



Timothy Keller
State Auditor

State of New Mexico
OFFICE OF THE STATE AUDITOR
Elected for Better Government

Sanjay Bhakta, CPA, CGFM,
CFE
Deputy State Auditor

VIA EMAIL

February 2, 2015

Mitchell Jay, Cabinet Secretary
C/O Adolfo Montoya, ASB Bureau Chief/CFO
Department of Homeland Security & Emergency Management
Adolfo.montoya@state.nm.us

Dear Secretary Mitchell,

The Office of the State Auditor reviewed the audit of the Department of Homeland Security & Emergency Management for Fiscal Year 2014. As part of our review, our team identified select matters and findings that we will refer for additional test work in the Fiscal Year 2015 audit, and which may lead to subsequent actions by our office.

We intend to require additional test work and to require specific details related to the auditor determination of whether the Department has implemented its proposed changes to internal controls to address:

- **Finding 2013-001**, identifying a repeat significant deficiency and instance of noncompliance regarding failure to submit federal quarterly reports by the sub-grantees to the Department;
- **Finding 2014-001**, identifying an "other matter" because the auditor noted that the Department had not identified controls to ensure documentation of when a check was received in the mail; and
- **Finding 2014-002**, identifying an "other matter" arising from prepayment of vendors in violation of the Procurement Code.

In addition, we observed that the Department has \$34,005,399 in executive order appropriation balances that date back to April 2007 and \$40 million in open budgets pertaining to various disasters New Mexico has experienced over the last years. The audit did not identify any valid reason for maintaining these high balances of funds intended to help New Mexico communities. Because our assessment is based only on the information available in the audit report, we want to provide an opportunity clarify and provide an explanation. Please respond to this Office no later than 45 days from the date of this letter regarding the Agency's explanation of this situation and any corrective action that is planned or under way. We may use this information in evaluating whether any additional test work, designation or other referral is necessary in connection with the Department's Fiscal Year 2015 audit. Please do not hesitate to contact our auditor Anna Williams at Anna.Williams@osa.state.nm.us or (505) 476-3800 if you have questions about this letter.

Sincerely,

A handwritten signature in black ink that reads "Timothy Keller".

Tim Keller, State Auditor

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February 2, 2015

SAO Ref. No. 795

Mitchell Jay, Cabinet Secretary
Department of Homeland Security and Emergency Management
PO Box 27111
Santa Fe, NM 87502-

SUBJECT: Audit Report—Department of Homeland Security and Emergency Management—2013-2014
Fiscal Year—Prepared by Hinkle & Landers, PC

The audit report for your agency was received by the Office of the State Auditor (Office) on December 16, 2014. The State Auditor's review of the audit report required by Section 12-6-14 (B) NMSA 1978 and 2.2.2.13 NMAC has been completed. This letter is your authorization to make the final payment to the independent public accountant (IPA) who contracted to perform your agency's financial and compliance audit. In accordance with the Section 2 of the audit contract, the IPA is required to deliver the specified number of copies of the audit report to the agency.

Pursuant to Section 12-6-5 NMSA 1978, the audit report does not become public record until five days after the date of this release letter, unless your agency has already submitted a written waiver to the Office. Once the five-day period has expired or upon the Office's receipt of a written waiver, the audit report shall be:

- released by the Office to the Legislative Finance Committee, the Department of Finance and Administration, and the State Treasurer
- posted by the Office to our website

The independent public accountant's findings and comments are included in the audit report on pages 61-64. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments. Section 2.2.2.10(J) NMAC requires that an exit conference be held with representatives of the agency's governing authority and top management.**

A handwritten signature in cursive script that reads "Timothy Keller".

Timothy Keller
State Auditor

cc: Hinkle & Landers, PC



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

For The Year Ended June 30, 2014

STATE OF NEW MEXICO
DEPARTMENT HOMELAND SECURITY & EMERGENCY MANAGEMENT
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For The Year Ended June 30, 2014

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DEPARTMENT HOMELAND SECURITY & EMERGENCY MANAGEMENT
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Official Roster
As Of June 30, 2014

Name	Title
Gregory Myers	Cabinet Secretary
Anita Statman	Deputy Cabinet Secretary
Adolfo Montoya	Chief Financial Officer



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, 2014, 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 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, 2014, 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.

Opinion

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, 2014, 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, the respective changes in financial position and the major capital project fund of the Department for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the 2013 financial statements have been restated to correct an immaterial misstatement. Our opinion is not modified with respect to this matter.

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 as listed in the table of contents 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 of Federal Awards 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 15, 2014, 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* in considering the Department’s internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
December 15, 2014

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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, 2014. 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.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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.

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).

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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.

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, 2014. 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, 2014	Prior Year June 30, 2013	Increase or (Decrease)	% Increase or (Decrease)
Assets:				
Investment in State Treasurer General Fund				
Investment Pool	\$ 37,722,345	10,211,226	27,511,119	269.42%
Due from other state agencies	796	53,254	(52,458)	-98.51%
Due from State General Fund	-	812,722	(812,722)	-100.00%
Due from federal government	6,374,787	17,678,326	(11,303,539)	-63.94%
Prepaid/Travel advances	4,659	-	4,659	-100.00%
Capital assets, net of depreciation	3,933,913	4,424,310	(490,397)	-11.08%
Total assets	\$ 48,036,500	33,179,838	14,856,662	44.78%
Liabilities:				
Investment in State Treasurer General Fund				
Investment Pool Overdraft	\$ 10,000	-	10,000	-100.00%
Accounts payable	2,877,887	2,011,991	865,896	43.04%
Accrued salaries payable	39,221	38,856	365	0.94%
Payroll taxes payable	14,045	15,700	(1,655)	-10.54%
Payroll benefits payable	26,635	23,370	3,265	13.97%
Due to State General Fund	1,166,599	646,711	519,888	80.39%
Due to State General Fund - stale dated warrants	34,751	32,322	2,429	7.52%
Due to local governments	-	546	(546)	-100.00%
Due to federal government	3,613,837	2,593,879	1,019,958	39.32%
Compensated absences payable- current	59,853	114,579	(54,726)	-47.76%
Compensated absences payable- long-term	59,804	49,652	10,152	20.45%
Total liabilities	7,902,632	5,527,606	2,375,026	42.97%
Net Position:				
Net investment in capital assets	3,933,913	4,424,310	(490,397)	-11.08%
Restricted	35,080,552	23,392,153	11,688,399	49.97%
Unrestricted	1,119,403	(164,231)	1,283,634	-781.60%
Total net position	\$ 40,133,868	27,652,232	12,481,636	45.14%

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

The governmental activities current assets (excluding capital assets) increased by \$15,337,059, from \$28,775,528 to \$44,092,587, in 2014 or 53%. This change is significant and primarily results from increased grants receivable.

The governmental activities current liabilities increased by \$2,364,874 from \$5,477,954 in 2013, to \$7,842,828 in 2014, or 43%. This increase is mostly attributable to an increase in amounts due to the federal government of \$1,019,958 and accounts payable of \$865,896. Long-term liabilities which are comprised of compensated absences decreased by \$10,152. The governmental activities net position increased by \$12,481,636 which was attributable to a \$490,397 decrease in capital assets (depreciation expense of \$627,594, capital asset additions of \$187,124 which were purchased during the year and a negative prior period adjustment of \$49,927). In addition, the amount restricted increased by \$11,688,399 and the unrestricted net position increased by \$1,283,634.

Changes in Net Position

The Statement of Activities summarizes the Department's changes in net position for the fiscal year ending June 30, 2014. The following condensed financial information was derived from the government-wide Statement of Activities for the current year.

STATEMENT OF ACTIVITIES				
	Current Year June 30, 2014	Prior Year June 30, 2013	Increase or (Decrease)	% Increase or (Decrease)
Expenses:				
Governmental activities:				
Public safety	\$ 28,813,421	45,651,300	(16,837,879)	-36.88%
Depreciation expense	627,594	644,085	(16,491)	-2.56%
	29,441,015	46,295,385	(16,854,370)	-36.41%
Program Revenue:				
Intergovernmental:				
Federal grants - operating	24,238,540	40,874,287	16,635,747	40.70%
Charges for services:				
Other filing fees	62,078	56,875	5,203	9.15%
	24,300,618	40,931,162	16,640,950	40.66%
Net Program (Expenses) Revenue	(5,140,397)	(5,364,223)	223,826	-4.17%
General Revenues and Transfers:				
Transfer - State General Fund appropriations	18,649,278	16,818,200	1,831,078	10.89%
Reversions to State General Fund	(1,104,256)	(357,702)	(746,554)	208.71%
Miscellaneous revenue	32,158	6,062	26,096	430.48%
	17,577,180	16,466,560	1,110,620	6.74%
Change in Net Position	12,436,783	11,102,337	1,334,446	12.02%
Net Position:				
Net Position, Beginning	27,652,232	17,366,960	10,285,272	59.22%
Restatement	44,853	(817,065)	861,918	-105.49%
Net Position, Beginning as Restated	27,697,085	16,549,895	11,147,190	67.36%
Net Position, Ending	\$ 40,133,868	27,652,232	12,481,636	45.14%

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

The governmental activities change in net position increased from the previous year by \$1,334,446. Significant changes in net position were comprised of the following:

		Increase or (Decrease)
Federal grants - operating	\$	(16,635,747)
State General Fund Appropriation		(1,831,078)
Expenditures		16,854,370
	\$	(1,612,455)

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 as noted in the table of contents reported a combined fund balance of \$35,075,211. The fund balance is attributable to the Department's Executive Orders-State Disaster Fund of \$34,005,399, \$1,079,812 of the General Fund and \$(10,000) of the Capital Projects Fund.

The General Fund of the Department reflects a fund balance of \$1,079,812. 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 \$1,166,599 due to the State General Fund from unused State General Fund appropriations and \$34,751 from stale dated warrants at June 30, 2014.

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 \$14,438,795 below budget amounts and actual revenues were \$16,060,057 below budget amounts. All budgeted State General Fund appropriation were drawn and utilized for current operations, except for \$1,104,256, which is being reverted to the State General Fund.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Analysis of Significant Budget Variations

The Department's General Fund No. 20050 original budget was \$34,306,600. Budget increases of \$4,841,833 occurred in 2014 mainly from federal revenues.

The expenditure budget categories were adjusted to reflect the \$4,841,833 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 2014, the final budget was appropriated at \$16,225,000.

The Capital Projects Fund is a multi-year budget; the original and final budget was \$0.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Department's net investment in capital assets for its governmental activities as June 30, 2014, amounts to \$3,933,913 (net of accumulated depreciation). This investment in capital assets consists mainly of buildings, equipment and automobiles. There were additions of \$187,124 which were purchased by the Department during the fiscal year. There were no deletions of capital assets during the fiscal year, but there was a prior period adjustment of \$(49,927). There was no debt related with capital assets at year end.

Infrastructure Assets

The Department does not own any infrastructure assets.

Long-Term Debt

At the end of the current fiscal year, the Department had total long-term debt outstanding of \$59,804, 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 2015 budget was submitted with increases to fund a Mass Notification System for the state, as well as an additional FTE to implement and manage the Mass Notification System. During FY14 the Agency was awarded a \$1,000,000.00 appropriation through the ICIP Program which will be used to fund New Mexico localities in mitigation projects across the state. The agency has also submitted an additional \$ 1,000,000.00 request through the ICIP program to expand the projects to more locals. All recipients will be reviewed for compliance under FEMA guidelines and will also undergo a financial review in order to show financial stability and the ability to complete projects under the program.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

ADMINISTRATIVE SERVICES DIVISION

The Administrative Services Division (ASD) has 7 staff that include:

- one bureau chief (who also serves as CFO).
- one budget manager,
- one HR manager
- one budget analyst,
- one accounts payable specialist,
- one procurement officer),
- two grant specialists,

During the course of FY14 an Administrative Services Bureau Chief was hired and effective 07/01/2014 was appointed CFO by DFA. The acting CFO resumed duties as budget director during the latter part of FY14 and continues in that capacity. The department has hired a budget analyst who is assisting in all areas of finance and grant management. A CPO has been hired and will take part in continuing education in order to gain the Certified Procurement Officer certification as required by DFA.

The two grant staff have accounting degrees. The grant section has operated during the latter part of FY2014 without a Grant Manager with over-site by the ASB Bureau Chief. In FY14 we hired a CPA firm who has reviewed all Grant and Financial process and implemented policies and procedures to streamline and correct past practices in order to keep the monthly reconciliation accurate and timely.

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.

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.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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
M. Jay Mitchell, Cabinet Secretary
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or
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**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY
MANAGEMENT
STATEMENT OF NET POSITION
GOVERNMENT-WIDE
As of June 30, 2014**

		<u>Governmental Activities</u>
<u>ASSETS</u>		
Current assets:		
Investment in State Treasurer General Fund Investment Pool	\$	37,722,345
Due from other state agencies		796
Due from federal government		6,374,787
Prepaid/Travel advances		4,659
Total current assets		<u>44,102,587</u>
Non-current assets:		
Capital assets, net of depreciation		<u>3,933,913</u>
Total assets	\$	<u><u>48,036,500</u></u>
 <u>LIABILITIES & NET ASSETS</u>		
Current liabilities:		
Investment in State Treasurer General Fund Investment Pool Overdraft	\$	10,000
Accounts payable		2,877,887
Accrued salaries payable		39,221
Payroll taxes payable		14,045
Payroll benefits payable		26,635
Due to State General Fund		1,166,599
Due to State General Fund - stale dated warrants		34,751
Due to federal government		3,613,837
Compensated absences payable- current		59,853
Total current liabilities		<u>7,842,828</u>
Long-term liabilities:		
Compensated absences payable- long-term		<u>59,804</u>
Total liabilities		<u>7,902,632</u>
 <u>NET POSITION</u>		
Net investment in capital assets		3,933,913
Restricted		
Other purposes		35,080,552
Unrestricted		1,119,403
Total net position		<u>40,133,868</u>
Total liabilities, deferred inflows of resources, and net position	\$	<u><u>48,036,500</u></u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY
MANAGEMENT
STATEMENT OF ACTIVITIES
GOVERNMENT-WIDE
For The Year Ended June 30, 2014**

	Governmental Activities
Expenses:	
Public safety	\$ 28,813,421
Depreciation expense	627,594
Total program expenses	29,441,015
 Program revenues:	
Intergovernmental:	
Federal grants - operating	24,238,540
Charges for services:	
Other filing fees	62,078
Total program revenues	24,300,618
 Net program (expense) revenue	(5,140,397)
 General revenues and (expenses):	
Transfer - State General Fund appropriations	18,649,278
Reversions to State General Fund	(1,104,256)
Miscellaneous revenue	32,158
Total general revenues and expenses	17,577,180
 Change in net position	12,436,783
 Beginning net position	27,652,232
Restatement	44,853
Beginning net assets, as restated	27,697,085
Ending net position	\$ 40,133,868

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2014**

	<u>Major Funds</u>			
	<u>General Fund (20050)</u>	<u>Executive Orders State Disasters Fund (20380)</u>	<u>Capital Projects Fund (89200)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Investment in State Treasurer General				
Fund Investment Pool	\$ 5,392,515	32,329,830	-	37,722,345
Due from other funds	-	2,250,000	-	2,250,000
Due from other state agencies	796	-	-	796
Due from federal government	6,374,787	-	-	6,374,787
Prepaid/travel advances	4,659	-	-	4,659
	<u>4,659</u>	<u>-</u>	<u>-</u>	<u>4,659</u>
Total assets	\$ <u>11,772,757</u>	<u>34,579,830</u>	<u>-</u>	<u>46,352,587</u>
<u>LIABILITIES & FUND BALANCE</u>				
Liabilities:				
Investment in State Treasurer General				
Fund Investment Pool Overdraft	\$ -	-	10,000	10,000
Accounts payable	2,303,457	574,431	-	2,877,888
Accrued salaries payable	39,221	-	-	39,221
Payroll taxes payable	14,045	-	-	14,045
Payroll benefits payable	26,635	-	-	26,635
Due to other funds	2,250,000	-	-	2,250,000
Due to State General Fund	1,166,599	-	-	1,166,599
Due to State General Fund - stale dated warrants	34,751	-	-	34,751
Due to federal government	3,613,837	-	-	3,613,837
	<u>9,448,545</u>	<u>574,431</u>	<u>10,000</u>	<u>10,032,976</u>
Total liabilities	<u>9,448,545</u>	<u>574,431</u>	<u>10,000</u>	<u>10,032,976</u>
Deferred inflows of resources	<u>1,244,400</u>	<u>-</u>	<u>-</u>	<u>1,244,400</u>
Fund balance:				
Nonspendable: Prepaid expense	4,659	-	-	4,659
Restricted	-	34,005,399	-	34,005,399
Committed	1,075,153	-	-	1,075,153
Assigned	-	-	-	-
Unassigned	-	-	(10,000)	(10,000)
	<u>4,659</u>	<u>34,005,399</u>	<u>(10,000)</u>	<u>35,075,211</u>
Total fund balance	<u>4,659</u>	<u>34,005,399</u>	<u>(10,000)</u>	<u>35,075,211</u>
Total liabilities, deferred inflows of resources, and fund balance	\$ <u>11,772,757</u>	<u>34,579,830</u>	<u>-</u>	<u>46,352,587</u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2014

Total fund balance - Governmental funds	\$	35,075,211
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, are not reported on the governmental funds balance sheet.		3,933,913
Short-term liabilities, including compensated absences payables are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds balance sheet.		(59,853)
Long-term liabilities, including compensated absences payable are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(59,804)
In order to convert to the full accrual basis of accounting, it is necessary to recognize deferred inflows.		1,244,400
Rounding		<u>1</u>
Net position of governmental activities	\$	<u><u>40,133,868</u></u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For The Year Ended June 30, 2014

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund (20050)</u>	<u>Executive Orders State Disasters Fund (20380)</u>	<u>Capital Projects Fund (89200)</u>	
Revenues:				
Intergovernmental:				
Federal grants - operating	\$ 22,885,370	-	-	22,885,370
Federal pass-thru grants - operating	108,770	-	-	108,770
Charges for services:				
Other filing fees	62,078	-	-	62,078
Total revenues	23,056,218	-	-	23,056,218
Expenditures:				
Public Safety				
Current:				
Personal services	3,631,245	7,854	-	3,639,099
Contractual services	1,107,355	127,175	-	1,234,530
Other costs	2,927,762	134,832	-	3,062,594
Capital outlay	187,124	-	-	187,124
Total expenditures	7,853,486	269,861	-	8,123,347
Excess (deficiency) of revenue over expenditures	15,202,732	(269,861)	-	14,932,871
Other financing sources (uses)				
Transfer - State General Fund appropriations	2,424,278	16,225,000	-	18,649,278
Other financing uses - grants	(19,357,473)	(1,564,300)	-	(20,921,773)
Transfer - Reversions to State General Fund	(1,104,256)	-	-	(1,104,256)
Miscellaneous revenue	32,158	-	-	32,158
Total other financing sources (uses):	(18,005,293)	14,660,700	-	(3,344,593)
Net change in fund balance	(2,802,561)	14,390,839	-	11,588,278
Beginning fund balance	3,882,373	19,509,780	-	23,392,153
Restatement	-	104,780	(10,000)	94,780
Beginning fund balance, as restated	3,882,373	19,614,560	(10,000)	23,486,933
Ending fund balance	\$ 1,079,812	34,005,399	(10,000)	35,075,211

See independent auditor's report.
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 BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2014

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

Net change in fund balances (deficit) - total governmental funds	\$	11,588,278
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay expenditures (additions) which were capitalized	187,124	
Depreciation	(627,594)	
Net amount of capital outlay and depreciation expense		(440,470)

Some items reported in the Statement of Activities are not sources of uses of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds.

These activities consist of:

Change in compensated absences		44,575
Receivables collected after 60 days		1,244,400
Differences due to rounding		-
		-

Change in net position of governmental activities	\$	12,436,783
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STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
GENERAL FUND (20050) ALL DEPARTMENTS - MAJOR FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
For The Year Ended June 30, 2014

	Original Budget	Final Budget	Current Actual (Budgetary Basis)	Variance Favorable (Unfavorable)
Revenues				
Federal grants	\$ 34,196,600	39,038,433	22,885,370	(16,153,063)
Federal pass-thru grants	-	-	108,770	108,770
Other filing fees	-	-	62,078	62,078
Miscellaneous revenue	110,000	110,000	32,158	(77,842)
Total revenues	34,306,600	39,148,433	23,088,376	(16,060,057)
Expenditures				
Public Safety				
Personal services and employee benefits	4,323,400	4,248,400	3,631,245	617,155
Contractual services	1,422,200	1,597,200	1,107,355	489,845
Other costs	31,180,400	35,922,233	22,590,438	13,331,795
Total expenditures	36,926,000	41,767,833	27,329,038	14,438,795
Excess (deficiency) of revenues over expenditures	(2,619,400)	(2,619,400)	(4,240,662)	(1,621,262)
Other Financing Sources (Uses)				
State general fund appropriations	2,436,100	2,436,100	2,424,278	(11,822)
Compensation appropriation	-	-	-	-
Intraagency transfer	183,300	183,300	-	(183,300)
Reversion to state general fund FY14	-	-	(1,104,256)	(1,104,256)
Net interagency transfers and financial sources (uses)	2,619,400	2,619,400	1,320,022	(1,299,378)
Net change in fund balance	\$ -	-	(2,920,640)	(2,920,640)
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total budget basis expenditures for fiscal year 2014:			\$ 27,329,038	
Adjustments:				
Current year accounts payable that required a request to current prior-year bills out of the FY2015 budget			(143,518)	
Prior year accounts payable paid out of FY2014 budget			25,439	
Rounding			-	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2014:			27,210,959	
Other financing uses - grants included in other costs			(19,357,473)	
			\$ 7,853,486	

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
EXECUTIVE ORDERS STATE DISASTER FUND (20380) - MAJOR FUND
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (BUDGETARY BASIS)
For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures				
Public Safety				
Personal services and employee benefits	543,750	543,750	7,854	535,896
Contractual services	593,750	593,750	127,175	466,575
Other costs	<u>15,087,500</u>	<u>15,087,500</u>	<u>1,699,132</u>	<u>13,388,368</u>
Total expenditures	<u>16,225,000</u>	<u>16,225,000</u>	<u>1,834,161</u>	<u>14,390,839</u>
 Excess (deficiency) of revenues over expenditures	 <u>(16,225,000)</u>	 <u>(16,225,000)</u>	 <u>(1,834,161)</u>	 <u>14,390,839</u>
Other Financing Sources (Uses)				
State general fund appropriations	16,225,000	16,225,000	16,225,000	-
Reversion to state general fund FY14	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interagency transfers and financial sources (uses)	<u>16,225,000</u>	<u>16,225,000</u>	<u>16,225,000</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>14,390,839</u>	<u>14,390,839</u>

Reconciliation of Budgetary Basis to Fund Financial Statement

Total budget basis expenditures for fiscal year 2014:	\$ 1,834,161
Adjustments:	
Current year accounts payable that required a request to pay current-year bills out of the FY2015 budget	-
Rounding	<u>-</u>
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2014:	1,834,161
Other financing uses - grants included in other costs	<u>(1,564,300)</u>
	<u>\$ 269,861</u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 1 – HISTORY AND FUNCTION

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.

NOTE 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.

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 statewide 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.

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.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 is 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 is 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).

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 Funds

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

capital projects funds as major funds regardless of size. Major individual governmental funds are reported as separate columns in the fund financial statements.

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) (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.

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 and the accrual basis of accounting. Non-exchange 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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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 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.

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The General Fund, Special Revenue Funds and Capital Projects Funds budgetary legal authorization to incur obligations is on a basis that differs from the basis of accounting required by generally accepted accounting principles (GAAP). The budget is prepared on a modified accrual basis and may include encumbrances for multiple year appropriations in fund expenditures (commitments for the expenditure of monies relating to unperformed contracts of orders for goods and services). GAAP includes accrued expenditures but does not include encumbrances in fund expenditures.

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

1. No later than September 1, the Department submits to the Legislative Finance Committee (LFC) and the Budget Division of the Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
2. Budget hearings are scheduled before the New Mexico House of Appropriations and Senate Finance Committees. The final outcome of those hearings are incorporated into the State's General Appropriations Act.
3. The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
4. No later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and object code based upon the appropriation made by the Legislature. The DFA Budget Division reviews and approves the operating budget which becomes effective on July 1. All subsequent budgetary adjustments must be approved by the Director of the DFA Budget Division and by the LFC.
5. Formal budgetary integration is employed as a management control device during the fiscal year for the General Fund and Special Revenue Funds and Capital Projects Funds.
6. Budgetary control is exercised by the Department at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
7. The budget for the General Fund, all Special Revenue Funds and the Capital Projects Fund is adopted on a modified accrual basis of accounting (General Appropriations Act, Chapter 124, Laws of 2009, Section 3, Paragraph N) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any 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 2014 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.

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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.

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 (Unearned Revenue/Deferred Outflows)

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, unearned revenue balances represent an overdraw of cash (advances) in excess of modified accrual basis expenditures. Generally, receivable or unearned 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 sub-grantee 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.

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Depreciation on all assets is provided on the straight-line basis over the following estimated useful life with no salvage value.

Asset Type	Years
Land	Perpetuity
Buildings	20
Furniture and 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.

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	8.00	1.00	30
7-10	9.99	1.25	30
11-14	12.00	1.50	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, 2014, 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

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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.

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.

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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.

N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for 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 2014.

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 the following deferred inflows of resources during fiscal year 2014 on the fund financials, related to federal grant receivables that were not available to the Department in 60 days after year end:

<u>Deferred Inflows of Resources - Fund Financials</u>	
<u>Governmental Activities</u>	
Non-exchange transactions	\$ 1,244,400
Total governmental deferred inflows of resources	\$ <u>1,244,400</u>

O. Evaluation of Subsequent Events

Subsequent events are events or transactions that occur after the statement of net position date but before the financial statements are issued. The Department recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of net position, including the estimates inherent in the process of preparing the financial statements. The Department's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of net position but arose after the statement of net position date and before financial statements are available to be issued. The Department has evaluated subsequent events through December 15, 2014, which is the date the financial statements were available to be issued.

NOTE 3 – INVESTMENT IN THE STATE TREASURER GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. 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.

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At June 30, 2014 the Department had the following invested in the General Fund Investment Pool:

Fund	Fund #	Location	Balance Per	
			State Treasurer	Balance Per Financials
General Fund	20050	STO	\$ 5,392,515	5,392,515
Executive Orders - State Disaster Fund	20380	STO	32,329,830	32,329,830
Total			\$ <u>37,722,345</u>	<u>37,722,345</u>

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

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

- a) Securities issued by the United States (U.S.) government or by its departments or agencies and direct obligations of the U.S. or are backed by the full faith and credit of the U.S. government or agencies sponsored by the U.S. government;
- b) Contracts for the present purchase and resale at a specified time in the future, not to exceed one year or, in the case of bond proceeds, not to exceed three years, of specific securities at specified prices at a price differential representing the interest income to be earned by the state. No such contract shall be invested in unless the contract is fully secured by obligations of the United States of other securities backed by the United States having a market value of at least one hundred two percent of the amount of the contract;
- c) Contracts for the temporary exchange of state-owned securities for the use of broker-dealers, banks or other recognized institutional investors in securities, for periods not to exceed one year for a specified fee rate. No such contract shall be invested in unless the contract is fully secured by exchange of an irrevocable letter of credit running to the state, cash or equivalent collateral of at least one hundred two percent of the market value of the securities plus accrued interest temporarily exchanged. The collateral required for either of the forms of investment in sections (b) and (c) shall be delivered to the fiscal agent of New Mexico or its designee contemporaneously with the transfer of funds or delivery of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on the same-day basis. Neither of the contracts in (b) or (c) shall be invested in unless the contracting bank, brokerage firm or recognized institutional investor has a net worth in excess of five hundred million dollars;

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- d) Any of the following investments in an amount not to exceed forty percent of any fund that the state treasurer invests: (1) commercial paper rated "prime" quality by a national rating service, issued by corporations organized and operating within the U.S.; (2) medium-term notes and corporate notes with a maturity not exceeding five years that are rated A or its equivalent or better by a nationally recognized rating service and that are issued by a corporation organized and operating in the U.S.; or (3) an asset-backed obligation with a maturity not exceeding five years that is rated AAA or its equivalent by a nationally recognized rating service;
- e) Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment company has total assets under management of at least one billion dollars and the investments made by the State Treasurer pursuant to this paragraph are less than five percent of the assets of the investment company; or
- f) Individual, common or collective trust funds of banks or trust companies that invest in U.S. fixed income securities or debt instruments authorized pursuant to (a), (b) and (d) above provided that the investment manager has assets under management of at least one billion dollars and the investments made by the state treasurer pursuant to this paragraph are less than five percent of the assets of the individual, common or collective trust fund.

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

Please see the State Treasurer's annual audit report for the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0608.

General Fund Investment Pool Not Reconciled

In June 2012 an independent expert diagnostic report revealed that the General Fund Investment Pool balances have not been reconciled at the business unit/fund level since the inception of the Statewide Human resources, Accounting, and management Reporting (SHARE) system in July of 2006. The Department of Finance and Administration (DFA) has commissioned two reports that address statewide cash reconciliation issues. They are (1) *Current State of Diagnostic of Cash Controls*, dated June 20, 2012 prepared by Deloitte Consulting, LLP and (2) *Cash Management Plan and Business Processes*, dated October 11, 2012, also prepared by Deloitte Consulting, LLP. The Diagnostic reports are available in the Resources section of the Cash Control page of the NM DFA's website: www.nmdfa.state.nm.us/Cash_Control.aspx.

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

DFA has commenced the Cash Management Remediation Project (Remediation Project) in partnership with the New Mexico State Treasurer's Office, the New Mexico Department of Information Technology,

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

Per the directive issued by the Office of the State Auditor on October 31, 2012, a note disclosure relating to this issue is required for all State of New Mexico state agencies for financial statements issued for fiscal year ended June 30, 2012 and continues into 2014.

That directive instructed agencies to do the following:

1. Explain to the agency's IPA what policies and procedures the agency has in place to ensure that the agency's cash balances in SHARE are correct; and
2. Disclose to the IPA any communications with DFA Cash Control Bureau regarding monthly cash reconciliation issues including unreconciled items, errors and corrections submitted; and
3. Disclose in the agency notes to the financial statements the facts about the statewide cash reconciliation at the end of the fiscal year, and what the agency's policies and procedures were during the fiscal year ended 2014 to mitigate the risk that the agency's cash balances would be misstated as of June 30, 2014.

To the extent possible the Department does informally reconcile all deposits and transfers that come into its possession. The cash transactions processed by the Department flow through the state general fund investment pool. Since SHARE was implemented, the Department recognized potential concerns related to the statewide cash reconciliation issue and in response, developed internal reconciliation procedures to ensure that cash receipts and disbursements recorded in the SHARE system are in fact transactions that have been initiated by the Department. The reconciliation occurs each month and any required adjustments are forwarded to the Financial Control Division at DFA for correction. The monthly reconciliation procedures throughout the Fiscal Year, include, but are not limited to validation of: allotments, deposits, expenditures, all general entries, operating transfers, payroll expenditures/payroll liabilities by fund, and review of outstanding warrants of the Department. This monthly internal reconciliation of cash receipts and disbursements flowing through the Department's share of the state general fund investment pool provides management assurance that the balance reflected in State General Fund Investment Pool account is accurate as of the end of the reporting period. In addition, the Department reconciles other asset and liability accounts on the Balance Sheet of each fund type. This process also provides additional assurance that transactions affecting the Department's share in the State General Fund Investment Pool account are accurate.

Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The General Fund Investment Pool is not rated for credit risk.

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Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Department does not have an investment policy that limits investment interest rate risk.

Custodial Credit Risk—Investment Accounts

The Office of the State Treasurer (STO) monitors the collateral for deposits it holds, which would include the investment accounts of the Department. Therefore, collateralization of the Department's accounts is the responsibility of the STO. The STO has its own separate annual independent audit in which the collateral pledged to secure these deposits is disclosed. By law, the Department is not permitted to have any investments other than what is held at the State Treasurer's Office and the Department did not have any other investments during the year ended June 30, 2014. There is no custodial risk at the Department's level since the Department's investments are under the contract of the Office of the State Treasurer.

For further information regarding the GFIP, please see the State Treasurer's annual audit report and specifically refer to the GASB 40 disclosure of the investments. That report may be obtained by writing to the New Mexico State Treasurer's Office, P.O. Box 608, Santa Fe, NM 87504-0708.

NOTE 4 – DUE FROM/DUE TO OTHER STATE AGENCIES

The following amount is due from other state agencies as of June 30, 2014:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
New Mexico Department of Energy & Minerals	Department of Homeland Security - General Fund - 20050	\$ 796
		<u>\$ 796</u>

The following amount is due to other state agencies as of June 30, 2014:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Department of Homeland Security - Capital Projects Fund - 89200	State General Fund Investment Pool (Overdraft)	\$ 10,000
		<u>\$ 10,000</u>

The amount represents what is due to the State General Fund Investment Pool and is not associated with the Investment in State Treasurer General Fund Investment Pool held at the Department.

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NOTE 5 – DUE TO/FROM FEDERAL GOVERNMENT

At June 30, 2014, the following amount was due from the federal government representing reimbursable expenditures for grant awards:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Federal Emergency Management Agency	Department of Homeland Security - General Fund - 20050	\$ 5,153,347
U.S. Department of Homeland Security	Department of Homeland Security - General Fund - 20050	955,387
U.S. Department of Transportation	Department of Homeland Security - General Fund - 20050	266,053
		<u>\$ 6,374,787</u>

At June 30, 2014, the following amount was due to the federal government representing overdrawn federal grants, which the Department was required to pay back:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
Department of Homeland Security - General Fund - 20050	U.S. Department of Homeland Security	\$ (3,407,162)
Department of Homeland Security - General Fund - 20050	Federal Emergency Management Agency	(206,675)
		<u>\$ (3,613,837)</u>

NOTE 6 – DUE TO/FROM OTHER FUNDS

The following schedule shows the due to/from other funds as of June 30, 2014:

<u>Due from</u>	<u>Due to</u>	<u>Amount</u>
General Fund - Major Fund - 20050	Executive Orders - State Disaster Fund - 20380	\$ 2,250,000

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. This amount is expected to be paid within the next fiscal year.

NOTE 7 – COMPENSATED ABSENCES PAYABLE

Employees are entitled to accumulate annual leave at a graduated rate based on years of service. A maximum of 240 hours can be carried forward at calendar year end. The Department has recognized a liability of \$119,657 in the Statement of Net Position for annual leave based on current pay rates and hours accumulated at June 30, 2014. The General Fund is typically used to liquidate compensated absences.

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A summary of changes in the compensated absences payable for the year ended June 30, 2014, is as follows:

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>	<u>Current</u>
	<u>2013</u>			<u>2014</u>	<u>due within</u>
					<u>one year</u>
Compensated absences	\$ 164,231	59,853	(104,427)	119,657	59,853

NOTE 8 – CAPITAL ASSETS

The capital asset balances and activity for the governmental activities for the year ended June 30, 2014, is as follows:

	<u>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjust-</u>	<u>2014</u>
				<u>ments</u>	
Capital assets not being depreciated:					
Land	\$ -	-	-	-	-
Construction in progress	-	-	-	-	-
Subtotal capital assets not being depreciated	-	-	-	-	-
Capital assets being depreciated:					
Buildings	5,566,201	-	-	-	5,566,201
Data processing equipment	1,355,912	-	-	-	1,355,912
Equipment and machinery	1,604,558	19,990	-	13,333	1,637,881
Automobiles	1,826,134	167,134	-	-	1,993,268
Subtotal capital assets being depreciated	10,352,805	187,124	-	13,333	10,553,262
Less accumulated depreciation:					
Buildings and Improvements	(2,227,330)	(278,310)	-	-	(2,505,640)
Data processing equipment	(1,261,462)	(39,923)	-	8,694	(1,292,691)
Equipment and machinery	(789,082)	(214,368)	-	(76,810)	(1,080,260)
Automobiles	(1,650,621)	(94,993)	-	4,856	(1,740,758)
Total accumulated depreciation	(5,928,495)	(627,594)	-	(63,260)	(6,619,349)
Total capital assets being depreciated	4,424,310	(440,470)	-	(49,927)	3,933,913
Total capital assets (net)	\$ 4,424,310	(440,470)	-	(49,927)	3,933,913

The Department does not have any debt related to capital assets. Depreciation expense for the year was \$627,594 and is considered a public safety expense. A restatement of \$(49,927) was made in 2014; see Note 16.

NOTE 9 – OPERATING LEASES

The Department leases certain office equipment and space under lease agreements with terms ranging. All leases may be terminated at any time with sixty days' notice if the New Mexico Legislature does not grant sufficient appropriation for the lease or if the Department decides that termination is necessary to protect the best interests of the State of New Mexico.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

The cumulative expenditures for operating leases for the year ended June 30, 2014, were \$10,709. Future minimum rental payments under these operating leases are as follows:

<u>For the Year Ended June 30</u>	<u>Total</u>
2015	\$ 6,931
2016	550
2017	-
2018	-
2019	-
Thereafter	-
Total	\$ <u>7,481</u>

NOTE 10 – SPECIAL APPROPRIATIONS

During the, 51st Legislature, 1st Session, Laws 2013, Chapter 202, New Mexico legislature allowed for the extension of unexpended balances of appropriations made by the legislature in prior years, for declared emergencies. Specifically the legislature stated that “the time of expenditure for the appropriation to the Homeland Security and Emergency Management Department in Laws 2008 (S.S.), Chapter 8, to plan, design and construct improvements to roads, bridges, and infrastructure damaged by severe flooding in Lincoln and Otero counties is extended through fiscal year 2015”.

Additionally, there were unexpended funds carried forward to June 30, 2014, as set forth in the General Fund Appropriation Act of 2014. Those funds were required to be reverted if they were not spent by June 30, 2014. Since those funds were not spent, the amount was reverted.

A summary of the remaining appropriation can be found in the Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations and the Schedule of Executive Orders, as listed in the table of contents.

NOTE 11 – DEFICIT FUND BALANCE

The following fund had a deficit fund balances at June 30, 2014:

<u>Fund Type</u>	<u>Fund No.</u>	<u>Amount</u>
Capital project	20380	\$ (10,000)

Management anticipates future resources, in excess of anticipated expenditures, to eliminate negative balances.

NOTE 12 – DUE TO STATE GENERAL FUND (REVERSIONS)

Unexpended cash balances of State General Fund monies appropriated to the Department, as well as various other miscellaneous funds collected by the Department, are reverted to the State General Fund.

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DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

Amounts due to the State General Fund at June 30, 2014, were as follows:

General Fund (20050) \$ 1,166,599

NOTE 13 – 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 16.59% (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, 2014, 2013, and 2012 were \$422,041, \$421,356, and \$361,506, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 14 – POST EMPLOYMENT BENEFITS- STATE RETIREE HEALTH CARE PLAN

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

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

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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

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, 2014, 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, 2014, 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, 2014, 2013, and 2012 were \$50,966, \$55,882, and \$49,437, respectively, which equal the required contributions for each year.

NOTE 15 – INSURANCE COVERAGE- RISK MANAGEMENT

State statute requires the Risk Management Division of the General Services Department to be responsible for the acquisition and administration of all insurance purchased by the State. Since 1977 various statutes have been passed which allows Risk Management Division to insure, self-insure or use a combination of both in all areas of coverage. The Department participates in the risk pool managed by Risk Management Division and annually pays insurance premiums.

The coverage provided by the Risk Management Division 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 01, 2013, through June 30, 2014. The primary area where the Department may retain the risk of loss is liability for breach of contract. The Department has not experienced any losses for breach of contract.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 16 – 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.

NOTE 17 – RESTATEMENT

The following restatements were made for the fiscal year ended June 30, 2014 to the Department's fund financials:

<u>Fund</u>	<u>Reason</u>	<u>Amount</u>
20380	To remove balance in due to state general fund from prior year since the fund should not have been reverted	104,780
	Total executive orders restatement	<u>104,780</u>
89200	To remove amount of receivable that was overstated in prior year	<u>(10,000)</u>
	Total capital projects restatement	<u>(10,000)</u>
	Total restatement to all funds	<u>\$ 94,780</u>

In addition to the restatements at the fund level, an addition restatement was made at the government-wide level to capital assets:

<u>Fund</u>	<u>Reason</u>	<u>Amount</u>
20050	To adjust capital assets to correct beginning amount.	\$ (49,927)
20380	To remove balance in due to state general fund from prior year since the fund should not have been reverted	104,780
89200	To remove amount of receivable that was overstated in prior year	<u>(10,000)</u>
		<u>\$ 44,853</u>

NOTE 18 – CONTINGENCIES

The Department receives funding pursuant to various grant programs. The grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant that, if not met, could require the Department to refund amounts received to the granting agency. The Department carefully monitors grant requirements and believes it has met all such conditions.

The Department is party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. While the outcome of the proceedings cannot be predicted, the Department believes that any potential liability would be covered through insurance, supplemental appropriation or would be immaterial to the financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to the Financial Statements
For the Year Ended June 30, 2014

NOTE 19 – IMPLEMENTATION OF NEW GASB STANDARDS

In June 2012, The Governmental Accounting Standards Board (GASB) approved Statement No. 67, Financial Reporting for Pension Plans, which applies to pension plans that administer pension benefits. The Public Employees Retirement Association (PERA) administers the pension for the Department. Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to governments that provide pension benefits to their employees.

GASB 67 Financial Reporting for Pension Plans

Requires changes to presentation in financial statements, notes to the financial statements, and required supplementary information in PERA's financial report. GASB 67 will be implemented in FY 2014 by PERA.

GASB 68 Accounting and Financial Reporting for Pensions

Applies the changes implemented at the pension plan level (PERA) under GASB 67 and segregates and divides, or allocates, the pension liability to each participating employer (state, municipal, judicial, magistrate, volunteer firefighters, and legislative). The statement implementation date is FY 2015.

PERA's Current Implementation and Timeline

Implementation GASB 67

GASB 67 will require the net pension liability to be disclosed in PERA's FY 2014 financial report. The total "collective" pension liability will then be allocated to the participant employers for FY 2015 financial reporting.

PERA plans to separately issue an audited report, referred to as the "Schedule of Employer Allocations" that will allocate the total pension liability *by employer*. The report will also include other required information that will be used by each employer participant for disclosure in each employer's FY 2015 financial reports.

Anticipated process and timeline is as follows:

1. The "Schedule of Employer Allocations" is provided to PERA's external auditor in January of 2015.
2. PERA's external auditor's will audit the "Schedule of Employer Allocations" in February of 2015 and submit that report to the State Auditor's Office for review in March of 2015. *(See also 2.2.2.10 NMAC Sections CC and DD)*
3. The "Schedule of Employer Allocations" will be provided to employers in April of 2015, allowing enough time for incorporation into financial reports as required by GASB 68, after the June 30, 2015 year end.

In FY 15, the Department will report a net pension liability based on its proportion of the collective net pension liability of all of the governments participating.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
CAPITAL PROJECTS FUND (89200) - MAJOR FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
For The Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Federal grants	\$ -	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Public Safety				
Other costs	-	-	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)				
State general fund appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net interagency transfers and financial sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Reconciliation of Budgetary Basis to Fund Financial Statement				
Total budget basis expenditures for fiscal year 2014:			\$ -	
Adjustments:				
Rounding			<u>-</u>	
Total GAAP Basis Expenditures for the fiscal year ended June 30, 2014:			<u>\$ -</u>	

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF INTERAGENCY TRANSFERS
For the Year Ended June 30, 2014

Description	Agency Transferred From	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred In
General Fund Appropriation	DFA	34101	20050	51st Legislature, 1st Session, Laws 2013, Chapter 227, Section 4	FY 14	\$ 2,424,278
Total Executive Orders from the Schedule of Executive Orders, see table of contents						<u>16,225,000</u>
Total Transfers In						<u>\$ 18,649,278</u>

Description	Agency Transferred To	From Fund	To Fund	Reference	Appropriation Period	Amount Transferred Out*
General Fund Reversion	DFA	20050	34101	Reversion of FY 14	FY 14	\$ 1,104,256

*Transfers will be completed after FY 14

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For the Year Ended June 30, 2014

<u>Description</u>	<u>Appropriation Period</u>	<u>Original Appropriation</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Appropriation Expired</u>	<u>Unexpended Balances</u>
Fund 20050						
Special Appropriation						
General Fund Appropriation Act of 2014 Original: Senate Bill 29, 48th Legislature, Second Special Session, 2008	July 1, 2013 - June 30, 2014	\$ 812,722	-	-	812,722	-
Extension: 51st Legislature, 1st Session, Laws 2013, Ch. 202	July 1, 2009 - June 30, 2015	4,900,000	1,017,627	2,802,561	-	1,079,812
Total special appropriations		<u>\$ 5,712,722</u>	<u>1,017,627</u>	<u>2,802,561</u>	<u>812,722</u>	<u>1,079,812</u>

All unencumbered balances may be used during the appropriation period noted above.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF EXECUTIVE ORDERS
For the Year Ended June 30, 2014

Description	Appropriation Period	Audit Balance June 30, 2013	Adjustments	Restated Balance June 30, 2013	New Orders	Current Year Expenditures	Balance June 30, 2014
Fund 20380							
NMEO 2007-019 Severe Weather & Flooding in Multiple Counties	4/24/07 - Gov Rescinds	\$ 22,671	1,403	24,074	-	-	24,074
NMEO 2007-020 Severe Weather & Flooding in Multiple Counties	4/24/07 - Gov Rescinds	677,736	-	677,736	-	-	677,736
NMEO 2007-022 Severe Weather & Flooding in Multiple Counties	5/1/07 - Gov Rescinds	624,405	(1)	624,404	-	(7,256)	617,148
NMEO 2008-037 Drought in State (Water Hauls)	7/14/08 - Gov Rescinds	299,172	-	299,172	-	(7,253)	291,919
NMEO 2010-031 Flash Flooding, San Miguel Co.	8/4/10 - Gov Rescinds	-	105,061	105,061	-	-	105,061
NMEO 2010-034 Flood Damage 1936 matching McKinley Co, Farmington, Acoma	8/13/10 - Gov Rescinds	339,270	-	339,270	-	-	339,270
NMEO 2010-035 Flooding 1936 matching Mora Co.	8/13/10 - Gov Rescinds	397,712	-	397,712	-	-	397,712
NMEO 2010-036 Flooding matching Socorro Co.	8/13/10 - Gov Rescinds	706,313	-	706,313	-	-	706,313
NMEO 2010-042 Flooding Kewa Pueblo	10/8/10 - Gov Rescinds	218,470	-	218,470	-	-	218,470
NMEO 2011-014 1962 matching Winter Storm	2/9/11 - Gov Rescinds	433,589	(1)	433,588	-	-	433,588
NMEO 2011-040 Wallow Fire Catron County	6/10/11 - Gov Rescinds	119,036	(9,832)	109,204	-	-	109,204
NMEO 2011-047 Track Fire Colfax, Mora, and San Miguel	6/17/11 - Gov Rescinds	124,004	453	124,457	-	-	124,457
NMEO 2011-053 Las Conchas Fire, Los Alamos	7/7/11 - Gov Rescinds	665,159	9,378	674,537	-	-	674,537
NMEO 2011-061 Donaldson Fire, Lincoln Co.	7/7/11 - Gov Rescinds	100,000	-	100,000	-	-	100,000
NMEO 2011-063 NM Flood Potential	7/8/11 - Gov Rescinds	-	1	1	-	-	1
NMEO 2011-075 4047 matching Cibola and Sandoval	9/1/11 - Gov Rescinds	300,000	-	300,000	-	(135,899)	164,101
NMEO 2012-007 Flood potential due to wild fires	5/11/12 - Gov Rescinds	72,459	-	72,459	-	-	72,459
NMEO 2012-008 Flooding 4047 matching Cibola, Los Alamos, and Sandoval Co.	5/11/12 - Gov Rescinds	247,025	-	247,025	-	-	247,025
NMEO 2012-014 FMAG 2978 Whitewater Baldy Fire, Catron Co.	6/8/12 - Gov Rescinds	398,550	-	398,550	-	(197,599)	200,951
NMEO 2012-015 FMAG 2979 Little Bear Fire, Lincoln Co.	6/12/12 - Gov Rescinds	680,117	-	680,117	-	(240,325)	439,792
NMEO 2012-018 FMAG Whitewater Baldy and Little Bear fires, Catron, Grant & Lincoln Co.	6/19/12 - Gov Rescinds	610,756	(1,682)	609,074	-	(410,884)	198,190
NMEO 2012-031 Flooding Cibola, Los Alamos, & Sandoval Co.	8/16/12 - Gov Rescinds	-	-	-	-	-	-
NMEO 2012-032 Flooding Cibola, Los Alamos, & Sandoval Co.	8/16/12 - Gov Rescinds	157,985	-	157,985	-	-	157,985
NMEO 2012-036 San Juan County Landslide	9/26/12 - Gov Rescinds	-	-	-	-	-	-
NMEO 2012-038 Hurricane Sandy	11/9/12 - Gov Rescinds	193,646	-	193,646	-	-	193,646
NMEO 2013-001 Flooding Disaster Lincoln, Los Alamos, & Sandoval Co.	1/17/13 - Gov Rescinds	10,034,266	-	10,034,266	-	(257,521)	9,776,745
NMEO 2013-004 Sub-freezing temps Navajo Nations, San Juan, McKinley, Valencia	2/8/13 - Gov Rescinds	89,348	-	89,348	-	-	89,348
NMEO 2013-008 Tres Laguna Fire	5/31/13 - Gov Rescinds	748,540	-	748,540	-	-	748,540
NMEO 2013-010 Thompson Fire	6/4/13 - Gov Rescinds	499,551	-	499,551	-	(41,026)	458,525
NMEO 2013-022 Flood Threat	6/19/13 - Gov Rescinds	750,000	-	750,000	-	(126,720)	623,280
NMEO 2013-027 Emergency due to storms and flooding	7/30/13 - Gov Rescinds	-	-	-	500,000	(78,121)	421,879
NMEO 2013-031 Declaring a disaster statewide due to flooding	9/13/13 - Gov Rescinds	-	-	-	750,000	(331,557)	418,443
NMEO 2013-034 Severe Winter Storms and Freezing Temp	12/10/13 - Gov Rescinds	-	-	-	100,000	-	100,000
NMEO 2014-004 Additional funding for flooding disaster in Lincoln Co.	7/1/09 - 6/30/15	-	-	-	8,000,000	-	8,000,000
NMEO 2014-005 Additional funding for flooding disaster in Bernalillo	4/11/14 - Gov Rescinds	-	-	-	1,375,000	-	1,375,000
NMEO 2014-006 Additional funding for flooding disaster in Catron, Chavez & Cibola	4/11/14 - Gov Rescinds	-	-	-	5,500,000	-	5,500,000
Total executive orders		<u>\$ 19,509,780</u>	<u>104,780</u>	<u>19,614,560</u>	<u>16,225,000</u>	<u>(1,834,161)</u>	<u>34,005,399</u>

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING
For The Year Ended June 30, 2014

Participants	Responsible Party for Operations	Description	Beginning & Ending Dates	Total Estimated Amount of Project	Agency Contributions in FY 2014	Audit Responsibility	Fiscal agent and responsible reporting entity
1 Department of Homeland Security & Emergency Management (DHS) Department of Information Technology (DIT)	DHS	Job Sharing	3/30/2013 thru current	50% of Employees Salary & Benefits	\$ 44,960	DHSEM	DHSEM
2 Department of Homeland Security & Emergency Management (DHS) State Personnel	DHS	SPO Shared Services	7/1/2013 thru 6/30/2014	\$51,000	\$ 29,750	DHSEM	DHSEM

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2014

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Pass-through Identifying Number	Federal Expenditures
DIRECT			
U.S. Department of Homeland Security			
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	N/A	61,024
Cooperating Technical Partners	97.045	N/A	74,936
Disaster Grants - Public Assistances (Presidentially Declared Disasters)	* 97.036	N/A	10,341,559
Emergency Management Performance Grants	97.042	N/A	2,805,587
Fire Management Assistance Grant	* 97.046	N/A	1,049,244
Hazard Mitigation Grant	97.039	N/A	303,075
Homeland Security Grant Program	97.067	N/A	7,398,154
National Incident Management System (NIMS)	97.107	N/A	46,385
National Urban Search and Rescue (US&R) Response System	* 97.025	N/A	1,799,959
Pre-Disaster Mitigation	97.047	N/A	<u>27,736</u>
Total U.S. Department of Homeland Security			23,907,659
U.S. Department of Transportation			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	N/A	<u>207,928</u>
Total U.S. Department of Transportation			207,928
INDIRECT			
U.S. Department of Energy			
Passed through the NM Energy & Minerals Department			
Transport of Transuranic Wastes to the Waste Isolation Pilot Plan: States and Tribal Concerns, Proposed Solutions	81.106	DE-FC29-88AL538I3	<u>122,953</u>
Total U.S. Department of Energy			<u>122,953</u>
TOTAL FEDERAL AWARDS EXPENDED			\$ <u>24,238,540</u>
*Major Program			
Reconciliation of federal expenditure to federal revenue:			
Federal revenue per Statement of Activities			24,238,540
Federal awards expended per SEFA			<u>24,238,540</u>
Difference			<u>\$ -</u>

Note 1. Basis for Presentation

The accompanying schedule of federal awards is presented on the budgetary GAAP 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.

Note 2 - Non-cash assistance

The Department did not receive any non-cash federal assistance, federal loan or loan guarantees, or federal insurance benefits during the fiscal year ended June 30, 2014.

Note 3 - Sub-recipients

The Department provided federal awards to subrecipients during the year. See Schedule of Subrecipients for detail.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
SCHEDULE OF SUBRECIPIENTS
For The Year Ended June 30, 2014

Subrecipient	Federal CFDA Number	Grant Number	Federal Expenditures
Mid-Region Council of Governments	20.703	HM-HMP-0293-12-01-00	\$ 48,750
McKinley, County of	20.703	HM-HMP-0293-12-01-00	14,218
Santa Fe, City of	20.703	HM-HMP-0293-12-01-00	12,526
San Miguel County	20.703	HM-HMP-0293-12-01-00	11,942
Farmington, City of	20.703	HM-HMP-0293-12-01-00	8,245
Clovis, City of	20.703	HM-HMP-0293-12-01-00	5,950
Luna, County of	20.703	HM-HMP-0293-12-01-00	3,972
City of Gallup	20.703	HM-HMP-0293-12-01-00	1,139
NM Emergency Mgmt Association	20.703	HM-HMP-0362-13-01-00	20,805
Farmington, City of	20.703	HM-HMP-0362-13-01-00	19,073
Bernalillo, County of	20.703	HM-HMP-0362-13-01-00	11,789
Roswell, City of	97.036	DR 1936	12,000
Timberon Water and Sanitation Dist.	97.036	DR 1659	31,040
Ruidoso, Village of	97.036	DR 1783	2,614,002
Santa Fe, City of	97.036	DR 1783	21,908
New Mexico Broadcasters Association	97.036	DR 1936	30,550
Acoma Pueblo	97.036	DR 1936	10,010
Cochiti, Pueblo de	97.036	DR 4047	990,830
Regents of New Mexico State University	97.036	DR 4047	39,567
Acoma, Pueblo of	97.036	DR 4047	26,201
Rio Arriba County Treasurer	97.036	DR 4047	509
Santa Clara Pueblo	97.036	DR 4079	4,877,709
Ruidoso, Village of	97.036	DR 4079	132,340
N. Chosas Ditch	97.036	DR 4079	15,714
Socorro County	97.036	DR 4148	192,160
City of Albuquerque	97.036	DR 4148	167,040
Albuquerque Public Schools	97.036	DR 4148	34,661
So. Sandoval City Arroyo Flood Control	97.036	DR 4148	23,999
Raton, City of	97.036	DR 4148	16,521
State Fair Commission	97.036	DR 4148	6,469
Farmington, City of	97.036	DR 4152	332,394
NM Dept. of Military Affairs	97.036	DR 4152	149,875
Aztec, City of	97.036	DR 4152	128,285
Otero County	97.036	DR 4152	126,066
Cibola County, Treasurer of	97.036	DR 4152	88,339
Harding, County of	97.036	DR 4152	65,436
Roswell, City of	97.036	DR 4152	63,077
Rio Rancho, City of	97.036	DR 4152	50,909
San Miguel County	97.036	DR 4152	31,329
LaJoya Acequia	97.036	DR 4152	19,271
Bluewater Acres MDWUA	97.036	DR 4152	18,270
Acequia Del Potrero	97.036	DR 4152	13,518
Los Alamos, County of	97.036	DR 4152	11,648
Milan, Village of	97.036	DR 4152	10,377
Alcalde MDWUA	97.036	DR 4152	10,120
LA Union MDW&S97.036	97.036	DR 4152	9,235
Sierra County, Treasurer of	97.036	DR 4152	8,072
Chili Community Ditch Association	97.036	DR 4152	7,993
Rio Arriba County Treasurer	97.036	DR 4152	5,441
McKinley, County of	97.036	DR 4152	5,265
Grants, City of	97.036	DR 4152	5,187
Artesia, City of	97.036	DR 4152	4,347
Anthony, City of	97.036	DR 4152	3,173
Los Salazars Community Ditch	97.036	DR 4152	2,674
Lincoln, County of	97.036	DR 4152	2,427
Bernalillo, County of	97.042	2009-SS-T9-0030	143,922
Department of Public Safety	97.042	2009-SS-T9-0030	7,283
Albuquerque, City of	97.042	2010-SS-TO-0011	792,379
Hidalgo County	97.042	2010-SS-TO-0011	236,277
Luna County (Sheriff's Dept)	97.042	2010-SS-TO-0011	195,343
Dona Ana, County of	97.042	2010-SS-TO-0011	186,609
Otero County	97.042	2010-SS-TO-0011	126,741
Grant, County of	97.042	2010-SS-TO-0011	69,502
McKinley, County of	97.042	2010-SS-TO-0011	50,951
Portales, City of	97.042	2010-SS-TO-0011	23,598

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
SCHEDULE OF SUBRECIPIENTS
For The Year Ended June 30, 2014

Subrecipient	Federal CFDA Number	Grant Number	Federal Expenditures
Los Alamos, County of	97.042	2010-SS-TO-0011	\$ 4,597
Bernalillo, County of	97.042	2010-SS-TO-0011	4,274
Regents of New Mexico State University	97.042	EMW-2011-EP-0051-S01	114,183
Albuquerque, City of	97.042	EMW-2011-EP-0051-S01	84,234
San Miguel County	97.042	EMW-2011-EP-0051-S01	61,930
Sandoval, County of	97.042	EMW-2011-EP-0051-S01	53,127
Dona Ana County	97.042	EMW-2011-EP-0051-S01	33,604
Socorro County	97.042	EMW-2011-EP-0051-S01	31,793
San Juan, County of	97.042	EMW-2011-EP-0051-S01	27,598
Bernalillo, County of	97.042	EMW-2011-EP-0051-S01	25,334
Rio Rancho, City of	97.042	EMW-2011-EP-0051-S01	20,928
Lea County	97.042	EMW-2011-EP-0051-S01	18,865
Santa Fe, City of	97.042	EMW-2011-EP-0051-S01	16,410
Sierra County, Treasurer of	97.042	EMW-2011-EP-0051-S01	16,235
Luna, County of	97.042	EMW-2011-EP-0051-S01	14,551
Grant, County of	97.042	EMW-2011-EP-0051-S01	13,428
Portales, City of	97.042	EMW-2011-EP-0051-S01	12,875
Clovis, City of	97.042	EMW-2011-EP-0051-S01	12,551
McKinley, County of	97.042	EMW-2011-EP-0051-S01	11,227
Guadalupe County	97.042	EMW-2011-EP-0051-S01	8,851
Roswell, City of	97.042	EMW-2011-EP-0051-S01	7,750
Tucumcari, City of	97.042	EMW-2011-EP-0051-S01	6,599
Ruidoso, Village of	97.042	EMW-2011-EP-0051-S01	1,741
De Baca County	97.042	EMW-2011-EP-0051-S01	1,350
Regents of New Mexico State University	97.042	EMW-2012-EP-00039-S01	149,512
Bernalillo, County of	97.042	EMW-2012-EP-00039-S01	95,591
Dona Ana, County of	97.042	EMW-2012-EP-00039-S01	91,864
San Juan, County of	97.042	EMW-2012-EP-00039-S01	67,547
San Miguel County	97.042	EMW-2012-EP-00039-S01	53,107
Energy Minerals & Natural Resources	97.042	EMW-2012-EP-00039-S01	46,810
Santa Fe, City of	97.042	EMW-2012-EP-00039-S01	41,730
Rio Rancho, City of	97.042	EMW-2012-EP-00039-S01	34,856
Los Alamos, County of	97.042	EMW-2012-EP-00039-S01	33,470
Sandoval, County of	97.042	EMW-2012-EP-00039-S01	30,409
Lea County	97.042	EMW-2012-EP-00039-S01	28,354
Roswell, City of	97.042	EMW-2012-EP-00039-S01	23,439
Guadalupe County	97.042	EMW-2012-EP-00039-S01	22,563
Treasurer of Union County	97.042	EMW-2012-EP-00039-S01	20,983
Cibola County, Treasurer of	97.042	EMW-2012-EP-00039-S01	13,976
Clovis, City of	97.042	EMW-2012-EP-00039-S01	13,397
McKinley, County of	97.042	EMW-2012-EP-00039-S01	12,061
Luna, County of	97.042	EMW-2012-EP-00039-S01	10,817
Sierra County, Treasurer of	97.042	EMW-2012-EP-00039-S01	10,443
NM Institute of Mining & Tech	97.042	EMW-2012-EP-00039-S01	6,050
Clovis, City of	97.042	EMW-2012-EP-00039-S01	4,939
De Baca County	97.042	EMW-2012-EP-00039-S01	4,295
Sandoval, County of	97.042	2010-SS-TO-0011	74,836
Socorro County	97.042	2010-SS-TO-0011	58,439
Santa Fe, City of	97.042	2010-SS-TO-0011	46,610
Taos, County of	97.042	2010-SS-TO-0011	27,373
San Juan, County of	97.042	2010-SS-TO-0011	27,168
Torrance County	97.042	2010-SS-TO-0011	11,916
Roswell, City of	97.042	2010-SS-TO-0011	11,232
Sierra County, Treasurer of	97.042	2010-SS-TO-0011	6,464
Valencia, County of	97.042	2010-SS-TO-0011	96
Cibola County	97.042	EMW-2011-EP-00051-S01	5,234
University of New Mexico	97.045	EMT-2012-CA-0001	49,115
University of New Mexico	97.045	EMT-2013-CA-0001	25,821
NM Dept. of Military Affairs	97.047	FM 2978	139,437
NM Dept. of Military Affairs	97.047	FM 2979	623,349
Ruidoso, Village of	97.047	FM 2979	271,166
NM Dept. of Military Affairs	97.047	FM 2982	12,454
Nambe Pueblo Development Corp	97.047	PDMFo8	20,711
San Miguel County	97.047	PDMF12	7,025
Hidalgo County	97.067	EMW-2011-SS-00094-S01	465,709

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
SCHEDULE OF SUBRECIPIENTS
For The Year Ended June 30, 2014

Subrecipient	Federal CFDA Number	Grant Number	Federal Expenditures
Dona Ana County	97.067	EMW-2011-SS-00094-S01	\$ 514,760
Luna County (Sheriff's Dept)	97.067	EMW-2011-SS-00094-S01	362,456
Otero County	97.067	EMW-2011-SS-00094-S01	178,543
Grant, County of	97.067	EMW-2011-SS-00094-S01	139,320
Cibola County, Treasurer of	97.067	EMW-2011-SS-00094-S01	121,486
Socorro County	97.067	EMW-2011-SS-00094-S01	113,386
Santa Fe, City of	97.067	EMW-2011-SS-00094-S01	89,151
Bernalillo, County of	97.067	EMW-2011-SS-00094-S01	80,666
Luna, County of	97.067	EMW-2011-SS-00094-S01	75,834
Valencia, County of	97.067	EMW-2011-SS-00094-S01	72,898
Sierra County, Treasurer of	97.067	EMW-2011-SS-00094-S01	71,288
Los Alamos, County of	97.067	EMW-2011-SS-00094-S01	69,353
Torrance County	97.067	EMW-2011-SS-00094-S01	66,140
Sandoval, County of	97.067	EMW-2011-SS-00094-S01	65,581
Regents of New Mexico State University	97.067	EMW-2011-SS-00094-S01	64,556
San Juan, County of	97.067	EMW-2011-SS-00094-S01	57,017
Portales, City of	97.067	EMW-2011-SS-00094-S01	45,636
Guadalupe County	97.067	EMW-2011-SS-00094-S01	45,616
Clovis, City of	97.067	EMW-2011-SS-00094-S01	38,999
De Baca County	97.067	EMW-2011-SS-00094-S01	37,864
Treasurer of Union County	97.067	EMW-2011-SS-00094-S01	36,130
McKinley, County of	97.067	EMW-2011-SS-00094-S01	33,068
Lea County	97.067	EMW-2011-SS-00094-S01	11,032
Rio Rancho, City of	97.067	EMW-2011-SS-00094-S01	9,345
San Miguel County	97.067	EMW-2011-SS-00094-S01	2,716
Dona Ana County	97.067	EMW-2012-SS-00097-S01	83,149
Santa Fe, City of	97.067	EMW-2012-SS-00097-S01	72,509
Cibola County, Treasurer of	97.067	EMW-2012-SS-00097-S01	71,563
Guadalupe County	97.067	EMW-2012-SS-00097-S01	62,969
Los Alamos, County of	97.067	EMW-2012-SS-00097-S01	58,502
Otero County	97.067	EMW-2012-SS-00097-S01	58,471
Socorro County	97.067	EMW-2012-SS-00097-S01	56,356
McKinley, County of	97.067	EMW-2012-SS-00097-S01	56,184
Torrance County	97.067	EMW-2012-SS-00097-S01	51,435
Luna, County of	97.067	EMW-2012-SS-00097-S01	50,175
Grant, County of	97.067	EMW-2012-SS-00097-S01	45,771
Lea County	97.067	EMW-2012-SS-00097-S01	45,395
Bernalillo, County of	97.067	EMW-2012-SS-00097-S01	45,022
Roswell, City of	97.067	EMW-2012-SS-00097-S01	38,050
Sierra County, Treasurer of	97.067	EMW-2012-SS-00097-S01	36,403
Roosevelt, County of	97.067	EMW-2012-SS-00097-S01	33,594
Ruidoso, Village of	97.067	EMW-2012-SS-00097-S01	30,145
De Baca County	97.067	EMW-2012-SS-00097-S01	29,991
Valencia, County of	97.067	EMW-2012-SS-00097-S01	11,728
Rio Rancho, City of	97.067	EMW-2012-SS-00097-S01	7,900
Rio Arriba County	97.067	EMW-2012-SS-00097-S01	3,854
San Miguel County	97.067	EMW-2012-SS-00097-S01	1,397
De Baca County	97.067	EMW-2013-SS-00152-S01	78,529
San Miguel County	97.067	EMW-2013-SS-00152-S01	51,681
Guadalupe County	97.067	EMW-2013-SS-00152-S01	25,718
Clovis, City of	97.067	EMW-2013-SS-00152-S01	15,342
City of Santa Fe	97.067	EMW-2013-SS-00152-S01	14,623
City of Rio Rancho	97.067	EMW-2013-SS-00152-S01	1,114
Luna County Sheriffs Dept	N/A	N/A	66,036
City of Lordsburg	N/A	N/A	19,468
Sandia Office Supply	N/A	N/A	207
Hidalgo County	N/A	N/A	19,975
			\$ 19,357,473

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
SCHEDULE OF SUBRECIPIENTS
For The Year Ended June 30, 2014

<u>Subrecipient Name</u>	<u>Executive Order Number</u>	<u>Expenditures</u>
Village of Ruidoso	201218	\$ 251,250
NM Dept Military Affairs	201214	46,479
USGS National Center	201214	151,120
Dept of Game & Fish	201215	19,919
NM Dept Military Affairs	201215	207,783
County of Catron	201218	40,441
North Chosas Ditch	201301	2,590
Santa Clara Pueblo	201301	244,073
Sandoval County	201310	41,026
Highway & Transportation Dept	201322	6,695
Village of Ruidoso	201322	6,376
Santa Clara Pueblo	201322	42,000
US Army Corp of Engineers	201322	70,000
Pueblo of Acoma	201327	456
Albuquerque Public Schools	201327	5,198
City of Albuquerque	201327	27,000
City of Santa Rosa	201327	38,880
City of Raton	201327	306
Socorro County	201327	1,202
Southern Sandoval City Arroyo Fld Cntrl	201327	4,000
State Fair Commission	201327	1,078
Acequia Del Potrero	201331	2,253
Alcalde Mutual Domestic Water Consumers Assoc	201331	1,687
City of Artesia	201331	724
City of Aztec	201331	15,294
Treasurer of Cibola County	201331	14,723
Department of Health	201331	238
Energy Minerals & Natural Resources	201331	3,120
City of Farmington	201331	55,399
City of Grants	201331	864
Harding County	201331	10,906
La Joya Acequia	201331	3,212
La Union Mutual Domestic Water & Sewer	201331	1,539
Lincoln County	201331	405
Los Salazars Community Ditch	201331	446
McKinley County	201331	877
Village of Milan	201331	1,221
NM Dept Military Affairs	201331	49,958
Otero County	201331	4,219
Rio Arriba County Treasurer	201331	907
City of Rio Rancho	201331	8,485
City of Roswell	201331	5,108
Village of Ruidoso	201331	17,868
San Miguel County	201331	5,222
Sierra County	201331	1,345
Timberon Water & Sanitation	203722	7,256
NM Dept Military Affairs	203837	7,253
	201208	135,899
		\$ <u>1,564,300</u>

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2014

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 FY14 the ASB 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 ASB 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 FY14/FY15 this number will rise significantly. The grants that are managed in ASD are listed below:

DHS/FEMA Emergency Management Performance Grant (EMPG)

Description: An all-hazards approach to emergency response, including the development of a comprehensive program of planning, training, and exercises, provides the foundation for an effective and consistent response to any threatened or actual disaster or emergency, regardless of the cause. As appropriated by the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Public Law 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 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).

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2014

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 it's 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.

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. 11 0-53), 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

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2014

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, 2014.

**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, each major fund, the budgetary comparisons of the general fund and major special revenue funds of the New Mexico Department of Homeland Security (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and related budgetary comparison of the Department, presented as supplemental information, and have issued our report thereon dated December 15, 2014.

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. Given these limitations, during our 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 [13-01], 2014-001 and 2014-002.

The Department's Response to Finding

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 15, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED WITH 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, 2014. 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, 2014.

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 2013-001 [13-01]. The instance of noncompliance related to the following program and compliance requirements:

<u>Finding #</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Compliance Requirement</u>
2013-001 [13-01]	97.036	Disaster Grants - Public Assistance	Monitoring

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 2013-001 [13-01] that we consider to be a significant deficiency.

December 15, 2014

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

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.

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 15, 2014

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:

Type of auditor’s 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

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 auditor’s 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:

<u>CFDA Numbers</u> <u>Funding Source</u>	<u>Name of Federal Programs</u>	<u>Funding Source</u>
97.036	Disaster Grants – Public Assistance	U.S. Department of Homeland Security
97.046	Fire Management Assistance Grant	U.S. Department of Homeland Security
97.025	National Urban Search and Rescue Response System	U.S. Department of Homeland Security

Dollar threshold used to distinguish between A and B programs: \$727,156

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

**STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014**

SECTION II AND III- FINANCIAL STATEMENTS AND FEDERAL AWARD FINDINGS

Reference #	Finding	Status of Prior Year Findings	Type of Finding
<u>Prior Year Findings</u>			
2013-001 [13-01]	SUBGRANTEE REPORTING	REPEATED/ MODIFIED	E, F
<u>Current Year Findings</u>			
2014-001	INTERNAL CONTROLS OVER CASH RECEIPTS	CURRENT	C, G
2014-002	PREPAYMENTS OF SERVICES	CURRENT	G

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

PRIOR YEAR FINDINGS

2013-001 [13-01] – SUBRECIPIENT REPORTING – REPEATED/MODIFIED

Type of Finding: E, F

Funding Agency: U.S. Department of Homeland Security

Title: All programs

CFDA #: 97.036

Award #: All awards

Award Period: All periods

Estimated Questioned Costs: N/A

Statement of Condition

The Department awards sub-grants to multiple local and state governments around New Mexico. Quarterly reports are required to be submitted by the sub-grantee to the Department for any large projects (\$67,500 or more). It was noted that these quarterly reports were not submitted by multiple sub-grantees to the Department.

In addition, even though these quarterly reports were not submitted by the sub-grantees, the Department continued to make payments to the sub-grantees. Per their sub-grantee agreement, the sub-grantee is required to submit any delinquent reports before additional payments are made.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Criteria

Per the sub-grant agreement between the Sub-grantee and the Department, “the applicant shall submit quarterly reports on all large projects (equal to or greater than \$67,500 each) to the Recovery Unit at DHSEM beginning with the first full quarter after the signature date on the Sub-Grant Agreement. Quarterly reports are due no later than the 15th of the month following the end of the quarter.” Additionally, the sub-grantee agreement states, “delinquent reports must be filed before additional payments can be made.”

Cause

Sub-grantees are not submitting quarterly reports, when required, and the Department is not enforcing the stipulation that payments will not be made until the quarterly reports are submitted.

Effect

The Department is not in compliance with their sub-grant agreements.

Recommendation

We recommend that the Department abide by the sub-grant agreement by enforcing the requirement of quarterly reports from its sub-grantees, when required.

Management Response

Due to issues with proper staffing during fiscal year 2014, the New Mexico Department of Homeland Security and Emergency Managements (NMDHSEM) had an oversight related to sub-recipient internal control process monitoring and reporting. The Agency has taken the following steps to ensure grant compliance as it relates to sub-recipient monitoring:

- NMDHSEM has updated the tracking system for all sub-recipients, which now properly track all IPR’s, P.O.’s, encumbrances, projects, reports, and delinquencies of grant requirements.
- NMDHSEM has incorporated proper personnel to monitor purchasing and reporting related to grant requirements.
- NMDHSEM is in the process of incorporating with the recovery section of NMDHSEM monthly meetings to insure that reports are submitted timely and that a grant analyst is assigned to be in contact with the sub-recipients to insure Grant Compliance.

CURRENT YEAR FINDINGS

2014-001 – INTERNAL CONTROLS OVER CASH RECEIPTS

Type of Finding: C, G

Statement of Condition

During the audit no controls were identified to ensure documentation of when a check was received in the mail. As a result, we were unable to be determined if the checks were deposited were made timely.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Criteria

Per Section 6-10-3, NMSA 1978, all public money in the custody or under the control of any Department obtained or received by any official or Department from any source state agencies must deposit it before the close of the next succeeding business day after the receipt of the money and to deliver or remit it to the state treasurer.

Internal controls have to be implemented and be adequate to mitigate the risks associated with the collection and deposit of cash.

Cause

Due to turnover during the fiscal year, the checks were not kept in a mail receipt log.

Effect

Untimely deposits may cause the Department to be at risk of misappropriations of funds. Also, the lack of adequate internal controls over current cash deposit processes increases the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner.

Recommendation

We recommend that the Department implement controls and develop accounting policies requiring adequate controls to ensure monies are deposited by the close of the next business day and that deposit logs are properly signed off on.

Management Response

New Mexico Department of Homeland Security and Emergency Managements Department currently has tasked the mail room with checking in all mail as incoming. We have also taken steps to create an additional process within the Accounts Receivable Department to log in every check/warrant that comes into the Agency to insure that deposits are consistently made timely and within DFA requirements.

2014-002 – PREPAYMENTS OF SERVICES

Type of Finding: G

Statement of Condition

Invoices were identified for multiple vendors that were being paid at the beginning of the service period. The Department was then paying the invoices before the services had been provided by the vendors.

The following is the breakdown of the prepayments:

<u>Type of Service</u>	<u>Paid On</u>	<u>Service Dates</u>
Elevator maintenance	2/4/2014	1/1/14 - 3/31/14
Alarm monitoring service	11/26/2013	12/5/13 - 1/4/14
Copier maintenance	8/21/2013	8/1/13 - 8/31/13
Copier maintenance	6/17/2014	6/1/14 - 6/30/14

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Criteria

Section 12-1-158. Payments for Purchases from the NM State Procurement Statute states the following:

A. No warrant, check or other negotiable instrument shall be issued in payment for any purchase of services, construction or items of tangible personal property unless the central purchasing office or the using agency certifies that the services, construction or items of tangible personal property have been received and meet specifications or unless prepayment is permitted under Section 13-1-98 NMSA 1978 by exclusion of the purchase from the Procurement Code [13-1-28 NMSA 1978].

Cause

The Department is not in compliance with NM State Procurement Statute.

Effect

The Department was prepaying for services, by paying at the beginning or middle of service periods rather than after the service period had ended.

Recommendation

We recommend that the Department not pay for services ahead of time, since it is not allowed by the State Procurement Code. We recommend that the Department review all their service agreements and contact the providers to arrange to pay once the service period is complete.

Management Response

New Mexico Department of Homeland Security and Emergency Management is currently reviewing the lease agreements in place and are working with the vendors to amend payment terms. The agency will insure that all lease payments are made after services are performed and will implement procedures to insure that all future lease payment terms are within the DFA Guidelines.

STATE OF NEW MEXICO
DEPARTMENT OF HOMELAND SECURITY & EMERGENCY MANAGEMENT
Exit Conference
For the Year Ended June 30, 2014

An exit conference was held on December 15, 2014. Present at the exit conference were:

For Department of Homeland Security:

M. Jay Mitchell	Cabinet Secretary
Adolfo R. Montoya	ASB Bureau Chief/Chief Financial Officer
Peggy Martinez	Budget Director
Robert Gonzales	Consultant

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	President/Managing Shareholder
Katelyn Constantin	Audit Manager

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Agency have been prepared by Hinkle + Landers, P.C., the Department's independent public auditors, however, the financial statements are the responsibility of management.