



STATE OF NEW MEXICO

DEPARTMENT OF INFORMATION TECHNOLOGY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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 Department of Information Technology
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STATE OF NEW MEXICO
New Mexico Department of Information Technology
Official Roster
June 30, 2014

Darryl Ackley
Jacqueline J. Miller
Charles Martinez

Department Secretary
Deputy Secretary
Chief Financial Officer



Accounting & Consulting Group.LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on 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 major special revenue funds of the New Mexico Department of Information Technology (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison of the major capital project and enterprise funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, as of and for the year ended June 30, 2014 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department'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 Department'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 financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, and each major fund of the Department as of June 30, 2014, 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 funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above 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, 2014 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Department are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities that are attributable to the transactions of the Department. They do not purport to and do not present fairly the financial position of the State of New Mexico as of June 30, 2014, and the changes in its financial position, where applicable, for the year then ended in conformity 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 10 through 18 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 Department 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 and Supporting Schedules I and II required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 12, 2014

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

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 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:

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

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, 2014, 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.

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.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

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, 2014. Net position for business-type activities was \$71,699,993.

Table A-1

	<u>Business-type Activities</u>		
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets			
Current assets	\$ 40,234,550	\$ 36,748,462	\$ 3,486,088
Capital assets, net of depreciation	<u>35,372,908</u>	<u>41,619,232</u>	<u>(6,246,324)</u>
Total assets	<u><u>\$ 75,607,458</u></u>	<u><u>\$ 78,367,694</u></u>	<u><u>\$ (2,760,236)</u></u>
Liabilities and net position			
Liabilities:			
Current liabilities	\$ 3,496,524	\$ 4,731,802	\$ (1,235,278)
Noncurrent liabilities	<u>410,941</u>	<u>608,718</u>	<u>(197,777)</u>
Total liabilities	<u><u>3,907,465</u></u>	<u><u>5,340,520</u></u>	<u><u>(1,433,055)</u></u>
Net position			
Net investment in capital assets	35,372,908	41,619,232	(6,246,324)
Restricted	40,849,199	32,966,291	7,882,908
Unrestricted	<u>(4,522,114)</u>	<u>(1,558,349)</u>	<u>(2,963,765)</u>
Total net position	71,699,993	73,027,174	(1,327,181)
Total liabilities and net position	<u><u>\$ 75,607,458</u></u>	<u><u>\$ 78,367,694</u></u>	<u><u>\$ (2,760,236)</u></u>

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Business-type Activities Changes in Net Position The Department's change in business-type net position for fiscal year 2014 was a decrease of \$1,327,181.

Table A-2

	Business-type Activities		
	2014	2013	Change
Revenues			
Program revenues	\$ 54,581,671	\$ 53,578,580	\$ 1,003,091
General revenues	3,925,290	29,103	3,896,187
Total revenues	58,506,961	53,607,683	4,899,278
Expenses:			
Central Telephone Service	45,946,128	49,532,044	(3,585,916)
ISD-OIP Human Resource	9,011,390	6,741,796	2,269,594
Program Support	2,597,761	3,125,001	(527,240)
Total expenses	57,555,279	59,398,841	(1,843,562)
Excess (deficiency) before transfers	951,682	(5,791,158)	6,742,840
Special item	(2,790,915)	-	(2,790,915)
Internal transfers of capital assets	408,267	2,820,481	(2,412,214)
Transfers in	103,785	138,005	(34,220)
Transfers out	-	(695,500)	695,500
Changes in net position	(1,327,181)	(3,528,172)	2,200,991
Beginning net position	73,027,174	77,523,122	(4,495,948)
Restatement	-	(967,776)	967,776
Beginning net position, as restated	73,027,174	76,555,346	(3,528,172)
Ending net position	\$ 71,699,993	\$ 73,027,174	\$ (1,327,181)

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Governmental Activities Net Position Table A-3 summarizes the Department's net position for the fiscal year ended June 30, 2014. Net position for governmental activities was \$30,012,944.

Table A-3

	Governmental Activities		
	2014	2013	Change
Assets			
Current assets	\$ 1,683,087	\$ 4,422,679	\$ (2,739,592)
Capital assets, net of depreciation	30,055,912	27,218,952	2,836,960
Total assets	\$ 31,738,999	\$ 31,641,631	\$ 97,368
Liabilities and net position			
Liabilities:			
Current liabilities	\$ 1,721,861	\$ 3,991,204	\$ (2,269,343)
Noncurrent liabilities	4,194	42,496	(38,302)
Total liabilities	1,726,055	4,033,700	(2,307,645)
Net position			
Net investment in capital assets	30,055,912	27,218,952	2,836,960
Restricted	-	433,607	(433,607)
Unrestricted	(42,968)	(44,628)	1,660
Total net position	30,012,944	27,607,931	2,405,013
Total liabilities and net position	\$ 31,738,999	\$ 31,641,631	\$ 97,368

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Governmental Activities Changes in Net Position The Department's change in net position for governmental activities for fiscal year 2014 was an increase of \$2,405,013 (Statement of Activities). Approximately 11% of the Department's governmental revenue comes from State General Fund Appropriations.

Table A-4

	Governmental Activities		
	2014	2013	Change
Revenues			
Program revenues	\$ 4,338,113	\$ 15,128,228	\$ (10,790,115)
General revenues	2,034,681	4,164,981	(2,130,300)
Total revenues	<u>6,372,794</u>	<u>19,293,209</u>	<u>(12,920,415)</u>
Expenses:			
Broadband technology	1,199,277	1,333,160	(133,883)
Information technology management	711,644	591,958	119,686
Radio communications	1,242,936	66,393	1,176,543
Center for advanced computing	301,872	2,414,203	(2,112,331)
Total expenses	<u>3,455,729</u>	<u>4,405,714</u>	<u>(949,985)</u>
Excess (deficiency) before transfers	2,917,065	14,887,495	(11,970,430)
Internal transfers of capital assets	(408,267)	(2,820,481)	2,412,214
Loss on disposal of capital assets	-	(592,213)	592,213
Transfers out	<u>(103,785)</u>	<u>(252,542)</u>	<u>148,757</u>
Changes in net position	2,405,013	11,222,259	(8,817,246)
Beginning net position	27,607,931	13,688,057	13,919,874
Restatement	-	2,697,615	(2,697,615)
Beginning net position, as restated	<u>27,607,931</u>	<u>16,385,672</u>	<u>11,222,259</u>
Ending net position	<u>\$ 30,012,944</u>	<u>\$ 27,607,931</u>	<u>\$ 2,405,013</u>

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Financial Analysis of Overall Financial Position and Results of Operations

Governmental activities increased the Department's net position by \$2,405,013 and enterprise activities decreased the Department's net position by \$1,327,181. Key elements of these changes are as follows:

Governmental Activities Governmental activities increased the Department's net position by \$2,405,013 from the BTOP grant for capital assets and accumulation of construction in progress balances. Other financing uses decreased due to decreased transfers of capital assets from a governmental fund to enterprise fund (SHARE 20310). Prior year transfers of capital assets were \$2,820,481 and current year transfers were only \$408,267. Program revenues decreased due to decreased grant expenditure activity and reimbursement in the current year compared to the prior year.

Enterprise Activities Total program revenues increased by \$1,003,091 comparing fiscal year 2014 revenues to fiscal year 2013 revenues, primarily due to rate increases in FY14. General revenues increased due to a special appropriation received in the amount of \$3,913,400 (Laws of 2014, Ch 63, Sec 6 item 7) for purposes of satisfying the outstanding obligations of the New Mexico Department of Workforce Solutions for toll-free unemployment insurance phone services during the period of fiscal years 2012-2014. In fiscal year 2014 the Department reduced a customer account receivable balance in the amount of \$2,790,915 and has presented this reduction of this account as a special item in the statement of revenues, expenses, and changes in net position.

Capital Asset Administration

Capital Assets The Department's net investment in capital assets totaled \$65,428,820 at June 30, 2014. 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, 2014 amounts to \$30,055,912 for its governmental activities and \$35,372,908 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 2014 was \$11,599,692 compared with \$16,246,502 in fiscal year 2013. 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 partially built into the rate structure and charged to the customers over the life of the asset.

General Fund Budget and Transaction Highlights

The Department's approved budget for the Information Technology Management Office (Fund 20370) was \$860,000 inclusive of other financing uses for fiscal year 2014. Budgetary basis expenditures and other financing uses were \$817,085. Personnel costs accounted for 82% of the year's expenditures and other financing uses, while other financing uses accounted for 13%.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Accomplishments

In FY 2014, 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 84 projects at a total value of \$407,055,400.) In addition to these accomplishments with respect to the core mission, there are several noteworthy accomplishments worth discussing here:

The Department of Information Technology (DoIT) has obtained an MOU with NMSU and is currently replicating all MVS data in production to DS8800 Disk located at their secured operations computer center in Las Cruces. DoIT has completed Phase one, which was to get the replication into production and is currently working on Phase Two which will set up a 2818 Business Continuity mainframe and additional 'test playground' storage that will allow us and clients to do testing of recovery while allowing production systems to run simultaneously; The recovery of data time stamp will be within less than 60 seconds. The Disaster Recovery (DR) project will be completed this fiscal year as well as the end of the Mainframe multiyear stabilization project....Business Continuity has been a long standing best practice of the Mainframe environment and resilience/local recovery is controlled by the System Managed Storage utility that backs up multiple copies of data to maintain 100% data integrity as well as clients additional backup production that allows for specific time recoveries. Planned first test should be within this fiscal year and may be as soon as end of calendar year 2014.

The SHARE system was successfully "replatformed" in February 2014. This effort included moving all parts of the application (database, application servers and web servers) to new, more current hardware and a more easily supported operating system (linux instead of AIX). This effort required an overall redesign of the technical architecture; SHARE is now nearly fully virtualized, enabling much more flexible growth and maintenance since it no longer relies exclusively on physical servers.

This effort resulted in measurable and sustained performance improvements, and the application is now stable, robust and reliable. SHARE is fully extensible, built on an architecture operating below infrastructure capabilities.

Completed a statewide upgrade of equipment to achieve compliance with U.S. Federal Communications Commission (FCC) Order issued in December of 2004 requiring all CFR 47 Part 90 VHF (150-174 MHz) and UHF (421-470 MHz) PLMR (Private Land Mobile Radio) licenses operating legacy wideband (25 kHz bandwidth) voice or data/SCADA Systems to migrate to narrowband (12.5 kHz bandwidth or equivalent) systems by January 1, 2013. The state was granted an extension to January 1, 2014 allowing for a complete systematic upgrade with minimal impact to public Safety.

Continued the upgrade of over 50 radio sites statewide via the continued execution of a \$38M federal grant. Continued migration of finished public safety services to the new infrastructure is an ongoing effort that will improve delivery of service.

Continue to work closely with the Federal FirstNet board and staff on the implementation of a pilot public-safety LTE broadband deployment as part of the national public-safety broadband program. Site selection and end user outreach has begun and the timeline to complete the implementation is on target with the performance period of the grant completing in September to 2015.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2014

Currently Known Facts and Decisions

During fiscal year 2014, 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.

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.

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Net Position
June 30, 2014

Exhibit A-1

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Current assets			
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ 415,903	\$ 30,817,434	\$ 31,233,337
Accounts receivable, net of allowance for uncollectible accounts	-	9,437,551	9,437,551
Due from the federal government	1,149,496	-	1,149,496
Due from other state agencies	95,473	1,298	96,771
Other assets	-	482	482
Internal balances	22,215	(22,215)	-
Total current assets	<u>1,683,087</u>	<u>40,234,550</u>	<u>41,917,637</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	30,055,912	35,372,908	65,428,820
Total noncurrent assets	<u>30,055,912</u>	<u>35,372,908</u>	<u>65,428,820</u>
Total assets	<u>\$ 31,738,999</u>	<u>\$ 75,607,458</u>	<u>\$ 107,346,457</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 1,559,533	\$ 2,679,032	\$ 4,238,565
Accrued payroll	24,356	356,651	381,007
Due to state general fund	99,198	-	99,198
Due to other state agencies	-	7,199	7,199
Compensated absences	38,774	453,642	492,416
Total current liabilities	<u>1,721,861</u>	<u>3,496,524</u>	<u>5,218,385</u>
Noncurrent liabilities			
Compensated absences	4,194	410,941	415,135
Total liabilities	<u>1,726,055</u>	<u>3,907,465</u>	<u>5,633,520</u>
Net Position			
Net investment in capital assets	30,055,912	35,372,908	65,428,820
Restricted for capital replacement	-	39,726,714	39,726,714
Restricted for toll-free phone expenses	-	1,122,485	1,122,485
Unrestricted	(42,968)	(4,522,114)	(4,565,082)
Total net position	<u>30,012,944</u>	<u>71,699,993</u>	<u>101,712,937</u>
Total liabilities and net position	<u>\$ 31,738,999</u>	<u>\$ 75,607,458</u>	<u>\$ 107,346,457</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Activities
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Primary Government			
Governmental Activities:			
Broadband technology	\$ 1,199,277	\$ -	\$ 4,338,113
Information technology management	711,644	-	-
Radio communications	1,242,936	-	-
Center for advanced computing	301,872	-	-
<i>Total governmental activities</i>	<u>3,455,729</u>	<u>-</u>	<u>4,338,113</u>
Business-type Activities:			
Central telephone services	45,946,128	45,696,371	-
ISD-OIP Human Resource	9,011,390	8,882,154	-
Program support	2,597,761	3,146	-
<i>Total business-type activities</i>	<u>57,555,279</u>	<u>54,581,671</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 61,011,008</u>	<u>\$ 54,581,671</u>	<u>\$ 4,338,113</u>

General Revenues and Transfers and Special Item:

State general fund appropriation
Compensation appropriations
Special appropriation
Severance tax bond proceeds
FY14 Reversions
Investment income
Special item (see note 17)
Internal transfers of capital assets
Internal transfers

Total general revenues and transfers and special item

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ 3,138,836	\$ -	\$ 3,138,836
(711,644)	-	(711,644)
(1,242,936)	-	(1,242,936)
(301,872)	-	(301,872)
<u>882,384</u>	<u>-</u>	<u>882,384</u>
-	(249,757)	(249,757)
-	(129,236)	(129,236)
-	(2,594,615)	(2,594,615)
<u>-</u>	<u>(2,973,608)</u>	<u>(2,973,608)</u>
<u>882,384</u>	<u>(2,973,608)</u>	<u>(2,091,224)</u>
855,800	-	855,800
4,200	-	4,200
1,000,000	3,913,400	4,913,400
273,879	-	273,879
(99,198)	-	(99,198)
-	11,890	11,890
-	(2,790,915)	(2,790,915)
(408,267)	408,267	-
(103,785)	103,785	-
<u>1,522,629</u>	<u>1,646,427</u>	<u>3,169,056</u>
2,405,013	(1,327,181)	1,077,832
<u>27,607,931</u>	<u>73,027,174</u>	<u>100,635,105</u>
<u>\$ 30,012,944</u>	<u>\$ 71,699,993</u>	<u>\$ 101,712,937</u>

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Balance Sheet
 Governmental Funds
 June 30, 2014

	General Fund Information Technology Management Office (20370)	Radio Communications (20340)
ASSETS		
Investment in state treasurer's general fund investment pool (SGFIP)	\$ 73,235	\$ 714,015
Due from the federal government	-	-
Due from other state agencies	-	-
Due from other funds	22,215	-
<i>Total assets</i>	\$ 95,450	\$ 714,015
LIABILITIES AND FUND BALANCE		
<i>Liabilities</i>		
Investment in state treasurer's general fund investment pool (SGFIP) overdraft	\$ -	\$ -
Accounts payable	38,059	657,732
Accrued payroll	14,476	-
Due to state general fund	42,915	56,283
<i>Total liabilities</i>	95,450	714,015
<i>Fund balances</i>		
Spendable:		
Restricted	-	-
<i>Total fund balances</i>	-	-
<i>Total liabilities and fund balances</i>	\$ 95,450	\$ 714,015

The accompanying notes are an integral part of these financial statements

ARRA Fund (89000)	State and Local Implementation Grants (11890)	Severance Tax Bonds Capital Outlay (89200)	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 787,250
1,140,230	9,266	-	1,149,496
-	-	95,473	95,473
-	-	-	22,215
<u>\$ 1,140,230</u>	<u>\$ 9,266</u>	<u>\$ 95,473</u>	<u>\$ 2,054,434</u>
\$ 267,585	\$ 8,289	\$ 95,473	\$ 371,347
863,593	149	-	1,559,533
9,052	828	-	24,356
-	-	-	99,198
<u>1,140,230</u>	<u>9,266</u>	<u>95,473</u>	<u>2,054,434</u>
-	-	-	-
-	-	-	-
<u>\$ 1,140,230</u>	<u>\$ 9,266</u>	<u>\$ 95,473</u>	<u>\$ 2,054,434</u>

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STATE OF NEW MEXICO
New Mexico Department of Information Technology
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2014

Exhibit B-1
Page 2 of 2

Fund Balance - Governmental Funds (Exhibit B-1)	\$ -
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	30,055,912
Compensated absences are not payable on June 30, 2014 and therefore are not reported in the fund financial statements	<u>(42,968)</u>
Total net position (Exhibit A-1)	<u><u>\$ 30,012,944</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2014

	General Fund Information Technology Management Office (20370)	Radio Communications (20340)
	<u> </u>	<u> </u>
REVENUES:		
Federal operating grants	\$ -	\$ -
<i>Total Revenues</i>	<u>-</u>	<u>-</u>
EXPENDITURES:		
General Government		
Current		
Personnel services	670,089	-
Contractual services	7,809	1,242,936
Other costs	35,402	-
Capital outlay	-	134,388
<i>Total Expenditures</i>	<u>713,300</u>	<u>1,377,324</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(713,300)</u>	<u>(1,377,324)</u>
OTHER FINANCING SOURCES (USES)		
State general fund appropriation	855,800	-
Compensation appropriation	4,200	-
Special appropriation	-	1,000,000
Severance tax bond proceeds	-	-
Internal transfers (out)	(103,785)	-
FY14 Reversions	(42,915)	(56,283)
<i>Total other financing sources and (uses)</i>	<u>713,300</u>	<u>943,717</u>
<i>Net change in fund balance</i>	-	(433,607)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>433,607</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

ARRA Fund (89000)	State and Local Implementation Grants (11890)	Severance Tax Bonds Capital Outlay (89200)	Total Governmental Funds
\$ 4,328,847	\$ 9,266	\$ -	\$ 4,338,113
<u>4,328,847</u>	<u>9,266</u>	<u>-</u>	<u>4,338,113</u>
203,199	4,019	-	877,307
-	-	-	1,250,745
975,893	5,247	-	1,016,542
<u>3,149,755</u>	<u>-</u>	<u>273,879</u>	<u>3,558,022</u>
<u>4,328,847</u>	<u>9,266</u>	<u>273,879</u>	<u>6,702,616</u>
<u>-</u>	<u>-</u>	<u>(273,879)</u>	<u>(2,364,503)</u>
-	-	-	855,800
-	-	-	4,200
-	-	-	1,000,000
-	-	273,879	273,879
-	-	-	(103,785)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(99,198)</u>
<u>-</u>	<u>-</u>	<u>273,879</u>	<u>1,930,896</u>
-	-	-	(433,607)
<u>-</u>	<u>-</u>	<u>-</u>	<u>433,607</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2014

Net Change in Fund Balance - Governmental Funds \$ (433,607)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital asset additions reported as capital outlay expenditures	3,558,022
Depreciation expense	(312,791)
Transfer of capital assets from governmental activities to business-type activities	(408,267)
Increase in compensated absences	<u>1,656</u>

Change in Net Position (Exhibit A-2) \$ 2,405,013

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget (Budget Basis) and Actual
 General Fund Information Technology Management Office (20370)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	690,600	675,600	670,089	5,511
Contractual services	-	8,000	7,809	191
Other costs	43,400	50,400	35,402	14,998
<i>Total expenditures</i>	734,000	734,000	713,300	20,700
<i>Excess (deficiency) of revenues over expenditures</i>	(734,000)	(734,000)	(713,300)	20,700
<i>Other financing sources (uses)</i>				
Internal transfers	(126,000)	(126,000)	(103,785)	22,215
State general fund appropriation	855,800	855,800	855,800	-
Compensation appropriation	4,200	4,200	4,200	-
<i>Total other financing sources (uses)</i>	734,000	734,000	756,215	22,215
<i>Net change in fund balances</i>	\$ -	\$ -	42,915	\$ 42,915
Reversion expenditure omitted from budget basis			(42,915)	
Net change in fund balance GAAP basis			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget (Budget Basis) and Actual
 Radio Communications Special Revenue Fund (20340)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	-	-	-	-
Contractual services	433,607	1,363,107	1,306,867	56,240
Other costs	-	70,500	70,457	43
<i>Total expenditures</i>	<u>433,607</u>	<u>1,433,607</u>	<u>1,377,324</u>	<u>56,283</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(433,607)</u>	<u>(1,433,607)</u>	<u>(1,377,324)</u>	<u>56,283</u>
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
State general fund appropriation	-	-	-	-
Special appropriation	-	1,000,000	1,000,000	-
Prior year fund balance	433,607	433,607	433,607	-
<i>Total other financing sources (uses)</i>	<u>433,607</u>	<u>1,433,607</u>	<u>1,433,607</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,283</u>	<u>\$ 56,283</u>
Net change in fund balance (budgetary basis)			\$ 56,283	
Prior year fund balance not revenue for GAAP purposes			(433,607)	
Reversion expenditure omitted from budget basis			<u>(56,283)</u>	
Net change in fund balance GAAP basis			<u>\$ (433,607)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget (Budget Basis) and Actual
 ARRA Special Revenue Fund (89000)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ 13,842,262	\$ 13,842,262	\$ 4,328,847	\$ (9,513,415)
<i>Total revenues</i>	<u>13,842,262</u>	<u>13,842,262</u>	<u>4,328,847</u>	<u>(9,513,415)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	963,934	963,934	203,199	760,735
Contractual services	6,947,671	9,700,535	3,561,558	6,138,977
Other costs	5,930,657	3,177,793	564,090	2,613,703
<i>Total expenditures</i>	<u>13,842,262</u>	<u>13,842,262</u>	<u>4,328,847</u>	<u>9,513,415</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (budgetary basis)			\$ -	
Reversion expenditure omitted from budget basis			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget (Budget Basis) and Actual
 State and Local Implementation Grants Special Revenue Fund (11890)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ -	175,000	\$ 9,266	\$ (165,734)
<i>Total revenues</i>	<u>-</u>	<u>175,000</u>	<u>9,266</u>	<u>(165,734)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	-	50,000	4,019	45,981
Contractual services	-	25,000	-	25,000
Other costs	-	100,000	5,247	94,753
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>175,000</u>	<u>9,266</u>	<u>165,734</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (budgetary basis)			\$ -	
Reversion expenditure omitted from budget basis			-	
Net change in fund balance GAAP basis			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Net Position
Enterprise Funds
June 30, 2014

	<u>Central Telephone Services (20310)</u>	<u>ISD-OIP-Human Resources (20360)</u>
ASSETS		
<i>Current assets:</i>		
Investment in state treasurer's general fund investment pool (SGFIP)	\$ 9,004,209	\$ 2,165,495
Accounts receivable, net of allowance for uncollectible accounts	9,326,252	111,299
Due from other state agencies	-	-
Other assets	482	-
Due from other funds	<u>472,571</u>	<u>204,299</u>
<i>Total current assets</i>	<u>18,803,514</u>	<u>2,481,093</u>
<i>Noncurrent assets:</i>		
Capital assets, net of accumulated depreciation	<u>24,267,576</u>	<u>11,105,332</u>
<i>Total noncurrent assets</i>	<u>24,267,576</u>	<u>11,105,332</u>
TOTAL ASSETS	<u><u>\$ 43,071,090</u></u>	<u><u>\$ 13,586,425</u></u>
 LIABILITIES AND NET POSITION		
<i>Liabilities</i>		
<i>Current liabilities:</i>		
Accounts payable	\$ 1,028,522	\$ 652,257
Accrued payroll	256,510	47,176
Compensated absences	326,317	40,647
Due to other state agencies	7,199	-
Due to other funds	<u>18,334,843</u>	<u>3,622,260</u>
<i>Total current liabilities</i>	<u>19,953,391</u>	<u>4,362,340</u>
<i>Non-current liabilities:</i>		
Compensated absences	<u>312,946</u>	<u>55,559</u>
<i>Total liabilities</i>	<u>20,266,337</u>	<u>4,417,899</u>
<i>Net position</i>		
Net investment in capital assets	24,267,576	11,105,332
Restricted for capital replacement	-	-
Restricted for toll-free phone expenses	1,122,485	-
Unrestricted	<u>(2,585,308)</u>	<u>(1,936,806)</u>
<i>Total net position</i>	<u>22,804,753</u>	<u>9,168,526</u>
<i>Total liabilities and net position</i>	<u><u>\$ 43,071,090</u></u>	<u><u>\$ 13,586,425</u></u>

The accompanying notes are an integral part of these financial statements

Program Support Fund (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total Enterprise Funds
\$ 938,902	\$ 5,200,241	\$ 13,508,587	\$ 30,817,434
-	-	-	9,437,551
-	210	1,088	1,298
-	-	-	482
-	18,334,843	3,622,260	22,633,973
<u>938,902</u>	<u>23,535,294</u>	<u>17,131,935</u>	<u>62,890,738</u>
-	-	-	35,372,908
-	-	-	35,372,908
<u>\$ 938,902</u>	<u>\$ 23,535,294</u>	<u>\$ 17,131,935</u>	<u>\$ 98,263,646</u>
\$ 57,738	\$ 883,937	\$ 56,578	\$ 2,679,032
52,965	-	-	356,651
86,678	-	-	453,642
-	-	-	7,199
699,085	-	-	22,656,188
<u>896,466</u>	<u>883,937</u>	<u>56,578</u>	<u>26,152,712</u>
42,436	-	-	410,941
<u>938,902</u>	<u>883,937</u>	<u>56,578</u>	<u>26,563,653</u>
-	-	-	35,372,908
-	22,651,357	17,075,357	39,726,714
-	-	-	1,122,485
-	-	-	(4,522,114)
-	22,651,357	17,075,357	71,699,993
<u>\$ 938,902</u>	<u>\$ 23,535,294</u>	<u>\$ 17,131,935</u>	<u>\$ 98,263,646</u>

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Revenues, Expenses and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2014

	<u>Central Telephone Services (20310)</u>	<u>ISD-OIP-Human Resources (20360)</u>
OPERATING REVENUES:		
User fees	\$ 44,674,924	\$ 8,873,588
Other revenues	<u>1,021,447</u>	<u>8,566</u>
<i>Total revenues</i>	<u>45,696,371</u>	<u>8,882,154</u>
OPERATING EXPENSES:		
Personnel services	11,022,965	1,762,097
Contractual services	5,950,041	2,511,789
Other costs	21,308,480	1,115,245
Depreciation expense	<u>7,664,642</u>	<u>3,622,259</u>
<i>Total expenditures</i>	<u>45,946,128</u>	<u>9,011,390</u>
<i>Operating (loss)</i>	<u>(249,757)</u>	<u>(129,236)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	-	-
Special appropriation	3,913,400	-
Internal transfers of capital assets	3,508,961	1,437,676
Internal transfers	<u>(9,873,772)</u>	<u>(3,903,961)</u>
<i>Total other financing sources and (uses)</i>	<u>(2,451,411)</u>	<u>(2,466,285)</u>
<i>Income (loss) before special item</i>	<u>(2,701,168)</u>	<u>(2,595,521)</u>
<i>Special item (see note 17)</i>	<u>(2,790,915)</u>	<u>-</u>
<i>Change in net position</i>	(5,492,083)	(2,595,521)
<i>Net position - beginning of year</i>	<u>28,296,836</u>	<u>11,764,047</u>
<i>Net position - end of year</i>	<u>\$ 22,804,753</u>	<u>\$ 9,168,526</u>

The accompanying notes are an integral part of these financial statements

Program Support Fund (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total Enterprise Funds
\$ -	\$ -	\$ -	\$ 53,548,512
3,146	-	-	1,033,159
<u>3,146</u>	<u>-</u>	<u>-</u>	<u>54,581,671</u>
2,327,996	-	-	15,113,058
38,199	-	-	8,500,029
231,566	-	-	22,655,291
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,286,901</u>
<u>2,597,761</u>	<u>-</u>	<u>-</u>	<u>57,555,279</u>
<u>(2,594,615)</u>	<u>-</u>	<u>-</u>	<u>(2,973,608)</u>
-	2,364	9,526	11,890
-	-	-	3,913,400
-	(3,100,694)	(1,437,676)	408,267
<u>2,594,615</u>	<u>7,664,643</u>	<u>3,622,260</u>	<u>103,785</u>
<u>2,594,615</u>	<u>4,566,313</u>	<u>2,194,110</u>	<u>4,437,342</u>
<u>-</u>	<u>4,566,313</u>	<u>2,194,110</u>	<u>1,463,734</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,790,915)</u>
<u>-</u>	<u>4,566,313</u>	<u>2,194,110</u>	<u>(1,327,181)</u>
<u>-</u>	<u>18,085,044</u>	<u>14,881,247</u>	<u>73,027,174</u>
<u>\$ -</u>	<u>\$ 22,651,357</u>	<u>\$ 17,075,357</u>	<u>\$ 71,699,993</u>

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2014

	<u>Central Telephone Services (20310)</u>	<u>ISD-OIP-Human Resources (20360)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 45,752,453	\$ 8,970,887
Cash payments to suppliers	(28,845,194)	(3,533,627)
Cash payments to employees for services	<u>(10,857,157)</u>	<u>(1,671,490)</u>
<i>Net cash provided (used) by operating activities</i>	<u>6,050,102</u>	<u>3,765,770</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Special appropriation	3,913,400	-
Transfers in (out) from other funds	<u>(8,469,262)</u>	<u>(4,074,895)</u>
<i>Net cash provided (used) by non-capital financing activities</i>	<u>(4,555,862)</u>	<u>(4,074,895)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>-</u>	<u>(93,941)</u>
<i>Net cash (used) by capital financing activities</i>	<u>-</u>	<u>(93,941)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	<u>-</u>	<u>-</u>
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	1,494,240	(403,066)
INVESTMENTS, STATE TREASURER, BEGINNING OF YEAR	<u>7,509,969</u>	<u>2,568,561</u>
INVESTMENTS, STATE TREASURER, END OF YEAR	<u><u>\$ 9,004,209</u></u>	<u><u>\$ 2,165,495</u></u>

The accompanying notes are an integral part of these financial statements

<u>Program Support Fund (20320)</u>	<u>Equipment Replacement Fund (96880)</u>	<u>Equipment Replacement Fund (96870)</u>	<u>Total Enterprise Funds</u>
\$ 3,146	\$ -	\$ -	\$ 54,726,486
(228,476)	-	-	(32,607,297)
<u>(2,367,578)</u>	<u>-</u>	<u>-</u>	<u>(14,896,225)</u>
<u>(2,592,908)</u>	<u>-</u>	<u>-</u>	<u>7,222,964</u>
-	-	-	3,913,400
<u>2,850,949</u>	<u>6,067,711</u>	<u>3,608,702</u>	<u>(16,795)</u>
<u>2,850,949</u>	<u>6,067,711</u>	<u>3,608,702</u>	<u>3,896,605</u>
<u>-</u>	<u>(3,196,150)</u>	<u>(1,540,130)</u>	<u>(4,830,221)</u>
<u>-</u>	<u>(3,196,150)</u>	<u>(1,540,130)</u>	<u>(4,830,221)</u>
<u>-</u>	<u>2,468</u>	<u>9,442</u>	<u>11,910</u>
<u>-</u>	<u>2,468</u>	<u>9,442</u>	<u>11,910</u>
258,041	2,874,029	2,078,014	6,301,258
<u>680,861</u>	<u>2,326,212</u>	<u>11,430,573</u>	<u>24,516,176</u>
<u>\$ 938,902</u>	<u>\$ 5,200,241</u>	<u>\$ 13,508,587</u>	<u>\$ 30,817,434</u>

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2014

	Central Telephone Services (20310)	ISD-OIP-Human Resources (20360)
OPERATING (LOSS)	\$ (249,757)	\$ (129,236)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	7,664,642	3,622,259
Changes in assets and liabilities:		
Decrease in accounts receivable	56,082	88,733
(Decrease) increase in accounts payable	(1,445,596)	93,407
(Decrease) increase in due to other state agencies	(141,077)	-
(Decrease) increase in accrued payroll	60,933	30,821
(Decrease) increase in compensated absences	104,875	59,786
	6,299,859	3,895,006
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 6,050,102	\$ 3,765,770
Noncash items:		
Noncash items affecting capital assets (see note 12)		
Noncash item reducing accounts receivable (see note 17)		

The accompanying notes are an integral part of these financial statements

Program Support Fund (20320)	Equipment Replacement Fund (96880)	Equipment Replacement Fund (96870)	Total Enterprise Funds
\$ (2,594,615)	\$ -	\$ -	\$ (2,973,608)
-	-	-	11,286,901
-	-	-	144,815
41,289	-	-	(1,310,900)
-	-	-	(141,077)
(2,497)	-	-	89,257
<u>(37,085)</u>	<u>-</u>	<u>-</u>	<u>127,576</u>
<u>1,707</u>	<u>-</u>	<u>-</u>	<u>10,196,572</u>
<u>\$ (2,592,908)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,222,964</u>

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

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

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

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

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

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

- Security services
 - o Firewall
 - o Virtual private network

- Oversight and compliance
 - o Agency IT planning guidance
 - o Project certification and oversight
 - o Project management guidance
 - o 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 Secretary of the Department 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

This summary of significant accounting policies of the Department is presented to assist in the understanding of the Department's financial statements. The financial statements and notes are the representation of the Department's management who is responsible for their integrity and objectivity. 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 agencies of the government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below:

In fiscal year 2014 the Department adopted a new accounting standard GASB Statement No. 65, Items previously Reported as Assets and Liabilities ("GASB 65"), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is not expected to have a significant impact on the Department's financial statements.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

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.

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. The Department's estimates include the allowance for uncollectible accounts and useful lives of depreciable assets.

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.

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.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 broadband technology, information technology management, radio communications, and the center for advanced computing. 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.

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.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) 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.

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.

On February 13, 2009, the U.S. Congress passed the American Recovery and Reinvestment Act (ARRA) 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 Department records all ARRA activity in this special revenue fund (SHARE 89000). The ARRA fund is non-reverting.

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

On February 19, 2014, the Section 6-3-23 (D) NMSA 1978 and Section 9-1-5C NMSA 1978 created the State and Local Implementation Grants special revenue fund (SHARE 11890) for purposes of planning and funding the national public safety broadband network through the completion of activities relating to the governance, consultation of FirstNet and engagement of stakeholders. The fund is a nonreverting 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 in 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.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) which 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.

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes 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 inflow by the recipient.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments in State General Fund Investment Pool

The Department does not have a separate bank account and 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). Transfers of capital assets between funds relate to capital outlay purchases in governmental funds that are used for the Department's Central Telephone Services operations. The capital outlay purchases in governmental funds are generally funded through special appropriations and severance tax bond proceeds.

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

STATE OF NEW MEXICO
 Department of Information Technology
 Notes to Financial Statements
 June 30, 2014

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		Accrual Rate
At Least	Less Than	Per Pay Period (In Hours)
1 month	3.0	3.08
3.0	7.0	3.69
7.0	11.0	4.61
11.0	15.0	5.54
15.0	beyond	6.15

The entire balance of compensated absences is considered to current as the amount is expected to be expended during the fiscal year 2015. 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 payables amounts owed for goods and services received by June 30, 2014. Any State General Fund appropriations remaining in the general fund (SHARE 20370) and special revenue fund (SHARE 20340) fund balance not restricted is reverted to the state general fund.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 non-spendable, 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.

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 periods 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, 2014.

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, 2014.

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NOTE 3 - STATE GENERAL FUND INVESTMENT POOL

The Department does not have a separate bank account. 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 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.

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.

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NOTE 3 - STATE GENERAL FUND INVESTMENT POOL-(CONTINUED)

The Department does not have a separate bank account. 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):

Fund	Type of Account	SHARE Fund No.	Reconciled balance
General Fund Information			
Technology Management Office	Investment	20370	\$ 73,235
Radio Communications	Investment	20340	714,015
ARRA Fund	Investment	89000	(267,585)
State and local government grants	Investment	11890	(8,289)
Severance Tax Bonds Capital Outlay	Investment	89200	<u>(95,473)</u>
Total governmental funds			<u>415,903</u>
Central telephone services	Investment	20310	9,004,209
ISD-OIP-Human Resources	Investment	20360	2,165,495
Program support	Investment	20320	938,902
Equipment replacement fund	Investment	96880	5,200,241
Equipment replacement fund	Investment	96870	<u>13,508,587</u>
Total enterprise funds			<u>30,817,434</u>
Total share of state general fund investment pool			<u>\$ 31,233,337</u>

NOTE 4 - ACCOUNTS RECEIVABLE

The Department provides enterprise information technology services to State government's executive branch Accounts receivable at June 30, 2014 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
Gross accounts receivable	\$ 11,858,133	\$ 194,936	\$ 12,053,069
Less allowance for uncollectible accounts	<u>(2,531,881)</u>	<u>(83,637)</u>	<u>(2,615,518)</u>
Receivables, net	<u>\$ 9,326,252</u>	<u>\$ 111,299</u>	<u>\$ 9,437,551</u>

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

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NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2014 is as follows:

	Governmental activities			June 30, 2014
	June 30, 2013	Additions	Internal transfers	
Capital assets not being depreciated				
Construction in progress	\$ 26,867,822	\$ 3,149,755	\$ -	\$ 30,017,577
Total capital assets not being depreciated	<u>26,867,822</u>	<u>3,149,755</u>	<u>-</u>	<u>30,017,577</u>
Capital assets being depreciated				
Data processing	12,208,284	408,267	(408,267)	12,208,284
Total capital assets being depreciated	<u>12,208,284</u>	<u>408,267</u>	<u>(408,267)</u>	<u>12,208,284</u>
Total capital assets	<u>39,076,106</u>	<u>3,558,022</u>	<u>(408,267)</u>	<u>42,225,861</u>
Less accumulated depreciation				
Data processing	(11,857,158)	(312,791)	-	(12,169,949)
Total accumulated depreciation	<u>(11,857,158)</u>	<u>(312,791)</u>	<u>-</u>	<u>(12,169,949)</u>
Capital assets, net of accumulated depreciation	<u>\$ 27,218,948</u>	<u>\$ 3,245,231</u>	<u>\$ (408,267)</u>	<u>\$ 30,055,912</u>

STATE OF NEW MEXICO
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NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Business-type activities				June 30, 2014
	June 30, 2013	Adjustments	Additions	Internal transfers	
Capital assets not being depreciated					
Construction in progress	\$ 5,738,930	\$ 93,942	\$ 494,105	\$ -	\$ 6,326,977
Total capital assets not being depreciated	<u>5,738,930</u>	<u>93,942</u>	<u>494,105</u>	<u>-</u>	<u>6,326,977</u>
Capital assets being depreciated					
Data processing	50,469,461	1,228,077	2,696,490	408,267	54,802,295
Buildings and improvements	13,463,624	(382,668)	-	-	13,080,956
Auto and trucks	572,514	(502,315)	-	-	70,199
Machinery and equipment	28,554,623	480,792	1,347,775	-	30,383,190
Furniture and office equipment	110,970	-	-	-	110,970
Total capital assets being depreciated	<u>93,171,192</u>	<u>823,886</u>	<u>4,044,265</u>	<u>408,267</u>	<u>98,447,610</u>
Total capital assets	<u>98,910,122</u>	<u>917,828</u>	<u>4,538,370</u>	<u>408,267</u>	<u>104,774,587</u>
Less accumulated depreciation					
Data processing	(31,343,561)	(725,768)	(7,047,681)	-	(39,117,010)
Buildings and improvements	(7,113,026)	-	(432,013)	-	(7,545,039)
Auto and trucks	(570,124)	-	499,669	-	(70,455)
Machinery and equipment	(18,169,171)	(98,120)	(4,299,272)	-	(22,566,563)
Furniture and office equipment	(95,008)	-	(7,604)	-	(102,612)
Total accumulated depreciation	<u>(57,290,890)</u>	<u>(823,888)</u>	<u>(11,286,901)</u>	<u>-</u>	<u>(69,401,679)</u>
Capital assets, net of accumulated depreciation	<u>\$ 41,619,232</u>	<u>\$ 93,940</u>	<u>\$ (6,748,531)</u>	<u>\$ 408,267</u>	<u>\$ 35,372,908</u>

Transfers of capital assets in the amount of \$408,267 relate to capital outlay purchases in governmental funds that are used for the Department's Central Telephone Services operations. The capital outlay purchases in governmental funds are generally funded through special appropriations and severance tax bond proceeds.

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NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
Broadband technology	\$ 301,872
Center for advanced computing	<u>10,919</u>
Total depreciation expense-governmental activities	<u>\$ 312,791</u>
Business-type activities:	
Central telephone service	
ISD-OIP human resources	\$ 7,664,642
	<u>3,622,259</u>
Total depreciation expense-business-type activities	<u>\$ 11,286,901</u>

STATE OF NEW MEXICO
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 Notes to Financial Statements
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NOTE 6 - 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 balances are expected to be settled within one year.

Due from and due to other funds as of June 30, 2014 are as follows:

	<u>Due from</u>	<u>Due to</u>
Governmental activities:		
Information technology management office (20370)		
Program support (20320)	\$ 22,215	\$ -
Total governmental-type activities	<u>22,215</u>	<u>-</u>
Business-type activities:		
Central telephone services (20310)		
Program support (20320)	472,571	-
Equipment Replacement Fund (96880)	-	18,334,843
	<u>472,571</u>	<u>18,334,843</u>
ISD-OIP-human resources (20360)		
Program support (20320)	204,299	-
Equipment replacement fund (96870)	-	3,622,260
	<u>204,299</u>	<u>3,622,260</u>
Program support (20320)		
Information technology management office (20370)	-	22,215
Central telephone services (20310)	-	472,571
ISD-OIP human resources (20360)	-	204,299
	<u>-</u>	<u>699,085</u>
Equipment replacement fund (96880)		
Central telephone services (20310)	18,334,843	-
	<u>18,334,843</u>	<u>-</u>
Equipment replacement fund (96870)		
ISD-OIP human resources (20360)	3,622,260	-
	<u>3,622,260</u>	<u>-</u>
Total business-type activities	<u>22,633,973</u>	<u>22,656,188</u>
Grand total	<u>\$ 22,656,188</u>	<u>\$ 22,656,188</u>

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NOTE 7 - DUE FROM / TO OTHER AGENCIES

A summary of amounts due to other agencies as of June 30, 2014:

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental funds:					
20370	DFA	34101	85300	\$ 42,915	Reversion payable FY14
20340	DFA	34100	00900	<u>56,283</u>	Reversion payable FY14
Total governmental funds				<u>\$ 99,198</u>	
Enterprise funds:					
20310	DHSEM	79500	20051	<u>\$ 7,199</u>	Reimbursement for payroll
Total enterprise funds				<u>\$ 7,199</u>	

A summary of amounts due from other state agencies as of June 30, 2014:

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental funds:					
89200	DFA	34103	11440	<u>\$ 95,473</u>	Draws for severance tax bonds
Total governmental funds				<u>\$ 95,473</u>	
Enterprise funds:					
96880	State Treasurer's Office	39400	80100	\$ 210	Interest earnings receivable
96870	State Treasurer's Office	39400	80100	<u>1,088</u>	Interest earnings receivable
Total enterprise funds				<u>\$ 1,298</u>	

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NOTE 8 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

Governmental activities					
	June 30, 2013	Additions	Deletions	June 30, 2014	Due within one Year
Compensated absences	\$ 44,628	\$ 37,114	\$ 38,774	\$ 42,968	\$ 38,774

Business-type activities					
	June 30, 2013	Additions	Deletions	June 30, 2014	Due within one Year
Compensated absences	\$ 737,006	\$ 581,219	\$ 453,642	\$ 864,583	\$ 453,642

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 9 - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, 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 16.59% 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, 2014, 2013 and 2012 were \$1,700,606, \$1,422,052, and \$1,314,395, respectively, which equal the amount of the required contribution for each fiscal year.

NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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NOTE 10 - POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$205,354, \$188,600, and \$179,924, respectively, which equal the required contributions for each year.

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NOTE 11 - 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, 2014 totaled approximately \$1,198,569.

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, 2014.

Years ending June 30:

	<u>Amount</u>
2015	\$ 160,181
2016	151,402
2017	141,170
2018	92,488
2019 and thereafter	<u>95,680</u>
Total	<u><u>\$ 640,921</u></u>

Risk Management

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes liability and civil rights, property, vehicle, employer bond, workers' compensation, group insurance and state unemployment. The coverages are designed to satisfy the requirements of the State Tort Claims Act. All employees of the Department are covered by blanket fidelity bond up to \$5,000,000 with a \$1,000 deductible per occurrence by the State of New Mexico for the period July 1, 2013 through June 30, 2014. There have been no settlements in excess of insurance coverage as of June 30, 2014.

Federal Grants

The Department receives federal grants for various specific purposes. These grants are subject to audit, which may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. There were no such disallowances as of June 30, 2014. The Department was owed \$1,149,496 in requests for reimbursement as of June 30, 2014 which is approximately 92% of receivables for governmental activities at June 30, 2014.

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NOTE 12 -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).

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
Information technology management office (20370)		
Program support (20320)	\$ -	\$ 103,785
Total governmental-type activities	<u>-</u>	<u>103,785</u>
Business-type activities:		
Central telephone services (20310)		
Program support (20320)	-	2,209,129
Equipment Replacement Fund (96880)	-	7,664,643
	<u>-</u>	<u>9,873,772</u>
ISD-OIP-human resources (20360)		
Program support (20320)	-	281,701
Equipment replacement fund (96870)	-	3,622,260
	<u>-</u>	<u>3,903,961</u>
Program support (20320)		
Information technology management office (20370)	103,785	-
Central telephone services (20310)	2,209,129	-
ISD-OIP human resources (20360)	281,701	-
	<u>2,594,615</u>	<u>-</u>
Equipment replacement fund (96880)		
Central telephone services (20310)	7,664,643	-
	<u>7,664,643</u>	<u>-</u>
Equipment replacement fund (96870)		
ISD-OIP human resources (20360)	3,622,260	-
	<u>3,622,260</u>	<u>-</u>
Total business-type activities	<u>13,881,518</u>	<u>13,777,733</u>
Grand total	<u>\$ 13,881,518</u>	<u>\$ 13,881,518</u>

STATE OF NEW MEXICO
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NOTE 12 -INTERFUND TRANSFERS (CONTINUED)

Transfers of capital assets between funds are detailed below.

	<u>Transfers in</u>	<u>Transfers out</u>
Governmental activities:		
Governmental activities		
Central telephone services (20310)	\$ -	\$ 408,267
Total governmental-type activities	<u>-</u>	<u>408,267</u>
Business-type activities:		
Central telephone services (20310)		
Equipment Replacement Fund (96880)	3,100,694	
Governmental activities	<u>408,267</u>	<u>-</u>
	3,508,961	-
ISD-OIP-human resources (20360)		
Equipment replacement fund (96870)	<u>1,437,676</u>	<u>-</u>
	1,437,676	-
Equipment replacement fund (96880)		
Central telephone services (20310)	<u>-</u>	<u>3,100,694</u>
	-	3,100,694
Equipment replacement fund (96870)		
ISD-OIP human resources (20360)	<u>-</u>	<u>1,437,676</u>
	-	1,437,676
Total business-type activities	<u>4,946,637</u>	<u>4,538,370</u>
Grand total	<u>\$ 4,946,637</u>	<u>\$ 4,946,637</u>

STATE OF NEW MEXICO
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 Notes to Financial Statements
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NOTE 13 – TRANSFERS FROM OTHER AGENCIES

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental funds:					
20340	DFA	34100	85300	\$ 1,000,000	Special appropriation
89200	DFA	34100	73000	273,879	Severance tax bond proceeds
20370	DFA	34100	85300	855,800	General fund appropriation
20370	DFA	34100	85300	<u>4,200</u>	Compensation appropriation
Total governmental funds				<u>\$ 2,133,879</u>	

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Enterprise funds:					
20310	DFA	34100	85300	<u>\$ 3,913,400</u>	Special appropriation
Total enterprise funds				<u>\$ 3,913,400</u>	

Please refer to the schedule of appropriations and severance tax bond proceeds (schedule I) for the status of special appropriations and severance tax bond proceeds as well as more details regarding the purpose for which they were appropriated.

NOTE 14 – SUBSEQUENT PRONOUNCEMENTS

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Department will implement this standard during the fiscal year June 30, 2015 and will significantly impact the Department. The fiscal year 2015 financial statements will include a material liability for pension participation.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations, Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Department is still evaluating how this standard will affect the Department.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2014

NOTE 15 –SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 12, 2014, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

NOTE 16 –RESTRICTED NET POSTION

The Department's statement of net position shows net position restricted by enabling legislation of \$39,726,714 for capital replacement and \$1,122,485 for toll-free phone expenses as required by Laws of 2014 chapter 63 section 6 item 7.

NOTE 17 –SPECIAL ITEM

In fiscal year 2014 the Department reduced a customer account receivable balance in the amount of \$2,790,915 and has presented this reduction of this account as a special item in the statement of revenues, expenses, and changes in net position. The customer account receivable balance was reduced as a result of the Department receiving a special appropriation (Laws of 2014, Ch 63, Sec 6 item 7) for purposes of satisfying the outstanding obligations of the New Mexico Department of Workforce Solutions for toll-free unemployment insurance phone services during the period of fiscal years 2012-2014. The item is considered unusual, infrequent, and within the control of management as defined by the Governmental Accounting Standards Board statement 34 paragraph 56.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 Department of Information Technology
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget (Budget Basis) and Actual
 Severance Tax Bonds Capital Outlay Capital Projects Fund (89200)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services and employee benefits	-	-	-	-
Contractual services	50,866	50,866	48,219	2,647
Other costs	373,837	228,837	225,660	3,177
Capital outlay	-	-	-	-
<i>Total expenditures</i>	424,703	279,703	273,879	5,824
<i>Excess (deficiency) of revenues over expenditures</i>	(424,703)	(279,703)	(273,879)	5,824
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
Severance bond tax proceeds	424,703	279,703	273,879	(5,824)
Compensation appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	424,703	279,703	273,879	(5,824)
<i>Net change in fund balances</i>	\$ -	\$ -	-	\$ -
Reversion expenditure omitted from budget basis			-	
Net change in fund balance GAAP basis			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Central Telephone Services Enterprise Fund (20310)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
User fees	\$ 43,048,500	\$ 44,818,400	\$ 41,884,009	\$ (2,934,391)
Other revenues	-	-	1,021,447	1,021,447
<i>Total revenues</i>	<u>43,048,500</u>	<u>44,818,400</u>	<u>42,905,456</u>	<u>(1,912,944)</u>
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	12,872,300	11,072,300	11,022,965	49,335
Contractual services	4,556,700	6,126,600	5,950,041	176,559
Other costs	19,613,900	21,613,900	21,308,480	305,420
<i>Total expenses</i>	<u>37,042,900</u>	<u>38,812,800</u>	<u>38,281,486</u>	<u>531,314</u>
<i>Excess (deficiency) of revenues over expenses</i>	<u>6,005,600</u>	<u>6,005,600</u>	<u>4,623,970</u>	<u>(1,381,630)</u>
<i>Other financing sources (uses)</i>				
Internal transfers	(6,005,600)	(6,005,600)	(2,209,130)	3,796,470
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	3,913,400	3,913,400	3,913,400	-
<i>Total other financing sources (uses)</i>	<u>(2,092,200)</u>	<u>(2,092,200)</u>	<u>1,704,270</u>	<u>3,796,470</u>
<i>Change in net position</i>	<u>\$ 3,913,400</u>	<u>\$ 3,913,400</u>	<u>\$ 6,328,240</u>	<u>\$ 2,414,840</u>
Change in net position (budgetary basis)			\$ 6,328,240	
Depreciation expense			(7,664,642)	
Adjustment to internal balances for equipment replacement			(7,664,642)	
Internal transfers of capital assets			<u>3,508,961</u>	
Change in net position GAAP basis			<u>\$ (5,492,083)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 ISD-OIP-Human Resources Enterprise Fund (20360)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
User fees	\$ 8,892,200	\$ 8,892,200	\$ 8,873,588	\$ (18,612)
Other revenues	-	-	8,566	8,566
<i>Total revenues</i>	<u>8,892,200</u>	<u>8,892,200</u>	<u>8,882,154</u>	<u>(10,046)</u>
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	2,509,600	1,809,600	1,762,097	47,503
Contractual services	2,424,000	2,824,000	2,511,789	312,211
Other costs	971,600	1,271,600	1,115,245	156,355
<i>Total expenses</i>	<u>5,905,200</u>	<u>5,905,200</u>	<u>5,389,131</u>	<u>516,069</u>
<i>Excess (deficiency) of revenues over expenses</i>	<u>2,987,000</u>	<u>2,987,000</u>	<u>3,493,023</u>	<u>506,023</u>
<i>Other financing sources (uses)</i>				
Internal transfers	(2,987,000)	(2,987,000)	(281,702)	2,705,298
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,987,000)</u>	<u>(2,987,000)</u>	<u>(281,702)</u>	<u>2,705,298</u>
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,211,321</u>	<u>\$ 3,211,321</u>
Change in net position (budgetary basis)			\$ 3,211,321	
Depreciation expense			(3,622,259)	
Adjustment to due to other funds for equipment replacement			(3,622,259)	
Internal transfers of capital assets			<u>1,437,676</u>	
Change in net position GAAP basis			<u>\$ (2,595,521)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Program Support Fund Enterprise Fund (20320)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
User fees	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	3,146	3,146
<i>Total revenues</i>	-	-	3,146	3,146
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	2,982,200	2,982,200	2,327,996	654,204
Contractual services	39,000	39,000	38,199	801
Other costs	272,400	272,400	231,566	40,834
<i>Total expenses</i>	3,293,600	3,293,600	2,597,761	695,839
<i>Excess (deficiency) of revenues over expenses</i>	(3,293,600)	(3,293,600)	(2,594,615)	698,985
<i>Other financing sources (uses)</i>				
Internal transfers	3,293,600	3,293,600	2,594,615	(698,985)
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	3,293,600	3,293,600	2,594,615	(698,985)
<i>Change in net position</i>	\$ -	\$ -	\$ -	\$ -
Change in net position (budgetary basis)			\$ -	
Depreciation expense			-	
Internal transfers of capital assets			-	
Change in net position GAAP basis			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Equipment Replacement Fund Enterprise Fund (96880)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
User fees	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	-	-	-	-
Contractual services	-	301,250	299,200	2,050
Other costs	3,323,900	3,222,650	2,801,494	421,156
<i>Total expenses</i>	3,323,900	3,523,900	3,100,694	423,206
<i>Excess (deficiency) of revenues over expenses</i>	(3,323,900)	(3,523,900)	(3,100,694)	423,206
<i>Other financing sources (uses)</i>				
Internal transfers	3,323,900	3,323,900	7,664,643	4,340,743
Prior year fund balance	-	200,000	200,000	-
Compensation appropriation	-	-	-	-
Investment income	-	-	2,364	2,364
<i>Total other financing sources (uses)</i>	3,323,900	3,523,900	7,867,007	4,343,107
<i>Change in net position</i>	\$ -	\$ -	\$ 4,766,313	\$ 4,766,313
Change in net position (budgetary basis)			\$ 4,766,313	
GAAP Adjustment for capital outlay			3,100,694	
Prior year fund balance not revenue for GAAP purposes			(200,000)	
Internal transfers of capital assets			(3,100,694)	
Change in net position GAAP basis			\$ 4,566,313	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
 Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Equipment Replacement Fund Enterprise Fund (96870)
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
User fees	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	-	-	-	-
Contractual services	2,501,000	1,001,000	245,456	755,544
Other costs	-	1,500,000	1,192,220	307,780
<i>Total expenses</i>	2,501,000	2,501,000	1,437,676	1,063,324
<i>Excess (deficiency) of revenues over expenses</i>	(2,501,000)	(2,501,000)	(1,437,676)	1,063,324
<i>Other financing sources (uses)</i>				
Internal transfers	2,501,000	2,501,000	3,622,260	1,121,260
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Investment income	-	-	9,526	9,526
<i>Total other financing sources (uses)</i>	2,501,000	2,501,000	3,631,786	1,130,786
<i>Change in net position</i>	\$ -	\$ -	\$ 2,194,110	\$ 2,194,110
Change in net position (budgetary basis)			\$ 2,194,110	
GAAP Adjustment for capital outlay			1,437,676	
Depreciation expense			-	
Internal transfers of capital assets			(1,437,676)	
Change in net position GAAP basis			\$ 2,194,110	

The accompanying notes are an integral part of these financial statements

State of New Mexico
 New Mexico Department of Information Technology
 Schedule of Special Appropriations and Severance Tax Bond Proceeds
 Year ended June 30, 2014

Description	Authority	Appropriation Period	SHARE Fund
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
To install two-way radios and statewide upgrades	Laws of 2012, Ch 64, Sec 37	2013-2014	89200
To transfer to the central telephone services fund to satisfy the outstanding obligations of Department of Workforce Solutions to the Department of Information Technology for toll-free unemployment insurance phone services during the period of fiscal year 2012-2014.	Laws of 2014, Ch 63, Sec 6 item 7	2014 - Does not revert	20310

See independent auditors' report

<u>Total Appropriations or Bond Proceeds</u>	<u>Current Year Expenditures</u>	<u>Previous Year's Expenditures</u>	<u>Unexpended Portion</u>	<u>Unexpended and Reverted</u>	<u>Restricted Fund Balance</u>
\$ 1,500,000	\$ 1,377,324	\$ 66,393	\$ 56,283	\$ 56,283	\$ -
\$ 2,994,176	\$ 273,879	\$ 2,720,297	\$ -	\$ -	\$ -
\$ 3,913,400	\$ 2,790,915	\$ -	\$ 1,122,485	\$ -	\$ 1,122,485

STATE OF NEW MEXICO
 Department of Information Technology
 Memoranda of Understanding
 Year ended June 30, 2014

Participants	Party Responsible for Operation	Purpose
Department of Finance and Administration, University of New Mexico, New Mexico Computing Applications Center	New Mexico Computing Applications Center	Development of the New Mexico Computing Applications Center
Department of Finance and Administration	Department of Information Technology and Department of Finance and Administration	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
NMCAC, DoIT and UNM - Valencia (Site)	UNM - Valencia (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 in Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Agency where revenues/ expenditures are reported</u>
September 19, 2008 - Term indefinite unless terminated	\$ 5,855,000	\$ -	Department of Information Technology	Department of Information Technology and University of New Mexico	Pass through revenue/expenditures by Department of Information Technology
May 26, 2009 - Term indefinitely unless terminated	\$ 582,900	\$ -	Department of Information Technology and Department of Finance and Administration	Department of Information Technology	Department of Information Technology and Department of Finance and Administration
December 14, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
November 30, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 8, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 14, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 14, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 14, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 14, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 14, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology

STATE OF NEW MEXICO
 Department of Information Technology
 Memoranda of Understanding
 Year ended June 30, 2014

Participants	Party Responsible for Operation	Purpose
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, General Services Department (space assignment understanding)	Department of Information Technology	Operations and occupancy of the facility known as Radio Com Building situated at the Department of Public Safety Complex in Santa Fe
DoIT & NM Space Port Authority (NMSA)	Department of Information Technology	NMSA communications & networking.
DoIT & Department of Finance and Administration	Department of Information Technology	Memorialize the agreement for the Remediation project
DoIT & Department of Finance and administration	Department of Information Technology	Memorialize the parties' rights, responsibilities, and understanding regarding the payroll remediation contracts.
DoIT & Department of Homeland Security and Emergency Management	Department of Information Technology	Cost sharing agreement for Public Information Officer
DoIT & Regents of New Mexico State University	Department of Information Technology	For like-kind exchange of C-Location services for information systems

<u>Dates of Agreement</u>	<u>Total Estimated Cost of Project</u>	<u>Amount Contributed by Agency in Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Agency where revenues/ expenditures are reported</u>
December 11, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 30, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 21, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 21, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
December 21, 2009 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
September 2, 2010 - Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
November 08, 2010 to Project Completion Date.	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
August 21, 2012-term	\$ 145,900	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
September 20, 2012-term	\$ 253,942	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
March 30, 2013-term	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
April 30, 2014-term	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology

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COMPLIANCE SECTION



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

INDEPENDENT AUDITORS' REPORT

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparisons for the General Fund and major special revenue funds of the New Mexico Department of Information Technology (the "Department") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and related budgetary comparisons presented as supplementary information and have issued our report thereon dated November 12, 2014.

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 opinions 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 Department's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standard* and which can be described in the accompanying schedule of findings and questioned costs as item FS 2014-001.

Department's Responses to Findings

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

Purpose of this Report

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 Department's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 12, 2014

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the 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, 2014. 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.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, 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 results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 12, 2014

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STATE OF NEW MEXICO
 Department of Information Technology
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Schedule III

Federal Grantor/Pass Through Grantor/Program Title	Grant or State Number	Federal CFDA Number	Expenditures
<u>U.S. Department of Commerce</u>			
<i>Direct Programs:</i>			
ARRA-State Broadband Data and Development	35-50-M09036	11.558 *	\$ 1,319,317
ARRA-State Broadband Technology Opportunities	NT10BIX5570097	11.557 *	3,009,530
State and Local Implementation Grant Program	35-10-S13035	11.549	<u>9,266</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,338,113</u></u>

* Major program

Notes to Schedule of Expenditures of Federal Awards

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Department and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*.

Subrecipients

The Department did not provide any federal awards to subrecipients during the year.

Non-Cash Federal Assistance

The Department received no non-cash assistance during the year.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 4,338,113
Total federal operating grant review per exhibit B-2	<u>4,338,113</u>
Difference	<u><u>\$ -</u></u>

See independent auditors' report
 The notes are an integral part of these financial statements

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | | | | | | | | |
|--|---|-----------------|--------|--------|--------|---|--------|---|--|
| 1. Internal control over major programs: | | | | | | | | | |
| a. Material weaknesses identified? | No | | | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | No | | | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | No | | | | | | | | |
| 4. Identification of major programs: | | | | | | | | | |
| <table style="margin: auto; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 0 10px;">CFDA</td> <td style="text-align: center; padding: 0 10px;">Federal Program</td> </tr> <tr> <td style="text-align: center; padding: 0 10px;">Number</td> <td style="text-align: center; padding: 0 10px;">Number</td> </tr> <tr> <td style="text-align: center; padding: 0 10px;">11.558</td> <td style="text-align: center; padding: 0 10px;">ARRA-State Broadband Data and Development</td> </tr> <tr> <td style="text-align: center; padding: 0 10px;">11.557</td> <td style="text-align: center; padding: 0 10px;">ARRA-State Broadband Technology Opportunities</td> </tr> </table> | CFDA | Federal Program | Number | Number | 11.558 | ARRA-State Broadband Data and Development | 11.557 | ARRA-State Broadband Technology Opportunities | |
| CFDA | Federal Program | | | | | | | | |
| Number | Number | | | | | | | | |
| 11.558 | ARRA-State Broadband Data and Development | | | | | | | | |
| 11.557 | ARRA-State Broadband Technology Opportunities | | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | | | |

SECTION II – PRIOR YEAR AUDIT FINDINGS

2011-008 Business Continuity /Disaster Recovery Plan -Resolved

2013-001 General SHARE Controls-Resolved

SECTION III – FINANCIAL STATEMENT FINDINGS

2014-001 Capital Assets Not Completely Inventoried-(Other matter)

Condition: During our process of gaining an understanding of internal controls surrounding capital assets we noted a complete inventory of capital assets had not yet been completed for fiscal year 2014. Only 3 out of 120 radio sites were visited during fiscal year ended June 30, 2014.

Criteria: According to 12-6-10 NMSA 1978 governing authorities are required to conduct a physical inventory of capital assets.

Effect: Capital assets are at potential risk of loss without accountability that observation and impairment analysis provides and this increases the risk of misstating capital assets in the financial statements.

Cause: Turnover in key personnel assigned to complete the physical inventory caused management to not complete the physical inventory.

Auditors' recommendation: The Department should complete the annual inventory and implement a policy to provide ongoing compliance with 12-6-10 NMSA 1978.

Management's response: The Department concurs with the finding. The Fixed Asset Manager position that was vacant for the major part of the year has been filled. The current Fixed Asset Manager has developed and is executing a plan to have a complete inventory by the end of FY15. The plan includes visiting the newly renovated sites as well as actively involving the regional field office managers to assist and/or conduct inventory on the additional sites. To facilitate the management of Capital/Fixed Asset, the Department implemented the Asset Management module with the state's SHARE accounting system. The Asset Management module provides additional functionality, including standardized processing of Assets, through Purchasing and Accounts Payable, provides improved reporting capabilities, and has automated the process of recording journal entries into the General Ledger. As inventory is completed at each site, the Asset Management module will be updated to reflect the current inventory. The intent of the plan is to be fully compliant with 12-6-10 NMSA 1978. In addition to the sites that were inventoried in FY14, all leased and owned vehicles have been inventoried and are being managed as required.

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

STATE OF NEW MEXICO
Department of Information Technology
Other Disclosures
June 30, 2014

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 12, 2014. The following individuals were in attendance.

Representing New Mexico Department of Information Technology

Darryl Ackley	Department Secretary
Jacqueline Miller	Deputy Secretary
Charles Martinez	Chief Financial Officer
Douglas Taylor	GL Bureau Chief
Mike Baca	Acting Director Compliance and Project Management Division
Maria Sanchez	General Counsel

Representing Accounting & Consulting Group, LLP

Robert Cordova, CPA	Audit Partner
Morgan Browning, CPA, CGFM	Audit Supervisor

Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Department from the original books and records provide to them by the management of the Department. The responsibility for the financial statements remains with the Department.