

**STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2013**

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**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
OFFICIAL ROSTER
June 30, 2013**

Darryl Ackley, Department Secretary

Jacqueline J. Miller, Deputy Secretary

Charles Martinez, Chief Financial Officer



CliftonLarsonAllen LLP
500 Marquette NW, Suite 800
Albuquerque, NM 87102
505-842-8290 | fax 505-842-1568
www.cliftonlarsonallen.com

Independent Auditors' Report

Mr. Darryl Ackley
State of New Mexico
Department of Information Technology
Mr. Hector H. Balderas
New Mexico State Auditor

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the capital project and enterprise funds of the Department for the year ended June 30, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2.NMAC are presented for the purposes of additional analysis and are not a required part of the financial statements.

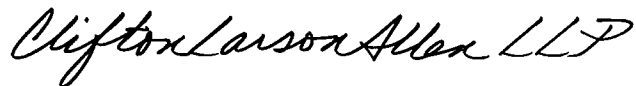
The Schedule of Expenditures of Federal Awards and the other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected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

schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

Albuquerque, New Mexico
December 16, 2013

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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 Department'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.

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

Government-Wide Financial Statements. 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.

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

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

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

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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:

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.

Program-specific - These are revenues specific to grants and contributions.

Program-specific capital grants and contributions - These are resources restricted for capital purposes.

For the year ended June 30, 2013, 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.

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.

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. The Department's enterprise funds provide benefits to other state agencies, the federal government and local governments. The statement of net position or balance sheet; statement of revenues, expenses, and changes in fund net position 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.

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

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.

Required Supplemental and Other Supplemental Information. Supplemental information, such as management's discussion and analysis, statements, schedules, or other information, is 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 the Office of the State Auditor.

Financial Analysis of the Department as a Whole

Business-type Activities Net Position. Table A-1 summarizes the Department's net position for the fiscal year ended June 30, 2013. Net position for business-type activities was \$73,027,174.

**Table A-1
The Department's Business-type Activities Net Position**

	Business-Type Activities		
	FY2013	FY2012	Change
Assets:			
Current and other assets	\$ 36,748,462	\$ 36,173,582	\$ 574,880
Capital and non-current assets	<u>41,619,232</u>	<u>46,834,678</u>	<u>(5,215,446)</u>
Total assets	<u>\$ 78,367,694</u>	<u>\$ 83,008,260</u>	<u>\$ (4,640,566)</u>
Liabilities:			
Current liabilities	\$ 4,731,802	\$ 4,747,931	\$ (16,129)
Long-term liabilities	<u>608,718</u>	<u>737,207</u>	<u>(128,489)</u>
Total liabilities	<u>5,340,520</u>	<u>5,485,138</u>	<u>(144,618)</u>
Net position:			
Invested in capital assets	41,619,232	46,834,678	(5,215,446)
Restricted	32,966,291	24,901,261	8,065,030
Unrestricted	<u>(1,558,349)</u>	<u>5,787,183</u>	<u>(7,345,532)</u>
Total net position	<u>73,027,174</u>	<u>77,523,122</u>	<u>(4,495,948)</u>
Total liabilities and net position	<u>\$ 78,367,694</u>	<u>\$ 83,008,260</u>	<u>\$ (4,640,566)</u>

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

Business-type Activities Changes in Net Position. The Department's change in business-type net position for fiscal year 2013 was a decrease of \$3,528,172 (Statement of Activities).

**Table A-2
Changes in the Department's Business-type Activities Net Position**

	<u>Business-Type Activities</u>		
	<u>FY2013</u>	<u>FY2012</u>	<u>Change</u>
Revenues:			
Program revenues	\$ 53,578,580	\$ 46,167,227	\$ 7,411,353
General revenues	29,103	13,958	15,145
Total revenues	<u>53,607,683</u>	<u>46,181,185</u>	<u>7,426,498</u>
Expenses:			
Central Telephone Service	49,532,044	44,689,504	4,842,540
ISD-OIP Human Resource	6,741,796	6,499,872	241,924
Loss on disposal of assets	-	4,170	(4,170)
Program support	<u>3,125,001</u>	<u>3,111,516</u>	<u>13,485</u>
Total expenses	<u>59,398,841</u>	<u>54,305,062</u>	<u>5,093,779</u>
Excess (deficiency) before transfers	(5,791,158)	(8,123,877)	2,332,719
Internal transfers of capital assets	2,820,481	5,833,968	(3,013,487)
Transfers in	138,005	103,200	34,805
Transfers out	<u>(695,500)</u>	<u>(595,000)</u>	<u>(100,500)</u>
Changes in net position	(3,528,172)	(2,781,709)	(746,463)
Beginning net position	77,523,122	80,304,831	(2,781,709)
Restatement	(967,776)	-	(967,776)
Beginning net position, as restated	<u>76,555,346</u>	<u>80,304,831</u>	<u>(3,749,485)</u>
Ending net position	<u>\$ 73,027,174</u>	<u>\$ 77,523,122</u>	<u>\$ (4,495,948)</u>

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

Governmental Activities Net Position. Table A-3 summarizes the Department's net position for the fiscal year ended June 30, 2013. Net position for governmental activities were \$27,607,931.

**Table A-3
The Department's Governmental Activities Net Position**

	Governmental Activities		
	FY2013	FY2012	Change
Assets:			
Current and other assets	\$ 4,422,679	\$ 5,629,600	\$ (1,206,921)
Capital and non-current assets	<u>27,218,952</u>	<u>13,717,186</u>	<u>13,501,766</u>
Total assets	<u>\$ 31,641,631</u>	<u>\$ 19,346,786</u>	<u>\$ 12,294,845</u>
Liabilities:			
Current liabilities	\$ 3,991,204	\$ 5,633,462	\$ (1,642,258)
Long-term liabilities	<u>42,496</u>	<u>25,267</u>	<u>17,229</u>
Total liabilities	<u>4,033,700</u>	<u>5,658,729</u>	<u>(1,625,029)</u>
Net position:			
Invested in capital assets	27,218,952	13,717,186	13,501,766
Restricted	433,607	-	433,607
Unrestricted	<u>(44,628)</u>	<u>(29,129)</u>	<u>(15,499)</u>
Total net position	<u>27,607,931</u>	<u>13,688,057</u>	<u>13,919,874</u>
Total liabilities and net position	<u>\$ 31,641,631</u>	<u>\$ 19,346,786</u>	<u>\$ 12,294,845</u>

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

Governmental Activities Changes in Net Position. The Department's change in net position for governmental activities for fiscal year 2013 was an increase of \$11,222,259 (Statement of Activities). Approximately 7.1% of the Department's governmental revenue comes from State General Fund Appropriations.

**Table A-4
Changes in the Department's Governmental Activities Net Position**

	Governmental Activities		
	FY2013	FY2012	Change
Revenues:			
Program revenues	\$ 15,128,228	\$ 13,394,269	\$ 1,733,959
General revenues	4,164,981	2,043,701	2,121,280
Total revenues	<u>19,293,209</u>	<u>15,437,970</u>	<u>3,855,239</u>
Expenses:			
Radio Communications	66,393	-	66,393
Broadband Technology	1,333,160	3,038,641	(1,705,481)
Information Technology Management Center for Advanced Computing	591,958	368,800	223,158
	<u>2,414,203</u>	<u>2,775,360</u>	<u>(361,157)</u>
Total expenses	<u>4,405,714</u>	<u>6,182,801</u>	<u>(1,777,087)</u>
Excess (deficiency) before transfers	14,887,495	9,255,169	5,632,326
Internal transfers of capital assets	(2,820,481)	(5,833,968)	3,013,487
Loss on disposal of assets	(592,213)	-	(592,213)
Transfers out	<u>(252,542)</u>	<u>(103,200)</u>	<u>(149,342)</u>
Changes in net position	11,222,259	3,318,001	7,904,258
Beginning net position	<u>13,688,057</u>	<u>10,370,056</u>	<u>3,318,001</u>
Restatement	2,697,615	-	2,697,615
Beginning net position, as restated	<u>16,385,672</u>	<u>10,370,056</u>	<u>6,015,616</u>
Ending net position	<u>\$ 27,607,931</u>	<u>\$ 13,688,057</u>	<u>\$ 13,919,874</u>

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

Financial Analysis of Overall Financial Position and Results of Operations

Governmental activities increased the Department's net position by \$11,222,259 and enterprise activities decreased the Department's net position by \$3,528,172. Key elements of these changes are as follows:

Governmental Activities. Governmental activities increased the Department's net position by \$11,222,259 from the BTOP grant for capital assets and accumulation of construction in progress balances. Other financing uses increased due to transfers of capital assets from a governmental fund (SHARE 89200) to an enterprise fund (SHARE 20310) in the amount of \$2,720,297. Internal funds transfers for program support were \$3,125,316.

Enterprise Activities. Total revenues increased by \$7,426,499 comparing fiscal year 2013 revenues to fiscal year 2012 revenues, primarily due a temporary rate reduction in FY12 and an increase in rates for SHARE HCM in FY13.

Capital Asset and Debt Administration

Capital Assets. The Department's net investment in capital assets totaled \$68,838,181 at June 30, 2013. 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 as of June 30, 2013 amounts to \$27,479,828 for its governmental activities and \$41,619,232 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. Depreciation expense in fiscal year 2013 was \$16,246,502 compared with \$13,046,843 in fiscal year 2012. 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 \$781,631. 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 \$844,500, inclusive of other financing uses for fiscal year 2013. Budgetary basis expenditures and other financing uses were \$844,500. Personnel costs accounted for 73.9% of the year's expenditures and other financing uses, while other financing uses accounted for 18.6%.

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

Accomplishments

In FY 2013, the Department has numerous accomplishments of which it can boast. Primarily, the Department continued to provide robust, secure and modern enterprise IT services to the state agencies and entities that it was created to serve. In the majority of these cases, these services were delivered within very tight performance metrics, and with increased service levels at a reduced per-unit cost. The Department also continued to provide value-added and comprehensive oversight of all IT projects and procurements throughout the state, providing a single and coherent point-of-contact for these activities at an executive level. (This oversight included 63 projects at a total value of \$332,236,400.) In addition to these accomplishments with respect to the core mission, there are several noteworthy accomplishments worth discussing here:

- The implementation of the TUAM Electronic Billing System, providing for the electronic delivery of itemized service statements to our customer agencies. Prior to this implementation, customer agencies could only review billing information manually, and often without much itemization or detail. In addition to the technical implementation of this system, an agency-by-agency service review was performed to ensure that account codes for invoices were aligned with agency funding sources, and that sufficient detail was being provided in account statements.
- Implemented Asset Management and Accounts Receivable modules for the Department inside of the State's PeopleSoft environment (SHARE), greatly improving the amount of granular information available for the purposes of IT Financial Management. Additionally, the Department supported the implementation of a number of modules for other agencies, including but not limited to Grants Management, Asset Management, and Accounts Receivable. Lastly, the Department continued to be the focal point for efforts to provide upgrades to the core SHARE financial system.
- Continued modernization of the State's public-safety communication platforms and programs:
 - Nearly completed statewide narrowbanding of all land-mobile radio equipment per an unfunded FCC mandate via capital funding, concurrently performing inventory of radio assets statewide.
 - Nearly completed the upgrade of over 50 radio sites statewide via the continued execution of a \$38M federal grant.
 - Worked closely with the Federal FirstNet board on the development of a pilot public-safety LTE broadband deployment as part of the national public-safety broadband program.
 - Served as the focal point for the re-establishment of technology-enabled victim notification services statewide (VINE) on behalf of a multi-agency collaborative.

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2013**

Currently Known Facts and Decisions

During fiscal year 2013, the agency leadership has worked to develop a focus and mission for the organization based on several key competencies. The agency will strive to create a fabric on which our customer agencies can build applications and systems to support their mission. The focus on customer service has and will continue to be a focus of this administration and DoIT as a whole.

The Department may evaluate the acquisition/implementation of the SHARE projects and grants application that will meet all accounting requirements and assist management in being able to better manage current and future federal grants.

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 requests 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 POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current:			
Investment in State General			
Fund Investment Pool	\$ 600,763	\$ 24,516,176	\$ 25,116,939
Due from federal government	3,020,103	-	3,020,103
Due from other state agencies	659,018	82,053	741,071
Internal balances	142,795	(142,795)	-
Accounts receivable, net	-	12,292,546	12,292,546
Other assets	-	482	482
Total current assets	<u>4,422,679</u>	<u>36,748,462</u>	<u>41,171,141</u>
Capital assets	39,076,107	98,910,122	137,986,229
Less accumulated depreciation	<u>11,857,155</u>	<u>57,290,890</u>	<u>69,148,045</u>
Total capital assets, net	<u>27,218,952</u>	<u>41,619,232</u>	<u>68,838,184</u>
TOTAL ASSETS	<u>\$ 31,641,631</u>	<u>\$ 78,367,694</u>	<u>\$ 110,009,325</u>
LIABILITIES			
Investment in State General			
Fund Investment Pool Overdraft	\$ 2,257,147	\$ -	\$ 2,257,147
Accounts payable	1,601,025	4,187,844	5,788,869
Accrued payroll and benefits	16,363	267,394	283,757
Due to other state agencies	114,537	148,276	262,813
Compensated absences payable:			
Due within one year	2,132	128,288	130,420
Due after one year	<u>42,496</u>	<u>608,718</u>	<u>651,214</u>
Total liabilities	<u>4,033,700</u>	<u>5,340,520</u>	<u>9,374,220</u>
NET POSITION			
Net investment in capital assets	27,218,952	41,619,232	68,838,184
Restricted for:			
Capital replacement	-	32,966,291	32,966,291
Radio communication projects	433,607	-	433,607
Unrestricted	<u>(44,628)</u>	<u>(1,558,349)</u>	<u>(1,602,977)</u>
Total net position	<u>27,607,931</u>	<u>73,027,174</u>	<u>100,635,105</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 31,641,631</u>	<u>\$ 78,367,694</u>	<u>\$ 110,009,325</u>

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental Activities:			
Broadband Technology	\$ 1,333,160	\$ -	\$ 15,128,228
Information Technology Management	591,958	-	-
Radio Communications	66,393	-	-
Center for Advanced Computing	2,414,203	-	-
Total governmental activities	<u>4,405,714</u>	<u>-</u>	<u>15,128,228</u>
Business-type Activities:			
Central Telephone Service	49,532,044	45,670,025	-
ISD-OIP Human Resource	6,741,796	7,908,555	-
Program support	3,125,001	-	-
Total business-type activities	<u>59,398,841</u>	<u>53,578,580</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 63,804,555</u>	<u>\$ 53,578,580</u>	<u>\$ 15,128,228</u>

General revenues and transfers:

- State general fund appropriations
- Investment income
- Loss on disposal of assets
- Severance tax bonds
- Internal transfers of capital assets
- Internal fund transfers
- Other transfers

Total general revenues and transfers

CHANGE IN NET POSITION

NET POSITION, BEGINNING OF YEAR

RESTATEMENT

NET POSITION, BEGINNING OF YEAR, AS RESTATED

NET POSITION, END OF YEAR

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 13,795,068	\$ -	\$ 13,795,068
(591,958)	-	(591,958)
(66,393)	-	(66,393)
<u>(2,414,203)</u>	<u>-</u>	<u>(2,414,203)</u>
<u>10,722,514</u>	<u>-</u>	<u>10,722,514</u>
-	(3,862,019)	(3,862,019)
-	1,166,759	1,166,759
<u>-</u>	<u>(3,125,001)</u>	<u>(3,125,001)</u>
-	(5,820,261)	(5,820,261)
<u>10,722,514</u>	<u>(5,820,261)</u>	<u>4,902,253</u>
1,344,500	-	1,344,500
-	29,103	29,103
(592,213)	-	(592,213)
2,820,481	-	2,820,481
(2,820,481)	2,820,481	-
(138,005)	138,005	-
<u>(114,537)</u>	<u>(695,500)</u>	<u>(810,037)</u>
<u>499,745</u>	<u>2,292,089</u>	<u>2,791,834</u>
11,222,259	(3,528,172)	7,694,087
13,688,057	77,523,122	91,211,179
<u>2,697,615</u>	<u>(967,776)</u>	<u>1,729,839</u>
<u>16,385,672</u>	<u>76,555,346</u>	<u>92,941,018</u>
<u>\$ 27,607,931</u>	<u>\$ 73,027,174</u>	<u>\$ 100,635,105</u>

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

	General Fund		Major Funds				Total Governmental Funds
	Information Technology Management Office (20370)	Center for Advanced Computing (20350)	Radio Communications (20340)	ARRA Fund (89000)	STB Capital Outlay (89200)		
ASSETS							
Investment in State General Fund Investment Pool	\$ 120,497	\$ -	\$ 480,266	\$ -	\$ -	\$ -	\$ 600,763
Due from federal government	-	-	-	3,020,103	-	-	3,020,103
Due from other state agencies	-	-	-	-	659,018	-	659,018
Due from other funds	19,395	-	-	124,533	-	-	143,928
TOTAL ASSETS	<u>\$ 139,892</u>	<u>\$ -</u>	<u>\$ 480,266</u>	<u>\$ 3,144,636</u>	<u>\$ 659,018</u>	<u>\$ -</u>	<u>\$ 4,423,812</u>
LIABILITIES							
Investment in State General Fund Investment Pool Overdraft	\$ -	\$ -	\$ -	\$ 1,816,795	\$ 440,352	\$ -	\$ 2,257,147
Accounts payable	11,405	-	46,659	1,324,295	218,666	-	1,601,025
Accrued payroll and benefits	13,950	-	-	2,413	-	-	16,363
Due to other funds	-	-	-	1,133	-	-	1,133
Due to other state agencies	114,537	-	-	-	-	-	114,537
Total liabilities	<u>139,892</u>	<u>-</u>	<u>46,659</u>	<u>3,144,636</u>	<u>659,018</u>	<u>-</u>	<u>3,990,205</u>
FUND BALANCES							
Restricted for radio communications projects	-	-	433,607	-	-	-	433,607
Total fund balances	<u>-</u>	<u>-</u>	<u>433,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,607</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 139,892</u>	<u>\$ -</u>	<u>\$ 480,266</u>	<u>\$ 3,144,636</u>	<u>\$ 659,018</u>	<u>\$ -</u>	<u>\$ 4,423,812</u>

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

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013**

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS (GOVERNMENTAL FUNDS BALANCE SHEET)	\$ 433,607
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

The cost of capital assets is:	39,076,107
Accumulated depreciation is:	<u>(11,857,155)</u>

Total capital assets	27,218,952
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Compensated absences payable are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(44,628)</u>
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NET POSITION OF GOVERNMENTAL ACTIVITIES (STATEMENT OF NET POSITION)	<u>\$ 27,607,931</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	General Fund	Major Funds				
	Information Technology Management Office (20370)	Center for Advanced Computing (20350)	Radio Communications (20340)	ARRA Fund (89000)	STB Capital Outlay (89200)	Total Governmental Funds
REVENUES						
Federal operating grants	\$ -	\$ -	\$ -	\$ 15,128,228	\$ -	\$ 15,128,228
Total revenues	-	-	-	15,128,228	-	15,128,228
EXPENDITURES						
Compensation and benefits	559,320	-	-	280,727	-	840,047
Contractual services	10,000	-	66,393	907,521	-	983,914
Other costs	22,638	-	-	118,280	-	140,918
Capital outlay	-	-	100,184	13,821,700	2,720,297	16,642,181
Total expenditures	591,958	-	166,577	15,128,228	2,720,297	18,607,060
Excess (deficiency) of revenues over (under) expenditures	(591,958)	-	(166,577)	-	(2,720,297)	(3,478,832)
OTHER FINANCING SOURCES (USES)						
State general fund appropriations	844,500	-	500,000	-	-	1,344,500
Severance tax bonds	-	-	100,184	-	2,720,297	2,820,481
Transfers out :						
Interfund (program support assessment)	(138,005)	-	-	-	-	(138,005)
Reversions, FY 2013	(114,537)	-	-	-	-	(114,537)
Total other financing sources	591,958	-	600,184	-	2,720,297	3,912,439
NET CHANGE IN FUND BALANCES	-	-	433,607	-	-	433,607
FUND BALANCES, BEGINNING OF YEAR	-	-	-	-	-	-
FUND BALANCES, END OF YEAR	\$ -	\$ -	\$ 433,607	\$ -	\$ -	\$ 433,607

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

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENT FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES)	\$ 433,607
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded transfers to enterprise funds and depreciation expense in the current period.

Capital outlay	16,642,181
Transfer out to enterprise funds	(2,820,481)
Depreciation expense	<u>(2,425,339)</u>

Excess of capital outlay over transfers and depreciation expense	11,396,361
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Governmental fund loss on disposal of fixed assets, not reported at fund level, but included in Statement of Activities.	(592,213)
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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	(15,499)
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Variance due to rounding	<u>3</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (STATEMENT OF ACTIVITIES)	<u>\$ 11,222,259</u>
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The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2013

	<u>INFORMATION TECHNOLOGY MANAGEMENT OFFICE (20370)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
State General fund	\$ 844,500	\$ 844,500	\$ 844,500	\$ -
Total revenues	<u>844,500</u>	<u>844,500</u>	<u>844,500</u>	<u>-</u>
EXPENDITURES				
Personal services	669,800	623,800	559,320	64,480
Contractual services	-	20,000	10,000	10,000
Other	<u>17,300</u>	<u>43,300</u>	<u>22,638</u>	<u>20,662</u>
Total expenditures	<u>687,100</u>	<u>687,100</u>	<u>591,958</u>	<u>95,142</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses	<u>(157,400)</u>	<u>(157,400)</u>	<u>(138,005)</u>	<u>19,395</u>
Total other financing sources	<u>(157,400)</u>	<u>(157,400)</u>	<u>(138,005)</u>	<u>19,395</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	114,537	<u>\$ 114,537</u>
REVERSION EXPENSE			<u>(114,537)</u>	
CHANGE IN FUND BALANCE PER STATEMENT OF REVENUES AND EXPENDITURES (GAAP BASIS)			<u>\$ -</u>	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2013

<u>CENTER FOR ADVANCED COMPUTING (20350)</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Prior year fund balance	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Other	-	-	-	-
Total expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total other financing sources	-	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
PRIOR YEAR FUND BALANCE NOT REVENUE FOR GAAP PURPOSES			-	
REVERSION EXPENSE			-	
CHANGE IN FUND BALANCE PER STATEMENT OF REVENUES AND EXPENDITURES (GAAP BASIS)			<u>\$ -</u>	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2013

RADIO COMMUNICATIONS (20340)				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Other- General Fund	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Contractual services **	659,875	565,063	110,889	454,174
Other *	77,254	172,066	55,688	116,378
Total expenditures	737,129	737,129	166,577	570,552
OTHER FINANCING SOURCES (USES)				
Other financing sources	737,129	737,129	600,184	(136,945)
Other financing uses	-	-	-	-
Total other financing sources	737,129	737,129	600,184	(136,945)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	433,607	\$ 433,607
FUND BALANCE NOT REVENUE FOR GAAP PURPOSES				
			-	
REVERSION EXPENSE				
			-	
CHANGE IN FUND BALANCE PER STATEMENT OF REVENUES AND EXPENDITURES (GAAP BASIS)				
			\$ 433,607	

* All "other costs" reclassified to capital outlay.

** \$44,496 of "contractual services" reclassified to capital outlay for financial statement presentation on pages 18 and 19. Shown here where originally budgeted.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES AND EXPENDITURES - MAJOR GOVERNMENTAL FUNDS
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2013

	<u>AMERICAN RECOVERY AND REINVESTMENT ACT (89000)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Federal funds *	\$ 28,709,616	\$ 28,709,616	15,128,228	\$ (13,581,388)
Total revenues	<u>28,709,616</u>	<u>28,709,616</u>	<u>15,128,228</u>	<u>(13,581,388)</u>
EXPENDITURES				
Personal services	1,244,661	1,244,661	280,727	963,934
Contractual services	10,612,750	10,612,750	907,521	9,705,229
Other	<u>16,852,205</u>	<u>16,852,205</u>	<u>13,679,104</u>	<u>3,173,101</u>
Total expenditures	<u>28,709,616</u>	<u>28,709,616</u>	<u>14,867,352</u>	<u>13,842,264</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
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>260,876</u>	<u>\$ 260,876</u>
ACCOUNTS PAYABLE POSTED AFTER CUTOFF DATE				
			<u>(260,876)</u>	
CHANGE IN FUND BALANCE PER STATEMENT OF REVENUES AND EXPENDITURES (GAAP BASIS)				
			<u>\$ -</u>	

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF NET POSITION - ENTERPRISE FUNDS
June 30, 2013

	<u>Central Telephone Service (20310)</u>	<u>ISD-OIP-Human Resources (20360)</u>
ASSETS		
Current assets:		
Investment in State General		
Fund Investment Pool	\$ 7,509,969	\$ 2,568,561
Accounts receivable, net	12,163,281	129,265
Due from other state agencies	9,968	70,767
Due from other funds	404,682	19,807
Other assets	482	-
	<u>20,088,382</u>	<u>2,788,400</u>
Total current assets		
Capital assets, net:		
Buildings and improvements	6,350,601	-
Auto and trucks	2,390	-
Machinery and equipment	10,385,452	-
Data processing	6,300,796	12,825,101
Construction in Progress	5,368,056	370,874
Furniture and fixtures	15,962	-
	<u>28,423,257</u>	<u>13,195,975</u>
Total capital assets, net		
	<u>\$ 48,511,639</u>	<u>\$ 15,984,375</u>
TOTAL ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 2,474,118	\$ 558,852
Accrued payroll and benefits	195,577	16,355
Compensated absences, current	96,513	4,114
Due to other funds	16,862,444	3,608,702
Due to other state agencies	148,276	-
	<u>19,776,928</u>	<u>4,188,023</u>
Total current liabilities		
Non-current liabilities:		
Compensated absences, long-term	<u>437,875</u>	<u>32,305</u>
	<u>20,214,803</u>	<u>4,220,328</u>
Total liabilities		
NET POSITION		
Net investment in capital assets	28,423,257	13,195,975
Restricted for capital replacement	-	-
Unrestricted	<u>(126,421)</u>	<u>(1,431,928)</u>
	<u>28,296,836</u>	<u>11,764,047</u>
Total net position		
	<u>\$ 48,511,639</u>	<u>\$ 15,984,375</u>
TOTAL LIABILITIES AND NET POSITION		

Program Support (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total
\$ 680,861	\$ 2,326,212	\$ 11,430,573	\$ 24,516,176
-	-	-	12,292,546
-	314	1,004	82,053
1,133	16,737,911	3,608,702	20,772,235
-	-	-	482
<u>681,994</u>	<u>19,064,437</u>	<u>15,040,279</u>	<u>57,663,492</u>
-	-	-	6,350,601
-	-	-	2,390
-	-	-	10,385,452
-	-	-	19,125,897
-	-	-	5,738,930
-	-	-	15,962
<u>-</u>	<u>-</u>	<u>-</u>	<u>41,619,232</u>
<u>\$ 681,994</u>	<u>\$ 19,064,437</u>	<u>\$ 15,040,279</u>	<u>\$ 99,282,724</u>
\$ 16,449	\$ 979,393	\$ 159,032	\$ 4,187,844
55,462	-	-	267,394
27,661	-	-	128,288
443,884	-	-	20,915,030
-	-	-	148,276
<u>543,456</u>	<u>979,393</u>	<u>159,032</u>	<u>25,646,832</u>
<u>138,538</u>	<u>-</u>	<u>-</u>	<u>608,718</u>
<u>681,994</u>	<u>979,393</u>	<u>159,032</u>	<u>26,255,550</u>
-	-	-	41,619,232
-	18,085,044	14,881,247	32,966,291
-	-	-	(1,558,349)
<u>-</u>	<u>18,085,044</u>	<u>14,881,247</u>	<u>73,027,174</u>
<u>\$ 681,994</u>	<u>\$ 19,064,437</u>	<u>\$ 15,040,279</u>	<u>\$ 99,282,724</u>

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - ENTERPRISE FUNDS
Year Ended June 30, 2013

	Central Telephone Service (20310)	ISD-OIP-Human Resources (20360)
OPERATING REVENUES		
User fees	\$ 44,778,639	\$ 7,892,532
Other revenues	891,386	16,023
Total revenues	45,670,025	7,908,555
OPERATING EXPENSES		
Personal services	9,384,989	862,221
Contractual services	6,108,519	1,674,126
Other costs	23,826,078	596,747
Depreciation expense	10,212,458	3,608,702
Total operating expenses	49,532,044	6,741,796
Operating income (loss)	(3,862,019)	1,166,759
NON-OPERATING REVENUES (EXPENSES)		
Investment income	-	-
Loss on disposal of capital assets	-	-
Total non-operating expenses	-	-
Income (loss) before transfers	(3,862,019)	1,166,759
OTHER FINANCING SOURCES (USES)		
Transfers in :		
Interfund (program support assessment)	-	-
Interfund (transfer of capital assets)	8,234,840	370,874
Interfund (equipment replacement)	-	-
Transfers out :		
Interfund (program support assessment)	(2,810,818)	(176,493)
Interfund (equipment replacement)	(10,212,458)	(3,608,702)
Interfund (transfer of capital assets)	-	-
Other	(100,000)	(595,500)
Total other financing sources (uses)	(4,888,436)	(4,009,821)
CHANGE IN NET POSITION	(8,750,455)	(2,843,062)
TOTAL NET POSITION (DEFICIT), BEGINNING OF YEAR	38,015,067	14,607,109
RESTATEMENT	(967,776)	-
TOTAL NET POSITION (DEFFICIT), BEGINNING OF YEAR, AS RESTATED	37,047,291	14,607,109
TOTAL NET POSITION, END OF YEAR	\$ 28,296,836	\$ 11,764,047

Program Support (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total
\$ -	\$ -	\$ -	\$ 52,671,171
-	-	-	907,409
-	-	-	53,578,580
2,870,540	-	-	13,117,750
36,380	-	-	7,819,025
218,081	-	-	24,640,906
-	-	-	13,821,160
3,125,001	-	-	59,398,841
(3,125,001)	-	-	(5,820,261)
-	11,092	18,011	29,103
-	-	-	-
-	11,092	18,011	29,103
(3,125,001)	11,092	18,011	(5,791,158)
3,125,316	-	-	3,125,316
-	-	-	8,605,714
-	10,212,458	3,608,702	13,821,160
-	-	-	(2,987,311)
-	-	-	(13,821,160)
-	(5,414,359)	(370,874)	(5,785,233)
-	-	-	(695,500)
3,125,316	4,798,099	3,237,828	2,262,986
315	4,809,191	3,255,839	(3,528,172)
(315)	13,275,853	11,625,408	77,523,122
-	-	-	(967,776)
(315)	13,275,853	11,625,408	76,555,346
\$ -	\$ 18,085,044	\$ 14,881,247	\$ 73,027,174

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF CASH FLOWS -
ENTERPRISE FUNDS - ENTERPRISE-TYPE ACTIVITIES
Year Ended June 30, 2013

	<u>Central Telephone Service (20310)</u>	<u>ISD-OIP-Human Resources (20360)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 41,252,304	\$ 7,999,375
Cash payments to suppliers	(30,713,972)	(1,716,329)
Cash payments to employees for services	<u>(9,669,216)</u>	<u>(909,747)</u>
Net cash provided by (used in) operating activities	<u>869,116</u>	<u>5,373,299</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in (out) from other agencies	(100,000)	(666,269)
Transfers in (out) from other funds	<u>(3,272,460)</u>	<u>(3,955,160)</u>
Net cash provided by (used in) non-capital financing activities	<u>(3,372,460)</u>	<u>(4,621,429)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>-</u>	<u>-</u>
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(2,503,344)	751,870
INVESTMENTS, STATE TREASURER, BEGINNING OF YEAR	<u>10,013,313</u>	<u>1,816,691</u>
INVESTMENTS, STATE TREASURER, END OF YEAR	<u>\$ 7,509,969</u>	<u>\$ 2,568,561</u>

Program Support (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total
\$ 230	\$ -	\$ -	\$ 49,251,909
(256,506)	-	-	(32,686,807)
<u>(2,948,489)</u>	<u>-</u>	<u>-</u>	<u>(13,527,452)</u>
<u>(3,204,765)</u>	<u>-</u>	<u>-</u>	<u>3,037,650</u>
-	-	-	(766,269)
<u>3,745,902</u>	<u>-</u>	<u>3,748,965</u>	<u>267,247</u>
<u>3,745,902</u>	<u>-</u>	<u>3,748,965</u>	<u>(499,022)</u>
-	(5,081,428)	(211,841)	(5,293,269)
-	(5,081,428)	(211,841)	(5,293,269)
-	12,257	18,525	30,782
-	12,257	18,525	30,782
541,137	(5,069,171)	3,555,649	(2,723,859)
<u>139,724</u>	<u>7,395,383</u>	<u>7,874,924</u>	<u>27,240,035</u>
<u>\$ 680,861</u>	<u>\$ 2,326,212</u>	<u>\$ 11,430,573</u>	<u>\$ 24,516,176</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF CASH FLOWS -
ENTERPRISE FUNDS - ENTERPRISE-TYPE ACTIVITIES (CONTINUED)
Year Ended June 30, 2013

	<u>Central Telephone Service (20310)</u>	<u>ISD-OIP-Human Resources (02360)</u>
OPERATING INCOME (LOSS)	\$ (3,862,019)	\$ 1,166,759
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	10,212,458	3,608,702
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(4,417,720)	90,819
(Decrease) increase in accounts payable	(779,376)	554,546
(Decrease) increase in due to other state agencies	10,476	-
(Decrease) increase in accrued payroll	(178,679)	(24,289)
(Decrease) increase in compensated absences	<u>(116,024)</u>	<u>(23,238)</u>
Total adjustments	<u>4,731,135</u>	<u>4,206,540</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 869,116</u>	<u>\$ 5,373,299</u>

Program Support (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total
\$ (3,125,001)	\$ -	\$ -	\$ (5,820,261)
-	-	-	13,821,160
230	-	-	(4,326,671)
(2,043)	-	-	(226,873)
-	-	-	10,476
(62,056)	-	-	(265,024)
<u>(15,895)</u>	<u>-</u>	<u>-</u>	<u>(155,157)</u>
<u>(79,764)</u>	<u>-</u>	<u>-</u>	<u>8,857,911</u>
<u>\$ (3,204,765)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,037,650</u>

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – DEFINITION OF REPORTING ENTITY

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
- 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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

- 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.

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 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

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.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

The financial statements of the 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) pronouncements 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:

Governmental Accounting Standards Board Statement (GASBS) 14 and 39, *The Financial Reporting Entity*, effective for periods beginning after December 15, 1992, establishes standards for defining and reporting on the financial reporting entity. GASB 39 supersedes previous standards issued by the National Council on Governmental Accounting. The requirements of GASB 39 apply at all levels to all State and local governments.

GASB 39 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."

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.

Basic 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 position 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.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, broadband technology and information technology management. The business-type functions include central telephone services, ISD-OIP Human Resource and program support.

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. The Department does not currently employ indirect cost allocation systems.

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.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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: governmental funds and proprietary funds. The Department classifies all of its funds as major funds.

The following fund types are used by the Department:

Governmental Funds - All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (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 and a budget is legally adopted for this fund. This is a reverting fund.

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 advanced computing. This fund 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.

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 U.S. Office of Management and Budget (OMB), the

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Department records all ARRA activity in this special revenue fund (SHARE 89000). The ARRA fund is a major fund and is non-reverting.

Severance Tax Bond Capital Outlay. A capital projects fund used to account for the acquisition, improvement, alteration, or reconstruction of long-term assets utilizing severance tax proceeds. (SHARE 89200). This is a reverting fund.

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 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.

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). Replacement funds in 96870 are intended to replace equipment in the ISD-OIP Human Resources Fund (SHARE 20360). These funds are non-reverting funds.

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.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Department gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and appropriations. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied and related costs are incurred. Appropriations are recorded at the time the money is made available to a specific fund.

All governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period ("available" meaning collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, typically 60 days).

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.

Proprietary 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.

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.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, at 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.
- h. Appropriations lapse at the end of the fiscal year except for those amounts related to goods and services received by June 30.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 position and the statement of cash flows. Investments are considered liquid investments with original maturities of less than 90 days for cash flow statement purposes.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheets of the fund financial statements. Internal activity is eliminated at the government-wide statement of net position.

Capital Assets

Capital assets are stated at cost or estimated historical cost, and include data processing, buildings, furniture, office equipment and machinery and equipment constructed with Department resources and acquired with state appropriations. They also include assets transferred from the 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.

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and equipment	5 years
Office furniture and fixtures	7 years
Auto and trucks	5 years

Accrued Compensated Absences

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 2014. It is an estimate management determined by applying a percentage to the June 30, 2013 liability. Department General Fund and Enterprise fund resources have been used to liquidate accrued compensated absences.

Due to State General Fund (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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

payables amounts owed for goods and services received by June 30, 2013. 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.

Net Position/Fund Equity

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

The Department financial statements shows net position restricted of \$32,966,291 for capital replacement and \$433,607 for radio communications projects.

Net position is reported as restricted when constraints placed on net position 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 position restricted by enabling legislation is \$33,399,898, which represents all restricted net position reported on page 14.

These resources remaining in net position 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.

Unrestricted net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted or unrestricted (committed, assigned or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the State's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the State's policy to spend committed resources first.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2013.

New Accounting Standard

During FY13, the Fund implemented GASBS 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 2989 FASB and AICPA Pronouncements*. GASBS 62 incorporates any old FASB statements that apply to government accounting into GASB statements. Therefore, the old policy disclosure regarding which FASB pronouncements apply, or do not apply, to the Fund's financial statements is no longer necessary.

In June 2011, GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* (GASB 63), effective for the Department's fiscal year beginning July 1, 2012. GASB 63 modified the presentation of deferred inflows and deferred outflows in the financial statements; it also limits the use of the term "deferred." Implementation of GASB 63 had no effect on the Department's net position or changes in net position for the fiscal year ended June 30, 2013.

Severance Tax Bonds

Severance tax bonds are allocated by the State Legislature to administer disbursements for related IT projects, and the Department is not obligated in any manner for the related indebtedness. The Department recognizes severance tax bonds as revenue when draw requests are issued for reimbursement from severance tax bonds of project expenditures made by the Department.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Actual Expenditures in Excess of Budgeted Amounts

The Department had non-cash other financing uses in excess of budgeted amounts in following funds and appropriation units due to interfund transfers of capital assets. These do not constitute budgetary spending violations.

Fund 20310 – Other Financing Uses	\$ 6,932,861
Fund 20360 – Other Financing Uses	\$ 2,701,795

Subsequent Events

Management evaluated subsequent events through December 16, 2013, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to December 16, 2013, that provided additional evidence about conditions that existed at June 30, 2013 have been recognized in the financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2013.

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL

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

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

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

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
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June 30, 2013

NOTE 3 – STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis, however it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating all historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

In FY 2012, management of DFA recorded a loss contingency of \$101.7 million in the State General Fund based on its estimate of the effect of issues related to the reconciliation of the Pool, that estimate is still current. Because no specific loss amount is determinable, consistent with generally accepted accounting principles, the amount accrued is the minimum amount that management considers to be probable. Ultimately, the loss could exceed the amount accrued, perhaps by a substantial amount.

The Department has established daily and monthly procedures that mitigate the risk of misstatement of the Department's balances within the Pool. In addition, as required by Section 6-5-2.1 (J) NMSA 1978, DFA/FCD is to complete, on a monthly basis, reconciliation with the balances and accounts kept by the state treasurer and adopt and promulgate rules regarding reconciliation for state agencies.

NOTE 4 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

Detail of pledged collateral specific to this agency is unavailable because the bank comingles pledged collateral for all state funds it holds. However, the State Treasurer's Office Collateral Bureau monitors pledged collateral for all state funds held by state agencies in such "authorized" bank accounts.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 - INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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):

			June 30, 2013	June 30, 2013	Financial June 30, 2013
	Type of Account	SHARE Fund Number	June 30, 2013 Balance per Bank	Adjustments/ Reconciling Items	Reconciled Balance per Books
Radio Communications - Special	Investment	20340	\$ 480,266	\$ -	\$ 480,266
Center for Advanced Computing	Investment	20350	-	-	-
Info/Tech Management Office	Investment	20370	120,497	-	120,497
ARRA	Investment	89000	(1,816,795)	-	(1,816,795)
STB Captial Outlay	Investment	89200	(440,352)	-	<u>(440,352)</u>
Total governmental funds					(1,656,384)
Central Telephone Services	Investment	20310	7,509,969	-	7,509,969
Program Support	Investment	20320	680,861	-	680,861
Office of Information Processing	Investment	20330	-	-	-
ISD-OIP-Human Resources	Investment	20360	2,568,561	-	2,568,561
Equipment Replacement Fund	Investment	96870	11,430,573	-	11,430,573
Equipment Replacement Fund	Investment	96880	2,326,212	-	<u>2,326,212</u>
Total proprietary funds					<u>24,516,176</u>
Total share of State General Fund Investment Pool					<u>\$ 22,859,792</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2013 for the Department's enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

	Central Telephone Service (20310)	ISD-OIP- Human Resources (20360)	Total Enterprise Funds
Receivables:			
Due from government agencies - trade	<u>\$ 15,567,310</u>	<u>\$ 220,827</u>	<u>\$ 15,788,137</u>
Gross receivables	15,567,310	220,827	15,788,137
Less allowance for uncollectible	<u>(3,404,029)</u>	<u>(91,562)</u>	<u>(3,495,591)</u>
Receivables, net	<u>\$ 12,163,281</u>	<u>\$ 129,265</u>	<u>\$ 12,292,546</u>

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

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 – CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2013 is as follows:

Governmental Activities					
	Balance June 30, 2012	Additions in FY13	Deletions in FY13	Internal Transfers In (Out)	Balance June 30, 2013
Capital assets:					
Data processing	\$ 14,190,628	\$ 100,184	\$ (1,982,344)	\$ (100,184)	\$ 12,208,284
Construction in Progress	<u>13,046,123</u>	<u>16,541,997</u>	<u>-</u>	<u>(2,720,297)</u>	<u>26,867,823</u>
Total capital assets	<u>27,236,751</u>	<u>16,642,181</u>	<u>(1,982,344)</u>	<u>(2,820,481)</u>	<u>39,076,107</u>
Accumulated depreciation:					
Data processing	<u>(10,821,947)</u>	<u>(2,425,339)</u>	<u>1,390,131</u>	<u>-</u>	<u>(11,857,155)</u>
Total accumulated depreciation	<u>(10,821,947)</u>	<u>(2,425,339)</u>	<u>1,390,131</u>	<u>-</u>	<u>(11,857,155)</u>
Net capital assets:					
Data processing	3,368,681	(2,325,155)	(592,213)	(100,184)	351,129
Construction in Progress	<u>13,046,123</u>	<u>16,541,997</u>	<u>-</u>	<u>(2,720,297)</u>	<u>26,867,823</u>
Net capital assets	<u>\$ 16,414,804</u>	<u>\$ 14,216,842</u>	<u>\$ (592,213)</u>	<u>\$ (2,820,481)</u>	<u>\$ 27,218,952</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – CAPITAL ASSETS (CONTINUED)

Business-type Activities					
	Balance	Additions	Deletions	Internal	Balance
	June 30, 2012	in FY13	in FY13	Transfers	June 30, 2013
				In (Out)	
Capital assets:					
Data processing	\$ 67,976,653	\$ 3,222,275	\$ (20,829,651)	\$ 100,184	\$ 50,469,461
Buildings & improvements	18,331,694	(4,283,100)	(584,970)	-	13,463,624
Autos and trucks	1,678,337	-	(1,105,823)	-	572,514
Machinery and equipment	65,629,740	4,717,281	(41,792,398)	-	28,554,623
Furniture & office equipment	323,743	-	(212,773)	-	110,970
Construction in Progress	<u>889,856</u>	<u>2,128,777</u>	<u>-</u>	<u>2,720,297</u>	<u>5,738,930</u>
Total capital assets	<u>154,830,023</u>	<u>5,785,233</u>	<u>(64,525,615)</u>	<u>2,820,481</u>	<u>98,910,122</u>
Accumulated depreciation:					
Data processing	(45,409,585)	(6,763,627)	20,829,651	-	(31,343,561)
Buildings & improvements	(4,954,463)	(2,743,533)	584,970	-	(7,113,026)
Autos and trucks	(1,654,259)	(21,688)	1,105,823	-	(570,124)
Machinery and equipment	(55,685,638)	(4,275,931)	41,792,398	-	(18,169,171)
Furniture & office equipment	<u>(291,400)</u>	<u>(16,381)</u>	<u>212,773</u>	<u>-</u>	<u>(95,008)</u>
Total accumulated depreciation	<u>(107,995,345)</u>	<u>(13,821,160)</u>	<u>64,525,615</u>	<u>-</u>	<u>(57,290,890)</u>
Net capital assets:					
Data processing	22,567,068	(3,541,352)	-	100,184	19,125,900
Buildings & improvements	13,377,231	(7,026,633)	-	-	6,350,598
Autos and trucks	24,078	(21,688)	-	-	2,390
Machinery and equipment	9,944,102	441,350	-	-	10,385,452
Furniture & office equipment	32,343	(16,381)	-	-	15,962
Construction in Progress	<u>889,856</u>	<u>2,128,777</u>	<u>-</u>	<u>2,720,297</u>	<u>5,738,930</u>
Net capital assets	<u>\$ 46,834,678</u>	<u>\$ (8,035,927)</u>	<u>\$ -</u>	<u>\$ 2,820,481</u>	<u>\$ 41,619,232</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
Center for Advanced Computing	\$ 2,414,206
Broadband Technology	<u>11,133</u>
Total depreciation expense – governmental activities	<u>2,425,339</u>
Business-type activities:	
Central Telephone Service	10,212,458
ISD-OIP Human Resources	<u>3,608,702</u>
Total depreciation expense – business-type activities	<u>13,821,160</u>
Total depreciation expense	<u>\$ 16,246,499</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - 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 due to other funds as of June 30, 2013 are as follows:

DUE FROM FUNDS	Governmental Funds					DUE TO
	Radio Communications (20340)	Center for Advanced Computing (20350)	Information Technology Management Office (20370)	ARRA of 2009 (89000)	STB Capital Outlay (89200)	
ENTERPRISE FUNDS						
20310 Central Telephone Services	\$ -	\$ -	\$ -	\$ 124,533		\$ -
20320 Program Support	-	-	19,395	-		-
20330 Office of Information Processing	-	-	-	-		-
20360 ISD-OIP-Human Resources	-	-	-	-		-
96870 Equipment Replacement Fund-OIP	-	-	-	-		-
96880 Equipment Replacement Fund- ISD/Telecom	-	-	-	-		-
Enterprise fund totals	-	-	19,395	124,533		-
GOVERNMENTAL FUNDS						
20340 Radio Communications	-	-	-	-		-
20350 Center for Advanced Computing	-	-	-	-		-
20370 Information Technology Management Office	-	-	-	-		-
89000 ARRA	-	-	-	-		-
Governmental fund totals	-	-	-	-		-
DEPARTMENT TOTALS	\$ -	\$ -	\$ 19,395	\$ 124,533		\$ -

FUNDS

Enterprise Funds					
Central Telephone Services (20310)	Program Support (20320)	ISD OIP Human Resources (20360)	SHARE ERF (96870)	Telecom ERF (96880)	Total
\$ -	\$ -	\$ -	\$ -	\$ 16,737,911	\$ 16,862,444
404,682	-	19,807	-	-	443,884
-	-	-	-	-	-
-	-	-	3,608,702	-	3,608,702
-	-	-	-	-	-
404,682	-	19,807	3,608,702	16,737,911	20,915,030
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	1,133	-	-	-	1,133
-	1,133	-	-	-	1,133
\$ 404,682	\$ 1,133	\$ 19,807	\$ 3,608,702	\$ 16,737,911	\$ 20,916,163

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 – INTERNAL BALANCE SUMMARY

<u>Fund Name</u>	<u>Fund Number</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Net Amount</u>
Enterprise funds:				
Central Telephone Services	20310	\$ 404,681	\$ (16,862,444)	\$ (16,457,763)
Program Support	20320	1,133	(443,883)	(442,750)
Office of Information Processing	20330	-	-	-
ISD-OIP Human Resources	20360	19,807	(3,608,702)	(3,588,895)
Equipment Replacement Fund - OIP	96870	3,608,702	-	3,608,702
Equipment Replacement Fund - ISD/Telecom	96880	<u>16,737,911</u>	<u>-</u>	<u>16,737,911</u>
Total enterprise funds		20,772,234	(20,915,029)	(142,795)
Governmental funds:				
Radio Communications Specials	20340	-	-	-
General Fund - ITMO	20370	19,395		19,395
ARRA	89000	<u>124,533</u>	<u>(1,133)</u>	<u>123,400</u>
Total governmental funds		<u>143,928</u>	<u>(1,133)</u>	<u>142,795</u>
Grand total		<u>\$ 20,916,162</u>	<u>\$ (20,916,162)</u>	<u>\$ -</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 – DUE FROM/TO OTHER AGENCIES

A summary of amounts due to other agencies as of June 30, 2013:

DOIT Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental Funds:					
20370	State General Fund	34100	85200	<u>\$ 114,537</u>	Reversion payable FY13
	Total governmental funds			114,537	
Enterprise Funds:					
20310	Dept. of Public Safety	79000	12800	137,800	Leasing of office space for communication tower
20310	Dept. of Homeland Sec. & Emergency Mgt	79500	20051	<u>10,476</u>	MOU - splitting cost of PIO
	Total enterprise funds			<u>148,276</u>	
Total due to other state agencies				<u>\$ 262,813</u>	

A summary of amounts due from other state agencies as of June 30, 2013:

DOIT Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental Funds:					
89200	DFA-Board of Finance	341	73000	<u>\$ 659,018</u>	Draws for Severance Tax Bonds
	Total governmental funds			659,018	
Enterprise Funds:					
20310	State Personnel Office	37800	18100	9,968	For overpayment of invoice
96870	State Treas. Office	39400	80100	1,004	Interest Earnings Receivable
96880	State Treas. Office	39400	80100	<u>314</u>	Interest Earnings Receivable
	Total enterprise funds			<u>11,286</u>	
Total due from other state agencies				<u>\$ 670,304</u>	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Business-type Activities				
	Beginning Balance	Increase	(Decrease)	Ending Balance	Current Portion
Compensated absences payable	\$ 892,163	\$ 532,604	\$ (687,761)	\$ 737,006	\$ 128,288

	Governmental Activities				
	Beginning Balance	Increase	(Decrease)	Ending Balance	Current Portion
Compensated absences payable	\$ 29,129	\$ 44,105	\$ (28,606)	\$ 44,628	\$ 2,132

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 11 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute 8.92% of their gross salary. The Department is required to contribute 15.09% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$1,422,052, \$1,314,395 and \$1,524,021, respectively, which equal the amount of the required contribution for each fiscal year.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
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June 30, 2013

NOTE 12 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 12 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)

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

The Department's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$188,600, \$179,924 and \$166,263, respectively, which equal the required contributions for each year.

NOTE 13 – 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, 2013 totaled approximately \$1,619,394.

The following is a schedule by years of future minimum lease rental payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of June 30, 2013.

Years ending June 30:

2014	\$ 688,406
2015	160,364
2016	163,094
2017	165,910
2018 and thereafter	<u>168,863</u>
Total	<u>\$ 1,346,637</u>

Risk Management

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2012 through June 30, 2013. There have been no settlements in excess of insurance coverage as of June 30, 2013.

NOTE 14 – RESTATEMENTS

In fiscal year 2013, management corrected certain prior year accounts receivable balances which were not adequately supported. Further, management also identified certain fixed assets which had not been previously recorded in the government-wide statement of net position. The impact of these corrections are as follows:

	Governmental Activities	Business-type Activities	Total
Net position, as previously presented	\$ 13,688,057	\$ 77,523,122	\$ 91,211,179
Adjustment for:			
Accounts receivable (Fund 20310)	-	(967,776)	(967,776)
Capital assets	<u>2,697,615</u>	<u>-</u>	<u>2,697,615</u>
Net position, as restated	<u>\$ 16,385,672</u>	<u>\$ 76,555,346</u>	<u>\$ 92,941,018</u>

NOTE 15 – NEW GASB POUNDNCEMENTS

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65), will change how the Department is required to report deferred inflows and outflows of resources previously recognized as assets and liabilities. GASB 65 will improve financial reporting by adding clarification to certain elements that do not represent assets or liabilities and to ensure consistency in financial reporting. The Department does not anticipate having elements previously reported as assets and liabilities that will need to be reported under the new financial reporting categories. GASB 65 will be effective for the Department for fiscal year 2014.

GASB Statement No. 66, Technical Corrections – 2012 (GASB 66), resolves conflicting accounting and financial reporting guidance from the issuance of GASB 54 and GASB 62. The Department does not believe it will be impacted by GASB 66, which will become effective for the Department in fiscal year 2014.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 16 - INTERFUND 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 Agency	Purpose	Governmental Activities	Governmental Fund	
		Governmental Activities	Info Tech Management Office (20370)	Program Support (20320)
DoIT	Program support assessment	\$ -	\$ (138,005)	\$ 3,125,316
DoIT	Transfer of capital assets	(2,820,481)	-	-
DoIT	Equipment Replacement	-	-	-
		<u>\$ (2,820,481)</u>	<u>\$ (138,005)</u>	<u>\$ 3,125,316</u>

Transfers (to) from other agencies:

State Agency	Purpose	Agency / Fund No.	Governmental Funds	
			Info Tech Management Office (20370)	Radio Communications (20340)
DFA	Transfer portion of HRMS fees collected	34100 / 01000	\$ -	\$ -
DFA	State general fund appropriation	34100 / 85300	844,500	-
DFA	Partial allotment for gap analysis of communication system	34100 / 00900	-	500,000
GSD	Transfer portion of engineering costs GSD for Data Center per MOU	35000 / 97000	-	-
			<u>\$ 844,500</u>	<u>\$ 500,000</u>

Enterprise Funds

Central Telephone Services (20310)	Office of Information Processing (20330)	ISD-OIP-Human Resources (20360)	Equipment Replacement Fund (96870)	Equipment Replacement Fund (96880)	Total
\$ (2,810,818)	\$ -	\$ (176,493)	\$ -	\$ -	\$ -
8,234,840	-	370,874	(370,874)	(5,414,359)	-
<u>(10,212,458)</u>	<u>-</u>	<u>(3,608,702)</u>	<u>3,608,702</u>	<u>10,212,458</u>	<u>-</u>
<u>\$ (4,788,436)</u>	<u>\$ -</u>	<u>\$ (3,414,321)</u>	<u>\$ 3,237,828</u>	<u>\$ 4,798,099</u>	<u>\$ -</u>

**Enterprise
Funds**

Telephone Services (20310)	ISD-OIP-Human Resources (20360)	Total
\$ -	\$ (595,500)	\$ (595,500)
-	-	844,500
-	-	500,000
<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
<u>\$ (100,000)</u>	<u>\$ (595,500)</u>	<u>\$ 649,000</u>

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL (MAJOR CAPITAL PROJECTS FUND) -
STB CAPITAL OUTLAY (89200)
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Federal funds	\$ -	\$ -	-	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Personal services	-	-	-	-
Contractual services *	-	300,000	249,134	50,866
Other *	145,000	2,700,000	2,471,163	228,837
Total expenditures	145,000	3,000,000	2,720,297	279,703
OTHER FINANCING SOURCES (USES)				
Other financing sources - STB reclass	145,000	3,000,000	2,720,297	(279,703)
Other financing uses	-	-	-	-
Total other financing sources	145,000	3,000,000	2,720,297	(279,703)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	\$ -	\$ -

* Amounts reclassified to Capital Outlay on Statement of Revenues and Expenditures, pages 18 and 19, but shown here in categories where they were budgeted.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - (BUDGETARY BASIS) MAJOR ENTERPRISE FUNDS -
CENTRAL TELEPHONE SERVICES (FUND 20310)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
REVENUES				
Inter-agency/Internal service	\$ 43,047,800	\$ 43,047,800	\$ 45,670,025	\$ 2,622,225
Other state funds	-	-	-	-
Total revenues	43,047,800	43,047,800	45,670,025	2,622,225
Budgeted fund balance	-	4,290,300	4,290,300	-
Total revenues and budgeted fund balance	43,047,800	47,338,100	49,960,325	2,622,225
EXPENDITURES				
Personal services	12,160,100	10,060,100	9,384,989	675,111
Contractual services	4,386,200	6,786,200	6,108,519	677,681
Other	20,311,000	24,301,300	23,826,078	475,222
Total expenditures	36,857,300	41,147,600	39,319,586	1,828,014
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	(6,190,500)	(6,190,500)	(13,123,361)	(6,932,861)
Total other financing uses	(6,190,500)	(6,190,500)	(13,123,361)	(6,932,861)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	(2,482,622)	\$ (2,482,622)
PRIOR YEAR FUND BALANCE NOT REVENUE FOR GAAP PURPOSES				
			(4,290,300)	
DEPRECIATION EXPENSE				
			(10,212,458)	
INTERNAL TRANSFER OF CAPITAL ASSETS				
			8,234,925	
CHANGE IN NET POSITION				
			\$ (8,750,455)	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - (BUDGETARY BASIS) MAJOR ENTERPRISE FUNDS -
ISD-OIP-HUMAN RESOURCES (FUND 20360)
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance From
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Inter-agency/Internal service	\$ 5,379,800	\$ 5,679,800	\$ 7,892,532	\$ 2,212,732
Other state funds	-	-	16,023	16,023
Total revenues	5,379,800	5,679,800	7,908,555	2,228,755
EXPENDITURES				
Personal services	969,400	1,019,400	862,221	157,179
Contractual services	2,124,000	2,124,000	1,674,126	449,874
Other	607,500	857,500	596,747	260,753
Total expenditures	3,700,900	4,000,900	3,133,094	867,806
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	(1,678,900)	(1,678,900)	(4,380,695)	(2,701,795)
Total other financing sources	(1,678,900)	(1,678,900)	(4,380,695)	(2,701,795)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	\$ -	\$ -	394,766	\$ 394,766
DEPRECIATION EXPENSE				
			(3,608,702)	
CAPITAL ASSETS TRANSFERS				
			370,874	
CHANGE IN NET POSITION				
			\$ (2,843,062)	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -
 BUDGET AND ACTUAL - (BUDGETARY BASIS) MAJOR ENTERPRISE FUNDS -
 PROGRAM SUPPORT (FUND 20320)
 Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
REVENUES				
Other state funds	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Personal services	3,367,000	3,267,000	2,870,540	396,460
Contractual services	38,200	38,200	36,380	1,820
Other	208,100	308,100	218,081	90,019
Total expenditures	<u>3,613,300</u>	<u>3,613,300</u>	<u>3,125,001</u>	<u>488,299</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	3,613,300	3,613,300	3,125,316	(487,984)
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>3,613,300</u>	<u>3,613,300</u>	<u>3,125,316</u>	<u>(487,984)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ -</u>	<u>\$ -</u>	<u>315</u>	<u>\$ 315</u>
CHANGE IN NET POSITION				
			<u>\$ 315</u>	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - (BUDGETARY BASIS) MAJOR ENTERPRISE FUNDS -
ENTERPRISE SERVICE EQUIPMENT REPLACEMENT FUND (FUND 96880)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
REVENUES				
Other state funds	\$ -	\$ -	\$ 11,092	\$ 11,092
Total revenues	-	-	11,092	11,092
Budgeted fund balance	<u>1,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Total revenues and budgeted fund balance	<u>1,000,000</u>	<u>3,000,000</u>	<u>3,011,092</u>	<u>11,092</u>
EXPENDITURES				
Contractual services	-	33,750	33,750	-
Other	<u>3,975,000</u>	<u>5,941,250</u>	<u>5,380,609</u>	<u>560,641</u>
Total expenditures	<u>3,975,000</u>	<u>5,975,000</u>	<u>5,414,359</u>	<u>560,641</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	2,975,000	2,975,000	-	(2,975,000)
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>2,975,000</u>	<u>2,975,000</u>	<u>-</u>	<u>(2,975,000)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ -</u>	<u>\$ -</u>	(2,403,267)	<u>\$ (2,403,267)</u>
ACCOUNTING ENTRY TO RECORD AMOUNT OWED TO EQUIPMENT REPLACEMENT FUND FROM ENTERPRISE FUND				
			10,212,458	
PRIOR YEAR FUND BALANCE NOT REVENUE FOR GAAP PURPOSES				
			<u>(3,000,000)</u>	
CHANGE IN NET POSITION				
			<u>\$ 4,809,191</u>	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION -
BUDGET AND ACTUAL - (BUDGETARY BASIS) MAJOR ENTERPRISE FUNDS -
SHARE EQUIPMENT REPLACEMENT FUND (FUND 96870)
Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance From</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u> <u>(Budgetary Basis)</u>	<u>Final Budget</u> <u>Positive (Negative)</u>
REVENUES				
Other state funds	\$ -	\$ -	\$ 18,011	\$ 18,011
Total revenues	<u>-</u>	<u>-</u>	<u>18,011</u>	<u>18,011</u>
EXPENDITURES				
Contractual services	-	426,000	-	426,000
Other	<u>887,100</u>	<u>461,100</u>	<u>370,874</u>	<u>90,226</u>
Total expenditures	<u>887,100</u>	<u>887,100</u>	<u>370,874</u>	<u>516,226</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	887,100	887,100	-	(887,100)
Other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>887,100</u>	<u>887,100</u>	<u>-</u>	<u>(887,100)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES				
	<u>\$ -</u>	<u>\$ -</u>	(352,863)	<u>\$ (352,863)</u>
ACCOUNTING ENTRY TO RECORD AMOUNT OWED TO EQUIPMENT REPLACEMENT FUND FROM ENTERPRISE FUND			<u>3,608,702</u>	
CHANGE IN NET POSITION			<u>\$ 3,255,839</u>	

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
 SCHEDULE OF SPECIAL APPROPRIATIONS
 Year Ended June 30, 2013

Description	Authority	Appropriation Period	SHARE Fund	Total Appropriations
To complete a gap analysis of microwave radio coverage repeater architecture, frequency allocation and assessment of communication systems statewide	Laws of 2012, Ch. 19, Sec. 7, Item 7	2012-2014	20340	\$ 1,500,000
To stabilize and upgrade SHARE hardware and software	Laws of 2013, Ch.227, Sec. 7, Item 7	2013-2015	20340	<u>5,000,000</u>
				<u>\$ 6,500,000</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>
\$ -	\$ 66,393	\$ -	\$ -	\$ 433,607	\$ -	\$ 1,433,607
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 66,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 433,607</u>	<u>\$ -</u>	<u>\$ 1,433,607</u>

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SCHEDULE OF SEVERANCE TAX BOND PROCEEDS
Year Ended June 30, 2013**

Description	Authority	Appropriation Period	SHARE Fund
To plan, design, construct and convert analog to digital MW towers	Laws of 2009, Ch. 125, Sec. 27, Item 6	2010-2013	20340
For telephone system upgrades, including replacing private branch exchange	Laws of 2009, Ch. 125, Sec. 27, Item 5	2010-2013	20340
For equipment upgrades for core telecom network	Laws of 2009, Ch. 125, 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 and fiber network equipment in the Simms Building	Laws of 2009, Ch. 125, Sec. 27, Item 1	2010-2013	20340
To install two way radios and statewide upgrades	Laws of 2012, Ch. 64, Sec.37	2013-2016	89200

<u>Total Bond Proceeds</u>	<u>Prior Years Expenditures</u>	<u>Current Year Expenditures</u>	<u>Prior Year Reversion Amount</u>	<u>Current Year Reversion Amount</u>	<u>June 30, 2013 Available</u>
\$ 1,000,000	\$ 953,777	\$ 1,605	\$ -	\$ 44,618	\$ -
900,000	889,011	-	-	10,989	-
800,000	799,883	-	-	117	-
1,700,000	1,536,600	98,579	-	64,821	-
2,100,000	2,099,969	-	-	31	-
900,000	883,631	-	-	16,369	-
<u>3,000,000</u>	<u>-</u>	<u>2,720,297</u>	<u>-</u>	<u>-</u>	<u>279,703</u>
<u>\$ 10,400,000</u>	<u>\$ 7,162,871</u>	<u>\$ 2,820,481</u>	<u>\$ -</u>	<u>\$ 136,945</u>	<u>\$ 279,703</u>

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MEMORANDA OF UNDERSTANDING
Year Ended June 30, 2013

Participants	Party Responsible for Operation	Purpose
New Mexico Spaceport Authority (NMSA) and DOIT	Department of Information and Technology (DoIT)	NMSA communications and networking
DFA and DOIT	DoIT	To locate SHARE professionals at DOIT in Simms Building
DFA	DoIT and DFA	To clarify the responsibilities of DoIT and DFA to provide 1) a stable, predictable PeopleSoft application; 2) management related to maintenance and enhancement of applications; and 3) IT support for business teams for daily operations
NMCAC, DoIT and Clovis Community College (Site)	Clovis Community College (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and Eastern New Mexico University (Site)	Eastern New Mexico University (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and New Mexico Junior College (Site)	New Mexico Junior College (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and Navajo Technical College (Site)	Navajo Technical College (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and UNM - Gallup (Site)	UNM Gallup (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and UNM - Los Alamos (Site)	UNM - Los Alamos (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and UNM - Taos (Site)	UNM - Taos (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer

<u>Dates of Agreement</u>	<u>Total Estimated Cost of Project</u>	<u>Amount Contributed by Agency during Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Agency where Revenues/ Expenditures are Reported</u>
11/8/10 - Completion Date	TBD	\$ -	DoIT	DoIT	DoIT
1/18/12 - Project completion date	\$ -	\$ -	DoIT	DoIT	DoIT
5/26/09 - Term indefinitely unless terminated	\$ 595,500	\$ -	DoIT and DFA	DoIT	DoIT and DFA
12/14/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
11/30/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/8/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/14/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/14/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/14/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/14/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
MEMORANDA OF UNDERSTANDING (CONTINUED)
Year Ended June 30, 2013**

Participants	Party Responsible for Operation	Purpose
NMCAC, DoIT and UNM - Valencia (Site)	UNM - Valencia (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, DoIT and Regents of UNM (Site)	Regents of UNM (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, Western New Mexico University (Site)	Western New Mexico University (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, New Mexico Institute of Mining & Technology (Site)	New Mexico Institute of Mining & Technology (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, San Juan College (Site)	San Juan College (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
NMCAC, Santa Fe Community College (Site)	Santa Fe Community College (Site)	To establish a computer visualization center (Gateway site) with the NM Supercomputer
DoIT, GSD (space assignment understanding)	DoIT	Operations and occupancy of the facility known as Radio Com Building situated at the Dept. of Public Safety Complex in Santa Fe
DFA and DOIT	DoIT	Cash Remediation for SHARE
DFA and DOIT	DoIT	Payroll Remediation for SHARE
DHSEM and DOIT	DHSEM	Share payroll costs of PIO
GSD/PCD and DOIT	GSD/PCD	Engineering study for Data Center at TIWA bldg

<u>Dates of Agreement</u>	<u>Total Estimated Cost of Project</u>	<u>Amount Contributed by Agency during Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Agency where Revenues/ Expenditures are Reported</u>
12/14/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/11/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/30/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/21/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/21/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
12/21/09 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
9/2/10 - Term effective unless terminated	\$ -	\$ -	DoIT	DoIT	DoIT
9/7/12 - Term effective unless terminated	\$ 145,900	\$ -	DFA	DoIT	DFA
9/20/12 - Term effective unless terminated	\$ 253,942	\$ -	DFA	DoIT	DFA
3/30/13 - Term effective unless terminated	\$ 10,476	\$ -	DHSEM	DoIT	DHSEM & DoIT
4/3/13 - 9/30/13	\$ 100,000	\$ -	GSD	DoIT	GSD

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013**

Federal Agency/ Pass-Through Agency	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Participating Expenditures
U.S. Department of Commerce			
ARRA - State Broadband Data and Development Grant Program (35-50-M09036)	11.558	N/A	\$ 861,123
ARRA - Broadband Technology Opportunities Program (NT10BIX557097)	11.557	N/A	<u>14,267,105</u>
Total U.S. Department of Commerce			<u>15,128,228</u>
TOTAL			<u>\$ 15,128,228</u>

Note: The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. There were no federal awards expended in the form of non-cash assistance during the year. There were no loans or loan guarantees during the year. None of the funds expended were passed through to subrecipients.



CliftonLarsonAllen LLP
500 Marquette NW, Suite 800
Albuquerque, NM 87102
505-842-8290 | fax 505-842-1568
www.cliftonlarsonallen.com

**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Mr. Darryl Ackley
State of New Mexico Department of Information Technology
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the major special revenue funds of the State of New Mexico Department of Information Technology (the Department) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Department, presented as supplementary information and have issued our report thereon dated December 16, 2013.

Internal Control over Financial Reporting

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

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

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

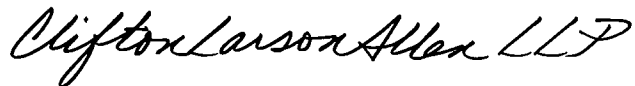
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned costs as items 2011-008 and 2013-001. The Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 16, 2013

**Independent Auditors' Report on Compliance with
Requirements that Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

Mr. Darryl Ackley
State of New Mexico Department of Information Technology
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

We have audited the State of New Mexico Department of Information Technology's (the Department) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Department's major federal programs for the year ended June 30, 2013. The Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Department's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over compliance.

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

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

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

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 16, 2013

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013**

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA

<u>Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.558	U.S. Department of Commerce – ARRA – State Broadband Data and Development Grant Program
11.557	U.S. Department of Commerce – ARRA – Broadband Technology Opportunities Program

Dollar threshold used to distinguish between type A and type B programs \$453,847

Auditee qualified as low-risk auditee? yes no

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013**

Section II—Financial Statement Findings

NONE.

Section III – Federal Award Findings and Questioned Costs

NONE.

Section IV – Other Findings

Finding 2011-008 Business Continuity/Disaster Recovery Plan (Other) – REPEATED

Condition: During our assessment of the information technology control environment, it was determined that the Department does not have a finalized Business Continuity/Disaster Recovery Plan that has been implemented and communicated to appropriate personnel.

Criteria: The Department should have a finalized Disaster Recovery Plan that has been and can continue to be tested.

Cause: Lack of effective controls concerning the development and testing of the Department's existing Business Continuity/Disaster Recovery Plan.

Effect: Possible loss of financial information, as well as fiduciary break and risk of corruption and/or loss of confidential data.

Recommendation: We recommend that management place high priority in completing and formalizing the current Disaster Recovery Plan. This includes off-site storage of the Business Continuity/Disaster Recovery Plan and testing the Plan to ensure its completeness and reliability.

Management's Response: The Department will continue to review its current plan, and formalize, test and implement the plan to ensure its completeness and reliability. In FY12 the Department completed three disaster recovery tests, 1 partial IPLable standalone MVS2 system Feb. 2012, 1 full recovery 99% with no client testing May 2012, and 1 full recovery 100% with client end to end testing June 2012. The Department will continue to make progress on Business Continuity and Disaster Recovery.

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Finding 2013-001 General SHARE Controls (Other)

Condition: During our evaluation of the IT environment and general controls of the Statewide Human resources, Accounting, management REporting System (SHARE), in which the management and monitoring of the application is the joint responsibility of the Department of Finance and Administration (DFA) and the Department of Information Technology (DOIT), we noted the following issues:

- No periodic review of user access
- Lack of an IT Security Policy
- Lack of supporting procedures for Logical Security and IT operations

Criteria: Section 6-5-2.1: DOIT shall prescribe, develop, operate and maintain a uniform statewide accounting system network; prescribe and approve the installation of any changes in the statewide accounting system network as necessary to secure and maintain internal control and facilitate the recording of accounting data in order to prepare reliable and meaningful statements and reports.

Cause: Management oversight.

Effect: Without an adequate internal control structure and/or documentation surrounding the system access, there is a risk of inappropriate access to the system in which unauthorized changes can be made.

Auditor's Recommendation: We recommend DFA/DOIT establish appropriate procedures and controls to ensure a periodic review of user access is performed. In addition, it is recommended that an IT Security Policy and supporting procedures for logical security and IT operations are established.

Management's Response: Management concurs with the finding, and is committed to resolving these issues. Management has already taken several steps in FY14, including:

- Having substantial discussion with the SHARE executive team about the development of automated or semi-automated mechanisms for user access review and access control;
- Moving the SHARE system into the wider DOIT enterprise architecture, where logical security and IT operations are more robust and mature; and,
- Internal security assessments of the SHARE system, with the current end-goal of developing a SHARE-specific IT security policy via the State Chief Information Officer.

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Section II—Financial Statement Findings

Finding 2008-001 Capital Asset Management and Tracking (Material Weakness) – RESOLVED

During the testwork over capital assets, the following was noted:

- The Department does not have a centralized listing of capital assets that will allow the Department to properly maintain the capital assets of the Department. The Department maintains the assets transferred from General Services Department in the subsidiary system (GEAC), while assets acquired by the Department since 2008 are being tracked in Excel spreadsheets.
- The Department's capital asset listing includes an undetermined amount of fully depreciated assets that are either no longer in service or no longer in existence.

Finding 2008-002 Accounts Receivable Reconciliation (Material Weakness) – RESOLVED

The Department is unable to reconcile the accounts receivable recorded in SHARE and the subsidiary system. The difference as of June 30, 2012 was approximately \$850,000.

Finding 2008-008 Unbilled Receivables for Telephone Usage (Significant Deficiency) – RESOLVED

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. The amounts of unbilled receivables for fiscal years ending June 30, 2012, 2011, 2010, 2009, and 2008 were \$621,191, \$566,363, \$439,970, \$346,026, and \$180,908, respectively.

Section III – Federal Award Findings and Questioned Costs

Finding 2011-004 Federal Grant Matching (Significant Deficiency) – RESOLVED

During A-133 single audit testwork over the matching requirements, it was determined that for CFDA 11.558 the Department doesn't currently have adequate controls in place to effectively track actual match expenses and valuation of in-kind match amounts.

Section IV – Other Findings

Finding 2011-008 Business Continuity/Disaster Recovery Plan (Other) – REPEATED

During our assessment of the information technology control environment, it was determined that the Department does not have a finalized Business Continuity/Disaster Recovery Plan that has been implemented and communicated to appropriate personnel.

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2013**

Section IV – Other Findings (continued)

Finding 2008-003 Budget Overspending (Other) – RESOLVED

The Department over-expended its budget in the following funds and appropriation units:

Fund 20310 – Other Financing Uses	\$ 3,391,438
Fund 20360 – Other Financing Uses	\$ 2,442,504
Fund 20360 – Personnel Services	\$ 5,458

**STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY
EXIT CONFERENCE
June 30, 2013**

An exit conference was held with the Department on December 13, 2013. The conference was held at the offices of the Department of Information Technology in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO DEPARTMENT OF INFORMATION TECHNOLOGY

Darryl Ackley, Department Secretary
Charles Martinez, Chief Financial Officer
Doug Taylor, GL Bureau Accountant

CLIFTONLARSONALLEN LLP

Janet Pacheco-Morton, CPA, CGFM, Audit Partner
Joel Blackman, CPA, Audit Manager

The financial statements presented in this report have been prepared by the independent auditor. However, they are the responsibility of management, as addressed in the Independent Auditor's Report. Management reviewed and approved the financial statements.