



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

For the Year Ended June 30, 2013

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Table of Contents

Official Roster	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Financial Statements	
Statement of Net Position.....	16
Statement of Activities.....	17
Balance Sheet – Governmental Funds.....	18
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds.....	20
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities.....	21
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General and Major Special Revenue Funds.....	22
Notes to Financial Statements	24
Supplementary Information	
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department P759).....	50
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z1659 FEMA 1659).....	51
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z1783 FEMA 1783).....	52
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z1936 FEMA 1936).....	53
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z1962 FEMA 1962).....	54
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z4047 FEMA 4047).....	55
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z81505 Special Appropriations for Ruidoso Project).....	56
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department A060563 DHSEM - Radio Emergency Network).....	57
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department Z4079 FEMA 4079).....	58
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2866 FEMA 2866).....	59
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2880 FEMA 2880).....	60
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2897 FEMA 2897).....	61
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2917 FEMA 2917).....	62
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2918 FEMA 2918).....	63

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Table of Contents

Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2933 FEMA 2933).....	64
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2934 FEMA 2934).....	65
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - General Fund 20050 (Department FG2935 FEMA 2935).....	66
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) - Capital Projects Fund 89200 (Department A093084).....	67
Other Supplemental Information	
Schedule of Expenditures of Federal Awards.....	68
Notes to Schedule of Expenditures of Federal Awards.....	69
Independent Auditor's 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	72
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	74
Schedule of Findings and Questioned Costs	77
Exit Conference	79

June 30, 2013

Administrative Officials

Name	Title
Gregory Myers	Cabinet Secretary
Anita Statman	Deputy Cabinet Secretary
Peggy Martinez	Chief Financial Officer/Budgetary Director

INDEPENDENT AUDITOR'S REPORT

Gregory Myers, Cabinet Secretary
State of New Mexico
Department of Homeland Security
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue fund of the New Mexico Department of Homeland Security (the Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons for the general fund by departments and the major capital project fund presented as supplementary information, as defined by the *Governmental Accounting Standards Board*, as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the

overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Department as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, as of June 30, 2013 the respective changes in financial position and the respective budgetary comparisons for the general fund by departments and the major capital project fund of the Department for the year ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements and the budgetary comparisons. The schedule of expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the other schedules listed as "other supplemental information" in the table of contents, required by 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The *Schedule of Expenditures of federal awards and other schedules listed as "other supplemental information" in the table of contents, required by 2.2.2 NMAC* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures and other schedules listed as "other supplemental information" in the table of contents required by 2.2.2 NMAC* are fairly stated, in all

material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is 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 in considering the Department's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
December 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

DHSEM'S MANAGEMENT ROLE FOR THE STATE OF NEW MEXICO

The Department of Homeland Security and Emergency Management (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, 2013. This is the sixth year that the Department has provided 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 views of the Department.

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.

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.

The governmental funds statements tell how general government services (the primary functions of the Department) were financed in the short term as well as what remains for future spending.

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

REPORTING ON THE DEPARTMENT AS A WHOLE

Government-Wide Statements

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

The **Statement of Net Position** presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position 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 position changed during the most recent fiscal year. Changes in net position 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 position and how they have changed. Net position, 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 position is 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 Sheet** and the **Statement of Revenue, Expenditures and Changes in Fund Balance** provide this information.

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Continued)

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

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Continued)

Financial Analysis of the Department as a Whole

The Statement of Net Position summarizes the Department's net position for the fiscal year ending June 30, 2013. The following condensed financial information was derived from the entity-wide Statement of Net Position for the current and prior year.

Statement of Net Position

	Current Year June 30, 2013	Prior Year June 30, 2012	Increase or (Decrease)	% Increase or (Decrease)
Assets:				
Investment in the State Treasurer General Fund Investment Pool	\$ 10,211,226	\$ 5,534,689	\$ 4,676,537	84.50%
Due from other state agencies	53,254	3,130	50,124	1601.41%
Due from other state agencies - federal grant pass-through	-	381,870	(381,870)	-100.00%
Due from State General Fund	812,722	-	812,722	100.00%
Due from federal government	17,678,326	11,049,655	7,441,393	67.35%
Capital assets (net of accumulated depreciation)	4,424,310	4,785,250	(360,940)	-7.54%
	33,179,838	21,754,594	11,425,244	52.52%
Liabilities:				
Accounts payable	2,011,991	3,729,633	(1,717,642)	-46.05%
Accrued salaries payable	38,856	37,725	1,131	3.00%
Payroll taxes payable	15,700	59,714	(44,014)	-73.71%
Payroll benefits payable	23,370	76,561	(53,191)	-69.48%
Due to State General Fund	679,033	234,283	444,750	189.83%
Due to federal government	2,593,879	55,188	2,538,691	4600.08%
Due to local governments	546	-	546	100.00%
Compensated absences - current portion	114,579	139,114	(24,535)	-17.64%
Compensated absences - long-term portion	49,652	55,416	(5,764)	-10.40%
	5,527,606	4,387,634	1,139,972	25.98%
Net Position:				
Net investment in capital assets	4,424,310	4,785,250	(360,940)	-7.54%
Restricted for subsequent year's expenditure by enabling legislation	23,392,153	12,776,240	10,615,913	83.09%
Unrestricted (deficit)	(164,231)	(194,530)	30,299	-15.58%
	\$ 27,652,232	\$ 17,366,960	\$ 10,285,272	59.22%

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Continued)

The governmental activities current assets (excluding capital assets) increased by \$11,786,184, from \$16,969,344 to \$28,755,528, in 2013 or 69%. This change is significant and primarily results from increased grants receivable.

The governmental activities current liabilities increased by \$1,145,736 from \$4,332,218 in 2012, to \$5,477,954 in 2013, or 26%. This substantial increase is mostly attributable to an increase in amounts due to the federal government of \$2,538,691, offset by a decrease in accounts payable of \$1,717,642. Long-term liabilities which are comprised of compensated absences decreased insignificantly by \$5,764.

The governmental activities net position increased by \$10,285,272 which was attributable to a \$360,940 decrease in capital assets (depreciation expense of \$644,085, capital asset additions of \$369,547 which were purchased during the year and a negative prior period adjustment of \$86,402). In addition, the amount restricted for subsequent years expenditures by enabling legislation increased by \$10,615,913 and the unrestricted net position increased insignificantly by \$30,299.

Changes in Net Position

The Statement of Activities summarizes the Department's changes in net position for the fiscal year ending June 30, 2013. The following condensed financial information was derived from the government-wide Statement of Activities for the current year.

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

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Continued)

Statement of Activities

	Current Year June 30, 2013	Prior Year June 30, 2012	Increase or (Decrease)	% Increase or (Decrease)
Expenses:				
Governmental activities:				
Public safety	\$ 45,651,300	\$ 25,221,818	\$ 20,429,482	81.00%
Depreciation	644,085	858,994	(214,909)	-25.02%
	46,295,385	26,080,812	20,214,573	77.51%
Program Revenue:				
Intergovernmental:				
Federal grants - operating	40,874,287	22,332,686	18,541,601	83.02%
Charges for services:				
Other filing fees	56,875	53,280	3,595	6.75%
	40,931,162	22,385,966	18,545,196	82.84%
Net Program (Expenses) Revenue	(5,364,223)	(3,694,846)	(1,669,377)	45.18%
General Revenues and Transfers:				
General revenues:				
Miscellaneous revenue	6,062	161	5,901	3665.22%
Transfers:				
State General Fund Appropriation	16,818,200	6,317,600	10,500,600	166.21%
Severance tax bond proceeds	-	775,485	(775,485)	-100.00%
Other financing sources	-	2,332	(2,332)	-100.00%
Reversions to State General Fund	(357,702)	(366,516)	8,814	-2.40%
	16,466,560	6,729,062	9,737,498	144.71%
Change in Net Position	11,102,337	3,034,216	8,068,121	265.90%
Net Position:				
Net Position, Beginning	17,366,960	14,563,451	2,803,509	19.25%
Restatement	(817,065)	(230,707)	(586,358)	254.16%
Net Position, Beginning as Restated	16,549,895	14,332,744	2,217,151	15.47%
Net Position, Ending	\$ 27,652,232	\$ 17,366,960	\$ 10,285,272	59.22%

REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS (Continued)

The governmental activities change in net position increased significantly from the previous year by \$8,068,121. Significant changes in net position was comprised of the following:

	<u>Increase or (Decrease)</u>
Federal grants - operating	\$ 18,541,601
State General Fund Appropriation	10,500,600
Expenditures	(20,214,573)
Severance tax bond proceeds	<u>(775,485)</u>
	<u>\$ 8,052,143</u>

THE DEPARTMENT'S 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 18 reported a combined fund balance of \$23,392,153. The fund balance is attributable to the Department's Executive Orders-State Disaster Fund of \$19,509,780 and \$3,882,373 of the General Fund.

The General Fund of the Department reflects a fund balance of \$3,882,373. 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 \$307,648 due to the State General Fund from unused State General Fund appropriations from the General Fund at June 30, 2013. In addition, the Department reverted \$50,054 from the Executive Orders State Disaster Fund from unused State General Fund appropriations for disaster projects which were completed.

THE DEPARTMENT'S FUNDS (Continued)

General Fund Budgetary Highlights

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

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

With these adjustments in the general fund, actual expenditures were \$38,264,726 below budget amounts. However, this amount includes \$33,559,540 in federal grant funds authorized for use in subsequent fiscal years, and \$3,882,373 (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 \$307,648, which is being reverted to the State General Fund.

Analysis of Significant Budget Variations

The Department's General Fund No. 20050 original budget was \$43,339,856. Budget increases of \$39,559,221 occurred in FY13 mainly from federal revenues.

The expenditure budget categories were adjusted to reflect the \$39,559,221 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 budget for the Executive Orders-State Disaster Fund is based on appropriations which typically expand across multiple fiscal years until the project is completed. For FY13, the final budget was appropriated at \$25,075,000.

The Capital Projects Fund is a multi-year budget; the original and final budget was \$951,515.

Capital Assets and Debt Administration

Capital Assets

The Department's net investment in capital assets for its governmental activities as June 30, 2013, amounts to \$4,424,310 (net of accumulated depreciation). This investment in capital assets consists mainly of buildings, equipment and automobiles. There were additions of \$369,547 which were purchased by the Department during the fiscal year. There were no deletions of capital assets during the fiscal year. There was no debt related with capital assets at year end.

THE DEPARTMENT'S FUNDS (Continued)

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 \$49,652, 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 2015 budget was submitted with increases to fund a Mass Notification System for the state, a special appropriation of \$250,000 to fund activations of the state Emergency Operations Center, and an increase to fund 1.5 FTE and additional contract services due to increased workload brought about by size and cost of disasters. In FY14 we asked for funding for 6 positions which we have since filled with funds from federal grants. This year we are asking for those 6 positions and an additional 4 for a total of 10 positions to be authorized. Authorizing 70 positions for DHSEM would return us to our size of 4 years ago when mandated reductions occurred.

The following is a comparison of the FY2013 and FY2014 budgets:

	FY14	FY13	Increase (Decrease)
General Fund	\$ 36,926,000	\$ 82,899,077	\$ (45,973,077)
Executive Orders-State Disasters Fund	19,509,780	25,075,000	(5,565,220)
	<u>\$ 56,435,780</u>	<u>\$ 107,974,077</u>	<u>\$ (51,538,297)</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

Administrative Services Division

The Administrative Services Division (ASD) has 12 staff that include:

- one budget manager who also serves as the agency CFO,
- one financial management specialist,
- one accounts payable specialist,
- one procurement officer (position only filled for four months of the FY),
- one grant coordinator,
- one draw specialist,
- one management specialist,
- one business operations specialist,
- three grant specialists,
- one grant unit manager,
- one HR manager (vacant for 6 months), and
- one bureau chief (position vacant for 9 months of the FY).

During the course of FY13 we have been without an Administrative Services Bureau Chief since October 2012, who also served as our CFO. With the staffing pattern listed above (we are one deep in many functions) we were already handicapped. Without an AS BC to oversee and coordinate the grants and finance functions we were missing an integral capability. In July 2013 DFA named our Budget Director as Acting CFO. In October of 2013 she was reclassified as our CFO (and Budget Director). Going into next year we need to separate these duties again and add AS staff with responsibilities for maintaining records in key areas such as capital outlay.

None of the grant 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 earned one certificate in the areas of accounting and federal grants management. In FY13 we hired a CPA to help us address our past financial audit findings and develop internal controls and other procedures to help us from repeating old mistakes. While the consultant has been helpful we will need to continue to access a CPA firm periodically for trouble-shooting because we do not have such expertise on staff.

All NMDHSEM 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 ASB, 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 through the Emergency Management Accreditation Program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (Continued)

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. While the position was vacant, the budget manager assisted with day-to-day functions that would otherwise be left unattended. When she became the CFO she accepted responsibility for the financial audit even though she hadn't had operational control of all of the DHSEM financial matters for the year. This created long working hours in preparation for and during the audit.

Contacting the Department's Financial Management

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

**Department of Homeland Security and Emergency Management
Gregory Myers, Cabinet Secretary Designate
13 Bataan Blvd.
Santa Fe, NM 87504
or
P.O. Box 27111
Santa Fe, NM 87502
{505} 476-9600**

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Government Wide
Statement of Net Position

June 30, 2013	Governmental Activities
Assets:	
Investment in the State Treasurer General Fund Investment Pool	\$ 10,211,226
Due from other state agencies	53,254
Due from other state agencies - federal grant pass-through	-
Due from State General Fund	812,722
Due from federal government	17,678,326
Capital assets (net of accumulated depreciation)	4,424,310
	<u>33,179,838</u>
Liabilities:	
Accounts payable	2,011,991
Accrued salaries payable	38,856
Payroll taxes payable	15,700
Payroll benefits payable	23,370
Due to State General Fund	679,033
Due to federal government	2,593,879
Due to local governments	546
Compensated absences - current portion	114,579
	<u>5,477,954</u>
Compensated absences - long-term portion	49,652
	<u>5,527,606</u>
Net Position:	
Net investment in capital assets	4,424,310
Restricted	23,392,153
Unrestricted (deficit)	(164,231)
	<u>\$ 27,652,232</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Government Wide
Statement of Activities

For The Year Ended June 30, 2013	Governmental Activities
Expenses:	
Governmental activities:	
Public safety	\$ 45,651,300
Depreciation	644,085
	<u>46,295,385</u>
Program Revenue:	
Intergovernmental:	
Federal grants - operating	40,874,287
Charges for services:	
Other filing fees	56,875
	<u>40,931,162</u>
Net Program (Expenses) Revenue	<u>(5,364,223)</u>
General Revenues and Transfers:	
General revenues:	
Miscellaneous revenue	6,062
Transfers:	
State General Fund Appropriation	16,818,200
Severance tax bond proceeds	-
Other financing sources	-
Reversions to State General Fund	(357,702)
	<u>16,466,560</u>
Change in Net Position	<u>11,102,337</u>
Net Position:	
Net Position, Beginning	17,366,960
Restatement	(817,065)
Net Position, Restated	<u>16,549,895</u>
Net Position, Ending	<u>\$ 27,652,232</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Balance Sheet - Governmental Funds

June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund (SHARE 20050)	Executive Orders State Disasters Fund (SHARE 20380)	Capital Projects Fund (SHARE 89200)	
Assets:				
Investment in State Treasurer General Fund Investment Pool	\$ -	\$ 10,211,226	\$ -	\$ 10,211,226
Due from other funds	-	9,412,779	-	9,412,779
Due from other state agencies	15,909	-	37,345	53,254
Due from other state agencies - federal grant pass through	-	-	-	-
Due from State General Fund	812,722	-	-	812,722
Due from federal government	17,678,326	-	-	17,678,326
Total Assets	\$ 18,506,957	\$ 19,624,005	\$ 37,345	\$ 38,168,307
Liabilities:				
Investment in the State Treasurer General Fund Investment Pool (deficit)	\$ -	\$ -	\$ -	-
Accounts payable	2,002,547	9,444	-	2,011,991
Accrued salaries payable	38,856	-	-	38,856
Payroll taxes payable	15,700	-	-	15,700
Payroll benefits payable	23,370	-	-	23,370
Due to other funds	9,375,434	-	37,345	9,412,779
Due to State General Fund	574,252	104,781	-	679,033
Due to federal government	2,593,879	-	-	2,593,879
Due to local governments	546	-	-	546
	14,624,584	114,225	37,345	14,776,154
Fund Balance:				
Restricted:				
Subsequent year's expenditures	3,882,373	19,509,780	-	23,392,153
Unassigned	-	-	-	-
	3,882,373	19,509,780	-	23,392,153
Total Liabilities and Fund Balance	\$ 18,506,957	\$ 19,624,005	\$ 37,345	\$ 38,168,307

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position

June 30, 2013

Total Fund Balance for the Governmental Funds (Balance Sheet) \$ 23,392,153

Amounts reported for governmental activities in the Statement of Net Position 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	10,352,805	
Accumulated depreciation	<u>(5,928,495)</u>	4,424,310

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.

(164,231)

Net Position of Governmental Activities (Statement of Net Position) \$ 27,652,232

DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

For The Year Ended June 30, 2013

	Major Funds			Total Governmental Funds
	General Fund (SHARE 20050)	Executive Orders State Disasters Fund (SHARE 20380)	Capital Projects Fund (SHARE 89200)	
Revenues:				
Intergovernmental:				
Federal grants - operating	\$ 40,874,287	\$ -	\$ -	\$ 40,874,287
Charges for services:				
Other filing fees	56,875	-	-	56,875
Miscellaneous revenue	6,062	-	-	6,062
	<u>40,937,224</u>	<u>-</u>	<u>-</u>	<u>40,937,224</u>
Expenditures:				
Public safety:				
Current:				
Personal services	3,951,233	-	-	3,951,233
Contractual services	510,014	-	-	510,014
Other costs	38,096,971	2,942,320	-	41,039,291
Capital outlay	550,608	-	-	550,608
	<u>43,108,826</u>	<u>2,942,320</u>	<u>-</u>	<u>46,051,146</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(2,171,602)</u>	<u>(2,942,320)</u>	<u>-</u>	<u>(5,113,922)</u>
Other Financing Sources (Uses):				
Transfers in (out):				
State General Fund Appropriation	2,393,200	14,425,000	-	16,818,200
Severance Tax bond proceeds	-	-	-	-
Other financing sources	-	-	-	-
Reversion to State General Fund	(307,648)	(50,054)	-	(357,702)
	<u>2,085,552</u>	<u>14,374,946</u>	<u>-</u>	<u>16,460,498</u>
Net Change in Fund Balances	<u>(86,050)</u>	<u>11,432,626</u>	<u>-</u>	<u>11,346,576</u>
Fund Balance, Beginning	4,594,305	8,181,935	-	12,776,240
Restatement	(625,882)	(104,781)	-	(730,663)
Fund Balance, Beginning as Restated	<u>3,968,423</u>	<u>8,077,154</u>	<u>-</u>	<u>12,045,577</u>
Fund Balance, Ending	<u>\$ 3,882,373</u>	<u>\$ 19,509,780</u>	<u>\$ -</u>	<u>\$ 23,392,153</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Funds to the Statement of Activities

For The Year Ended June 30, 2013

Net Change in Fund Balance - Total Governmental Funds
(Statement of Revenues, Expenditures and Changes in Fund
Balance) \$ 11,346,576

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

Decrease in compensated absences 30,299

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	369,547	
Construction-in-progress transferred to capital assets	-	
Current period depreciation	<u>(644,085)</u>	(274,538)

Change in Net Position - Governmental Activities (Statement of Activities) \$ 11,102,337

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, 2013

	Budgeted Amounts		Received Expended Through 06/30/12	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 7,293,200	\$ 7,293,200	\$ 4,900,000	\$ 2,393,200	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	35,253,356	74,812,577	378,750	40,874,287	(33,559,540)
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	183,300	183,300	12,593	6,062	(164,645)
Other filing fees	110,000	110,000	-	56,875	(53,125)
Severance tax bond appropriation	500,000	500,000	500,000	-	-
	<u>43,339,856</u>	<u>82,899,077</u>	<u>\$ 5,791,343</u>	<u>\$ 43,330,424</u>	<u>\$ (33,777,310)</u>
Prior year funds rebudgeted	-	-			
Total revenues budgeted	<u>\$ 43,339,856</u>	<u>\$ 82,899,077</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ 4,280,500	\$ 4,986,442	\$ -	\$ 3,951,233	\$ 1,035,209
Contractual services	1,415,600	1,639,600	-	510,014	1,129,586
Other costs	37,643,756	76,273,035	1,525,525	38,647,579	36,099,931
	<u>\$ 43,339,856</u>	<u>\$ 82,899,077</u>	<u>\$ 1,525,525</u>	<u>\$ 43,108,826</u>	<u>\$ 38,264,726</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 43,330,424	
Adjustments: None				-	
Budget basis revenue				<u>\$ 43,330,424</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 43,108,826	
Adjustments: None				-	
Budget basis expenditures				<u>\$ 43,108,826</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 FY2014 budget

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, 2013

	Budgeted Amounts		Received Expended Through 06/30/12	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 25,075,000	\$ 25,075,000	\$ 10,650,000	\$ 14,425,000	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	-	-	-	-	-
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	-	-	-	-	-
Other filing fees	-	-	-	-	-
Severance tax bond appropriation	-	-	-	-	-
	<u>25,075,000</u>	<u>25,075,000</u>	<u>\$ 10,650,000</u>	<u>\$ 14,425,000</u>	<u>\$ -</u>
Prior year funds rebudgeted	-	-			
Total revenues budgeted	<u>\$ 25,075,000</u>	<u>\$ 25,075,000</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	25,075,000	25,075,000	2,572,846	2,942,320	19,559,834
	<u>\$ 25,075,000</u>	<u>\$ 25,075,000</u>	<u>\$ 2,572,846</u>	<u>\$ 2,942,320</u>	<u>\$ 19,559,834</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 14,425,000	
Adjustments: None				-	
Budget basis revenue				<u>\$ 14,425,000</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 2,942,320	
Adjustments: None				-	
Budget basis expenditures				<u>\$ 2,942,320</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 FY2014 budget.

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:

- Response and Recovery
- Preparedness
- Intelligence
- Administrative Services
- 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 Accounting Policies

The Department of Homeland Security and Emergency Management present their financial statements in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed in applicable pronouncements of the Governmental Accounting Standards Board (GASB). 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.

2. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity and Component Units (Continued)

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. In accordance with Governmental Accounting Standards Board (GASB) guidance, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The basic criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility and financial responsibility. Other criterion include the ability to exercise oversight responsibility including, but not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. In addition, other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Department is able to exercise oversight responsibilities. 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

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 or component units.

2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

Government-Wide Statements

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reported on the full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports 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 expenses (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 revenues 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 Statement 33. The revenue recognition policy for grants is when the eligibility requirements have been met, and costs have been incurred.

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

Restricted net position 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 position 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 position are available.

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).

2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

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 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 and deferred outflows of resources, liabilities and deferred inflows of resources, 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 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) as net change in fund balance. Accordingly, they are 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 fund balance, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures. The general fund is always considered a major fund. The Department has elected to consider all their special revenue and capital projects funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

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 Fund is 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.

Recently Issued and Adopted Accounting Pronouncements

In June 2011, the GASB issued Statement 63 and 65, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Department has no deferred outflows of resources during fiscal year 2013.

2. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements (Continued)

Recently Issued and Adopted Accounting Pronouncements

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The Department has no deferred inflows of resources during fiscal year 2013.

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB Statement 62 does not have any impact of the Department's financial statements.

In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements 14 and 34*. GASB Statement 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. The adoption of GASB Statement 61 does not have any impact on the Department's current financial statements.

C. Non-Current Governmental Assets/Liabilities

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

D. 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

2. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

and the accrual basis of accounting. Nonexchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

All governmental funds utilize the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. Available means collectible within the current period or soon enough thereafter, 60 days, to be used to pay liabilities of the current period. The Department considers all grant revenues to be available, even if they haven't been drawn down. Without such a deviation, management believes the financials would be misleading due to a material amount of federal award draw downs that were not made within the 60 day 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 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.

E. 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

2. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

Appropriation Act. The budget amounts shown in the financial statements are the original and final authorized amounts as legally revised during the year.

The General Appropriations Act establishes the modified accrual basis of accounting for governmental funds in accordance with the Manual of Model Accounting Practices issued by the Department of Finance and Administration as the budgetary basis of accounting for the State of New Mexico.

The change in policy resulted in the recognition of budgetary control from a fiscal year to an appropriation period. Under the budgetary basis, prior year encumbrances allowed for money to be expended in one fiscal year, while charging the expenditure to another year's budget. Under the new policy, as long as the appropriation period has not lapsed, and a budget has been approved by the Department of Finance and Administration, an encumbrance can be charged against the budget. However, when the appropriation period has lapsed, so does the authority for the budget.

The General Fund, 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.
-

2. Summary of Significant Accounting Policies (Continued)

E. Budgets and Budgetary Accounting (Continued)

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 200g, Section 3, Paragraph N) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Department has not included such reconciliation for fiscal year 2013 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 Statement 34, footnote 53, the budgetary comparison statements for major funds have been included as part of the basic financial statements.

F. 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.

2. Summary of Significant Accounting Policies (Continued)

G. Cash

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

H. 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.

I. 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 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.

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 Statement 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. The Department does not own any infrastructure assets.

2. Summary of Significant Accounting Policies (Continued)

J. Accrued Compensated Absences - Annual and Sick Leave

Qualified employees accumulate annual leave as follows:

Years of Service	Hours Earned Per Month	Days Earned Per Month	Days of Maximum Accrual
1-3	6.67	0.83	30
4-6	8	1	30
7-10	9.99	1.25	30
11-14	12	1.5	30
15th/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, 2013, over 600 hours up to 120 hours per employee. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences. Accrued vested sick pay is recorded as a non-current liability in the government-wide financial statements.

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

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

2. Summary of Significant Accounting Policies (Continued)

K. 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.

Non-spendable - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned - amounts that are available for any purpose; positive amounts are reported only in the general fund.

L. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets - is intended to reflect the portion of net position which is 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 Net Position - is liquid assets (generated from revenues and not bond proceed 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 Net Position - represents 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 position is available.

2. Summary of Significant Accounting Policies (Continued)

M. Use of Estimates

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

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

Interest in the 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. Accordingly, the investments of the Department consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office. At June 30, 2013 the Department had the following invested in the General Fund Investment Pool:

SHARE Fund Name:

Fund 20050 - Homeland Security & Emergency Management General Fund	\$ -
Fund 20380 - Executive Orders - State Disaster Special Revenue Fund	10,211,226
Fund 89200 - Capital Projects Fund	-
Total Interest in the General Fund Investment Pool	<u>\$ 10,211,226</u>

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, 2013.

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

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items were unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of the New Mexico Department of Finance & Administration undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Department of Finance Administration (DFA), 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, conducted a Cash Management Remediation Project (Remediation Project) with a goal of achieving "a point forward" reconciliation of cash, in February 2013. A DFA representative verbally indicated to the Office that the SHARE cash reconciliation process from February 2013 forward, is working for agencies like the Office that issue warrants through DFA. As of June 30, 2013, the old unreconciled items that occurred from July 1, 2006 through February 2013, remain unreconciled.

On March 15, 2013, the third party PeopleSoft Treasury expert provided DFA with an additional report titled "Approach to the Historical Reconciliation of Bank Transactions." This report describes three possible approaches to addressing the remaining reconciliation issue: (1) adjust balances only; (2) fully reconcile only the differences created from 2010 through the present that were created while Wells Fargo was the fiscal agent; or (3) fully reconcile the differences created: from 2002 through 2006 while Wells Fargo was the fiscal agent, from 2006 through 2010 while Bank of America was the fiscal agent and from 2010 through the present while Wells Fargo was again the fiscal agent. DFA is currently requesting a 3.2 million dollar supplemental appropriation to address the remaining reconciliation issues.

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, 2013.

4. Due From/Due To Other State Agencies

The following amounts are due from other state agencies as of June 30, 2013:

Name of Agency	Fund Number	Purpose	Amount
ENMRD - WIPP	20054	WIPP FY13 - needed to do drawdown for June 2013	\$ 15,909
Severance Bonds	89200	Funding needs to be drawn down and close out building project.	37,345
Total Due From Other State Agencies			\$ 53,254

5. Due From Federal Government

At June 30, 2013, \$17,678,326 was due from the federal government representing reimbursable expenditures for grant awards.

6. Due To/From Other Funds

The following schedule shows the due to/from other funds as of June 30, 2013:

From Fund	To Fund	Due To	Due From
20050	20380	\$ 2,250,000	
		7,125,434	
20380	20050		\$ 2,250,000
			7,125,434
89200	20380	37,345	
20380	89200		37,345

The amount of \$2,250,000 represents appropriations for executive orders posted incorrectly to Fund 20050. Executive order appropriations should be coded to Fund 20380. The remaining due to/from are related to cash overdrafts at the individual level. These shortages were covered by cash balances available from other funds and will be repaid.

7. Capital Assets

The capital asset activity for the governmental activities for the year ended June 30, 2013, is as follows:

	Restated		Adjusted			Ending
	Balance		Balance	Additions	Deletions	Balance
	06/30/12	Reclass	06/30/12			06/30/13
Cost:						
Buildings	\$ 5,566,201	\$ -	\$ 5,566,201	\$ -	\$ -	\$ 5,566,201
Construction in Progress	-	-	-	-	-	-
Data processing equipment	1,342,096	13,816	1,355,912	-	-	1,355,912
Equipment and machinery	1,302,875	(13,816)	1,289,059	315,499	-	1,604,558
Automobiles	1,772,086	-	1,772,086	54,048	-	1,826,134
	<u>9,983,258</u>	<u>-</u>	<u>9,983,258</u>	<u>369,547</u>	<u>-</u>	<u>10,352,805</u>
Accumulated Depreciation:						
Buildings	1,949,020	-	1,949,020	278,310	-	2,227,330
Construction in Progress	-	-	-	-	-	-
Data processing equipment	1,124,582	7,484	1,132,066	129,396	-	1,261,462
Equipment and machinery	683,226	(7,484)	675,742	113,340	-	789,082
Automobiles	1,527,582	-	1,527,582	123,039	-	1,650,621
	<u>5,284,410</u>	<u>-</u>	<u>5,284,410</u>	<u>644,085</u>	<u>-</u>	<u>5,928,495</u>
Net Capital Assets:						
Buildings	3,617,181	-	3,617,181	(278,310)	-	3,338,871
Construction in Progress	-	-	-	-	-	-
Data processing equipment	217,514	6,332	223,846	(129,396)	-	94,450
Equipment and machinery	619,649	(6,332)	613,317	202,159	-	815,476
Automobiles	244,504	-	244,504	(68,991)	-	175,513
Net capital assets	<u>\$ 4,698,848</u>	<u>\$ -</u>	<u>\$ 4,698,848</u>	<u>\$ (274,538)</u>	<u>\$ -</u>	<u>\$ 4,424,310</u>

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$644,085 and is considered a public safety expense.

8. Accrued Salaries Payable

Accrued salaries payable at June 30, 2013 amounted to \$38,856. This amount represents 50% of the total payroll paid on July 13, 2013, for the pay period June 23, 2013 through July 6, 2013.

9. 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 \$164,231 in the Statement of Net Position for annual leave based on current pay rates and hours accumulated at June 30, 2013. The General Fund is typically used to liquidate compensated absences.

A summary of changes in the compensated absences payable for the year ended June 30, 2013, is as follows:

	Beginning Balance 06/30/12	Additions	Deletions	Ending Balance 06/30/13	Current Portion
Total Compensated Absences Payable	\$ 194,530	\$ 150,611	\$ (180,910)	\$ 164,231	\$ 114,579

10. Due To Federal Government

At June 30, 2013, \$2,593,879 was due to the federal government representing state-dated warrants of prior-year federal expenditures which were not presented for payment by the payees.

11. Reserve for Subsequent Year's Expenditures

	General Fund (20050)	Executive Orders State Disaster Fund (20380)	Total
Unexpended Multi-Year appropriation - Ruidoso Flooding Z810505	\$ 3,882,373	\$ -	\$ 3,882,373
Unexpended Executive Orders State Disaster Fund appropriations	-	19,509,780	19,509,780
Reserved for Subsequent Years' Expenditures, June 30, 2013	\$ 3,882,373	\$ 19,509,780	\$ 23,392,153

12. Special and Other Specific Appropriations

General Fund 20050

Fund	Appropriation/Laws	Balance at 06/30/12	New Appropriations	Refund of PY Expenditures	FY2013 Expenditures Disbursements	Reverted	Unexpended Balance at 06/30/13
Flooding in Lincoln and Otero counties	Laws 2008 Ch. 8, Sec. 1, Item A	\$ 3,968,423	\$ -	\$ -	\$ (86,050)	\$ -	\$ 3,882,373

Executive Orders -State Disaster Fund 20380

Fund	Appropriation/Laws	Restated Balance 06/30/12	New Appropriations	Refund of PY Expenditures	FY2013 Expenditures Disbursements	Reverted	Unexpended Balance at 06/30/13
Flooding	NMEO 2007-019	\$ 22,671	\$ -	\$ -	\$ -	\$ -	\$ 22,671
Flooding	NMEO 2007-020	677,736	-	-	-	-	677,736
Flooding	NMEO 2007-022	624,405	-	-	-	-	624,405
Drought	NMEO 2008-037	311,087	-	-	(11,915)	-	299,172
Flooding	NMEO 2010-031	-	-	-	-	-	-
Flooding	NMEO 2010-034	424,037	-	-	(84,767)	-	339,270
Flooding	NMEO 2010-035	397,712	-	-	-	-	397,712
Flooding	NMEO 2010-036	717,688	-	-	(11,375)	-	706,313
Storm	NMEO 2010-042	218,470	-	-	-	-	218,470
Storm	NMEO 2011-014	448,109	-	-	(14,520)	-	433,589
Wildfire	NMEO 2011-040	197,319	-	-	(78,283)	-	119,036
Wildfire	NMEO 2011-047	199,436	-	-	(75,432)	-	124,004
Wildfire	NMEO 2011-053	734,096	-	-	(68,937)	-	665,159

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Notes to Financial Statements

12. Special and Other Specific Appropriations (Continued)

Executive Orders-State Disaster Fund 20380 (Continued)

Fund	Appropriation/Laws	Restated Balance 06/30/12	New Appropriations	Refund of PY Expenditures	FY2013 Expenditures Disbursements	Reverted	Unexpended Balance at 06/30/13
Wildfire	NMEO 2011-061	100,000	-	-	-	-	100,000
Flooding	NMEO 2011-063	4,388	-	-	(4,388)	-	-
Wildfire	NMEO 2011-075	300,000	-	-	-	-	300,000
Wildfire	NMEO 2012-007	250,000	-	-	(177,541)	-	72,459
Flooding	NMEO 2012-008	450,000	-	-	(202,975)	-	247,025
Wildfire	NMEO 2012-014	500,000	-	-	(101,450)	-	398,550
Wildfire	NMEO 2012-015	750,000	-	-	(69,883)	-	680,117
Wildfire	NMEO 2012-018	750,000	-	-	(139,244)	-	610,756
Flooding	NMEO 2012-031	-	750,000	-	(750,000)	-	-
Flooding	NMEO 2012-032	-	750,000	-	(592,015)	-	157,985
Landslide	NMEO 2012-036	-	125,000	-	(74,946)	(50,054)	-
Hurricane Sandy	NMEO 2012-038	-	200,000	-	(6,354)	-	193,646
Flooding	NMEO 2013-001	-	10,500,000	-	(465,734)	-	10,034,266
Freezing Temps	NMEO 2013-004	-	100,000	-	(10,652)	-	89,348
Wildfire	NMEO 2013-008	-	750,000	-	(1,460)	-	748,540
Wildfire	NMEO 2013-010	-	500,000	-	(449)	-	499,551
Flooding	NMEO 2013-022	-	750,000	-	-	-	750,000
		\$ 8,077,154	\$ 14,425,000	\$ -	\$ (2,942,320)	\$ (50,054)	\$ 19,509,780

13. State General Fund Appropriations

State General Fund Appropriations consist of the following for the year ended June 30, 2013:

Fund 20050	
50th Legislature, 2nd Session, Laws 2012, Chapter 1, Section 1.B (1)	\$ 2,393,200
Fund 20380	
Executive Orders	<u>14,425,000</u>
	<u>\$ 16,818,200</u>

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.

14. State General Fund Reversions

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 FY2013, the Department was appropriated \$2,393,200 from 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. For FY13, the amount reverted back to the State General Fund amounted to \$307,648.

The Executive Orders State Disasters Fund (SHARE Fund No. 20380) receives State General Fund appropriations annually for executive orders. Any unexpended funds at the end of the year do not revert to the State General Fund. In FY2013, the Department was appropriated \$14,425,000 from the State General Fund. For FY13, the amount reverted back to the State General Fund amounted to \$50,054 for executive orders.

15. 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 <http://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, state hazardous duty, state police and adult correctional officers, municipal 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 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 years ending June 30, 2013, 2012 and 2011 were \$436,231, \$361,506, and \$426,684, respectively, which equal the amount of the required contributions for each fiscal year.

16. 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.

16. Post Employment Benefits - State Retiree Health Care Plan (Continued)

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.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$57,890, \$49,437, and \$46,764, respectively, which equal the required contributions for each year.

17. 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, 2012, through June 30, 2013.

18. 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.

19. Prior Period Adjustment to Net Position/Fund Balance

The Department's restated net position at June 30, 2012 is as follows:

	Governmental		Total	
	Fund Balance	Government-Wide		
	Restricted	Invested in Capital Assets	Unrestricted	
			Net Position	
Beginning net position, as previously reported	\$ 12,776,240	\$ 4,785,250	\$ (194,530)	\$ 17,366,960
Adjustment for restricted fund balance, for executive order appropriations, which was miscalculated at June 30, 2012	(104,781)	-	-	(104,781)
Adjustment for restricted fund balance, for federal indirect reimbursements, which was miscalculated at June 30, 2012	(625,882)	-	-	(625,882)
Adjustment to net capital assets which was miscalculated in prior fiscal years	-	(86,402)	-	(86,402)
Beginning net position, as corrected	<u>\$ 12,045,577</u>	<u>\$ 4,698,848</u>	<u>\$ (194,530)</u>	<u>\$ 16,549,895</u>

19. Prior Period Adjustment to Net Position/Fund Balance (Continued)

The restatement of capital assets at June 30, 2012 is as follows:

	Balance at 06/30/12	Prior Period Adjustment	Restated Balance at 06/30/12
Cost:			
Buildings	\$ 5,617,533	\$ (51,332)	\$ 5,566,201
Construction in-progress	-	-	-
Data processing equipment	1,373,737	(31,641)	1,342,096
Equipment and machinery	1,331,724	(28,849)	1,302,875
Automobiles	1,716,582	55,504	1,772,086
	<u>10,039,576</u>	<u>(56,318)</u>	<u>9,983,258</u>
Accumulated Depreciation:			
Buildings	1,949,875	(855)	1,949,020
Construction in-progress	-	-	-
Data processing equipment	1,047,887	76,695	1,124,582
Equipment and machinery	765,014	(81,788)	683,226
Automobiles	1,491,550	36,032	1,527,582
	<u>5,254,326</u>	<u>30,084</u>	<u>5,284,410</u>
Net Capital Assets:			
Buildings	3,667,658	(50,477)	3,617,181
Construction in-progress	-	-	-
Data processing equipment	325,850	(108,336)	217,514
Equipment and machinery	566,710	52,939	619,649
Automobiles	225,032	19,472	244,504
	<u>\$ 4,785,250</u>	<u>\$ (86,402)</u>	<u>\$ 4,698,848</u>

19. Prior Period Adjustment to Net Position/Fund Balance (Continued)

The restatement of executive orders at June 30, 2012 is as follows:

Fund	Appropriation/Laws	Balance at 06/30/12	Prior Period Adjustment	Restated Balance at 06/30/12
Flooding	NMEO 2007-019	\$ 24,074	\$ (1,403)	\$ 22,671
Flooding	NMEO 2007-020	677,736	-	677,736
Flooding	NMEO 2007-022	624,404	1	624,405
Drought	NMEO 2008-037	311,087	-	311,087
Flooding	NMEO 2010-031	105,061	(105,061)	-
Flooding	NMEO 2010-034	424,037	-	424,037
Flooding	NMEO 2010-035	397,712	-	397,712
Flooding	NMEO 2010-036	717,688	-	717,688
Storm	NMEO 2010-042	218,470	-	218,470
Storm	NMEO 2011-014	448,108	1	448,109
Wildfire	NMEO 2011-040	187,487	9,832	197,319
Wildfire	NMEO 2011-047	199,889	(453)	199,436
Wildfire	NMEO 2011-053	743,474	(9,378)	734,096
Wildfire	NMEO 2011-061	100,000	-	100,000
Flooding	NMEO 2011-063	4,389	(1)	4,388
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 2012-018	748,319	1,681	750,000
		<u>\$ 8,181,935</u>	<u>\$ (104,781)</u>	<u>\$ 8,077,154</u>

20. Subsequent Events

The Department has been notified by the federal government that \$812,722 of expenditures in years prior to FY13, 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 2015 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. Management believes it is probable that they will be successful in receiving the \$812,722 deficiency State General Fund appropriation, and has presented this amount as a Due from State General Fund.

21. Deficit Net Position Balance

The unrestricted net position balance of the Department reflects a deficit of \$164,231. This deficit is the result of the liability for compensated absences payable of \$164,231 at June 30, 2013.

SUPPLEMENTAL 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, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ 2,393,200	\$ 2,393,200	\$ 2,393,200	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	34,169,600	34,474,266	16,857,263	(17,617,003)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	183,300	183,300	5,933	(177,367)
Other filing fees	110,000	110,000	56,875	(53,125)
Severance tax bond appropriation	-	-	-	-
	<u>36,856,100</u>	<u>37,160,766</u>	<u>\$ 19,313,271</u>	<u>\$ (17,847,495)</u>
Prior year funds rebudgeted	-	-		
Total revenues budgeted	<u>\$ 36,856,100</u>	<u>\$ 37,160,766</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ 4,280,500	\$ 4,300,500	\$ 3,946,055	\$ 354,445
Contractual services	1,415,600	1,497,600	510,014	987,586
Other costs	31,160,000	31,362,666	14,513,188	16,849,478
	<u>\$ 36,856,100</u>	<u>\$ 37,160,766</u>	<u>\$ 18,969,257</u>	<u>\$ 18,191,509</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 19,313,271	
Adjustments: None			-	
Budget basis revenue			<u>\$ 19,313,271</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 18,969,257	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 18,969,257</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 FY2014 budget.

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 Z1659 FEMA 1659)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	390,204	-	(390,204)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>390,204</u>	<u>\$ -</u>	<u>\$ (390,204)</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 390,204</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	390,204	-	390,204
	<u>\$ -</u>	<u>\$ 390,204</u>	<u>\$ -</u>	<u>\$ 390,204</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ -	
Adjustments: None			-	
Budget basis revenue			<u>\$ -</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ -	
Adjustments: None			-	
Budget basis expenditures			<u>\$ -</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY2014 budget.

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 Z1783 FEMA 1783)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	933,430	362,559	(570,871)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	-	933,430	<u>\$ 362,559</u>	<u>\$ (570,871)</u>
Prior year funds rebudgeted	-	-		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 933,430</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ 263,628	\$ -	\$ 263,628
Contractual services	-	112,000	-	112,000
Other costs	-	557,802	359,150	198,652
	<u>\$ -</u>	<u>\$ 933,430</u>	<u>\$ 359,150</u>	<u>\$ 574,280</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 362,559	
Adjustments: None			-	
Budget basis revenue			<u>\$ 362,559</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 359,150	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 359,150</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 FY2014 budget.

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 Z1936 FEMA 1936)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	2,349,832	593,017	(1,756,815)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>2,349,832</u>	<u>\$ 593,017</u>	<u>\$ (1,756,815)</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 2,349,832</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ 117,474	\$ -	\$ 117,474
Contractual services	-	-	-	-
Other costs	-	2,232,358	589,607	1,642,751
	<u>\$ -</u>	<u>\$ 2,349,832</u>	<u>\$ 589,607</u>	<u>\$ 1,760,225</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 593,017	
Adjustments: None			-	
Budget basis revenue			<u>\$ 593,017</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 589,607	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 589,607</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 FY2014 budget.

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 Z1962 FEMA 1962)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	109,987	91,082	(18,905)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	-	109,987	\$ 91,082	\$ (18,905)
Prior year funds rebudgeted	-	-		
Total revenues budgeted	\$ -	\$ 109,987		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ 22,000	\$ -	\$ 22,000
Contractual services	-	-	-	-
Other costs	-	87,987	87,963	24
	\$ -	\$ 109,987	\$ 87,963	\$ 22,024
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 91,082	
Adjustments: None			-	
Budget basis revenue			\$ 91,082	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 87,963	
Adjustments: None			-	
Budget basis expenditures			\$ 87,963	

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 FY2014 budget.

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 Z4047 FEMA 4047)
For The Year Ended June 30, 2013

	Budgeted Amounts		Received Expended Through 6/30/2012	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	-	21,296,592	378,750	9,564,742	(11,353,100)
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	-	-	-	-	-
Other filing fees	-	-	-	-	-
Severance tax bond appropriation	-	-	-	-	-
	<u>-</u>	<u>21,296,592</u>	<u>\$ 378,750</u>	<u>\$ 9,564,742</u>	<u>\$ (11,353,100)</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>			
Total revenues budgeted	<u>\$ -</u>	<u>\$ 21,296,592</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ 266,990	\$ -	\$ 3,769	\$ 263,221
Contractual services	-	30,000	-	-	30,000
Other costs	-	20,999,602	378,750	9,608,853	11,011,999
	<u>\$ -</u>	<u>\$ 21,296,592</u>	<u>\$ 378,750</u>	<u>\$ 9,612,622</u>	<u>\$ 11,305,220</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 9,564,742	
Adjustments: None				-	
Budget basis revenue				<u>\$ 9,564,742</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 9,612,622	
Adjustments: None				-	
Budget basis expenditures				<u>\$ 9,612,622</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 FY2014 budget.

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 Z81505 Special Appropriations for Ruidoso Project)
For The Year Ended June 30, 2013

	Budgeted Amounts		Received Expended Through 6/30/2012	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ 4,900,000	\$ 4,900,000	\$ 4,900,000	\$ -	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	-	-	-	-	-
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	-	-	12,593	129	12,722
Other filing fees	-	-	-	-	-
Severance tax bond appropriation	-	-	-	-	-
	<u>4,900,000</u>	<u>4,900,000</u>	<u>\$ 4,912,593</u>	<u>\$ 129</u>	<u>\$ 12,722</u>
Prior year funds rebudgeted	-	-			
Total revenues budgeted	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	4,900,000	4,900,000	931,577	86,050	3,882,373
	<u>\$ 4,900,000</u>	<u>\$ 4,900,000</u>	<u>\$ 931,577</u>	<u>\$ 86,050</u>	<u>\$ 3,882,373</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 129	
Adjustments: None				-	
Budget basis revenue				<u>\$ 129</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 86,050	
Adjustments: None				-	
Budget basis expenditures				<u>\$ 86,050</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 FY2014 budget.

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 A060563 DHSEM - Radio Emergency Network)
For The Year Ended June 30, 2013

	Budgeted Amounts		Received Expended Through 6/30/2012	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	-	-	-	-	-
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	-	-	-	-	-
Other filing fees	-	-	-	-	-
Severance tax bond appropriation	500,000	500,000	500,000	-	-
	<u>500,000</u>	<u>500,000</u>	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>
Prior year funds rebudgeted	-	-			
Total revenues budgeted	<u>\$ 500,000</u>	<u>\$ 500,000</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-	-
Other costs	500,000	500,000	215,198	-	284,802
	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 215,198</u>	<u>\$ -</u>	<u>\$ 284,802</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ -	
Adjustments: None				-	
Budget basis revenue				<u>\$ -</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ -	
Adjustments: None				-	
Budget basis expenditures				<u>\$ -</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY2014 budget.

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 Z4079 FEMA 4079)
For The Year Ended June 30, 2013

	Budgeted Amounts		Received Expended Through 6/30/2012	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	-	5,078,281	-	3,310,670	(1,767,611)
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	-	-	-	-	-
Other filing fees	-	-	-	-	-
Severance tax bond appropriation	-	-	-	-	-
	<u>-</u>	<u>5,078,281</u>	<u>\$ -</u>	<u>\$ 3,310,670</u>	<u>\$ (1,767,611)</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>			
Total revenues budgeted	<u>\$ -</u>	<u>\$ 5,078,281</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ 15,850	\$ -	\$ 1,409	\$ 14,441
Contractual services	-	-	-	-	-
Other costs	-	5,062,431	-	3,307,814	1,754,617
	<u>\$ -</u>	<u>\$ 5,078,281</u>	<u>\$ -</u>	<u>\$ 3,309,223</u>	<u>\$ 1,769,058</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ 3,310,670	
Adjustments: None				-	
Budget basis revenue				<u>\$ 3,310,670</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ 3,309,223	
Adjustments: None				-	
Budget basis expenditures				<u>\$ 3,309,223</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 FY2014 budget.

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 FG2866 FEMA 2866)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	267,933	267,933	-
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>267,933</u>	<u>\$ 267,933</u>	<u>\$ -</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 267,933</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	267,933	267,933	-
	<u>\$ -</u>	<u>\$ 267,933</u>	<u>\$ 267,933</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 267,933	
Adjustments: None			-	
Budget basis revenue			<u>\$ 267,933</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 267,933	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 267,933</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 FY2014 budget.

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 FG2880 FEMA 2880)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	124,694	124,694	-
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>124,694</u>	<u>\$ 124,694</u>	<u>\$ -</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 124,694</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	124,694	124,694	-
	<u>\$ -</u>	<u>\$ 124,694</u>	<u>\$ 124,694</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 124,694	
Adjustments: None			-	
Budget basis revenue			<u>\$ 124,694</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 124,694	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 124,694</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 FY2014 budget.

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 FG2897 FEMA 2897)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	75,184	75,184	-
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>75,184</u>	<u>\$ 75,184</u>	<u>\$ -</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 75,184</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	75,184	75,184	-
	<u>\$ -</u>	<u>\$ 75,184</u>	<u>\$ 75,184</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 75,184	
Adjustments: None			-	
Budget basis revenue			<u>\$ 75,184</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 75,184	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 75,184</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 FY2014 budget.

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 FG2917 FEMA 2917)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	515,274	515,274	497,469	(17,805)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>515,274</u>	<u>515,274</u>	<u>\$ 497,469</u>	<u>\$ (17,805)</u>
Prior year funds rebudgeted	-	-		
Total revenues budgeted	<u>\$ 515,274</u>	<u>\$ 515,274</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	515,274	515,274	497,469	17,805
	<u>\$ 515,274</u>	<u>\$ 515,274</u>	<u>\$ 497,469</u>	<u>\$ 17,805</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 497,469	
Adjustments: None			-	
Budget basis revenue			<u>\$ 497,469</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 497,469	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 497,469</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 FY2014 budget.

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 FG2918 FEMA 2918)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	229,103	4,300,099	4,284,649	(15,450)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>229,103</u>	<u>4,300,099</u>	<u>\$ 4,284,649</u>	<u>\$ (15,450)</u>
Prior year funds rebudgeted	-	-		
Total revenues budgeted	<u>\$ 229,103</u>	<u>\$ 4,300,099</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	229,103	4,300,099	4,284,649	15,450
	<u>\$ 229,103</u>	<u>\$ 4,300,099</u>	<u>\$ 4,284,649</u>	<u>\$ 15,450</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 4,284,649	
Adjustments: None			-	
Budget basis revenue			<u>\$ 4,284,649</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 4,284,649	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 4,284,649</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 FY2014 budget.

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 FG2933 FEMA 2933)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	331,281	1,640,181	1,596,503	(43,678)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>331,281</u>	<u>1,640,181</u>	<u>\$ 1,596,503</u>	<u>\$ (43,678)</u>
Prior year funds rebudgeted	-	-		
Total revenues budgeted	<u>\$ 331,281</u>	<u>\$ 1,640,181</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	331,281	1,640,181	1,596,503	43,678
	<u>\$ 331,281</u>	<u>\$ 1,640,181</u>	<u>\$ 1,596,503</u>	<u>\$ 43,678</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 1,596,503	
Adjustments: None			-	
Budget basis revenue			<u>\$ 1,596,503</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 1,596,503	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 1,596,503</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 FY2014 budget.

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 FG2934 FEMA 2934)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	8,098	83,592	75,494	(8,098)
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>8,098</u>	<u>83,592</u>	<u>\$ 75,494</u>	<u>\$ (8,098)</u>
Prior year funds rebudgeted	-	-		
Total revenues budgeted	<u>\$ 8,098</u>	<u>\$ 83,592</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	8,098	83,592	75,494	8,098
	<u>\$ 8,098</u>	<u>\$ 83,592</u>	<u>\$ 75,494</u>	<u>\$ 8,098</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 75,494	
Adjustments: None			-	
Budget basis revenue			<u>\$ 75,494</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 75,494	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 75,494</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 FY2014 budget.

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 FG2935 FEMA 2935)
For The Year Ended June 30, 2013

	Budgeted Amounts		Current	Variance with
	Original	Final	Year Actual Budget Basis	Favorable (Unfavorable)
Revenues:				
State General Fund:				
General Fund appropriation	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-
Federal funds:				
Intra-state federal grants	-	3,173,028	3,173,028	-
Federal indirect cost revenue	-	-	-	-
Other funds:				
Other	-	-	-	-
Other filing fees	-	-	-	-
Severance tax bond appropriation	-	-	-	-
	<u>-</u>	<u>3,173,028</u>	<u>\$ 3,173,028</u>	<u>\$ -</u>
Prior year funds rebudgeted	<u>-</u>	<u>-</u>		
Total revenues budgeted	<u>\$ -</u>	<u>\$ 3,173,028</u>		
Expenditures:				
Public Safety:				
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other costs	-	3,173,028	3,173,028	-
	<u>\$ -</u>	<u>\$ 3,173,028</u>	<u>\$ 3,173,028</u>	<u>\$ -</u>
Reconciliation of GAAP basis to budgetary basis revenue:				
GAAP basis revenue			\$ 3,173,028	
Adjustments: None			-	
Budget basis revenue			<u>\$ 3,173,028</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:				
GAAP basis expenditures			\$ 3,173,028	
Adjustments: None			-	
Budget basis expenditures			<u>\$ 3,173,028</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 FY2014 budget.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis)

Major Capital Projects Fund - DHSEM Addition 89200 - Department A093084
For The Year Ended June 30, 2013

	Budgeted Amounts		Received Expended Through 6/30/2012	Current Year Actual Budget Basis	Variance with Favorable (Unfavorable)
	Original	Final			
Revenues:					
State General Fund:					
General Fund appropriation	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous revenue	-	-	-	-	-
Federal funds:					
Intra-state federal grants	-	-	-	-	-
Federal indirect cost revenue	-	-	-	-	-
Other funds:					
Other	-	-	-	-	-
Other filing fees	-	-	-	-	-
Severance tax bond appropriation	951,515	951,515	873,460	-	(78,055)
	<u>951,515</u>	<u>951,515</u>	<u>\$ 873,460</u>	<u>\$ -</u>	<u>\$ (78,055)</u>
Prior year funds rebudgeted	-	-			
Total revenues budgeted	<u>\$ 951,515</u>	<u>\$ 951,515</u>			
Expenditures:					
Public Safety:					
Personal services and employee benefits	\$ -	\$ -	\$ -	\$ -	\$ -
Contractual services	732,640	732,640	679,822	-	52,818
Other costs	218,875	218,875	193,638	-	25,237
	<u>\$ 951,515</u>	<u>\$ 951,515</u>	<u>\$ 873,460</u>	<u>\$ -</u>	<u>\$ 78,055</u>
Reconciliation of GAAP basis to budgetary basis revenue:					
GAAP basis revenue				\$ -	
Adjustments: None				-	
Budget basis revenue				<u>\$ -</u>	
Reconciliation of GAAP basis to budgetary basis expenditures:					
GAAP basis expenditures				\$ -	
Adjustments: None				-	
Budget basis expenditures				<u>\$ -</u>	

Note: The actual expenditures on the budgetary basis do not include any accounts payable that required a request to pay prior-year bills out of the FY2014 budget.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2013

Federal Grantor / Pass-through Grantor / Program Title	CFDA Number	Pass Thru Identifying #	Federal Expenditures
United States Department of Homeland Security			
FEMA PDM	97.047	N/A	\$ 1,441
FEMA CAP-SSSE	97.023	N/A	55,731
FEMA US&R	97.025	N/A	849,225
FEMA-1783-DR	97.036	N/A	362,559
Hazard Mitigation Grant	* 97.039	N/A	23,717,840
FEMA Earthquake Grant	97.082	N/A	1,765
DHS EMPG	* 97.042	N/A	3,147,008
DHS SHSGP	* 97.067	N/A	12,199,624
Total United States Department of Homeland Security			<u>40,335,193</u>
United States Department of Commerce / National Telecommunications and Information Administration			
07-DHS PSIC	11.555	N/A	<u>280,582</u>
United States Department of Transportation / Pipeline and Hazardous Materials Safety Administration			
HMGP / HMEP Program	20.703	N/A	<u>126,414</u>
United States Department of Energy			
Passed through New Mexico Energy & Minerals Department EMNRD WIPP	81.106	DE-FC29-88AL538I3	<u>132,098</u>
Total Federal Expenditures			<u><u>\$ 40,874,287</u></u>

* Major program

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*.

2. Grants Administered by Department

During FY13 the ASD managed 65 federal grants. Within those awards there are a total of 320 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 duties in FY13/FY14 this number will rise significantly. The grants that are managed in ASD are listed below. The amounts of the grants were not available by sub-grantee.

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 11 0-329), 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.

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

2. Grants Administered by Department (Continued)

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 11 0-329). 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.

2. Grants Administered by Department (Continued)

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.

3. Non-Cash Assistance Provided

There was no non-cash assistance provided to the Department for the fiscal year ending June 30, 2013.

OTHER SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S 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
State of New Mexico
Department of Homeland Security
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the New Mexico Department of Homeland Security (the Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 13, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are

free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 13-01.

The Department's Response to Finding

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

Purpose of This Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
December 13, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN REQUIRED BY OMB CIRCULAR A-133**

Gregory Myers, Cabinet Secretary
State of New Mexico
Department of Homeland Security
and
Mr. Hector H. Balderas
New Mexico State Auditor
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the New Mexico Department of Homeland Security (the Department) compliance with the types of compliance requirements described in the *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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

In our opinion, the Department, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 13-01. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 13-01 that we consider to be a significant deficiency.

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

December 13, 2013

Independent Auditor's Report On Compliance For Each Major Program And On Internal Control Over Compliance Required With OMB Circular A-133, continued

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
December 13, 2013

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditors' report issued Unmodified

Internal Control over financial reporting:

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses? ___ Yes X No

Non-compliance material to financial statements noted? ___ Yes X No

Other matters noted? ___ Yes X No

Federal Awards:

Internal Control

Material weaknesses identified? ___ Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses? X Yes _____ No

Type of auditors' report issued on major programs Unmodified

Any audit findings disclosed that are required to be
reported in accordance with section 510(a) of Circular A-133? X Yes _____ No

Identification of major program as noted below:

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
97.039	Hazard Mitigation Grant	Federal Emergency Management Agency
97.042	Emergency Management Performance Grants	U.S. Department of Homeland Security
97.067	Homeland Security Grant Program	U.S. Department of Homeland Security

Dollar threshold used to distinguish between
A and B programs: \$1,226,272

Auditee qualified as low-risk auditee? _____ Yes X No

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>Federal Award Finding</u>	<u>State Auditor Finding</u>	<u>Material Weakness</u>	<u>Significant Deficiency</u>	<u>Compliance</u>
<u>Prior Year Findings</u>							
10-01 - Federal Grants Receivable and Schedule of Federal Expenditures of Federal Awards	Resolved	Yes	No	No	Yes	Yes	No
11-01 - Reconciliation of General Ledger	Resolved	Yes	No	No	Yes	Yes	No
11-02 - Financial Statements Preparation SAS 115	Resolved	Yes	No	No	No	Yes	No
<u>Current Year Findings</u>							
13-01 - Subgrantee Reporting	Current	Yes	Yes	No	No	Yes	Yes

CURRENT YEAR FINDINGS

13-01 – SUBRECIPIENT REPORTING – SIGNIFICANT DEFICIENCY

Funding Agency: U.S. Department of Homeland Security

Title: FEMA-4079-DR-NM

CFDA #: 97.039

Award #: FEMA-4079-001

Award Period: 8/24/2012 - Current

Estimated Questioned Costs: N/A

Statement of Condition

The New Mexico Department of Homeland Security and Emergency Management (the Department) awarded a sub-grant to the City of Alamogordo (the applicant). The sub-grant agreement requires the applicant to submit quarterly reports to the Department's Recovery Unit, but did not receive the quarterly report from the applicant.

It is noted that the Department did monitor the sub-grant with the City of Alamogordo as there were on-site reviews of the project by the Department personnel.

Criteria

Per the sub-grant agreement between the City and the Department, the applicant is required to submit quarterly reports to the Department.

Cause

DHSEM representatives have been monitoring the City of Alamogordo's Bonito project but have not enforced the written requirement of quarterly reports from the City.

Effect

DHSEM is not in compliance with their monitoring requirements, and certain documentation of proof of monitoring is not present.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013**

Recommendation

We recommend that the Department enforce the requirement of quarterly reports from its sub-grantees when appropriate.

Management Response

The Department is currently reorganizing the grant administrative functions of the sub-grant agreements previously managed by the Response and Recovery Bureau. As a result, the grant staff in ASB will be managing the sub-awards. This change will bring continuity to the management and monitoring of all awards which includes receiving and reviewing quarterly reports.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY
Exit Conference
For the Year Ended June 30, 2013**

An exit conference was held on December 13, 2013. Present at the exit conference were:

For Department of Homeland Security:

Gregory Myers
Anita Statman
Robert McGee
Peggy Martinez

Cabinet Secretary
Deputy Cabinet Secretary
Chief Information Officer
Chief Financial Officer/Budgetary Director

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE
Katelyn Constantin

President/Managing Shareholder
Audit Manager

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Department have been prepared by the Department and their consultants, the financial statements are the responsibility of management.