goals, objectives, and/or initiatives identified in the grantee's approved Statewide Communication Interoperability Plan (SCIP). If an SAA certifies that its State or territory has fulfilled such governance, planning, training and exercise objectives, the Program provides the flexibility to purchase interoperable communications equipment with any remaining IECGP funds.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2012

3. Grants Administered by Department (Cont'd)

DHS Emergency Operations Center Grant Program (EOCGP)

Description: The FY 2008 Emergency Operations Center (EOC) Grant Program is intended to improve emergency management and preparedness capabilities by supporting flexible, sustainable, secure, and interoperable EOCs with a focus on addressing identified deficiencies and needs. Per Section 614 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5196c), as amended by section 202 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53), grant funding for construction or renovation of a State, local, or tribal government's principal Emergency Operations Center (EOC). This grant program is not intended to fund the construction or renovation of State, local, or tribal Fusion Centers. (The ability to meet the matching requirement for this grant award is contingent on the approval of DHSEM's capital outlay request.)

DHS/FEMA Hazard Mitigation Grant Program (HMGP)

Description: This program is authorized under section 404 of the Stafford Act, 42 U.S.C. 5170c and implemented at 44 CFR Part 206. Subpart N. which authorizes funding for certain mitigation measures identified through the evaluation of natural hazards conducted under section 322 of the Stafford Act 42 U.S.C 5165.

DHS/FEMA Fire Management Assistance Program (FMAG)

Description: The Governor of a State, or the Governor's Authorized Representative (GAR), may submit a request for a fire management assistance declaration. The request must be submitted while the fire is burning uncontrolled and threatens such destruction as would constitute a major disaster.

DHS/FEMA Public Assistance (PA) Individual Assistance (IA)

Description: When a catastrophe occurs in a State, the Governor of a State, or the Acting Governor in his/her absence may request a major disaster declaration. The Governor should submit the request to the President through the appropriate Regional Director. The request must be submitted within 30 day of the occurrence of the incident in order to be considered. The basis for the request shall be a finding that:

- a. The situation is of such severity and magnitude that effective response is beyond the capabilities of the State and affected local government, and;
- b. Federal assistance under the Act is necessary to supplement the efforts and available resources of the State, local governments, disaster relief organization, and compensation by insurance for disaster relief losses.

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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, 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 aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue fund, and the individual governmental funds, and related 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, 2012, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 10, 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

Management of agency is responsible for establishing and maintaining effective 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 no immaterial instance of noncompliance or other matters that is required to be reported under **Government Auditing Standards**.

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

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



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 10, 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, Cabinet Secretary
Department of Homeland Security
and Emergency Management
and

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

Compliance

We have audited the State of New Mexico, Department of Homeland Security and Emergency Management's (Department) compliance 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, 2012. 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 of 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, 2012.

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 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.

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



Robert J. Rivera, CPA, PC
Santa Fe, New Mexico
December 10, 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, 2012

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. 55-56*).
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. 55-56*).
4. There were no significant deficiencies in internal control over **major federal award programs** disclosed during the audit of the State of New Mexico, Department of Homeland Security and Emergency Management. (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. 57-58*).
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. 57-58*).
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	
97.067	Homeland Security Grant Program - Cluster	\$ 9,906,418
11.555	Public Safety Interoperable Communications Grant Program	4,003,700
	Federal Emergency Management Program	
97.036	Disaster Grant-Public Assistance-Presidentially Declares	772,233
	US Department of Energy	
81.106	Waste Isolation Pilot Project (WIPP) Transportation of Transuranic Waste	<u>114,157</u>
		<u>\$14,796,508</u>

8. The threshold for distinguishing between Types A and B programs was \$656,127.
9. The Department of Homeland Security and Emergency Management does not qualify as a low-risk auditee. Audit coverage of major federal programs was 67.5% 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, 2012**

II - FINANCIAL STATEMENT AUDIT - FINDINGS

Finding 2010-1

Federal Grants Receivable and Schedule of Expenditures of Federal Awards (Significant Deficiency and Material Weakness) (Repeated and Modified in 2012)

Condition

The Department did not reconcile and adjust the SHARE general ledger accounts for federal grants receivable to agree with the Schedule of Expenditures of Federal Awards (SEFA) on a timely basis. The federal grants receivable at June 30, 2011 and June 30, 2012, as reflected on the SEFA, did not agree with the balance as reported in the SHARE general ledger. The SEFA is prepared from the financial activity directly extracted from the SHARE accounting system. During fiscal year 2012, the Department greatly improved the reconciliation process for each grant award which supports the balances in the SEFA at June 30, 2012. The total grants receivable as reflected on the SEFA at June 30, 2012, amounted to \$11,154,292. As a result, the grants receivable balance in the SHARE general ledger had to be adjusted as of June 30, 2012 by \$547,489.

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 that the grants receivable balance in the general ledger agrees with 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.

(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(c), respectively.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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

Finding 2010-1

Federal Grants Receivable and Schedule of Expenditures of Federal Awards (Significant Deficiency and Material Weakness) (Repeated and Modified in 2012) (Cont'd)

Effect

One of the Department's financial accounting functions is to properly record federal grants receivables and revenues accurately in the SHARE general ledger. During fiscal year 2012, there was difficulty in properly recording those transactions. As a result, the general ledger grants receivable balances were not in agreement with the SEFA grants receivable balances. The Department may not have the ability to prevent and detect material misstatements in its general ledger.

Cause

The Department did improve its internal control policies and procedures during the year which would provide for timely and accurate reconciliations between the Department's general ledger and its subsidiary grant records and the SEFA. However, the recording function, with respect to federal grant receivables and revenues, did not assure proper posting to the general ledger. The Department has not fully established the processes and controls for reconciling the SHARE general ledger to the SEFA.

Recommendation

We recommend that 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 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 that the grants receivable balance in the general ledger agrees with the SEFA

Entity Response and Corrective Action Plan

One of the Department's financial accounting functions is to properly record federal grants receivables and revenues accurately in the SHARE general ledger. During fiscal year 2012, there was difficulty in properly recording those transactions. As a result, the general ledger grants receivable balances were not in agreement with the SEFA grants receivable balances. The Department may not have the ability to prevent and detect material misstatements in its general ledger.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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

Finding 2011-1

Reconciliation of General Ledger (Significant Deficiency and Material Weakness)- (Repeated in 2012)

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
Due to Federal Government	235900
Federal grant revenue	451903

There does not appear to be periodic reviews and reconciliations of the general ledger financial activity and account balances. 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. A review process is lacking for financial reporting and general journal entries to the general ledger.

Criteria

The DFA Manual of Model Accounting Practices (MAP) dated June 7, 2010, FIN16 - General Accounting Practices, FIN 16.2, Verifying SHARE reports, requires monthly reconciliations of all general ledger 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.

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.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

**Finding 2011-1 Reconciliation of General Ledger (Significant Deficiency and Material Weakness) -
(Repeated in 2012) (Cont'd)**

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 with the lack of consistent, timely and complete General Ledger reconciliations. The DHSEM is working internally to address and correct the deficiencies. The DHSEM is in the final stages of a 4 month reorganization within the Administrative Services Division (ASD) to better align staff in the Accounting Unit with adequate management review and approval of monthly reconciliations. The DHSEM will establish policies and procedures to ensure the timely, consistent and complete reconciliations with the general ledger for the purpose of preparing accurate financial statements. The DHSEM will provide staff in the Accounting Unit with the necessary training/education to develop and improve on their accounting skills.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012**

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

**Finding 2011-2 Financial Statements Preparation SAS-115 (Significant Deficiency)
(Repeated in 2012)**

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.

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 staff that are capable of producing financial statements.

Entity Response and Corrective Action Plan

The Department of Homeland Security and Emergency Management (DHSEM) requested the auditor to prepare the financial statements and it was in our RFP and contract award. We asked the auditor to provide guidance and training on the processes to enable DHSEM to prepare future financial statements. Staff attempted to provide the auditor with 8 of the required financial statements, however, the auditor was not able to provide assistance and/or guidance. The DHSEM acknowledges that the budget staff assigned to this function requires additional training. The DHSEM is committed to make training available to the Budget Unit staff.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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

None

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	Resolved	Repeated and Modified
Finding 2011-1 Reconciliation of General Ledger	N/A	Repeated
Finding 2011-2 Financial Statement Preparation	N/A	Repeated
Finding 2011-3 Excess Reimbursements - Overdrawn Federal Grants	Resolved	N/A
Finding 2011-4 Late Submission of Audit Report	N/A	Resolved

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
June 30, 2012

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 December 13, 2012, to discuss the audit. The following individuals were in attendance:

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

Gregory Myers, Cabinet Secretary
Anita Tallarico, Deputy Cabinet Secretary
Erica Cummings, Grants Coordinator
Paula Flores, Grants Unit Manager
Michelle Varela, Finance Supervisor
Peggy Martinez, Budget Director
Maria Ortiz, Human Resources Director
George Heidke, Legal Counsel
Nick Paitek, Public Information Officer

Independent Auditor - Robert J. Rivera, CPA, PC

Robert J. Rivera, CPA
William J. Valdes