A large orange circular graphic is positioned on the left side of the page, partially cut off by the edge. It contains the text 'FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' in a bold, black, sans-serif font.

**FINANCIAL
STATEMENTS AND
REPORT OF
INDEPENDENT
CERTIFIED PUBLIC
ACCOUNTANTS**

**STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY**

June 30, 2010

atkinson

PRECISE. PERSONAL. PROACTIVE.

State of New Mexico
Department of Information Technology

OFFICIAL ROSTER

June 30, 2010

Name	Title
Marlin Mackey	Department Secretary
Conny Maki	Deputy Secretary for Enterprise Services
Thomas McQuillan	Deputy Secretary for Enterprise Operations
Charles Martinez	Chief Financial Officer

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CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Hector H. Balderas
New Mexico State Auditor
And
Secretary Marlin Mackey
State of New Mexico
Department of Information Technology

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund, the budgetary comparison for the general fund and the major special revenue funds of the Department of Information Technology (the Department), as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements, as listed in the table of contents. We have also audited the budgetary comparisons of the enterprise funds presented as supplementary information as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following two paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The General Services Department transferred \$23,841,754 in capital assets net of accumulated depreciation to the Department's telecommunications fund (SHARE 20310) in fiscal year 2008; however, a complete physical inventory has not been completed as of June 30, 2010 verifying the assets recorded exist. As such, we could not satisfy ourselves as to the existence of capital assets and the accuracy of depreciation expense reported in the Department's enterprise fund statement of net assets and business-type activities in the government-wide financial statement of net assets as of June 30, 2010.

In addition, accounts receivable in the amount of \$6,734,642 reported in the telecommunications fund (SHARE 20310) is \$357,896 higher than the accounts receivable recorded in the accounts receivable subsidiary ledgers and accounts receivable in the amount of \$2,919,318 reported in the information processing fund (SHARE 20330) is \$203,716 lower than the accounts receivable recorded in the accounts receivable subsidiary ledger. A complete reconciliation was not performed. As such, we could not satisfy ourselves as to the existence, completeness, and accuracy of accounts receivable and the corresponding user fee revenue reported in the enterprise fund statement of net assets and statement of revenues, expenses and changes in fund net assets and business-type activities in the government-wide financial statements of net assets and statement of activities.

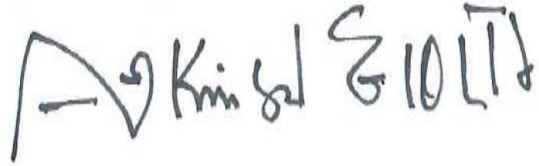
As discussed in Note A, the financial statements of the Department are intended to present the financial position and changes in financial position and, where applicable, cash flows, of only that portion of the governmental activities, business-type activities, and each major fund, of the State that is attributable to the transactions of the Department. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2010, and the changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of such adjustments as might have been determined to be necessary had we been able to satisfy ourselves as to the existence and valuation of capital asset inventory in the telecommunications fund (SHARE 20310), the corresponding depreciation expense, and existence, completeness, and accuracy of accounts receivable and the corresponding user fee revenue, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition in our opinion, the financial statements referred to above, presents fairly in all material respects the budgetary comparisons for the enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010, 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 17 are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the budgetary comparisons. The accompanying schedule of special appropriations, schedule of severance tax proceeds, and the memorandums of understandings listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", written in a cursive, stylized script.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 5, 2010

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

Year ended June 30, 2010

The Management Discussion and Analysis of the State of New Mexico Department of Information Technology (The Department or DoIT) is designed to (a) assist the reader to focus on significant issues, (b) provide an overview of the Department's financial activity, (c) identify changes in the Department's financial position, (d) identify any material deviations from the financial plan (the approved budget), and (e) identify fund issues or concerns.

Since the Management Discussion and Analysis (MD&A) is designed to focus on the current year activities, resulting changes and currently known facts, please read it in conjunction with the DoIT's financial statements.

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the Department.

FINANCIAL HIGHLIGHTS

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements used for a governmental entity's fair presentation in accordance with generally accepted accounting principles, include both information reported on a government-wide basis and information presented on a fund basis.

The Department's Basic Financial Statements (BFS) are presented in four parts, in the following order:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements
4. Required Supplementary and Other Supplementary Information

1. Government-Wide Financial Statements

The Government-wide financial statements include two basic financial statements – a statement of net assets and a statement of activities. These statements include the primary government but do not include fiduciary activities.

Basis of Accounting and Measurement Focus: The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting for all activities. Information about the primary governmental activities and business-type activities are presented in separate columns with a total column that represents the total primary government.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

Statement of Net Assets: The statement of net assets presents assets, less liabilities, to arrive at net assets. The difference is labeled “net assets” not equity or fund balance. Assets and liabilities are presented in order of liquidity. Net assets are comprised of three components: Invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Statement of Activities: The objective of the statement of activities is to report the financial burden of each of the reporting government's functions on its taxpayers. It identifies the extent to which each function of the government draws from the general revenues or is self-financing through fees or intergovernmental aid. **Expense presentation** in the statement of activities presents expenses of governmental activities and business-type activities by functions which are provided by the Department's program and general revenues. This is intended to summarize and simplify the user's analysis of the cost of services. **Revenue presentation** is distinguished between program revenues and general revenues. There are three categories into which program revenues are distinguished. 1) Charges for services. These are revenues based on exchange or exchange-like transactions. This type of program revenues arises from charges to customers who purchase, use, or directly benefit from the goods, services, or privileges provided. 2) Program-specific. These are revenues specific to grants and contributions. 3) Program-specific capital grants and contributions. These are resources restricted for capital purposes. For the year ended June 30, 2010, the Department does not have capital grants and contributions. General revenues are all those revenues not to be reported as program revenues. General revenues are reported after total net expenses of the government's functions on the statement of activities. The governmental activities reflect the Department's basic services of administering the Information Technology Management Act and conducting the affairs of the Department.

2. Fund Financial Statements

The Fund Financial Statements that follow the government-wide financial statements report on the financial position and changes in financial position of the individual funds used by the Department. Funds are separate accounting entities used in government accounting to segregate transactions according to the sources of funding and to demonstrate legal compliance with the restrictions that may be imposed on those financial resources. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on major funds, within each fund type. The Department uses two fund types to account for its financial activities: Governmental funds and Proprietary funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

Governmental funds are used to account for the finances of the governmental activities reported in the Government-Wide Financial Statements. The Department uses two types of governmental funds: a general fund to account for activities not required to be accounted for in other funds and special revenue funds, to account for activities with restricted fund resources. The balance sheet and statement of revenues, expenditures, and changes in fund balance are the required financial statements for governmental fund types.

Proprietary funds are used to account for the Department's business-type activities. Because they share a common measurement focus and basis of accounting with the private sector business enterprises, proprietary funds use the same generally accepted accounting principles as similar businesses in the private sector. The Department uses one type of proprietary fund; enterprise funds. DoIT's enterprise funds provide benefits to other state agencies, the federal government and local governments. The statement of net assets or balance sheet; statement of revenues, expenses, and changes in fund net assets or fund equity; and statement of cash flows are the required financial statements for proprietary fund types. General capital assets and general long-term debt are reported in proprietary funds.

3. Notes to the Financial Statements

The notes to the basic financial statements are essential to the fair presentation of the financial position, results of operations, and where applicable cash flows. They provide detailed information to support and explain key financial information presented in the department-wide and fund financial statements. The notes provide information on the activities of the Department, on the basis of accounting used and on accounting policies reflected in the financial statements, in addition to clarifying key financial information. They are integral to understanding the financial statements.

4. Required Supplementary and Other Supplementary Information

Supplemental information such as management's discussion and analysis, statements, schedules, or other information that the GASB has determined to be necessary to supplement, the basic statements or is provided to demonstrate compliance with these requirements and with State reporting requirements from Office of the State Auditor.

State of New Mexico
Department of Information Technology

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

BUSINESS-TYPE ACTIVITIES STATEMENT OF NET ASSETS – SUMMARY

Year ended June 30, 2010

	Business-Type Activities June 30, 2009	Business-Type Activities June 30, 2010	Change
ASSETS			
Current assets	\$ 23,924,948	\$ 32,451,559	\$ 8,526,611
Capital assets, net	<u>20,178,388</u>	<u>49,015,861</u>	<u>28,837,473</u>
Total assets	<u>44,103,336</u>	<u>81,467,420</u>	<u>37,364,084</u>
LIABILITIES			
Current liabilities	5,677,015	4,006,018	(1,670,997)
Long-term liabilities	<u>865,071</u>	<u>855,018</u>	<u>(10,053)</u>
Total liabilities	<u>6,542,086</u>	<u>4,861,036</u>	<u>(1,681,050)</u>
NET ASSETS			
Invested in capital assets, net	19,506,042	49,015,861	29,509,819
Restricted	5,596,736	13,316,297	7,719,561
Unrestricted	<u>12,458,472</u>	<u>14,274,226</u>	<u>1,815,754</u>
Net assets	<u>\$ 37,561,250</u>	<u>\$ 76,606,384</u>	<u>\$ 39,045,134</u>

State of New Mexico
Department of Information Technology

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

BUSINESS – TYPE ACTIVITIES CHANGES NET ASSETS – SUMMARY

Year ended June 30, 2010

	Business-Type Activities Year ended June 30, 2009	Business-Type Activities Year ended June 30, 2010	Change
Program revenues	\$ 51,166,519	\$ 53,580,837	\$ 2,414,318
General revenues	2,896,600	877,000	(2,019,600)
Total revenues	54,063,119	54,457,837	394,718
Expenses:			
Central Telephone Services	25,789,614	26,156,501	366,887
Office of the Information Processing	19,544,716	14,863,805	(4,680,911)
ISD-OIP Human Resources	2,193,624	5,433,133	3,239,509
Program support	3,690,160	3,035,998	(654,162)
Total expenses	51,218,114	49,489,437	(1,728,677)
Excess (deficiency) before transfers	2,845,005	4,968,400	2,123,395
Transfers in	45,385	151,801	106,416
Internal transfers of capital assets	-	9,757,549	9,757,549
Transfer of SHARE from DFA	-	24,741,383	24,741,383
Transfers out	(439,800)	(573,999)	(134,199)
Change in net assets	2,450,590	39,045,134	36,594,544
Beginning net assets	35,110,660	37,561,250	2,450,590
Ending net assets	\$ 37,561,250	\$ 76,606,384	\$ 39,045,134

State of New Mexico
Department of Information Technology

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS – SUMMARY

Year ended June 30, 2010

	<u>Governmental Activities June 30, 2009</u>	<u>Governmental Activities June 30, 2010</u>	<u>Change</u>
ASSETS			
Current assets	\$ 13,275,831	\$ 9,128,155	\$ (4,147,676)
Capital assets, net	<u>14,208,906</u>	<u>7,376,039</u>	<u>(6,832,867)</u>
Total assets	<u>27,484,737</u>	<u>16,504,194</u>	<u>(10,980,543)</u>
LIABILITIES			
Current liabilities	660,679	2,246,314	1,585,635
Long-term liabilities	<u>69,545</u>	<u>29,906</u>	<u>(39,639)</u>
Total liabilities	<u>730,224</u>	<u>2,276,220</u>	<u>1,545,996</u>
NET ASSETS			
Invested in capital assets, net	14,208,906	7,376,039	(6,832,867)
Restricted	12,130,290	6,882,605	(5,247,685)
Unrestricted	<u>415,317</u>	<u>(30,670)</u>	<u>(445,987)</u>
Net assets	<u><u>\$ 26,754,513</u></u>	<u><u>\$ 14,227,974</u></u>	<u><u>\$ (12,526,539)</u></u>

State of New Mexico
Department of Information Technology

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

GOVERNMENTAL ACTIVITIES CHANGES IN NET ASSETS – SUMMARY

Year ended June 30, 2010

	Governmental Activities Year ended June 30, 2009	Governmental Activities Year ended June 30, 2010	Change
General revenues	\$ 6,072,009	\$ 5,088,097	\$ (983,912)
Expenses:			
Center for Advanced Computing	4,350,098	2,312,861	(2,037,237)
Radio Communications	921,633	1,028,676	107,043
American Recovery and Reinvestment Act	-	24,862	24,862
Information Technology Management Office	1,021,753	628,710	(393,043)
Total expenses	<u>6,293,484</u>	<u>3,995,109</u>	<u>(2,298,375)</u>
Excess (deficiency) before transfers	(221,475)	1,092,988	1,314,463
Transfers in	22,100	-	(22,100)
Internal transfers of capital assets	-	(9,757,549)	(9,757,549)
Transfers out	<u>(988,720)</u>	<u>(3,861,978)</u>	<u>(2,873,258)</u>
Change in net assets	(1,188,095)	(12,526,539)	(11,338,444)
Beginning net assets	<u>27,942,608</u>	<u>26,754,513</u>	<u>(1,188,095)</u>
Ending net assets	<u>\$ 26,754,513</u>	<u>\$ 14,227,974</u>	<u>\$ (12,526,539)</u>

FINANCIAL ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental activities decreased the Department's net assets by \$12,526,539 and Enterprise activities increased the Department's net assets by \$39,045,134. Key elements of these changes are as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

**FINANCIAL ANALYSIS OF OVERALL FINANCIAL POSITION AND RESULTS OF
OPERATIONS – CONTINUED**

Governmental Activities:

Governmental activities decreased the Department's net assets by \$12,526,539 primarily due to transfers of capital assets from a governmental fund (SHARE 20340) to an enterprise fund (SHARE 20310) in the amount of \$9,757,549. In addition, the Department transferred \$2,967,163 to the New Mexico Computing Applications Center for staffing and operating expenses associated with the State Center for Advanced Computing. Internal funds transfers for program support were \$151,801. Also, a reversion payable was owed to the State general fund in the amount of \$743,014 as of June 30, 2010.

Enterprise Activities:

Program revenues increased \$2,411,420 comparing fiscal year 2010 revenues to fiscal year 2009 revenues primary due to the new wireless phone product line provided to State agencies and an increase in the Human Capital Management rate assessments from \$100 to \$179. Other financing sources increased due to transfers of capital assets associated with the Statewide Human Resource and Accounting and Reporting Enterprise System (SHARE) to DoIT from the New Mexico Department of Finance and Administration in the amount of \$24,741,383 and transfers of capital assets from a governmental fund (SHARE 20340) to an enterprise fund (SHARE 20310) in the amount of \$9,757,549.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Department's net investment in capital assets totaled \$56,391,900 at June 30, 2010. Amounts reflected in this category are not available to fund future spending. The Department uses these assets to provide services.

The Department's investment in capital assets for its governmental activities as of June 30, 2010 amounts to \$7,376,039 for its governmental activities and \$49,015,861 for its business-type activities (net of accumulated depreciation). The capitalization policy for the Department establishes a threshold of \$5,000, which is in accordance with State statutes. This investment in capital assets consists mainly of radio equipment and information technology equipment. Major capital asset events during the current year included transfers of capital assets associated with the Statewide Human Resource and Accounting and Reporting Enterprise System (SHARE) to DoIT from the New Mexico Department of Finance and Administration in

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED

the amount of \$24,741,383 and transfers of capital assets from a governmental fund (SHARE 20340) to an enterprise fund (SHARE 20310) in the amount of \$9,757,549. Depreciation expense in fiscal year 2010 was \$10,842,792 compared with \$8,147,434 in fiscal year 2009. Capital assets primarily consist of radio and telecommunications infrastructure, as well as information technology equipment that are used primarily by governmental units within the State of New Mexico. The use of the equipment and infrastructure via depreciation is built into the rate structure and charged to the customers over the life of the asset.

Long-Term Debt: At the end of the current fiscal year, the Department had a total long-term debt outstanding of \$855,018. This amount is due to compensated absences for employees which consist of accumulated balances for annual leave and sick leave eligible for payment to employees upon termination of their employment, but which is not expected to be paid until after one year.

General Fund Budget And Transaction Highlights

The Department's approved budget for the Information Technology Management Office (Fund 20370) was \$926,000 inclusive of other financing uses for fiscal year 2010. Due to cost savings during the course of the year, budgetary basis expenditures and other financing uses were \$826,986. Personnel costs accounted for 81.3% of the year's expenditures and other financing uses, while other operation costs (travel, supplies, maintenance) accounted for .31%. Actual expenses were less than amounts budgeted for the year due to required furloughs imposed by the New Mexico State Governor through executive order 2009-044. The final budget in total was equal to the original budget.

ACCOMPLISHMENTS

The New Mexico Department of Information Technology boasted several significant accomplishments in fiscal year 2010, including \$3.4-million dollars in savings to agencies for their wireless telecommunications, long-distance, toll-free and conference calling services provided by DoIT.

Governor Richardson in news reports applauded Cabinet Secretary Marlin Mackey for finding ways to consolidate services, reduce expenses and save government agencies millions of dollars.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

ACCOMPLISHMENTS – CONTINUED

Also in FY10, DoIT completed more renovations of the State's Data Center, enabling agencies to comply with the Governor's executive order to consolidate all hardware within DoIT.

DoIT applied for and was awarded a \$1.9-million federal grant from the National Telecommunications and Information Administration (NTIA) to design a comprehensive map of the state's telecommunications infrastructure that will show where broadband services exist and where expansion is needed. The Department also applied for a grant to enable completion of the conversion from analog to digital infrastructure, and to build a digital public safety communications network in and around Santa Fe and Albuquerque (the Department was awarded that grant in FY11).

ENTERPRISE SERVICES

YES NM Hosting - DoIT successfully supported the Human Services Department's launch of Your Eligibility System (YES-NM). DoIT launched a new website with an improved user interface.

DoIT assisted the New Mexico Office of Recovery and Reinvestment in launching its website.

Audio conferencing - revamped the audio conferencing service, providing a greater level of capability and capacity, while reducing the rate by more than 70%.

Completed installation and configuration of two new power generators, a second air-cooled chiller, and a second Uninterrupted Power System (UPS) for Data Center.

Implemented eHealth and Spectrum network and server performance monitoring system.

SHARE

A memorandum of understanding between the NM Department of Finance and Administration (DFA) and DoIT was implemented on July 1, 2009 to operate the Statewide Human Resources and Accounting System, known as SHARE.

The SHARE System Manager is in place. The MOU consolidated the SHARE technical team, which has developed processes to maintain performance and stability of the SHARE system. The system manager has developed and is managing the master schedule for SHARE development. A balanced scorecard is being utilized to track the performance of the system.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

ACCOMPLISHMENTS – CONTINUED

Additionally the team completed the following system upgrades and projects:

Upgrade PeopleSoft tools to version 8.49

Upgraded Oracle software to version 10.2.4

Tested and implemented Department of Transportation Go Forward I and II

Implemented KRONOS changes to support Department of Health

Completed a systems health analysis and a systems design in preparation for hardware upgrade

Tested and implemented the General Services Department eProcurement phase 1

Supercomputer

The center has worked with the Department of Information Technology to competitively procure and select a company to install 3-D visualization throughout the State's higher education institutions. These gateways not only provide access to Encanto, but will enable interaction that serves the Public Education Department (K-12 and all 89 school districts); as well as the Higher Education Department, to provide the highest quality high performance computing-based education for New Mexico students.

The center was instrumental in establishing a high speed live link to movie studios in California, demonstrating the ability to work on developmental high performance computing challenges, as well as a multitude of options to provide digital film services for the movie industry.

The center received \$300,000 from Cerelink, a local company, to jointly work on developing the digital film media industry for the State of New Mexico.

Upgrades to the Simms Data Center

Over the past two years, the Simms Data Center has been upgraded in preparation for State agencies' planned information technology consolidation in 2010.

Security

Implemented enterprise intrusion prevention system on the State internet connection.

Sponsored cyber security training on information security, vulnerability analysis and application security.

Enhanced inbound cyber security policies on internet firewall.

Established Security Oversight Steering Committee.

Completed security assessment focusing on network relationships between the Departments of Information Technology, Taxation and Revenue and Human Services.

Audited and validated firewall and log servers under DoIT administration to ensure appropriate level of security.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

ACCOMPLISHMENTS – CONTINUED

Upgraded Virtual Private Network (VPN) system, allowing secure access to the State network from a remote location for 600 VPN users from 29 State agencies.

Full implementation of access control system with biometric readers at Department of Education and Department of Workforce Solutions buildings.

Installed digital security video surveillance at Simms Data Center, Departments of Education and Workforce Solutions buildings, complete with digital video recording capability.

Radio and Telecommunications

Completed the analog to digital upgrade to 13 two-way radio sites (started in FY 09)

Improved State agency voice networks with the installation of Private Business Exchange (PBX) systems at several agency locations.

Substantial Digital Microwave (DMW) upgrades completed at multiple sites (69 of 99 completed to date)

Albuquerque/West Mesa

Prewitt

Microwave Ridge

Gallup

Grants region

WIRE New Mexico

Completed Rio Grande Optical Network (RGON) network from Santa Fe to El Paso, serving State offices and Higher Education facilities:

New Mexico Tech

University of New Mexico

New Mexico State University

Albuquerque/Santa Fe DoIT offices

Increased bandwidth at various state agency locations, including:

Department of Information Technology

Public Education Department

Department of Corrections

Regulation and Licensing

Department of Cultural Affairs

Public Employees Retirement Association

Department of Finance and Administration

Department of Health

Division of Vocational Rehabilitation

State Treasurer's Office

State Land Office

Implemented dual ISP uplinks

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

ACCOMPLISHMENTS – CONTINUED

Project Oversight and Compliance

Certified 67 agency projects totaling \$155-million

Reviewed 416 IT contracts totaling more than \$128-million

CURRENTLY KNOWN FACTS, DECISIONS

During fiscal year 2011, the Department was selected to receive Broadband Technology Opportunity Program (BTOP) federal grant for project New Mexico Statewide Interoperable Radio Communication Internet Transport System, which will help bridge the broadband divide by delivering broadband access or awareness to the citizens of New Mexico. The National Telecommunications and Information Administration (NTIA) will work in partnership with DoIT to deliver services to communities. This BTOP grant is administered thru BTOP Program, NTIA, US Department of Commerce and is funded by the American Recovery and Reinvestment Act of 2009 in the amount of \$38.7 million dollars to be spent over the next 2 years. The DoIT will be required to match the federal grant with \$17.0 million State monies which will come from cash and in-kind contributions. In addition, term staff will be hired to administer and fulfill the grant requirements at DoIT.

The Department is also currently engaged in an internal re-organization of the Enterprise Services and the Compliance & Oversight Programs. DoIT was created in statute effective July 1, 2007 with an organizational structure based upon a Technical Service model. DoIT has had three years of on-going business operations assessment under the Technical Service model concept. This assessment process in conjunction with the logical comparison to other State's public sector operations for how they are organized along with actual other State visits by DoIT executive management and in alignment with the industry best practices under Information Technology Infrastructure Library (ITIL), has determined that changing DoIT to a Customer Service model will benefit the State of NM in cost and program service delivery.

DoIT service delivery to numerous NM State entities has an impact on virtually every NM citizen in some form and requires the agency to be operating at peak efficiency and competitiveness under the enterprise fund concept due to external competitive factors. A few examples of DoIT service deliverables are housing main frame services with associated support covering physical and technical security for operations that include the Human Services Department Income Support and Child Support operations (1 in 3 NM citizens access these services), Taxation and Revenue Department mainframes that handle millions of dollars in flow-thru revenue to State-wide entities, 2-way radio communication for State-wide law enforcement operations, SHARE financial and HCM system, and judicial systems telecommunications – these systems need to function at utmost performance levels and cannot be unavailable.

**MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED
(UNAUDITED)**

Year ended June 30, 2010

CURRENTLY KNOWN FACTS, DECISIONS – CONTINUED

In summary, the current technical service model concept structure at DoIT does not support the needed change to keep DoIT current with industry standards. The horizontal and vertical organizational design changes to implement the customer service model are required to fulfill the enterprise business operations need. This type of paradigm shift in an enterprise fund driven operational structure cannot be completed within the current organizational structure of DoIT. Additionally, this re-organization concept is in alignment with DoIT statutory authority, and dovetails into the DoIT FY11 Strategic Plan and the State of NM IT Strategic Plan for FY11 thru FY13.

The Department has continued the use of the subsidiary accounting system known as GEAC to account for capital asset transferred from GSD and accounts receivable activity. The system is antiquated, and the Department is looking into the acquisition of a new capital asset and accounts receivable system that will meet all accounting requirements and assist management in being able to better manage the capital assets and accounts receivable.

Request for Information

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Department of Information Technology, 715 Alta Vista Street, Santa Fe, New Mexico 87505.

State of New Mexico
Department of Information Technology

STATEMENT OF NET ASSETS

June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Investments, State Treasurer	\$ 6,294,891	\$ 22,484,276	\$ 28,779,167
Accounts receivable, net	526	9,812,271	9,812,797
Due from the federal government	69,179	-	69,179
Due from State Board of Finance (34100)	2,917,918	-	2,917,918
Accrued interest	-	653	653
Internal balances	(154,359)	154,359	-
Total current assets	9,128,155	32,451,559	41,579,714
Capital assets	12,738,127	137,956,894	150,695,021
Less accumulated depreciation	(5,362,088)	(88,941,033)	(94,303,121)
Total capital assets, (net)	7,376,039	49,015,861	56,391,900
Total assets	16,504,194	81,467,420	97,971,614
LIABILITIES			
Accounts payable	1,455,436	2,856,523	4,311,959
Accrued salaries and benefits payable	31,902	728,782	760,684
Due to other State agencies	743,014	163,059	906,073
State general fund investment pool overdraft	15,198	-	15,198
Compensated absences payable:			
Due within one year	764	257,654	258,418
Due after one year	29,906	855,018	884,924
Total liabilities	2,276,220	4,861,036	7,137,256
NET ASSETS			
Investment in capital assets	7,376,039	49,015,861	56,391,900
Restricted for:			
Radio communication projects	5,153,043	-	5,153,043
State center for advanced computing	1,729,562	-	1,729,562
Capital replacement	-	13,316,297	13,316,297
Unrestricted	(30,670)	14,274,226	14,243,556
Total net assets	\$ 14,227,974	\$ 76,606,384	\$ 90,834,358

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

STATEMENT OF ACTIVITIES

For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Radio Communications	\$ 1,028,676	\$ -	\$ -
American Recovery and Reinvestment Act	24,862	-	69,179
Information Technology Management	628,710	-	-
Center for Advanced Computing	2,312,861	-	-
Total governmental activities	3,995,109	-	69,179
Business-type activities:			
Central Telephone Service	26,156,501	31,725,923	-
ISD-OIP Human Resource	5,433,133	5,002,025	-
Office of Information Processing	14,863,805	16,849,991	-
Equipment replacement funds	-	-	-
Program support	3,035,998	-	-
Total business-type activities	49,489,437	53,577,939	-
Total primary government	\$ 53,484,546	\$ 53,577,939	\$ 69,179

General revenues and transfers:

- State general fund appropriations
- Investment income
- Severance tax bond proceeds
- Internal transfers of capital assets
- Internal fund transfers
- Transfer of SHARE from DFA (85300)
- Reversion-FY10
- Transfers (out)

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,028,676)	\$ -	\$ (1,028,676)
44,317		44,317
(628,710)	-	(628,710)
<u>(2,312,861)</u>	<u>-</u>	<u>(2,312,861)</u>
(3,925,930)	-	(3,925,930)
-	5,569,422	5,569,422
-	(431,108)	(431,108)
-	1,986,186	1,986,186
-	-	-
<u>-</u>	<u>(3,035,998)</u>	<u>(3,035,998)</u>
<u>-</u>	<u>4,088,502</u>	<u>4,088,502</u>
<u>(3,925,930)</u>	<u>4,088,502</u>	<u>162,572</u>
2,101,000	877,000	2,978,000
-	2,898	2,898
2,917,918	-	2,917,918
(9,757,549)	9,757,549	-
(151,801)	151,801	-
	24,741,383	24,741,383
(743,014)	-	(743,014)
<u>(2,967,163)</u>	<u>(573,999)</u>	<u>(3,541,162)</u>
<u>(8,600,609)</u>	<u>34,956,632</u>	<u>26,356,023</u>
(12,526,539)	39,045,134	26,518,595
<u>26,754,513</u>	<u>37,561,250</u>	<u>64,315,763</u>
<u>\$ 14,227,974</u>	<u>\$ 76,606,384</u>	<u>\$ 90,834,358</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2010

	Major Funds			General Fund	
	Center For Advanced Computing- 20350	Radio Communications- 20340	ARRA Fund 89000	Information Technology Management Office -20370	Total Governmental Funds
ASSETS					
Investments, State Treasurer	\$ 1,748,762	\$ 4,263,905	\$ -	\$ 282,224	\$ 6,294,891
Due from federal government	-	-	69,179	-	69,179
Due from State Board of Finance	-	2,917,918	-	-	2,917,918
Other assets	-	526	-	-	526
Total assets	<u>\$ 1,748,762</u>	<u>\$ 7,182,349</u>	<u>\$ 69,179</u>	<u>\$ 282,224</u>	<u>\$ 9,282,514</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 16,720	\$ 1,387,786	\$ 47,737	\$ 3,193	\$ 1,455,436
Investment pool overdraft	-	-	15,198	-	15,198
Accrued salaries and benefits payable	-	-	6,244	25,658	31,902
Due to other funds	-	-	-	154,359	154,359
Due to other State agencies	2,480	641,520	-	99,014	743,014
Total liabilities	19,200	2,029,306	69,179	282,224	2,399,909
Fund balances					
Reserved for center for advanced computing	1,729,562	-	-	-	1,729,562
Reserved for radio communication projects	-	5,153,043	-	-	5,153,043
Unassigned	-	-	-	-	-
Total fund balance	<u>1,729,562</u>	<u>5,153,043</u>	<u>-</u>	<u>-</u>	<u>6,882,605</u>
Total liabilities and fund balances	<u>\$ 1,748,762</u>	<u>\$ 7,182,349</u>	<u>\$ 69,179</u>	<u>\$ 282,224</u>	<u>\$ 9,282,514</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS – GOVERNMENTAL FUNDS**

June 30, 2010

Total fund balance, governmental funds (balance sheet)	\$ 6,882,605
Amounts reported for governmental activities in the Statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and therefore, are not reported in the funds.	7,376,039
Compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(30,670)</u>
Net assets of governmental activities (statement of net assets)	<u>\$ 14,227,974</u>

June 30, 2010

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS**

For the year ended June 30, 2010

	Major Funds			General Fund	Total Governmental Funds
	Center For Advanced Computing- 20350	Radio Communications- 20340	ARRA Fund 89000	Information Technology Management Office -20370	
Revenues:					
Federal operating grants	\$ -	\$ -	\$ 69,179	\$ -	\$ 69,179
Other revenues	-	-	-	-	-
Total revenues	-	-	69,179	-	69,179
Expenditures:					
Current:					
Personal services and employee benefits	-	-	20,210	672,627	692,837
Contractual services	-	992,266	-	-	992,266
Other costs	63,396	36,410	4,438	2,558	106,802
Total current	63,396	1,028,676	24,648	675,185	1,791,905
Capital outlay	850,000	4,279,830	44,531	-	5,174,361
Total expenditures	913,396	5,308,506	69,179	675,185	6,966,266
Excess (deficiency) of revenues over expenditures	(913,396)	(5,308,506)	-	(675,185)	(6,897,087)
Other financing sources (uses):					
State general fund appropriations	-	1,175,000	-	926,000	2,101,000
Severance tax bond proceeds	-	2,917,918	-	-	2,917,918
Internal fund transfers in (out)	-	-	-	(151,801)	(151,801)
Reversions-FY10	(2,480)	(641,520)	-	(99,014)	(743,014)
Transfers to other agencies	(2,967,163)	-	-	-	(2,967,163)
Total other financing sources	(2,969,643)	3,451,398	-	675,185	1,156,940
Change in fund balance	(3,883,039)	(1,857,108)	-	-	(5,740,147)
Total fund balance, beginning of year	5,612,601	7,010,151	-	-	12,622,752
Total fund balance, end of year	\$ 1,729,562	\$ 5,153,043	\$ -	\$ -	\$ 6,882,605

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS**

For the year ended June 30, 2010

Net change in fund balances - governmental funds (statements of revenues, expenditures and changes in fund balance)	\$ (5,740,147)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 5,174,361
Depreciation	<u>(2,249,679)</u>

Excess (deficiency) of capital outlay over depreciation expense	2,924,682
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Internal transfers of capital assets from governmental fund to enterprise fund	(9,757,549)
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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	<u>46,475</u>
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Change in net assets of governmental activities (statement of activities)	<u>\$ (12,526,539)</u>
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The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET ASSETS – BUDGET TO ACTUAL –
MAJOR GOVERNMENTAL FUNDS – INFORMATION
TECHNOLOGY MANAGEMENT OFFICE FUND (FUND 20370)**

For the year ended June 30, 2010

	Information Technology Management Office (Fund 20370)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Other - general fund	-	-	-	-
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Personal services	\$ 926,000	\$ 836,000	\$ 672,627	\$ 163,373
Contractual services	-	-	-	-
Other	-	90,000	2,558	87,442
Total expenditures	\$ 926,000	\$ 926,000	\$ 675,185	\$ 250,815
Other financing sources (uses):				
Other financing sources	\$ 926,000	\$ 926,000	\$ 926,000	\$ -
Other financing uses	-	-	(151,801)	(151,801)
Total other financing sources	\$ 926,000	\$ 926,000	\$ 774,199	\$ (151,801)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 99,014	\$ 99,014
Reversion expense			(99,014)	
Change in fund balance per statement of revenues, expenses and changes in fund balance (GAAP basis)			\$ -	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR GOVERNMENTAL FUNDS –
RADIO COMMUNICATIONS (FUND 20340)**

For the year ended June 30, 2010

	Radio Communications (Fund 20340)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total revenues	-	-	-	-
Budgeted fund balance	<u>6,517,688</u>	<u>6,517,688</u>	<u>7,010,151</u>	<u>492,463</u>
Total revenues and budgeted fund balance	<u>\$ 6,517,688</u>	<u>\$ 6,517,688</u>	<u>\$ 7,010,151</u>	<u>\$ 492,463</u>
Expenditures:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	3,715,661	4,351,799	992,266	3,359,533
Other	<u>11,377,027</u>	<u>10,740,889</u>	<u>4,316,240</u>	<u>6,424,649</u>
Total expenditures	<u>\$ 15,092,688</u>	<u>\$ 15,092,688</u>	<u>\$ 5,308,506</u>	<u>\$ 9,784,182</u>
Other financing sources:				
Other financing sources	\$ 8,575,000	\$ 8,575,000	\$ 4,092,918	\$ (4,482,082)
Other financing uses	-	-	-	-
Total other financing sources	<u>\$ 8,575,000</u>	<u>\$ 8,575,000</u>	<u>\$ 4,092,918</u>	<u>\$ (4,482,082)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,794,563</u>	<u>\$ 5,794,563</u>
Fund balance not revenue for GAAP purposes			(7,010,151)	
Reversion expense			<u>(641,520)</u>	
Change in fund balance per statement of revenues, expenditures and changes in fund balance (GAAP basis)			<u>\$ (1,857,108)</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR GOVERNMENTAL FUNDS –
CENTER FOR ADVANCED COMPUTING (FUND 20350)**

For the year ended June 30, 2010

	Center for Advanced Computing (Fund 20350)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Bond proceeds	\$ -	\$ -	\$ -	\$ -
Prior year fund balance	5,612,601	5,612,601	5,612,601	-
Total revenues	\$ 5,612,601	\$ 5,612,601	\$ 5,612,601	\$ -
Expenditures:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	2,265,510	850,000	850,000	-
Other	25,698	624,602	63,396	561,206
Total expenditures	\$ 2,291,208	\$ 1,474,602	\$ 913,396	\$ 561,206
Other financing sources (uses):				
Other financing sources	\$ -	\$ -	\$ -	\$ -
Other financing uses	(3,321,393)	(4,137,999)	(2,967,163)	1,170,836
Total other financing sources (uses)	\$ (3,321,393)	\$ (4,137,999)	\$ (2,967,163)	\$ 1,170,836
Excess of revenues and other financing sources over expenditures and other financing uses				
	\$ -	\$ -	\$ 1,732,042	\$ 1,732,042
Prior year fund balance not revenue for GAAP purposes			(5,612,601)	
Reversion expense			(2,480)	
Change in fund balance per statement of revenues, expenditures and changes in fund balance (GAAP basis)			\$ (3,883,039)	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR GOVERNMENTAL FUNDS –
AMERICAN RECOVERY AND REINVESTMENT ACT FUND (FUND 89000)**

For the year ended June 30, 2010

	American Recovery and Reinvestment Act (Fund 89000)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal award programs	\$ -	\$ 1,917,501	\$ 69,179	\$ (1,848,322)
Other - general fund	-	-	-	-
	<u>\$ -</u>	<u>\$ 1,917,501</u>	<u>\$ 69,179</u>	<u>\$ (1,848,322)</u>
Total revenues	<u>\$ -</u>	<u>\$ 1,917,501</u>	<u>\$ 69,179</u>	<u>\$ (1,848,322)</u>
Expenditures:				
Personal services	\$ -	\$ 465,062	\$ 20,210	\$ 444,852
Contractual services	-	1,047,119	44,531	1,002,588
Other	-	405,320	4,438	400,882
	<u>\$ -</u>	<u>\$ 1,917,501</u>	<u>\$ 69,179</u>	<u>\$ 1,848,322</u>
Total expenditures	<u>\$ -</u>	<u>\$ 1,917,501</u>	<u>\$ 69,179</u>	<u>\$ 1,848,322</u>
Other financing sources (uses):				
Other financing sources	\$ -	\$ -	\$ -	\$ -
Other financing uses	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total other financing sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in fund balance per statement of revenues, expenses and changes in fund balance (GAAP basis)			<u>\$ -</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF NET ASSETS –
ENTERPRISE FUNDS**

June 30, 2010

	Central Telephone Service - 20310	Office of Information Processing - 20330	ISD-OIP- Human Resources - 20360
ASSETS			
Current assets:			
Investments, State Treasurer	\$ 13,059,678	\$ 81,014	\$ 2,661,311
Accounts receivable	6,734,642	2,919,318	158,311
Accrued interest	-	-	-
Due from other funds	373,260	466,527	63,033
	<u>20,167,580</u>	<u>3,466,859</u>	<u>2,882,655</u>
Total current assets			
Noncurrent assets:			
Capital assets (net):			
Buildings and improvements	10,247,974	-	-
Auto and trucks	73,682	-	-
Machine & equipment	9,581,769	20,187	-
Data processing	5,939,400	714,633	22,372,491
Furniture & fixtures	65,725	-	-
	<u>25,908,550</u>	<u>734,820</u>	<u>22,372,491</u>
Total capital assets (net)			
	<u>25,908,550</u>	<u>734,820</u>	<u>22,372,491</u>
Total non current assets			
	<u>25,908,550</u>	<u>734,820</u>	<u>22,372,491</u>
Total assets	<u>\$ 46,076,130</u>	<u>\$ 4,201,679</u>	<u>\$ 25,255,146</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Investment pool overdraft	\$ -	\$ -	\$ -
Accounts payable	861,617	780,684	85,171
Accrued salaries and benefits payable	238,484	310,369	31,368
Compensated absences-current	137,897	73,152	3,008
Due to other funds	4,195,201	1,366,761	3,335,665
Due to other State agencies	163,059	-	-
	<u>5,596,258</u>	<u>2,530,966</u>	<u>3,455,212</u>
Total current liabilities			
	<u>5,596,258</u>	<u>2,530,966</u>	<u>3,455,212</u>
Noncurrent liabilities:			
Compensated absences-long term	286,008	327,155	47,269
	<u>286,008</u>	<u>327,155</u>	<u>47,269</u>
Total liabilities	<u>5,882,266</u>	<u>2,858,121</u>	<u>3,502,481</u>
Net assets			
Invested in capital assets	25,908,550	734,820	22,372,491
Unrestricted	14,285,314	608,738	(619,826)
Restricted for capital replacement	-	-	-
	<u>40,193,864</u>	<u>1,343,558</u>	<u>21,752,665</u>
Total net assets			
	<u>40,193,864</u>	<u>1,343,558</u>	<u>21,752,665</u>
Total liabilities and net assets	<u>\$ 46,076,130</u>	<u>\$ 4,201,679</u>	<u>\$ 25,255,146</u>

The accompanying notes are an integral part of this financial statement.

<u>Program Support 20320</u>	<u>Equipment Replacement Fund 96880</u>	<u>Equipment Replacement Fund 96870</u>	<u>Total Enterprise Funds</u>
\$ 848,871	\$ 4,816,672	\$ 1,016,730	\$ 22,484,276
-	-	-	9,812,271
-	525	128	653
<u>446,701</u>	<u>5,276,527</u>	<u>3,316,588</u>	<u>9,942,636</u>
1,295,572	10,093,724	4,333,446	42,239,836
-	-	-	10,247,974
-	-	-	73,682
-	-	-	9,601,956
-	-	-	29,026,524
-	-	-	65,725
<u>-</u>	<u>-</u>	<u>-</u>	<u>49,015,861</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>49,015,861</u>
<u>\$ 1,295,572</u>	<u>\$ 10,093,724</u>	<u>\$ 4,333,446</u>	<u>\$ 91,255,697</u>
\$ -	\$ -	\$ -	\$ -
18,178	1,104,895	5,978	2,856,523
148,561	-	-	728,782
43,597	-	-	257,654
890,650	-	-	9,788,277
-	-	-	163,059
<u>1,100,986</u>	<u>1,104,895</u>	<u>5,978</u>	<u>13,794,295</u>
<u>194,586</u>	<u>-</u>	<u>-</u>	<u>855,018</u>
1,295,572	1,104,895	5,978	14,649,313
-	-	-	49,015,861
-	-	-	14,274,226
<u>-</u>	<u>8,988,829</u>	<u>4,327,468</u>	<u>13,316,297</u>
<u>-</u>	<u>8,988,829</u>	<u>4,327,468</u>	<u>76,606,384</u>
<u>\$ 1,295,572</u>	<u>\$ 10,093,724</u>	<u>\$ 4,333,446</u>	<u>\$ 91,255,697</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS – ENTERPRISE FUNDS**

For the year ended June 30, 2010

	Central Telephone Service-20310	Office of Information Processing- 20330	ISD-OIP- Human Resources- 20360
Operating revenues:			
User fees	\$ 31,724,747	\$ 16,842,530	\$ 4,848,189
Other revenues	1,176	7,461	153,836
Total revenues	31,725,923	16,849,991	5,002,025
Operating expenses:			
Other costs	16,629,490	2,478,154	135,200
Personal services	4,460,705	6,264,135	845,716
Contractual services	1,001,131	4,907,196	1,135,629
Depreciation expense	4,065,175	1,211,350	3,316,588
Total operating expenses	26,156,501	14,860,835	5,433,133
Operating income (loss):	5,569,422	1,989,156	(431,108)
Non-operating (expenses):			
Investment income	-	-	-
Interest expense	-	(2,970)	-
Total non-operating (expenses)	-	(2,970)	-
Income (loss) before transfers	5,569,422	1,986,186	(431,108)
Other financing sources (uses):			
State general fund appropriations	-	-	877,000
Internal fund transfers in (out)	(6,022,563)	(2,737,224)	(4,772,725)
Internal transfers of capital assets	12,240,043	-	449,158
Transfers from other agencies	-	-	24,741,383
Transfers to other agencies	-	-	(573,999)
Total other financing sources (uses)	6,217,480	(2,737,224)	20,720,817
Change in net assets	11,786,902	(751,038)	20,289,709
Total net assets, beginning of year	28,406,962	2,094,596	1,462,956
Total net assets, end of year	\$ 40,193,864	\$ 1,343,558	\$ 21,752,665

The accompanying notes are an integral part of this financial statement.

Program Support Fund 20320	Equipment Replacement Fund 96880	Equipment Replacement Fund 96870	Total Enterprise Funds
\$ -	\$ -	\$ -	\$ 53,415,466
-	-	-	162,473
-	-	-	53,577,939
126,803	-	-	19,369,647
2,865,139	-	-	14,435,695
44,056	-	-	7,088,012
-	-	-	8,593,113
<u>3,035,998</u>	<u>-</u>	<u>-</u>	<u>49,486,467</u>
(3,035,998)	-	-	4,091,472
-	2,593	305	2,898
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,970)</u>
-	2,593	305	(72)
<u>(3,035,998)</u>	<u>2,593</u>	<u>305</u>	<u>4,091,400</u>
-	-	-	877,000
3,035,998	6,031,727	4,616,588	151,801
-	(2,482,494)	(449,158)	9,757,549
-	-	-	24,741,383
<u>-</u>	<u>-</u>	<u>-</u>	<u>(573,999)</u>
<u>3,035,998</u>	<u>3,549,233</u>	<u>4,167,430</u>	<u>34,953,734</u>
-	3,551,826	4,167,735	39,045,134
-	5,437,003	159,733	37,561,250
<u>\$ -</u>	<u>\$ 8,988,829</u>	<u>\$ 4,327,468</u>	<u>\$ 76,606,384</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF CASH FLOWS –
ENTERPRISE FUNDS – ENTERPRISE-TYPE ACTIVITIES**

For the year ended June 30, 2010

	Central Telephone Service - 20310	Office of Information Processing - 20330
Cash flows from operating activities:		
Cash received from customers	\$ 31,303,567	\$ 17,815,536
Cash payments to suppliers	(18,002,184)	(7,570,765)
Cash payments to employees for services	(4,541,469)	(6,090,946)
	8,759,914	4,153,825
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Investment income	-	-
	-	-
Net cash provided by investing activities		
Cash flows from noncapital financing activities:		
Transfers from other agencies	-	-
Transfers (out) to other agencies	-	-
Internal fund transfers (out) in	(7,050,595)	(4,568,126)
	(7,050,595)	(4,568,126)
Net cash (used in) provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Acquisition of capital assets	-	-
Capital lease payments (principal)	-	(672,346)
Capital lease payments (interest)	-	(2,970)
Agency overdraft of State general fund investment pool	-	-
	-	(675,316)
Net cash used in capital and related financing activities		
Net increase (decrease) in cash and cash equivalents	1,709,319	(1,089,617)
Investments, State treasurer, at beginning of the year	11,350,359	1,170,631
Investments, State treasurer, at end of the year	\$ 13,059,678	\$ 81,014
Operating income (loss)	\$ 5,569,422	\$ 1,989,156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	4,065,175	1,211,350
Provision for uncollectible accounts	-	-
Change in assets and liabilities:		
(Increase) decrease in accounts receivable	(422,356)	965,545
(Increase) in due from other funds/agencies	(26,859)	-
(Decrease) increase in accounts payable	(344,707)	(185,415)
Increase in due to other funds/agencies	-	-
(Decrease) increase in accrued payroll	34,567	(11,441)
(Decrease) increase in compensated absences	(115,328)	184,630
	3,190,492	2,164,669
Total adjustments		
Net cash provided by (used in) operating activities	\$ 8,759,914	\$ 4,153,825

For noncash transfer of capital assets in fiscal year 2010 see page 51 and 52. For internal noncash transfers of capital assets between funds see page 61.

The accompanying notes are an integral part of this financial statement.

ISD-OIP-Human Resources - 20360	Program Support - 20320	Equipment Replacement 96880	Equipment Replacement 96870	Total Enterprise Funds
\$ 4,907,602	\$ -	\$ -	\$ -	\$ 54,026,705
(1,291,006)	(156,323)	-	-	(27,020,278)
(848,909)	(2,925,399)	-	-	(14,406,723)
2,767,687	(3,081,722)	-	-	12,599,704
-	-	2,068	177	2,245
-	-	2,068	177	2,245
877,000	-	-	-	877,000
(593,900)	-	-	-	(593,900)
(2,001,853)	5,515,218	6,192,203	1,459,733	(453,420)
(1,718,753)	5,515,218	6,192,203	1,459,733	(170,320)
-	-	(1,377,599)	(443,180)	(1,820,779)
-	-	-	-	(672,346)
-	-	-	-	(2,970)
-	(1,584,625)	-	-	(1,584,625)
-	(1,584,625)	(1,377,599)	(443,180)	(4,080,720)
1,048,934	848,871	4,816,672	1,016,730	8,348,682
1,612,377	-	-	-	14,133,367
\$ 2,661,311	\$ 848,871	\$ 4,816,672	\$ 1,016,730	\$ 22,484,276
\$ (431,108)	\$ (3,035,998)	\$ -	\$ -	\$ 4,091,472
3,316,588	-	-	-	8,593,113
-	-	-	-	-
(94,424)	-	-	-	448,765
-	-	-	-	(26,859)
(20,176)	14,536	-	-	(535,762)
-	-	-	-	-
6,490	(3,543)	-	-	26,073
(9,683)	(56,717)	-	-	2,902
3,198,795	(45,724)	-	-	8,508,232
\$ 2,767,687	\$ (3,081,722)	\$ -	\$ -	\$ 12,599,704

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE A – ORGANIZATION

The Department of Information Technology (the Department or DoIT) was created by the Legislature of the State of New Mexico under House Bill 959 in the Laws of 2007 and enactment of the Department of Information Technology Act. The purpose of the Act was to create a single, unified executive branch department to administer all laws and exercise all functions formerly administered by the Department of the chief information officer, the information technology commission, pursuant to the Information Technology Management Act, and the communications division, information systems division, radio communications bureau and telecommunications bureau of the General Services Department to consolidate enterprise information technology services duplicated within executive agencies and provide additional information technology services and functionality to improve and streamline the executive branch's information technology systems.

The Department provides enterprise information technology services to State government's executive branch. This includes the communications infrastructure, the State Data Center, and oversight for information technology projects to help State agencies better serve the public.

Services include:

- Data center services
 - Mainframe
 - Open systems and UNIX systems
 - Hosting and administration
 - Data storage services

- Communication services
 - E-mail and calendar
 - Mobile phone and BlackBerry
 - Radio
 - Voice
 - Cell phone

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE A – ORGANIZATION – CONTINUED

- Network services
 - Wide area network
 - Local area network
 - Internet access

- Application and professional services
 - Web hosting
 - Application development and maintenance
 - Desktop support services
 - Enterprise project management
 - Database administration
 - Enterprise support desk

- Security services
 - Firewall
 - Virtual private network

- Oversight and compliance
 - Agency IT planning guidance
 - Project certification and oversight
 - Project management guidance
 - Review and approval of IT contracts

The chief executive of the Department is the Department Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's cabinet. The Department's functions are administered by the Department of the Secretary, and through the Enterprise Applications and Enterprise Network Service Programs. Overall support is provided by the Administrative Services Division. There are no component units of the Department.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE A – ORGANIZATION – CONTINUED

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. Even though the Governor appoints the Department Secretary, the Secretary has decision-making authority, the power to designate management, the responsibility to significantly influence operations, and is primarily accountable for fiscal matters.

The Department is part of the primary government of the State of New Mexico, and its financial data is included with the financial data in the State of New Mexico's Comprehensive Annual Financial Report. These financial statements present financial information that is attributable to the Department and does not purport to present the financial position of the State of New Mexico.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Department of Information Technology (Department) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Department applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncement and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The more significant of the Department's accounting policies are described below:

1. Financial Reporting Entity

Governmental Accounting Standards Board Statement (GASBS) 14, "The Financial Reporting Entity," effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASB 14 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASB 14 apply at all levels to all State and local governments.

GASB 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government."

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Financial Reporting Entity – Continued

The Department is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, but would be included in a state-wide Comprehensive Annual Financial Report (CAFR).

In evaluating how to define the Department for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The 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.

2. Basis Financial Statements – Government-Wide Statements

The Department’s basic financial statements include both information on a government-wide basis and information presented on a fund basis. Government-Wide Financial Statements include two basic financial statements – a statement of net assets and a statement of activities. These statements do not include the fiduciary activities as they do not represent resources available to fund the Department’s programs. The Department has no fiduciary fund activity.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental funds or business-type. In the government-wide statement of net assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The Department’s net assets are reported in three parts - invested in capital assets; restricted net assets; and unrestricted net assets. When applicable, the effect of interfund activity is removed from the statement of net assets in order to avoid a grossing-up effect on assets and liabilities within the statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis Financial Statements – Government-Wide Statements – Continued

The objective of the statement of activities is to report the relative financial burden of each of the reporting government's functions on its taxpayers. The format identifies the extent to which each function of the government draws from the general revenues of the government or is self-financing through fees or intergovernmental aid.

The statement of activities presents governmental and business-type activities by function. The governmental functions of the Department have been defined as the center for advanced computing, radio communications, American Recovery and Reinvestment Act and information technology management. The business-type functions include central telephone services, information processing, human resources accounting, program support and equipment replacement.

The resources and activities accounted for and reported in business-type funds permit for any activity that provides goods or services to other funds, departments or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis when the reporting government is the predominant participant in the activity. Program revenues included in the statement of activities reduce the cost of the function to be financed from general revenues. Items not properly identified as program revenues are reported instead as general revenues. Program revenues include charges to State agencies, the federal government, and local governments for information technology services.

The Department reports all direct expenses by program in the statement of activities. Direct expenses are those clearly identifiable with a function.

3. Basic Financial Statements – Fund Financial Statements

The governmental funds in the fund 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. The 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 with 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 government-wide presentation.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

The financial transactions of the Department are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The reporting model under GASB 34 sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds. Due to the fund structure of the Department, all funds are considered major funds and are included under two types of funds being governmental funds and proprietary funds.

The following fund types are used by the Department:

GOVERNMENTAL FUND TYPES

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as government fund type expenditures of fund liabilities.

The Information Technology Management Office (SHARE 20370). This fund is the general operating fund of the Department and is used to account for all financial resources except those required to be accounted for in another fund. The general fund is funded primarily from appropriations from the State of New Mexico general fund and a budget is legally adopted for this fund. This is a reverting fund.

Section 15-38-16 NMSA 1978 created the Radio Communications fund (SHARE 20340). This is a special revenue fund that is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified radio communications projects. This is a reverting fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

Laws of 2007, Chapter 42, Section 62, Item 7, authorized the creation of the Center for Advanced Computing fund (SHARE 20350). This fund is special revenue fund used to account for resources appropriated for purposes of planning, designing, constructing, and renovating a state center for advance computing. This fund is a reverting fund.

American Recovery and Reinvestment Act Fund (ARRA) - On February 13, 2009 the U. S. Congress passed the American Recovery and Reinvestment Act of 2009 in response to the economic crisis. Due to the separate reporting requirement for ARRA expenditures, as specified by the Office of Management and Budget (OMB), the Department records all ARRA activity in this special revenue fund (SHARE 89000). The ARRA fund is major fund and is nonreverting.

PROPRIETARY FUND TYPES

Proprietary funds use the economic measurement focus and the full accrual basis of accounting and are used to report the Department's service activities that charge customers a fee. Customers include other State agencies, federal, and local governments. Like the government-wide financial statements, they report all assets (including capital assets), liabilities (short and long-term), revenues, expenses, gains and losses. They report the services included the business-type activities in the government-wide financial statements. The Department uses one kind of proprietary fund, enterprise funds, to account for services provided to external customers.

Laws of 2007, CH 290, HB 959, transferred the Central Telephone Services Division (SHARE 20310) to the Department in fiscal year 2008. This division is responsible for designing, establishing and maintaining voice and data telecommunication systems for New Mexico State government and other governmental entities. This is a non-reverting fund.

Laws of 2007, CH 290, HB 959, transferred the Office of Information processing fund (SHARE 20330) to the Department in fiscal year 2008. The fund provides automated data processing services for State agencies and other local federal governmental units. This is a non-reverting fund.

Laws of 2007, CH 290, HB 959, transferred the ISD–OIP Human Resources fund (SHARE 20360) to the Department in fiscal year 2008. The fund accounts for the costs of operating the Human Resource System. The Information Systems Division provides professional technical services, and the operation is administered jointly by the Department of Finance and Administration and the State Personnel Office. The costs are recovered through assessments, based on a per-employee cost, to all agencies subject to their oversight. This is a non-reverting fund.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basic Financial Statements – Fund Financial Statements – Continued

Laws of 2007, CH 290, HB 959, created the program support fund (SHARE 20320) provides financial, purchasing, budget and personnel-related services for the enterprise funds listed above. This is a non-reverting fund.

Laws of 2008, CH 84, HB 517, created the equipment replacement funds (SHARE 96880 and SHARE 96870) in order to plan for the expenditure of capital investments necessary to provide goods and services to the State and its agencies and to local public bodies and other enterprise customers. Replacement funds in 96880 are intended to replace equipment in the Central Telephone Service fund (SHARE 20310) and the Office of Information Processing fund (SHARE 20330). Replacement funds in 96870 are intended to replace equipment in the ISD-OIP Human Resources fund (SHARE 20360). These funds are non-reverting funds.

4. Measurement Focus, Basis of Accounting and Financial Reporting Presentation

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.

GOVERNMENT-WIDE

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

GOVERNMENTAL FUNDS

All governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resources increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the governmental funds in the fund financial statements are presented on a modified accrual basis. Under the accrual method of accounting revenues, expenses, gains, losses, assets and liabilities resulting from exchange and non-exchange transactions are recognized in accordance with full accrual accounting and with the requirements of GASB 33, Accounting and Financial Reporting for Non-exchange Transactions. Available, meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are available if collected within sixty days of the end of the fiscal year. Revenues from grants that are restricted for

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Measurement Focus, Basis of Accounting and Financial Reporting Presentation – Continued

specific uses are recognized as revenues and as receivables when the related costs are incurred. Contributions and other monies held by other State and local agencies are recorded as a receivable at the time the money is made available to the specific fund. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. However, in the government-wide financial statements, both current and long-term are accrued. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB 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.

ENTERPRISE FUNDS

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result for providing information technology services to customers which include state agencies, federal and local governments. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

5. 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 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 Appropriations Act, Laws of 2007, Chapter 28, Section 3, item N. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting – Continued

These procedures are followed in establishing the budgetary data reflected in the financial statements:

- a. 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.
- b. Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcomes of those hearings are incorporated into the State's General Appropriations Act.
- c. The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, as which time the approved budget becomes a legally binding document.
- d. 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 LFC.
- e. Budgetary control is exercised by the Department at the appropriation unit level. Budget Adjustment Requests (BARs) are approved by the DFA Budget Division.
- f. Per the General Appropriation Act, Laws of 2007, Chapter 28, Section 3, item N, "For the purpose of administering the General Appropriation Act of 2007 and approving operating budgets, the State of New Mexico shall follow 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." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline per section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of next year's budget. Encumbrances related to single year appropriations lapse at year-end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.
- g. The original budget differs from the final budgets presented in the budget comparison statements by any amendments made during the fiscal year.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Budgets and Budgetary Accounting – Continued

- h. Appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30th.

6. Accrued Compensated Absences

In accordance with GASB 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. Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semi-annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours each semi-annual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

Years of Service	Hours Earned Per Pay Period
Between 1 month to 3 years	3.08
Over 3 to 7 years	3.69
Over 7 and 11 years	4.61
Over 11 to 15 years	5.54
Over 15 years/beyond	6.15

When applicable, the compensated absence liability is presented in two parts in the government-wide financial statements, a current portion and a long-term portion. The current portion is in the amount expected to be expended during fiscal year 2011. It is an estimate management determined by applying a percentage to the June 30, 2010 liability. Department General Fund and Enterprise fund resources have been used to liquidate accrued compensated absences.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Reversions

The General Appropriation Act of 2007, Chapter 28, Section 3, item N, states that “For the purpose of administering the General Appropriation Act of 2007, the State of New Mexico shall follow 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.” In accordance with the Department of Finance and Administration’s “*Basis of Accounting-Modified Accrual and the Budgetary Basis*,” the Department has accrued as payables amounts owed for goods and services received by June 30, 2010. Any State General Fund appropriations remaining in the general fund (SHARE 20370) and special revenue funds (SHARE 20340 and SHARE 20350) fund balance not reserved is reverted to the state general fund.

8. Net Assets/Fund Equity

In the government-wide financial statement, net assets consist of three components: invested in capital assets, net of related debt; restricted; and unrestricted. The Department has no debt related to capital assets; therefore net assets invested in capital assets equal the capital assets, net of accumulated depreciation.

The Department financial statement show net assets restricted of \$5,153,043 for Radio Communication Projects and \$1,729,562 for the State Center for Advanced Computing. Additionally, \$13,316,297 is restricted for capital replacement.

Net assets are reported as restricted when constraints placed on net asset use are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Enabling legislation includes a legal enforceable requirement that resources be only for the specific purposes stipulated in the legislation.

Legal enforceability means the government can be impelled by an external party-such as citizens, public interest groups or the judiciary – to use resources for the purposes specified by the legislation.

The amount of net assets restricted by enabling legislation is \$20,198,902, which represents all restricted net assets reported on page 18.

These resources remaining in net assets were received or earned with the explicit understanding between the Department and the resource provider (grantor, contributor, other government or enabling legislation) that the funds would be used for a specific purpose. The Department's policy for when an expense is incurred for purposes for which both restricted and unrestricted assets are available is to utilize the restricted assets first.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net Assets/Fund Equity – Continued

Unrestricted net assets consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

In the **fund financial statements** reservations of fund balance are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated for (2) identify the portion of the fund balance that is not appropriable for future expenditures. Specific reservations of the fund balance account are summarized below:

Reserved for the Center for Advanced Computing – Fund balance reserved for purposes of planning, designing, constructing, and renovating a State center for advanced computing.

Reserved for Radio Communications Projects – Fund balance reserved for future cost associated with the development of a digital microwave communication backbone for the State and other radio communication projects.

9. 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.

10. Investments in State General Fund Investment Pool

The Department is required by statute to deposit any money received into the State Treasury. Balances maintained at the end of the day are pooled and invested by the State Treasurer. The State Treasurer issues separate financial statements that disclose the collateral pledged to secure these deposits, categories of risk involved and the market value of purchased investments. Consequently the Department reports its share of the investment pool maintained at the State Treasurer on the enterprise statement of net assets and the statement of cash flows. Investments are considered liquid investments with original maturities of less than 90 days for cash flow statement purposes.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Capital Assets

Capital assets are stated at cost or estimated historical cost, and include data processing, buildings, furniture, office equipment and machinery & equipment constructed with Department resources and acquired with State appropriations. They also include assets transferred from General Services Department of the State of New Mexico under the provisions of House Bill 959. Capital asset additions made through governmental funds are recorded as capital outlay expenditures in the respective funds and recorded in the government-wide financial statements. The Department does not own any infrastructure assets.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Capital assets are defined in Section 12-6-10 NMSA 1978. Section 12-6-10 NMSA 1978, was amended effective June 19, 2005, changing the capitalization threshold of movable chattels and equipment from items costing more than \$1,000 to items costing more than \$5,000. Old inventory items that do not meet the new capitalization threshold will remain on the inventory list and continue to be depreciated. Any items received after July 1, 2005, have been added to the inventory only if they meet the new capitalization policy. Donated capital assets are recorded at estimated fair market value at the date of donation. Computer software which is purchased with data processing computer equipment is included as part of the capitalized computer equipment in accordance with NMAC 2.20.1.9C(5).

Capital assets acquired by business-type funds are reported in those funds at cost.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives with no salvage value. The Department estimates the useful lives on capital assets as follows:

Buildings and improvements	10 to 40 years
Data processing equipment and software	4 years
Machinery & equipment	5 years
Office furniture & fixtures	7 years
Auto & trucks	5 years
Super computer	5 years

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. New Accounting Standard

GASB 51, *Accounting and Financial Reporting for Intangible Assets*, is effective for financial statements for fiscal year 2010. The statement establishes account standards and reduces inconsistencies in practice for intangible assets.

In February of 2009 the Government Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* effective for periods beginning after June 15, 2010. This standard was issued to provide increased clarity for fund balance type definitions and for classification rules for fund balances. The Department will implement this standard in fiscal year 2011.

The Department is considering the effects of this new standard on its financial reporting for future periods.

NOTE C – INVESTMENTS, STATE TREASURER

The following is a summary of the Department's investment account of the State General Fund Investment Pool held by the New Mexico State Treasurer as reported by the New Mexico Department of Finance and Administration (DFA):

	Type of Account	SHARE Fund Number	June 30, 2010 Account Balance	June 30, 2010 Account Reconciled	Financial Statement Balances at June 30, 2010
Info/Tech Management Office	Investment	36100-20370	\$ 282,224	\$ 282,224	\$ 282,224
Center for Advanced Computing	Investment	36100-20350	1,748,762	1,748,762	1,748,762
Radio Communications-Special	Investment	36100-20340	4,263,905	4,263,905	4,263,905
Total governmental funds					6,294,891
Central Telephone Services	Investment	36100-20310	13,059,678	13,059,678	13,059,678
Program Support	Investment	36100-20320	848,871	848,871	848,871
Off. Of Information Processing	Investment	36100-20330	81,014	81,014	81,014
ISD-OIP-Human Resources	Investment	36100-20360	2,661,311	2,661,311	2,661,311
Equipment Replacement Fund	Investment	36100-96870	1,016,730	1,016,730	1,016,730
Equipment Replacement Fund	Investment	36100-96880	4,816,672	4,816,672	4,816,672
Total proprietary funds					22,484,276
Total Share of State General Fund Investment Pool					\$ 28,779,167

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE C – INVESTMENTS, STATE TREASURER – CONTINUED

The New Mexico State Treasurer monitors the collateral for deposits held by it for other State entities in its various pools, which would include the investment account of the Department. The New Mexico State Treasurer has its own separate annual independent audit in which the collateral pledged to secure these accounts is disclosed. That report may be obtained by writing to the New Mexico State Treasurer, P.O. Box 608, Santa Fe, NM 87504-0608.

The Department is not permitted to have any investments, and the Department did not have any investments of its own during the year ended June 30, 2010. There is no custodial risk at the Department level since the account is under the control of the New Mexico State Treasurer. Other requirements of GASB 40, including disclosure of interest rate risk and credit risk are met at the level of the New Mexico State Treasurer.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 for the Department's enterprise funds including the applicable allowances for uncollectible accounts are as follows:

	Central Telephone Service - 20310	Office of Information Processing - 20330	ISD-OIP - Human Resources - 20360	Equipment Replacement Fund 96880	Equipment Replacement Fund 96870	Total Enterprise Funds
Receivables:						
Due from state agencies-trade	\$ 8,881,057	\$ 5,919,257	\$ 200,900	\$ -	\$ -	\$ 15,001,214
Due from Department of Finance and Administration (34100) Refund of unused FY10 appropriation	-	-	19,901	-	-	19,901
Accrued interest due from State Treasurers Office (34900)	-	-	-	525	128	653
Gross receivables	8,881,057	5,919,257	220,801	525	128	15,021,768
Less allowance for uncollectible	<u>(2,146,415)</u>	<u>(2,999,939)</u>	<u>(62,490)</u>	-	-	<u>(5,208,844)</u>
Receivables (net)	<u>\$ 6,734,642</u>	<u>\$ 2,919,318</u>	<u>\$ 158,311</u>	<u>\$ 525</u>	<u>\$ 128</u>	<u>\$ 9,812,924</u>

The allowance for uncollectible accounts consist principally of accounts greater than 1 year old for which budgetary authority and resources may not exist.

State of New Mexico
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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE E – CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2010, is as follows:

	Governmental Activities				
	Balance June 30, 2009	Additions in FY 10	Deletions in FY 10	Internal Transfers in (out) in FY10	Balance June 30, 2010
Capital assets					
Data processing	\$ 13,140,236	\$ 4,139,470	\$ -	\$ (4,608,500)	\$ 12,671,206
Buildings and improvements	3,535,464	765,611	-	(4,301,075)	-
Machinery and equipment	1,125,573	269,280	-	(1,327,932)	66,921
Total capital assets	<u>\$ 17,801,273</u>	<u>\$ 5,174,361</u>	<u>\$ -</u>	<u>\$ (10,237,507)</u>	<u>\$ 12,738,127</u>
Accumulated depreciation					
Data processing	\$ (3,241,182)	\$ (2,249,465)	\$ -	\$ 151,163	\$ (5,339,484)
Buildings and improvements	(205,309)	-	-	205,309	-
Machinery and equipment	(145,876)	(214)	-	123,486	(22,604)
Total accumulated depreciation	<u>\$ (3,592,367)</u>	<u>\$ (2,249,679)</u>	<u>\$ -</u>	<u>\$ 479,958</u>	<u>\$ (5,362,088)</u>
Net capital assets					
Data processing	\$ 9,899,054	\$ 1,890,005	\$ -	\$ (4,457,337)	\$ 7,331,722
Buildings and improvements	3,330,155	765,611	-	(4,095,766)	-
Machinery and equipment	979,697	269,066	-	(1,204,446)	44,317
Net capital assets	<u>\$ 14,208,906</u>	<u>\$ 2,924,682</u>	<u>\$ -</u>	<u>\$ (9,757,549)</u>	<u>\$ 7,376,039</u>

State of New Mexico
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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE E – CAPITAL ASSETS – CONTINUED

	Business-type Activities					Balance June 30, 2010
	Balance June 30, 2009	Additions in FY 10	Deletions Adjustments in FY 10	Internal Transfers in (out) in FY10	SHARE Transferred From DFA	
Capital assets						
Data processing	\$ 24,745,953	\$ 1,441,909	\$ -	\$ 4,608,500	\$ 31,319,640	\$ 62,116,002
Buildings and improvements	9,491,312	31,897	-	4,301,075	-	13,824,284
Auto and trucks	1,678,337	-	-	-	-	1,678,337
Machinery and equipment	57,228,748	1,457,848	-	1,327,932	-	60,014,528
Furniture and office equipment	323,743	-	-	-	-	323,743
Total capital assets	\$ 93,468,093	\$ 2,931,654	\$ -	\$ 10,237,507	\$ 31,319,640	\$ 137,956,894
Accumulated depreciation						
Data processing	\$ (20,885,933)	\$(5,474,125)	\$ -	\$ (151,163)	\$ (6,578,257)	\$ (33,089,478)
Buildings and improvements	(2,761,071)	(609,930)	-	(205,309)	-	(3,576,310)
Auto and trucks	(1,535,193)	(69,462)	-	-	-	(1,604,655)
Machinery and equipment	(47,871,453)	(2,417,633)	-	(123,486)	-	(50,412,572)
Furniture and office equipment	(236,055)	(21,963)	-	-	-	(258,018)
Total accumulated depreciation	\$ (73,289,705)	\$ (8,593,113)	\$ -	\$ (479,958)	\$ (6,578,257)	\$ (88,941,033)
Net capital assets						
Data processing	\$ 3,860,020	\$(4,032,216)	\$ -	\$ 4,457,337	\$ 24,741,383	\$ 29,026,524
Buildings and improvements	6,730,241	(578,033)	-	4,095,766	-	10,247,974
Auto and trucks	143,144	(69,462)	-	-	-	73,682
Machinery and equipment	9,357,295	(959,785)	-	1,204,446	-	9,601,956
Furniture and office equipment	87,688	(21,963)	-	-	-	65,725
Net capital assets	\$ 20,178,388	\$ (5,661,459)	\$ -	\$ 9,757,549	\$ 24,741,383	\$ 49,015,861

State of New Mexico
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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE E – CAPITAL ASSETS – CONTINUED

Depreciation was charged to the function/programs of the primary government as follows:

Governmental activities:

Center for Advanced Computing	\$ 2,249,465
American Recovery and Reinvestment Act (ARRA)	<u>214</u>
Total depreciation expense-governmental activities	2,249,679

Business-type activities:

Central Telephone Service	4,065,175
Office of Information Processing	1,211,350
ISD-OIP Human Resource	3,316,588
Program support	<u>-</u>
Total depreciation expense-business-type activities	<u>8,593,113</u>
Total depreciation expense	<u><u>\$ 10,842,792</u></u>

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE F – INTERNAL BALANCES

The purpose of all internal balances is to record the services the Program Support fund provides to the Department’s enterprise funds and to record the amount due to equipment replacement funds. All interfund transactions are expected to be settled within one year.

Due from and to other funds as of June 30, 2010 are as follows:

DUE FROM FUNDS		DUE TO FUNDS		
		Governmental Funds		
		Information Tech. Mgt. Office 20370	Radio Communications 20340	Center for Advanced Computing 20350
Enterprise Funds				
20310	Central telephone services	\$ -	\$ -	\$ -
20320	Program support	151,801	-	-
20330	Office of Information Processing	-	-	-
20360	ISD-OIP Human Resources	2,558	-	-
96880	Equipment replacement fund	-	-	-
96870	Equipment replacement fund	-	-	-
Enterprise fund totals		154,359	-	-
Governmental Funds				
20370	Information Tech. Mgt Office	-	-	-
20340	Radio communications	-	-	-
Governmental fund totals		-	-	-
AGENCY TOTALS		\$ 154,359	\$ -	\$ -

Enterprise Funds				
Central Telephone Services 20310	Office of Information Processing 20330	ISD-OIP Human Resources 20360	Program Support 20320	Totals
\$ -	\$ -	\$ -	\$ 373,260	\$ 373,260
120,413	155,410	19,077	-	446,701
-	-	-	466,527	466,527
9,612	-	-	50,863	63,033
4,065,176	1,211,351	-	-	5,276,527
-	-	3,316,588	-	3,316,588
4,195,201	1,366,761	3,335,665	890,650	9,942,636
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 4,195,201</u>	<u>\$ 1,366,761</u>	<u>\$ 3,335,665</u>	<u>\$ 890,650</u>	<u>\$ 9,942,636</u>

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE G – INTERNAL BALANCE SUMMARY

Proprietary funds:		Due from	Due to	Net
Fund Name	Fund Number	Other Funds	Other Funds	Amount
Central telephone services	20310	\$ 373,260	\$ (4,195,201)	\$ (3,821,941)
Program support	20320	446,701	(890,650)	(443,949)
Office of info. Processing	20330	466,527	(1,366,761)	(900,234)
ISD-OIP Human Resources	20360	63,033	(3,335,665)	(3,272,632)
Equipment replacement fund-OIP	96880	5,276,527	-	5,276,527
Equipment replacement fund ISD/Telecom	96870	3,316,588	-	3,316,588
Total enterprise funds		<u>\$ 9,942,636</u>	<u>\$ (9,788,277)</u>	<u>\$ 154,359</u>
Governmental funds:		Due from	Due to	Net
Fund Name	Fund Number	Other Funds	Other Funds	Amount
Radio communications	20340	\$ -	\$ -	\$ -
Center for Advanced Computing	20350	-	-	-
General fund	20370	-	(154,359)	(154,359)
Total governmental funds		<u>\$ -</u>	<u>\$ (154,359)</u>	<u>\$ (154,359)</u>
Grand totals		<u>\$ 9,942,636</u>	<u>\$ (9,942,636)</u>	<u>\$ -</u>

NOTE H – DUE TO OTHER AGENCIES

A summary of amounts owed to other agencies as of June 30, 2010 is detailed below:

Due To Fund	Agency	Agency No.	Fund No.	Amount	Purpose
20310	Department of Public Safety	790	12800	\$ 137,800	Leasing of office space for communication tower
20310	General Service Department	350	17400	25,259	Net overpayment for information technology services
20340	State general fund	341	85200	641,520	Reversion payable FY10
20350	State general fund	341	85200	2,480	Reversion payable FY10
20370	State general fund	341	85200	99,014	Reversion payable FY10
Total				<u>\$ 906,073</u>	

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE I – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2010 is as follows:

	Business-Type Activities				
	Balance	Increase	(Decrease)	Balance	Current
	June 30, 2009			June 30, 2010	Portion
Capital lease obligations	\$ 672,346	\$ -	\$ (672,346)	\$ -	\$ -
Compensated absences payable	1,109,769	633,058	630,155	1,112,672	257,654
	\$ 1,782,115	\$ 633,058	\$ (42,191)	\$ 1,112,672	\$ 257,654
	Governmental Activities				
	Balance	Increase	(Decrease)	Balance	Current
	June 30, 2009			June 30, 2010	Portion
Compensated absences payable	\$ 77,145	\$ 20,312	\$ 66,787	\$ 30,670	\$ 764

Compensated absences payable – The compensated absence liability of the governmental funds is expected to be liquidated by the general fund. The compensated absence liabilities of the enterprise funds are expected to be liquidated by the respective enterprise funds.

NOTE J – 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, 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. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. That report is also available on PERA’s website at www.pera.state.nm.us.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

**NOTE J – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION –
CONTINUED**

Funding Policy – Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of the plan members and the Department are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's employer contributions to PERA for the years ending June 30, 2010, 2009 and 2008 were \$1,640,756, \$1,925,928 and \$1,930,898 respectively, equal to the amount of the required contributions for each year.

NOTE K – 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 (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.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

**NOTE K – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN –
CONTINUED**

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

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

<u>Fiscal Year</u>	<u>Employer Contributions Rate</u>	<u>Employee Contribution Rate</u>
FY11	.666%	.833%
FY12	1.834%	.917%
FY13	2.000%	1.000%

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

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

The Department's contributions to the RHCA for the year ended June 30, 2010, 2009, and 2008 were \$138,268 \$141,909, and \$141,243, respectively, which equal the required contributions for each year.

State of New Mexico
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NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE L – COMMITMENTS AND CONTINGENCIES

Operating leases

The Department has commitments greater than one year in duration for vehicles, office space and equipment under operating lease agreements. These leases are considered for accounting purposes to be operating leases. Lease expenditures/expenses for the year ended June 30, 2010 totaled approximately \$265,000. The following is a schedule by years of future minimum lease rental payments required under operating leases that initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2010.

Year ending June 30:

FY11	\$ 271,436
FY12	277,359
FY13	285,510
FY14	292,896
FY15 and thereafter	<u>300,527</u>
	<u>\$ 1,427,728</u>

Risk Management

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2009 through June 30, 2010. There have been no settlements in excess of insurance coverage as of June 30, 2010.

NOTE M – TRANSFERS

The following amounts were transferred between funds within the Department's fund structure for purposes of covering the cost of program support (SHARE 20320) and to record amounts due to the equipment replacement funds (SHARE 96870 and SHARE 96880).

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE M – TRANSFERS – CONTINUED

Internal transfers in (out)			Gen Fund		Enterprise Funds						Total
State Agency	Fund	Purpose	Info Tech Management Office (20370)	Program Support (20320)	Central Telephone Services (20310)	Radio Communications (20340)	ISD-OIP Human Resources (20360)	Equipment Replacement Funds (96870)	Equipment Replacement Funds (96880)	Office of Info. Processing (20330)	Total
DOIT	20310	Program support assessment	\$ -	\$ 1,353,187	\$ (1,353,187)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DOIT	20330	Program support assessment	-	1,374,873	-	-	-	-	-	(1,374,873)	-
DOIT	20360	Program support assessment	-	156,137	-	-	(156,137)	-	-	-	-
DOIT	20370	Program support assessment	(151,801)	151,801	-	-	-	-	-	-	-
DOIT	20310	Transfer of capital assets	-	-	12,240,043	(9,757,549)	-	-	(2,482,494)	-	-
DOIT	20360	Transfer of capital assets	-	-	-	-	449,158	(449,158)	-	-	-
DOIT	96870	Equipment replacement	-	-	-	-	(4,616,588)	4,616,588	-	-	-
DOIT	96880	Equipment Rreplacement	-	-	(4,669,376)	-	-	-	6,031,727	(1,362,351)	-
			<u>\$ (151,801)</u>	<u>\$ 3,035,998</u>	<u>\$ 6,217,480</u>	<u>\$ (9,757,549)</u>	<u>\$ (4,323,567)</u>	<u>\$ 4,167,430</u>	<u>\$ 3,549,233</u>	<u>\$ (2,737,224)</u>	<u>\$ -</u>

The following schedules details transfers to and from other agencies.

Transfers from other agencies				General Fund	Enterprise Fund	Special Revenue Fund	Enterprise Fund	Total
State Agency	Agency No.	Fund No.	Purpose	Info Tech Management Office (20370)	Office of Info. Processing (20330)	Radio Communications Special (20340)	ISD-OIP Human Resources (20360)	Total
DFA	34100	85300	To provide incremental license fees for SHARE	\$ -	\$ -	\$ 935,000	\$ -	\$ 935,000
DFA	34100	85300	To implement a SHARE Treasury module	-	-	240,000	-	240,000
DFA	34100	85300	To transfer SHARE to DoIT pursuant to laws of 2009 Ch 146 sec 6	-	-	-	24,741,383	24,741,383
DFA	34100	85300	For over assessments on information technology	-	-	-	877,000	877,000
DFA	34100	85300	General fund appropriation	926,000	-	-	-	926,000
Totals				<u>\$ 926,000</u>	<u>\$ -</u>	<u>\$ 1,175,000</u>	<u>\$ 25,618,383</u>	<u>\$ 27,719,383</u>

State of New Mexico
Department of Information Technology

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE M – TRANSFERS – CONTINUED

State Agency	Unit	Fund No.	Purpose	Enterprise Fund	Special Revenue Fund	Total
				ISD-OIP Human Resources (20360)	Center for Advanced Computing (20350)	
UNM	N/A	N/A	For staffing and operating expenses for the New Mexico computing application center	\$ -	\$ (2,967,163)	\$ (2,967,163)
DFA	34100	85200	Transfer portion of FY10 HRMS fees collected by DoIT to DFA	(573,999)	-	(573,999)
Totals				<u>\$ (573,999)</u>	<u>\$ (2,967,163)</u>	<u>\$ (3,541,162)</u>

NOTE N – ACTUAL EXPENDITURES IN EXCESS OF APPROPRIATIONS

The table below details actual expenditures in excess of appropriations at the appropriation unit level which is the legal level of budgetary control.

Fund Description	Fund Number	Appropriation Unit Level	Overage Amount
Information Mgt. Technology Office	20370	Other financing uses	\$ 151,801

NOTE O – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before 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 balance sheet, 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 balance sheet, but arose after the balance sheet date and before financial statements are available to be issued.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE O – SUBSEQUENT EVENTS – CONTINUED

The Department has evaluated subsequent events through November 5, 2010, which is the date the financial statements are available to be issued. The following issues were noted:

During fiscal year 2011, the agency was selected to receive Broadband Technology Opportunity Program (BTOP) federal grant for project New Mexico Statewide Interoperable Radio Communication Internet Transport System, which will help bridge the broadband divide by delivering broadband access or awareness to the citizens of New Mexico. The National Telecommunications and Information Administration (NTIA) will work in partnership with DoIT to deliver services to communities. This BTOP grant is administered thru BTOP Program, NTIA, US Department of Commerce and is funded by the American Recovery and Reinvestment Act of 2009 in the amount of \$38.7 million dollars to be spent over the next 2 years. The DoIT will be required to match the federal grant with \$17.0 million State monies which will come from cash and in-kind. As a result, the FY2011 audit will require Single Audit function that will need to be added to the contractual requirements and the will require the agency to develop Statement of Expenditures and Federal Awards (SEFA) Schedule. In addition term staff will be hired to administer and fulfill the grant requirements at DoIT

Also noted as a subsequent event, is an internal re-organization of the Enterprise Services and the Compliance & Oversight Programs. DoIT was created in statute effective July 1, 2007 with an organizational structure based upon a Technical Service model. DoIT has had three years of on-going business operations assessment under the Technical Service model concept. This assessment process in conjunction with the logical comparison to other state's public sector operations for how they are organized along with actual other State visits by DoIT executive management and in alignment with the industry best practices under ITIL (Information Technology Infrastructure Library), has determined that changing DoIT to a Customer Service model will benefit the State of NM in cost and program service delivery.

DoIT service delivery to numerous NM State entities has an impact on virtually every NM citizen in some form and requires the agency to be operating at peak efficiency and competitiveness under the enterprise fund concept due to external competitive factors. A few examples of DoIT service deliverables are housing main frame services with associated support covering physical and technical security for operations that include the Human Services Department Income Support and Child Support operations (1 in 3 NM citizens access these services), Taxation and Revenue Department mainframes that handle millions of dollars in flow-thru revenue to state-wide entities, 2-way radio communication for State-wide law enforcement operations, SHARE financial and HCM system, and judicial systems telecommunications – these systems need to function at utmost performance levels and cannot be unavailable.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

June 30, 2010

NOTE O – SUBSEQUENT EVENTS – CONTINUED

In summary, the current technical service model concept structure at DoIT does not support the needed change to keep DoIT current with industry standards. The horizontal and vertical organizational design changes to implement the customer service model are required to fulfill the enterprise business operations need. This type of paradigm shift in an enterprise fund driven operational structure cannot be completed within the current organizational structure of DoIT. Additionally, this re-organization concept is in alignment with DoIT statutory authority, and dovetails into the DoIT FY11 strategic plan and the State of NM IT Strategic Plan for FY11 thru FY13.

On October 4, 2010 the Department announced an information technology and communication service rate reduction of 7% for State agencies currently utilizing services charged by the Department. The rate reduction will reduce Department revenues and State agencies will receive savings estimated at \$3.5 million in fiscal year 2011.

SUPPLEMENTARY INFORMATION

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR ENTERPRISE FUNDS –
CENTRAL TELEPHONE SERVICES (FUND 20310)**

For the year ended June 30, 2010

	CENTRAL TELEPHONE SERVICES (FUND 20310)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Central telephone services	\$ 28,495,400	\$ 27,495,400	\$ 31,724,747	\$ 4,229,347
Other revenues	-	-	1,176	1,176
Total revenues and fund balance budgeted	<u>\$ 28,495,400</u>	<u>\$ 27,495,400</u>	<u>\$ 31,725,923</u>	<u>\$ 4,230,523</u>
Expenditures:				
Personal services	\$ 5,152,200	\$ 4,802,200	\$ 4,460,705	\$ 341,495
Contractual services	1,351,100	1,351,100	1,001,131	349,969
Other	19,662,400	19,012,400	16,542,067	2,470,333
Total expenditures	<u>\$ 26,165,700</u>	<u>\$ 25,165,700</u>	<u>\$ 22,003,903</u>	<u>\$ 3,161,797</u>
Other financing sources (uses):				
Other financing sources	\$ -	\$ -	\$ -	\$ -
Other financing uses	(2,329,700)	(2,329,700)	(1,957,388)	372,312
Total other financing sources (uses)	<u>\$ (2,329,700)</u>	<u>\$ (2,329,700)</u>	<u>\$ (1,957,388)</u>	<u>\$ 372,312</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ -</u>	\$ 7,764,632	<u>\$ 7,764,632</u>
Request to pay prior year bills from 2011 budget			(87,423)	
Depreciation expense			(4,065,175)	
Amounts owed to equipment replacement fund			(4,065,175)	
Internal transfer of capital assets			<u>12,240,043</u>	
Change in net assets per statement of revenues, expenses and changes in net assets (GAAP basis)			<u>\$ 11,786,902</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR ENTERPRISE FUNDS –
OFFICE OF INFORMATION PROCESSING (FUND 20330)**

For the year ended June 30, 2010

OFFICE OF INFORMATION PROCESSING (FUND 20330)				
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Data processing services	\$ 21,954,100	\$ 20,954,100	\$ 16,842,530	\$ (4,111,570)
Other - general fund	-	-	7,461	7,461
Total revenues and budgeted fund balance	\$ 21,954,100	\$ 20,954,100	\$ 16,849,991	\$ (4,104,109)
 Expenditures:				
Personal services	\$ 6,741,300	\$ 6,291,300	\$ 6,264,135	\$ 27,165
Contractual services	8,412,500	8,412,500	4,907,196	3,505,304
Other	4,807,900	4,257,900	2,240,968	2,016,932
Total expenditures	\$ 19,961,700	\$ 18,961,700	\$ 13,412,299	\$ 5,549,401
 Other financing sources (uses):				
Other financing sources	\$ -	\$ -	\$ -	\$ -
Other financing uses	(1,992,400)	(1,992,400)	(1,525,874)	466,526
Total other financing sources (uses)	\$ (1,992,400)	\$ (1,992,400)	\$ (1,525,874)	\$ 466,526
 Excess of revenues and other financing sources over expenditures and other financing uses				
	\$ -	\$ -	\$ 1,911,818	\$ 1,911,818
Request to pay prior year bills from 2011 budget			(237,186)	
Depreciation expense			(1,211,350)	
Amounts owed to equipment replacement fund			(1,211,350)	
Interest expense			(2,970)	
Change in net assets per statement of revenues, expenses and changes in net assets (GAAP basis)			\$ (751,038)	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR ENTERPRISE FUNDS –
ISD-OIP HUMAN RESOURCES (FUND 20360)**

For the year ended June 30, 2010

	ISD-OIP HUMAN RESOURCES (FUND 20360)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Data processing services	\$ 5,563,100	\$ 5,563,100	\$ 4,848,189	\$ (714,911)
Other	-	-	153,836	153,836
 Total revenues	<u>\$ 5,563,100</u>	<u>\$ 5,563,100</u>	<u>\$ 5,002,025</u>	<u>\$ (561,075)</u>
 Expenditures:				
Personal services	\$ 981,200	\$ 981,200	\$ 845,716	\$ 135,484
Contractual services	1,700,000	1,700,000	1,135,629	564,371
Other	781,000	781,000	135,200	645,800
 Total expenditures	<u>\$ 3,462,200</u>	<u>\$ 3,462,200</u>	<u>\$ 2,116,545</u>	<u>\$ 1,345,655</u>
 Other financing sources (uses):				
Other financing sources	\$ -	\$ -	\$ 877,000	\$ 877,000
Other financing uses	(2,100,900)	(2,100,900)	(2,030,136)	70,764
 Total other financing sources (uses)	<u>\$ (2,100,900)</u>	<u>\$ (2,100,900)</u>	<u>\$ (1,153,136)</u>	<u>\$ 947,764</u>
 Excess of revenues and other financing sources over expenditures and other financing uses				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,732,344</u>	<u>\$ 1,732,344</u>
Depreciation expense			(3,316,588)	
Capital assets transfers			25,190,541	
Amounts due to equipment replacement			(3,316,588)	
Change in net assets per statement of revenues, expenses and changes in net assets (GAAP basis)			<u>\$ 20,289,709</u>	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR ENTERPRISE FUNDS –
PROGRAM SUPPORT (FUND 20320)**

For the year ended June 30, 2010

	PROGRAM SUPPORT (FUND 20320)			
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Other	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Personal services	\$ 3,384,800	\$ 3,384,800	\$ 2,865,139	\$ 519,661
Contractual services	170,000	170,000	44,056	125,944
Other	219,100	219,100	122,511	96,589
Total expenditures	\$ 3,773,900	\$ 3,773,900	\$ 3,031,706	\$ 742,194
Other financing sources (uses):				
Other financing sources	\$ 3,773,900	\$ 3,773,900	\$ 3,035,998	\$ (737,902)
Other financing uses	-	-	-	-
Total other financing sources (uses)	\$ 3,773,900	\$ 3,773,900	\$ 3,035,998	\$ (737,902)
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 4,292	\$ 4,292
Request to pay prior year bills from 2011 budget			(4,292)	
Change in net assets per statement of revenues, expenses and changes in net assets (GAAP basis)			\$ -	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR ENTERPRISE FUNDS –
ENTERPRISE SERVICE EQUIPMENT REPLACEMENT FUND (FUND 96880)**

For the year ended June 30, 2010

Enterprise Services Equipment Replacement Fund 96880				
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	2,593	2,593
Total revenues	-	-	2,593	2,593
Budgeted fund balance	-	2,900,000	2,900,000	-
Total revenues and budgeted fund balance	\$ -	\$ 2,900,000	\$ 2,902,593	\$ 2,593
Expenditures:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	755,200	3,655,200	2,482,494	1,172,706
Total expenditures	\$ 755,200	\$ 3,655,200	\$ 2,482,494	\$ 1,172,706
Other financing sources (uses):				
Other financing sources	\$ 755,200	\$ 755,200	\$ 755,200	\$ -
Other financing uses	-	-	-	-
Total other financing sources	\$ 755,200	\$ 755,200	\$ 755,200	\$ -
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 1,175,299	\$ 1,175,299
Prior year fund balance not revenue for GAAP purposes			(2,900,000)	
Accounting entry to record amount owed to equipment replacement fund from enterprise fund			5,276,527	
Change in fund balance per statement of revenues, expenses and changes in fund balance (GAAP basis)			\$ 3,551,826	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS –
BUDGET TO ACTUAL – MAJOR ENTERPRISE FUNDS –
SHARE EQUIPMENT REPLACEMENT FUND (FUND 96870)**

For the year ended June 30, 2010

SHARE Equipment Replacement Fund 96870				
	Original Budget	Final Budget	Budgetary Actual	Variance Favorable (Unfavorable)
Revenues:				
Federal award programs	\$ -	\$ -	\$ -	\$ -
Investment income	-	-	305	305
Total revenues	\$ -	\$ -	\$ 305	\$ 305
Expenditures:				
Personal services	\$ -	\$ -	\$ -	\$ -
Contractual services	-	-	-	-
Other	-	1,300,000	449,158	850,842
Total expenditures	\$ -	\$ 1,300,000	\$ 449,158	\$ 850,842
Other financing sources (uses):				
Other financing sources	\$ -	\$ 1,300,000	\$ 1,300,000	\$ -
Other financing uses	-	-	-	-
Total other financing sources	\$ -	\$ 1,300,000	\$ 1,300,000	\$ -
Excess of revenues and other financing sources over expenditures and other financing uses				
	\$ -	\$ -	\$ 851,147	\$ 851,147
Accounting entry to record amount owed to equipment replacement fund from enterprise fund			3,316,588	
Change in fund balance per statement of revenues, expenses and changes in fund balance (GAAP basis)			\$4,167,735	

The accompanying notes are an integral part of this financial statement.

State of New Mexico
Department of Information Technology

SCHEDULE OF SPECIAL APPROPRIATIONS

June 30, 2010

Description	Authority	Appropriation Period	SHARE Fund
To convert analog microwave radio system to digital	Laws of 2005 Ch 347 sec 40	2009-2010	20340
To continue telecommunication infrastructure	Laws of 2006 Ch 109 sec 7, item 6	Extended through FY 2012	20340
To continue the analog-to-digital microwave tower construction	Laws of 2007 Ch 28 sec 7, item 10	2008-2010	20340
To implement a trusted state network to authenticate users	Laws of 2007 Ch 28 sec 7, item 9	2009-2010	20340
For assessment and feasibility study for redundancy of most critical information technology based services and applications	Laws of 2008 Ch 3 sec 7, item 13	2009-2010	20340
For incremental license fees for SHARE	Laws of 2009 Ch 124, sec 7, item 4	2010-2011	20340
To implement SHARE treasury module	Laws of 2009 Ch 124, Sec 7, item 5	2010-2011	20340
To convert DMV analog to digital	Laws of 2002, Ch 110 sec 51	2002-2007	20340
To plan, design, construct, renovate, improve, purchase and equip a state center for advanced computing	Laws of 2007 Ch 42 sec 61, item 7	2008-2011	20350
For staff and operations cost for the New Mexico computing applications center	Laws of 2009 Ch 124 sec 5, item 19	2009-2010	20350

<u>Total Appropriations</u>	<u>Prior Year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>Reserved Fund Balance</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balance</u>
\$ 5,000,000	\$ 4,997,373	\$ 2,627	\$ -	\$ -	\$ -	\$ -	\$ -
4,800,000	537,733	-	-	-	4,262,267	-	-
2,000,000	1,178,454	811,968	-	9,578	-	-	-
1,500,000	235,627	1,125,100	-	139,273	-	-	-
250,000	83,124	166,669	-	207	-	-	-
935,000	-	188,970	-	-	746,030	492,015	254,015
240,000	-	95,254	-	-	144,746	132,858	11,888
<u>6,666,667</u>	<u>6,174,205</u>	<u>-</u>	<u>-</u>	<u>492,462</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 21,391,667</u>	<u>\$ 13,206,516</u>	<u>\$ 2,390,588</u>	<u>\$ -</u>	<u>\$ 641,520</u>	<u>\$ 5,153,043</u>	<u>\$ 624,873</u>	<u>\$ 265,903</u>
\$ 14,000,000	\$ 11,387,399	\$ 883,039	\$ -	\$ -	\$ 1,729,562	\$ 30,125	\$ 1,699,437
<u>3,000,000</u>	<u>-</u>	<u>2,997,520</u>	<u>-</u>	<u>2,480</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 17,000,000</u>	<u>\$ 11,387,399</u>	<u>\$ 3,880,559</u>	<u>\$ -</u>	<u>\$ 2,480</u>	<u>\$ 1,729,562</u>	<u>\$ 30,125</u>	<u>\$ 1,699,437</u>

State of New Mexico
Department of Information Technology

SCHEDULE OF SEVERANCE TAX BOND PROCEEDS

June 30, 2010

Description	Authority	Appropriation Period	SHARE Fund
To plan, design, construct & convert analog to digital MW towers	Laws of 2009 Ch125 sec 27 item 6	2010-2013	20340
For telephone system upgrades, including replacing private branch exchange	Laws of 2009 Ch125 sec 27 item 5	2010-2013	20340
For equipment upgrades for core telecom network	Laws of 2009 Ch125 sec 27 item 4	2010-2013	20340
To design and equip a disaster recovery site for SHARE	Laws of 2009 Ch 125 sec 27 item 3	2010-2013	20340
To upgrade enterprise email system	Laws of 2009, Ch 125 sec 27 item 2	2010-2013	20340
To install IT hardware, software & fiber net work equipment in the Simms Building	Laws of 2009, Ch 125 sec 27 item 1	2010-2013	20340

<u>Total Bond Proceeds</u>	<u>Approved Amount FY 10</u>	<u>Prior year Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>Outstanding Encumbrances</u>	<u>Unencumbered Balance</u>
\$ 1,000,000	\$ 73,637	\$ -	\$ 73,637	\$ -	\$ -	\$ 9,260	\$ 917,103
900,000	66,501	-	66,501	-	-	-	-
800,000	335,080	-	335,080	-	-	-	-
1,700,000	1,065,464	-	1,065,464	-	-	614,281	20,255
2,100,000	512,271	-	512,271	-	-	-	-
<u>900,000</u>	<u>864,965</u>	<u>-</u>	<u>864,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 7,400,000</u>	<u>\$ 2,917,918</u>	<u>\$ -</u>	<u>\$ 2,917,918</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 623,541</u>	<u>\$ 937,358</u>

State of New Mexico
Department of Information Technology

MEMORANDUMS OF UNDERSTANDING

For the year ended June 30, 2010

Participant: Department of Finance and Administration

Party responsible for operation: Department of Information and Technology

Purpose: To plan, design, construct, renovate, improve, purchase, and improve a state center for advanced computing

Dates of agreement: July 1, 2007 – June 30, 2011

Total estimated amount of project: \$14,000,000

Amount agency contributed during this fiscal year: \$883,039

Audit responsibility: Department of Information and Technology

Fiscal agent: Department of Information and Technology

Agency where revenues/expenditures are reported: Department of Information and Technology

Participants: Department of Finance and Administration, University of New Mexico, New Mexico Computing Applications Center

Party responsible for operation: New Mexico Computing Applications Center

Purpose: Development of the New Mexico Computing Applications Center

Date of agreement: September 19, 2008 – Term effective unless terminated

Total estimated amount of project: \$5,855,000

Amount agency contributed during this fiscal year: \$2,997,520

Audit responsibility: Department of Information and Technology

Fiscal agent: Department of Information and Technology and University of New Mexico

Agency where revenues/expenditures are reported: Pass-through revenue/expenditures by Department of Information and Technology

State of New Mexico
Department of Information Technology

MEMORANDUMS OF UNDERSTANDING – CONTINUED

For the year ended June 30, 2010

Participants: General Services Department and Department of Information Technology

Party responsible for operation: Department of Information Technology

Purpose: Assessments and improvements on the SHARE benefits administration functionality

Date of agreement: – June 4, 2010 – November 30, 2010

Total estimated amount of project: \$153,836

Amount agency contributed during this fiscal year: \$153,836

Audit responsibility: Department of Information and Technology

Fiscal agent: Department of Information Technology

Agency where revenues/expenditures are reported: Department of Information Technology



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Hector H. Balderas
New Mexico State Auditor
And
Secretary Marlin Mackey
State of New Mexico
Department of Information Technology

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund, and other special revenue funds, of the Department of Information Technology (the Department or DOIT), as of and for the year ended June 30, 2010, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the enterprise funds presented as supplementary information as listed in the table of contents.

We have issued our report thereon dated November 5, 2010 which has qualified because we could not satisfy ourselves about capital asset existence and valuation and the corresponding depreciation and the existence, completeness, and accuracy of accounts receivable and corresponding revenue. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant

deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They can be referenced as findings 08-01 and 08-02.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and response to be significant deficiencies. They can be referenced as findings 08-08, and 09-03.

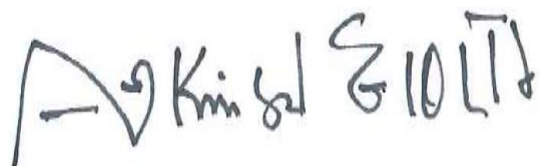
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that is required to be reported under Government Auditing Standards, paragraph 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of finding 08-03.

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

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

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 5, 2010

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2010

RESOLUTION OF PRIOR YEAR FINDINGS

Financial statement findings required by *Government Auditing Standards*

- 08-01 Capital Assets Not Inventoried; Not Properly Tracked (Material Weakness) – repeated and modified
- 08-02 Accounts Receivable Reconciliation (Material Weakness) – repeated and modified
- 08-07 Information Technology Documented Policies – resolved
- 08-08 Unbilled Receivables for Telephone Usage (Significant Deficiency) – repeated and modified
- 08-09 Internal Procurement Policies and Procedures (Significant Deficiency) – resolved
- 09-01 Procurement Violation Software AG, Inc. (Significant Deficiency)-resolved

- 09-03 Segregations of Duties – Accounts Payable (Significant Deficiency) – repeated and modified

Findings required by 2.2.2 NMAC

- 08-03 Budget Overspending – repeated and modified
- 08-06 Cash Receipts – resolved
- 09-02 Performance Evaluation – resolved

CURRENT YEAR AUDIT FINDINGS

None

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2010

09-03 Segregation of Duties – Accounts Payable (Significant Deficiency)

Condition

During our walkthroughs of internal controls over cash disbursements, we noted the approval of invoices for 13 vendors out of 40 were not properly segregated from the processing and payments of invoices to vendors. The accounts payable department both approves and processes invoices for payments for the following vendors:

Vendor	Plateau Wireless
AT&T	Qwest
Century Link	Roosevelt County
Enmr	Tularosa
Frontier	Western NM
La Jicarita	Windstream
Leaco	HEI

Criteria

The Department's internal policy Accounts Payable Policy and Procedures Manual A, (1) requires the individual department administrator's to approve invoices for payment prior to the submission to the accounts payable department for processing.

Effect

Lack of segregation of duties could result in procurement violations, unauthorized payments to vendors, contractor overbillings, or fraudulent payments to vendors.

Cause

Responsibility for approval is not effectively communicated. As such the accounts payable approves the invoice on the invoice summary form and processes the invoice for payment.

Recommendation

We recommend top-level management reinforce internal policies to each department administrator.

Management's Response

2010 – Management agrees with the recommendation as noted in FY09 Financial Statement. The corrective action take: In November 2009, management took immediate action to implement the control to address the segregation of duties by transferring the invoice approval for all vendors to their appropriate designated department administrators. Accounts payable no longer approved the invoice on the invoice summary form. This action resulted in a modification of the finding for 2010.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2010

08-01 Capital Assets Not Inventoried; Not Properly Tracked (Material Weakness)

Condition

\$72,798,352 of capital assets previously reported and managed by other agencies and consolidated in the Departments telecommunications fund (SHARE 20310) have not been inventoried and reconciled to capital asset records. Additionally, capital assets have not been analyzed for impairments of the carrying amount of capital assets. DoIT does not have a complete depreciation schedule of their capital assets to properly track additions, deletions, and depreciation.

We noted 32 out of 100 capital assets purchased in fiscal year 2010 were not tagged with Department tag numbers.

We noted 2 purchases of capital assets in FY10 were recorded as an expense but should have been recorded as capital asset additions.

Criteria

According to 12-6-10 NMSA 1978 governing authorities are required to conduct a physical inventory of the capital assets. Model Accounting Practices FIN 6 - Asset Management prescribes standards for accounting for assets.

Effect

Capital assets are at potential risk of loss without accountability that observation, reconciliation, and impairment analysis provides.

External auditors could not satisfy themselves regarding capital assets resulting in a qualified opinion.

The cost of depreciation expense allocated to federal grants in future periods for state matching purposes could be called into question if underlying assets do not exist or are impaired.

Cause

Capital assets transferred to DoIT were not tracked and reconciled sufficiently prior to the time of adoption by DoIT.

Management did not complete all reconciliation accounting and other observation procedures in relation to capital assets transferred.

The Capital Asset Manager does not fully understand how to utilize the capital asset software to determine the locations of assets that were transferred to DoIT from the General Service Department in fiscal year 2008.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2010

**08-01 Capital Assets Not Inventoried; Not Properly Tracked (Material Weakness) –
Continued**

The Capital Asset Manager does not currently have enough resources to conduct a thorough inspection of capital assets transferred to DoIT in fiscal year 2008 on a timely basis as some capital assets are located in remote locations throughout the State.

Some capital assets are observed periodically; however, the details of these inspections are not documented and cannot be clearly communicated to external auditors annually as when the inspections were completed and the extent to which an annual inventory was completed.

With respect to current year purchases not tagged we noted the project managers never placed the tags on the equipment they were responsible for. In two instances, the tags were located in the project manager's drawer. In five instances the tags were lost or misplaced.

Recommendation

The Department should complete its reconciliation of capital assets and update them periodically. DoIT should implement a policy to provide ongoing compliance with 12-6-10 NMSA 1978.

The Capital Asset Manager should receive additional training on how to use the capital asset software (GEAC) to locate assets transferred to the Department in fiscal year 2008.

The Capital Asset Manager should check to ensure project managers have physically placed the tags on the equipment they are responsible for.

The Department should clearly document assets that have been physically observed and retain documentation for audit annually.

The Department should commit additional resources to conduct a thorough inspection of capital assets transferred in fiscal year 2008 on a timely basis.

All expenditures in Equipment Replacement Funds (SHARE 96870, 96880 and 20340) should be reviewed and approved by the Capital Asset Manager.

Management's Response (2010)

Management agrees with the finding. The corrective action planned includes the following:

The department has requested cost proposals to implement the Fixed Assets Module of SHARE in FY11

Capital Assets Policies and Procedures will be disbursed to all staff.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2010

**08-01 Capital Assets Not Inventoried; Not Properly Tracked (Material Weakness) –
Continued**

Management's Response (2010)-Continued

Two additional staff was assigned to assist the Capital Asset Manager. The entire staff will receive additional training on GEAC reporting.

All managers will be required to complete an inventory of assets within their assigned area and will be required to work with the Capital Asset Manager to ensure tagging and inventory are completed timely and documented. The Capital Asset Manager will follow-up with managers and for instances of non-compliance inform CFO and Deputy Secretary for immediate action. Upon receipt of documented inventory, the Capital Asset Manager will take the appropriate action for impaired or missing assets.

The Capital Asset Manager will perform monthly reconciliations of equipment replacement funds and Fund 20340 for all expenditures within 7 working days following the DFA month end close and will provide the General Ledger Bureau with copy supported with any adjustments required and updated "Additions/Deletions" schedule; for instances of non-compliance the General Ledger Bureau will notify the CFO.

08-02 Accounts Receivable Reconciliation (Material Weakness)

Condition

DoIT did not complete its reconciliations of customer accounts receivable for the year ended June 30, 2010. DoIT completed reconciliations of accounts receivable on October 15, 2010 for fiscal year ended June 30, 2010.

Criteria

It is the responsibility of the Department to keep books and records including the necessary adjusting entries to properly state the financial position of the Department. Under Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matter in an Audit*, it is considered a control deficiency if material misstatements exist in the financial statements. Model Accounting Practices FIN 3 general ledger specifically requires closing procedures.

Effect

DoIT did not have reconciled data for its accounts available during the year and through yearend.

Incorrect billings may occur. Incorrect decisions are possible with incomplete or erroneous account balances. Collections of accounts receivable may be impacted or delayed. External auditors could not satisfy themselves regarding accounts receivable resulting in a qualified opinion.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2010

08-02 Accounts Receivable Reconciliation (Material Weakness) – Continued

Cause

Accounts receivable billings are not recorded in the general ledger monthly; however, the accounts receivable subsidiary ledger is updated monthly for billings. The absence of monthly billings in the general ledger precludes monthly accounts receivable reconciliations.

Recommendation

We recommend the Accounts Receivable Bureau journalize monthly billings and submit to the General Ledger Bureau for approval. The journal should mirror the accounts receivable subsidiary activity. The Accounts Receivable Bureau should perform monthly reconciliations to the accounts receivable subsidiary ledger. We recommend that DoIT follow a closing policy recommended by DFA for interim periods including the year-end closing. Priority should be given to short-term controls and periodic reconciliations of accounts receivable to avoid extensive reconciliations at year-end.

Management's Response (2010)

Management agrees with the finding. During fiscal year 2010 the General Ledger staff conducted training as noted in the corrective action plan. In addition, during the month of September 2010 contracted with an accounting firm to assist in reconciliations for FY10. Effective November 2010, management took additional action by placing accounts receivable under the general ledger bureau.

08-03 Budget Overspending

Condition

DOIT over expended its budget in the following funds:

Fund Description	Fund Number	Appropriation Unit	Level Overage Amt
Information Mgt. Technology Ofc.	20370	Other financing uses	\$ 151,801

Criteria

Budgetary controls, which included the timely adoption of budget adjustments, should prevent any expenditure in excess of the approved budget. In accordance with the State's Model Accounting Practices FIN 4 (4.7), State agencies must verify that sufficient budget is available prior to making the commitment.

Effect

By not complying with their budgets, other budgetary periods or fund balance reserves could be adversely or unexpectedly impacted. Budgetary controls inherent in the bar approval process are not available if bars are not submitted.

Cause

The cost of program support allocated to the Department's general fund (SHARE 20370) was not budgeted for in fiscal year 2010.

SCHEDULE OF FINDINGS AND RESPONSES – CONTINUED

June 30, 2010

08-03 Budget Overspending – Continued

Recommendation

DoIT should prepare a budget for other financing uses for fiscal year 2011.

Management's Response 2010:

Management agrees with the finding; however legislation prevented us from submitting a budget adjustment to appropriately place budget in other financing uses specific to accomplish interagency transfer for Program Support. In the upcoming Legislature we will request expanded "BAR" language to enable and expand transfers within the agency to meet accounting requirements. The FY11 Operating Budget does contain budget in the Other Financing Sources and Uses Category. The Department will continue to monitor the FY11 budget and make the necessary adjustments.

08-08 Unbilled Receivables for Telephone Usage (Significant Deficiency)

Condition

DoIT has unbilled accounts receivable that are not identified by customer. Research is required to determine the correct entity to bill for telephone services utilized. This research is not completed at June 2010. The amounts of unbilled receivables for fiscal years ending June 30, 2010, 2009, and 2008 were \$439,970, \$346,026, and \$180,908 respectively.

Criteria

Model Accounting Practices FIN 11.1 and 6-5-2 NMSA 1978 require the active management of accounts receivable and the maintenance of detailed accounts receivable ledgers.

Effect

Accounts receivable billing is delayed creating negative effects on cash flow. Unauthorized telephone customers may be using state resources inappropriately.

Cause

DoIT has assumed the responsibilities of centralized telephone management for the State of New Mexico. The volume of transactions that has to be billed and managed is large and some transactions have not yet been correctly identified. Resources to review specific transactions and correct billing customers have not been consistently available.

Recommendation

We recommend that DoIT identify and commit resources to complete the identification of all billing transactions and to then periodically update their billing database.

Management's Response 2010

Management concurs with the finding; the department will take measure by allocating resources to properly identify and correct the unbilled telephone usage.

State of New Mexico
Department of Information Technology

FINANCIAL STATEMENT PREPARATION

June 30, 2010

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Department's Finance Manager. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles and that records are current and in balance. Management has reviewed and approved the financial statements.

EXIT CONFERENCE

An exit conference was held on November 2, 2010, to discuss the audit. The following individuals were in attendance:

State of New Mexico – Department of Information Technology

Marlin Mackey, Department Secretary

Charles Martinez, Chief Financial Officer

JoAnn Duran, Bureau Chief

Douglas Taylor, CPA, Financial Coordinator

Independent Auditor – Atkinson & Co., Ltd.

Martin Mathisen, CPA, CGFM Audit Director

Morgan Browning, CPA, CGFM Audit Manager

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