



**STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION
TECHNOLOGY
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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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, 2015

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
Timothy Keller
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, 2015, 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 also have audited the budgetary comparisons 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, 2015 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, 2015, 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 accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the capital project and enterprise funds of the Department for the year ended June 30, 2015 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, 2015, and the changes in its financial position, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Department's financial statements and the budgetary comparisons. The Schedule of Expenditures of Federal Awards and Supporting Schedules I through III 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 Schedule I 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 Schedule I 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 and Supporting Schedules II and III have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, 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 6, 2015

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

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, 2015

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, 2015, 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, 2015

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, 2015. Net position for business-type activities was \$72,563,293.

Table A-1

	<u>Business-type Activities</u>		
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets			
Current assets	\$ 41,546,128	\$ 40,234,550	\$ 1,311,578
Capital assets, net of depreciation	34,992,331	35,372,908	(380,577)
Total assets	<u>\$ 76,538,459</u>	<u>\$ 75,607,458</u>	<u>\$ 931,001</u>
Liabilities and net position			
Liabilities:			
Current liabilities	\$ 3,528,716	\$ 3,496,524	\$ 32,192
Noncurrent liabilities	446,450	410,941	35,509
Total liabilities	<u>3,975,166</u>	<u>3,907,465</u>	<u>67,701</u>
Net position			
Net investment in capital assets	34,992,331	35,372,908	(380,577)
Restricted	44,030,739	40,849,199	3,181,540
Unrestricted	<u>(6,459,777)</u>	<u>(4,522,114)</u>	<u>(1,937,663)</u>
Total net position	72,563,293	71,699,993	863,300
Total liabilities and net position	<u>\$ 76,538,459</u>	<u>\$ 75,607,458</u>	<u>\$ 931,001</u>

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

Business-type Activities Changes in Net Position The Department's change in business-type net position for fiscal year 2015 was a increase of \$863,300.

Table A-2

	Business-type Activities		
	2015	2014	Change
Revenues			
Program revenues	\$ 52,661,441	\$ 54,581,671	\$ (1,920,230)
General revenues	13,570	3,925,290	(3,911,720)
Total revenues	<u>52,675,011</u>	<u>58,506,961</u>	<u>(5,831,950)</u>
Expenses:			
Central Telephone Service	43,700,899	45,946,128	(2,245,229)
ISD-OIP Human Resource	8,201,789	9,011,390	(809,601)
Program Support	<u>2,780,918</u>	<u>2,597,761</u>	<u>183,157</u>
Total expenses	<u>54,683,606</u>	<u>57,555,279</u>	<u>(2,871,673)</u>
Excess (deficiency) before transfers	(2,008,595)	951,682	(2,960,277)
Special item	(977,282)	(2,790,915)	1,813,633
Loss on disposal of capital assets	(184,005)	-	(184,005)
Internal transfers of capital assets	3,948,682	408,267	3,540,415
Transfers in	<u>84,500</u>	<u>103,785</u>	<u>(19,285)</u>
Changes in net position	863,300	(1,327,181)	2,190,481
Beginning net position	<u>71,699,993</u>	<u>73,027,174</u>	<u>(1,327,181)</u>
Ending net position	<u>\$ 72,563,293</u>	<u>\$ 71,699,993</u>	<u>\$ 863,300</u>

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

Governmental Activities Net Position Table A-3 summarizes the Department's net position for the fiscal year ended June 30, 2015. Net position for governmental activities was \$33,355,800.

Table A-3

	Governmental Activities		
	2015	2014	Change
Assets			
Current assets	\$ 1,051,424	\$ 1,683,087	\$ (631,663)
Capital assets, net of depreciation	33,425,808	30,055,912	3,369,896
Total assets	<u>\$34,477,232</u>	<u>\$ 31,738,999</u>	<u>\$ 2,738,233</u>
Liabilities and net position			
Liabilities:			
Current liabilities	\$ 1,090,198	\$ 1,721,861	\$ (631,663)
Noncurrent liabilities	31,234	4,194	27,040
Total liabilities	<u>1,121,432</u>	<u>1,726,055</u>	<u>(604,623)</u>
Net position			
Net investment in capital assets	33,425,808	30,055,912	3,369,896
Unrestricted	(70,008)	(42,968)	(27,040)
Total net position	33,355,800	30,012,944	3,342,856
Total liabilities and net position	<u>\$34,477,232</u>	<u>\$ 31,738,999</u>	<u>\$ 2,738,233</u>

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

Governmental Activities Changes in Net Position The Department's change in net position for governmental activities for fiscal year 2015 was an increase of \$3,342,856 (Statement of Activities). Approximately 8% of the Department's governmental revenue comes from State General Fund Appropriations.

Table A-4

	Governmental Activities		
	2015	2014	Change
Revenues			
Program revenues	\$ 5,105,915	\$ 4,338,113	\$ 767,802
General revenues	4,780,695	2,034,681	2,746,014
Total revenues	<u>9,886,610</u>	<u>6,372,794</u>	<u>3,513,816</u>
Expenses:			
Broadband technology	1,727,406	1,199,277	528,129
Information technology management	744,831	711,644	33,187
Radio communications	-	1,242,936	(1,242,936)
Center for advanced computing	38,335	301,872	(263,537)
Total expenses	<u>2,510,572</u>	<u>3,455,729</u>	<u>(945,157)</u>
Excess (deficiency) before transfers	7,376,038	2,917,065	4,458,973
Internal transfers of capital assets	(3,948,682)	(408,267)	(3,540,415)
Loss on disposal of capital assets		-	-
Transfers out	<u>(84,500)</u>	<u>(103,785)</u>	<u>19,285</u>
Changes in net position	3,342,856	2,405,013	937,843
Beginning net position	<u>30,012,944</u>	<u>27,607,931</u>	<u>2,405,013</u>
Ending net position	<u>\$ 33,355,800</u>	<u>\$ 30,012,944</u>	<u>\$ 3,342,856</u>

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

Financial Analysis of Overall Financial Position and Results of Operations

Governmental activities increased the Department's net position by \$3,342,856 and enterprise activities increased the Department's net position by \$863,300. Key elements of these changes are as follows:

Governmental Activities Governmental activities increased the Department's net position by \$3,342,856 from the BTOP grant for capital assets and accumulation of construction in progress balances. Other financing uses increased due to increased transfers of capital assets from a governmental fund to enterprise fund (SHARE 20310). Prior year transfers of capital assets were \$408,267 and current year transfers were only \$3,948,682. 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 decreased by \$1,920,230 comparing fiscal year 2015 revenues to fiscal year 2014 revenues, primarily due to decreased reductions of the outstanding obligations of the Department of Workforce Solutions customer account receivable in fiscal year 2015 pursuant to Laws of 2014, Ch 63, Sec 6 item 7. In fiscal year 2014 \$2,790,915 was added back to revenue and reported as a special item compared with only \$977,282 in fiscal year 2015. See note 17 for more information related to the special item. General revenues decreased due to a special appropriation received in the prior fiscal year 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 and fiscal year 2015 the Department reduced a customer account receivable balance in the amount of \$2,790,915 and \$977,282 respectively 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 \$68,418,139 at June 30, 2015. 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, 2015 amounts to \$33,425,808 for its governmental activities and \$34,992,331 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 2015 was \$10,046,331 compared with \$11,599,692 in fiscal year 2014. 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 \$877,400 inclusive of other financing uses for fiscal year 2015. Budgetary basis expenditures and other financing uses were \$825,455. Personnel costs accounted for 84% of the year's expenditures and other financing uses, while other financing uses accounted for 11%.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

Accomplishments

In FY 2015, the Department or (DoIT) has numerous accomplishments that represent the hard work of the DoIT Staff. 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. DoIT provided oversight of \$388 million IT project investments in over 94 certified projects. In addition to these accomplishments with respect to the core mission, there are several noteworthy accomplishments worth discussing here:

The SHARE team has worked through planning and procurement for the required upgrade of the PeopleSoft implementation. This effort was collaborative with the SHARE Executive Steering Committee that represents critical stakeholder organization leadership. With the clarification and input from the subject matter experts and end user community the development of a detailed plan was accomplished in early 2015 that included the statements of work required for the competitive bid for the professional and technical services required to support a successful upgrade of SHARE.

The SHARE database was upgraded to the current, fully-supported version of Oracle (11g). This resulted in an immediate savings of 61K in Oracle support costs. Additionally, one of the primary components of PeopleSoft, PeopleTools, was updated from 8.49 to 8.52. PeopleTools 8.52 improved the look and feel of SHARE, and enabled additional features for the DoIT support team. This upgrade was a requirement for any future functional upgrades of the application. DoIT implemented a new PeopleSoft module, Enterprise Learning Management, which is on the most current PeopleSoft version, 9.2, and is fully integrated, with the State's Financials and HCM modules. ELM functionality is being piloted with NMDOT, and provides a training/certification history that follows an employee across agencies.

The Public Safety Communications Team completed the upgrade of over 50 radio sites statewide via the continued execution of a \$38M federal grant. DoIT completed the migration of finished public safety services to the new infrastructure in a transparent manner mitigating any negative impact to the agencies that rely on DoIT services for mission critical communications. Additionally, the State-Wide Infrastructure Replacement and Enhancement (SWIRE) program completed the consolidation of equipment and provide a centralized platform for public safety communications dispatch operations supporting several state agencies and one local government organization. Deployed Solar Winds Enterprise Network Monitoring and Management System will enable the Department to more efficiently manage the LMR and IP networks and to more effectively respond to outages, problems and requests for service as well as identifying and determining trends and levels of service.

New Mexico is working in concert with the National Telecommunications and Information Administration (NTIA) through the Broadband Technology Opportunities Program (BTOP) and FirstNet to deploy a Band 14 (B14) Long Term Evolution (LTE) network. The project was funded with \$4M out of a \$38.7M NTIA BTOP grant for statewide microwave network and public safety broadband. The project is nearing successful completion of their initial deployment.

New Mexico is implementing a B14 LTE network utilizing 6 fixed Radio Access Network (RAN) sites and 1 Cell-on-Wheels (COW) within the State. The fixed network is covering various strategic locations within the State, including areas around Santa Fe, Carlsbad and Las Cruces, areas along the US/Mexico border, and in Artesia at the Federal Law Enforcement Training Center (FLETC). New Mexico will keep the deployable COW positioned in Albuquerque in ready standby mode to provide service in the event of emergencies or special events within the State.

The New Mexico Broadband Program (NMBBP) was comprised of a team of over 12 contractors, a plethora of cooperative providers, engaged regional participants, a knowledgeable Executive Committee, a spot on Statewide Broadband Working Group, and a responsive PFO. For the last five years this team accomplished amazing things and this fabric of individuals, institutions, and companies are interested in continuing the effort.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2015

Accomplishments (continued)

Mapping is of immense importance, is recognized as such, yet to come up with just \$150K each year to continue the fine work; has been disappointing. Of note, the NMBBP Mantra has been "Same High Quality for Half the Price". The Department can continue the entire program with two collections each year and include active Technical Assistance, Capacity Building, and Planning components for \$500K per year; half the price. The program has already demonstrated that the returns have outstripped that investment. The program will continue to pursue funding in a race before the data, governance, projects and interest unravel.

Currently Known Facts and Decisions

During fiscal year 2015, 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, 2015

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current assets			
Investment in State Treasurer's General Fund Investment Pool (SGFIP)	\$ -	\$ 32,579,927	\$ 32,579,927
Accounts receivable, net of allowance for uncollectible accounts	-	8,932,221	8,932,221
Due from the federal government	431,431	-	431,431
Due from other state agencies	638,519	14,972	653,491
Other assets	-	482	482
Internal balances	(18,526)	18,526	-
Total current assets	<u>1,051,424</u>	<u>41,546,128</u>	<u>42,597,552</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	<u>33,425,808</u>	<u>34,992,331</u>	<u>68,418,139</u>
Total noncurrent assets	<u>33,425,808</u>	<u>34,992,331</u>	<u>68,418,139</u>
 Total assets	 <u>\$ 34,477,232</u>	 <u>\$ 76,538,459</u>	 <u>\$ 111,015,691</u>
Liabilities			
Current liabilities			
Investment in state treasurer's general fund investment pool (SGFIP) overdraft	\$ 264,114	\$ -	264,114
Accounts payable	704,867	2,668,395	3,373,262
Accrued payroll	30,498	406,679	437,177
Due to state general fund	51,945	-	51,945
Compensated absences	38,774	453,642	492,416
Total current liabilities	<u>1,090,198</u>	<u>3,528,716</u>	<u>4,618,914</u>
Noncurrent liabilities			
Compensated absences	<u>31,234</u>	<u>446,450</u>	<u>477,684</u>
 Total liabilities	 <u>1,121,432</u>	 <u>3,975,166</u>	 <u>5,096,598</u>
Net Position			
Net investment in capital assets	33,425,808	34,992,331	68,418,139
Restricted for capital replacement	-	43,885,536	43,885,536
Restricted for toll-free phone expenses	-	145,203	145,203
Unrestricted	(70,008)	(6,459,777)	(6,529,785)
 Total net position	 <u>33,355,800</u>	 <u>72,563,293</u>	 <u>105,919,093</u>
 Total liabilities and net position	 <u>\$ 34,477,232</u>	 <u>\$ 76,538,459</u>	 <u>\$ 111,015,691</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, 2015

<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	\$ 1,727,406	\$ -	\$ 5,105,915
Information technology management	744,831	-	-
Center for advanced computing	38,335	-	-
<i>Total governmental activities</i>	<u>2,510,572</u>	<u>-</u>	<u>5,105,915</u>
Business-type Activities:			
Central telephone services	43,700,899	43,663,565	-
ISD-OIP Human Resource	8,201,789	8,980,884	-
Program support	2,780,918	16,992	-
<i>Total business-type activities</i>	<u>54,683,606</u>	<u>52,661,441</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 57,194,178</u>	<u>\$ 52,661,441</u>	<u>\$ 5,105,915</u>

General Revenues and Transfers and Special Item:

State general fund appropriation
 Compensation appropriation
 Severance tax bond proceeds
 FY15 Reversions
 Investment income
 Special item (see note 17)
 Loss on disposal of capital assets
 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
\$ 3,378,509	\$ -	\$ 3,378,509
(744,831)	-	(744,831)
(38,335)	-	(38,335)
<u>2,595,343</u>	<u>-</u>	<u>2,595,343</u>
-	(37,334)	(37,334)
-	779,095	779,095
-	(2,763,926)	(2,763,926)
<u>-</u>	<u>(2,022,165)</u>	<u>(2,022,165)</u>
<u>2,595,343</u>	<u>(2,022,165)</u>	<u>573,178</u>
863,200	-	863,200
14,200	-	14,200
3,955,240	-	3,955,240
(51,945)	-	(51,945)
-	13,570	13,570
-	(977,282)	(977,282)
-	(184,005)	(184,005)
(3,948,682)	3,948,682	-
(84,500)	84,500	-
<u>747,513</u>	<u>2,885,465</u>	<u>3,632,978</u>
3,342,856	863,300	4,206,156
<u>30,012,944</u>	<u>71,699,993</u>	<u>101,712,937</u>
<u>\$ 33,355,800</u>	<u>\$ 72,563,293</u>	<u>\$ 105,919,093</u>

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Balance Sheet
 Governmental Funds
 June 30, 2015

	General Fund Information Technology Management Office (20370)	Radio Communications (20340)
ASSETS		
Investment in state treasurer's general fund investment pool (SGFIP)	\$ 95,780	\$ -
Due from the federal government	-	-
Due from other state agencies	-	-
<i>Total assets</i>	\$ 95,780	\$ -
LIABILITIES AND FUND BALANCE		
<i>Liabilities</i>		
Investment in state treasurer's general fund investment pool (SGFIP) overdraft	\$ -	\$ -
Accounts payable	26,243	-
Accrued payroll	16,992	-
Due to other funds	600	-
Due to state general fund	51,945	-
<i>Total liabilities</i>	95,780	-
<i>Fund balances</i>		
Spendable:		
Restricted	-	-
<i>Total fund balances</i>	-	-
<i>Total liabilities and fund balances</i>	\$ 95,780	\$ -

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
\$ -	\$ -	\$ -	\$ 95,780
368,072	63,359	-	431,431
<u>-</u>	<u>-</u>	<u>638,519</u>	<u>638,519</u>
<u>\$ 368,072</u>	<u>\$ 63,359</u>	<u>\$ 638,519</u>	<u>\$ 1,165,730</u>
\$ -	\$ 3,203	\$ 356,691	\$ 359,894
357,241	39,555	281,828	704,867
9,858	3,648	-	30,498
973	16,953	-	18,526
<u>-</u>	<u>-</u>	<u>-</u>	<u>51,945</u>
<u>368,072</u>	<u>63,359</u>	<u>638,519</u>	<u>1,165,730</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 368,072</u>	<u>\$ 63,359</u>	<u>\$ 638,519</u>	<u>\$ 1,165,730</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, 2015

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	33,425,808
Compensated absences are not payable on June 30, 2015 and therefore are not reported in the fund financial statements	<u>(70,008)</u>
Total net position (Exhibit A-1)	<u><u>\$ 33,355,800</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, 2015

	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	692,817	-
Contractual services	-	-
Other costs	48,138	-
Capital outlay	<u>-</u>	<u>-</u>
<i>Total Expenditures</i>	<u>740,955</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(740,955)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
State general fund appropriation	863,200	-
Compensation appropriation	14,200	-
Severance tax bond proceeds	-	-
Internal transfers (out)	(84,500)	-
FY15 Reversion	<u>(51,945)</u>	<u>-</u>
<i>Total other financing sources and (uses)</i>	<u>740,955</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</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
\$ 4,703,768	\$ 402,147	\$ -	\$ 5,105,915
<u>4,703,768</u>	<u>402,147</u>	<u>-</u>	<u>5,105,915</u>
490,023	92,421	-	1,275,261
729,514	240,375	2,400	972,289
76,000	69,351	4,158	197,647
<u>3,408,231</u>	<u>-</u>	<u>3,948,682</u>	<u>7,356,913</u>
<u>4,703,768</u>	<u>402,147</u>	<u>3,955,240</u>	<u>9,802,110</u>
<u>-</u>	<u>-</u>	<u>(3,955,240)</u>	<u>(4,696,195)</u>
-	-	-	863,200
-	-	-	14,200
-	-	3,955,240	3,955,240
-	-	-	(84,500)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(51,945)</u>
<u>-</u>	<u>-</u>	<u>3,955,240</u>	<u>4,696,195</u>
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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, 2015

Exhibit B-2
Page 2 of 2

Net Change in Fund Balance - Governmental Funds \$ -

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	7,356,913
Depreciation expense	(38,335)
Transfer of capital assets from governmental activities to business-type activities	(3,948,682)
Increase in compensated absences	<u>(27,040)</u>

Change in Net Position (Exhibit A-2) \$ 3,342,856

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
 General Fund Information Technology Management Office (20370)
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Personnel services	718,500	730,800	692,817	37,983
Contractual services	32,300	-	-	-
Other costs	42,100	62,100	48,138	13,962
<i>Total expenditures</i>	<u>792,900</u>	<u>792,900</u>	<u>740,955</u>	<u>51,945</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(792,900)</u>	<u>(792,900)</u>	<u>(740,955)</u>	<u>51,945</u>
<i>Other financing sources (uses)</i>				
Internal transfers	(84,500)	(84,500)	(84,500)	-
State general fund appropriation	863,200	863,200	863,200	-
Compensation appropriation	14,200	14,200	14,200	-
<i>Total other financing sources (uses)</i>	<u>792,900</u>	<u>792,900</u>	<u>792,900</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	51,945	<u>\$ 51,945</u>
Reversion expenditure omitted from budget basis			<u>(51,945)</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
 Radio Communications Special Revenue Fund (20340)
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	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>				
Current:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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	-	-	-	-
Special appropriation	-	-	-	-
Prior year fund balance	-	-	-	-
<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)			\$ -	
Prior year fund balance not revenue for GAAP purposes			-	
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
 ARRA Special Revenue Fund (89000)
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues:</i>				
Federal operating grants	\$ 9,252,541	\$ 9,252,541	\$ 4,703,768	\$ (4,548,773)
<i>Total revenues</i>	<u>9,252,541</u>	<u>9,252,541</u>	<u>4,703,768</u>	<u>(4,548,773)</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	760,735	668,735	490,023	178,712
Contractual services	6,149,895	5,260,862	3,328,332	1,932,530
Other costs	2,341,911	3,322,944	885,413	2,437,531
<i>Total expenditures</i>	<u>9,252,541</u>	<u>9,252,541</u>	<u>4,703,768</u>	<u>4,548,773</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, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Federal operating grants	\$ 590,300	\$ 640,300	\$ 402,147	\$ (238,153)
<i>Total revenues</i>	<u>590,300</u>	<u>640,300</u>	<u>402,147</u>	<u>(238,153)</u>
<i>Expenditures:</i>				
Current:				
Personnel services	193,800	193,800	92,421	101,379
Contractual services	279,700	329,700	240,375	89,325
Other costs	116,800	116,800	69,351	47,449
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>590,300</u>	<u>640,300</u>	<u>402,147</u>	<u>238,153</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, 2015

	<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)	\$ 12,176,277	\$ 6,202,164
Accounts receivable, net of allowance for uncollectible accounts	8,775,330	156,891
Due from other state agencies	255	-
Other assets	482	-
Due from other funds	<u>362,012</u>	<u>46,035</u>
<i>Total current assets</i>	<u>21,314,356</u>	<u>6,405,090</u>
<i>Noncurrent assets:</i>		
Capital assets, net of accumulated depreciation	<u>25,523,386</u>	<u>9,468,945</u>
<i>Total noncurrent assets</i>	<u>25,523,386</u>	<u>9,468,945</u>
TOTAL ASSETS	<u><u>\$ 46,837,742</u></u>	<u><u>\$ 15,874,035</u></u>
 LIABILITIES AND NET POSITION		
<i>Liabilities</i>		
<i>Current liabilities:</i>		
Accounts payable	\$ 1,114,858	\$ 546,985
Accrued payroll	294,776	43,275
Compensated absences	330,655	10,531
Due to other funds	<u>24,106,053</u>	<u>7,184,059</u>
<i>Total current liabilities</i>	<u>25,846,342</u>	<u>7,784,850</u>
<i>Non-current liabilities:</i>		
Compensated absences	<u>325,413</u>	<u>77,415</u>
<i>Total liabilities</i>	<u>26,171,755</u>	<u>7,862,265</u>
<i>Net position</i>		
Net investment in capital assets	25,523,386	9,468,945
Restricted for capital replacement	-	-
Restricted for toll-free phone expenses	145,203	-
Unrestricted	<u>(5,002,602)</u>	<u>(1,457,175)</u>
<i>Total net position</i>	<u>20,665,987</u>	<u>8,011,770</u>
<i>Total liabilities and net position</i>	<u><u>\$ 46,837,742</u></u>	<u><u>\$ 15,874,035</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
\$ 679,018	\$ 1,775,810	\$ 11,746,658	\$ 32,579,927
-	-	-	8,932,221
13,735	147	835	14,972
-	-	-	482
<u>16,953</u>	<u>24,106,053</u>	<u>7,184,059</u>	<u>31,715,112</u>
<u>709,706</u>	<u>25,882,010</u>	<u>18,931,552</u>	<u>73,242,714</u>
-	-	-	34,992,331
-	-	-	34,992,331
<u>\$ 709,706</u>	<u>\$ 25,882,010</u>	<u>\$ 18,931,552</u>	<u>\$ 108,235,045</u>
\$ 78,526	\$ 718,862	\$ 209,164	\$ 2,668,395
68,628	-	-	406,679
112,456	-	-	453,642
<u>406,474</u>	<u>-</u>	<u>-</u>	<u>31,696,586</u>
<u>666,084</u>	<u>718,862</u>	<u>209,164</u>	<u>35,225,302</u>
43,622	-	-	446,450
<u>709,706</u>	<u>718,862</u>	<u>209,164</u>	<u>35,671,752</u>
-	-	-	34,992,331
-	25,163,148	18,722,388	43,885,536
-	-	-	145,203
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,459,777)</u>
-	25,163,148	18,722,388	72,563,293
<u>\$ 709,706</u>	<u>\$ 25,882,010</u>	<u>\$ 18,931,552</u>	<u>\$ 108,235,045</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, 2015

	Central Telephone Services (20310)	ISD-OIP-Human Resources (20360)
	<u> </u>	<u> </u>
OPERATING REVENUES:		
User fees	\$ 43,582,201	\$ 8,966,453
Other revenues	81,364	14,431
	<u> </u>	<u> </u>
<i>Total revenues</i>	<u>43,663,565</u>	<u>8,980,884</u>
OPERATING EXPENSES:		
Personnel services	11,522,922	1,707,398
Contractual services	5,411,205	1,785,507
Other costs	20,282,240	1,147,085
Depreciation expense	6,484,532	3,561,799
	<u> </u>	<u> </u>
<i>Total expenditures</i>	<u>43,700,899</u>	<u>8,201,789</u>
<i>Operating (loss) income</i>	<u>(37,334)</u>	<u>779,095</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	-	-
Loss on disposal of capital assets	(184,005)	-
Internal transfers of capital assets	7,924,348	1,925,413
Internal transfers	(8,864,493)	(3,861,264)
	<u> </u>	<u> </u>
<i>Total non-operating revenues (expenses)</i>	<u>(1,124,150)</u>	<u>(1,935,851)</u>
<i>Income (loss) before special item</i>	<u>(1,161,484)</u>	<u>(1,156,756)</u>
<i>Special item (see note 17)</i>	<u>(977,282)</u>	<u>-</u>
<i>Change in net position</i>	(2,138,766)	(1,156,756)
<i>Net position - beginning of year</i>	<u>22,804,753</u>	<u>9,168,526</u>
<i>Net position - end of year</i>	<u>\$ 20,665,987</u>	<u>\$ 8,011,770</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
\$ -	\$ -	\$ -	\$ 52,548,654
16,992	-	-	112,787
<u>16,992</u>	<u>-</u>	<u>-</u>	<u>52,661,441</u>
2,502,282	-	-	15,732,602
32,956	-	-	7,229,668
245,680	-	-	21,675,005
<u>-</u>	<u>-</u>	<u>-</u>	<u>10,046,331</u>
<u>2,780,918</u>	<u>-</u>	<u>-</u>	<u>54,683,606</u>
<u>(2,763,926)</u>	<u>-</u>	<u>-</u>	<u>(2,022,165)</u>
-	2,925	10,645	13,570
-	-	-	(184,005)
-	(3,975,666)	(1,925,413)	3,948,682
<u>2,763,926</u>	<u>6,484,532</u>	<u>3,561,799</u>	<u>84,500</u>
<u>2,763,926</u>	<u>2,511,791</u>	<u>1,647,031</u>	<u>3,862,747</u>
<u>-</u>	<u>2,511,791</u>	<u>1,647,031</u>	<u>1,840,582</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(977,282)</u>
<u>-</u>	<u>2,511,791</u>	<u>1,647,031</u>	<u>863,300</u>
<u>-</u>	<u>22,651,357</u>	<u>17,075,357</u>	<u>71,699,993</u>
<u>\$ -</u>	<u>\$ 25,163,148</u>	<u>\$ 18,722,388</u>	<u>\$ 72,563,293</u>

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2015

	<u>Central Telephone Services (20310)</u>	<u>ISD-OIP-Human Resources (20360)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 43,236,950	\$ 8,935,292
Cash payments to suppliers	(25,614,307)	(3,037,863)
Cash payments to employees for services	<u>(11,467,851)</u>	<u>(1,719,559)</u>
<i>Net cash provided (used) by operating activities</i>	<u>6,154,792</u>	<u>4,177,870</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers in (out) from other funds	<u>(2,982,724)</u>	<u>(141,201)</u>
<i>Net cash provided (used) by non-capital financing activities</i>	<u>(2,982,724)</u>	<u>(141,201)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>-</u>	<u>-</u>
<i>Net cash (used) by capital financing activities</i>	<u>-</u>	<u>-</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 Investments, State Treasurer</i>	3,172,068	4,036,669
INVESTMENTS, STATE TREASURER, BEGINNING OF YEAR	<u>9,004,209</u>	<u>2,165,495</u>
INVESTMENTS, STATE TREASURER, END OF YEAR	<u><u>\$ 12,176,277</u></u>	<u><u>\$ 6,202,164</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
\$ 16,992	\$ -	\$ -	\$ 52,189,234
(271,583)	-	-	(28,923,753)
<u>(2,459,655)</u>	<u>-</u>	<u>-</u>	<u>(15,647,065)</u>
<u>(2,714,246)</u>	<u>-</u>	<u>-</u>	<u>7,618,416</u>
<u>2,454,362</u>	<u>713,322</u>	<u>-</u>	<u>43,759</u>
<u>2,454,362</u>	<u>713,322</u>	<u>-</u>	<u>43,759</u>
<u>-</u>	<u>(4,140,741)</u>	<u>(1,772,827)</u>	<u>(5,913,568)</u>
<u>-</u>	<u>(4,140,741)</u>	<u>(1,772,827)</u>	<u>(5,913,568)</u>
<u>-</u>	<u>2,988</u>	<u>10,898</u>	<u>13,886</u>
<u>-</u>	<u>2,988</u>	<u>10,898</u>	<u>13,886</u>
(259,884)	(3,424,431)	(1,761,929)	1,762,493
<u>938,902</u>	<u>5,200,241</u>	<u>13,508,587</u>	<u>30,817,434</u>
<u>\$ 679,018</u>	<u>\$ 1,775,810</u>	<u>\$ 11,746,658</u>	<u>\$ 32,579,927</u>

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2015

	Central Telephone Services (20310)	ISD-OIP-Human Resources (20360)
OPERATING (LOSS) INCOME	\$ (37,334)	\$ 779,095
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	6,484,532	3,561,799
Changes in assets and liabilities:		
(Increase) in accounts receivable	(426,615)	(45,592)
(Increase) in due from other agencies	-	-
Increase (Decrease) in accounts payable	86,337	(105,271)
(Decrease) in due to other state agencies	(7,199)	-
Increase (Decrease) in accrued payroll	38,266	(3,901)
Increase (Decrease) in compensated absences	16,805	(8,260)
	6,192,126	3,398,775
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 6,154,792	\$ 4,177,870
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
\$ (2,763,926)	\$ -	\$ -	\$ (2,022,165)
-	-	-	10,046,331
-	-	-	(472,207)
(13,735)	-	-	(13,735)
20,788	-	-	1,854
-	-	-	(7,199)
15,663	-	-	50,028
26,964	-	-	35,509
<u>49,680</u>	<u>-</u>	<u>-</u>	<u>9,640,581</u>
<u>\$ (2,714,246)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,618,416</u>

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2015

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, 2015

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

- Security services
 - Firewall
 - Virtual private network

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

The chief executive of the Department is the Department Secretary, who is appointed by the Governor of New Mexico and is a member of the Governor's cabinet. The Department's functions are administered by the 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:

During the year ended June 30, 2015, the Department adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”). These two Statements are required to be implemented at the same time. Compliance with the requirement of Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Department's enterprise funds and therefore not reported in the Department's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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.

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

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 current portion of compensated absences is expected to be expended during the fiscal year 2016. Department general fund and enterprise fund resources have been used to liquidate accrued compensated absences.

Pensions

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Disclosure requirements for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Department's enterprise funds and therefore not reported in the Department's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501. For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to /deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investment are reported at fair value.

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Department of Information Technology
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June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015. 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.

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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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, 2015.

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, 2015.

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.

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NOTE 3 - STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

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. Given these mitigating controls the impact of the reconciling items on the Department's State General Fund Investment Pool account balances is minimal.

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.

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	\$ 95,780
Radio Communications	Investment	20340	-
ARRA Fund	Investment	89000	-
State and local government grants	Investment	11890	(3,203)
Severance Tax Bonds Capital Outlay	Investment	89200	<u>(356,691)</u>
Total governmental funds			<u>(264,114)</u>
Central telephone services	Investment	20310	12,176,277
ISD-OIP-Human Resources	Investment	20360	6,202,164
Program support	Investment	20320	679,018
Equipment replacement fund	Investment	96880	1,775,810
Equipment replacement fund	Investment	96870	<u>11,746,658</u>
Total enterprise funds			<u>32,579,927</u>
Total share of state general fund investment pool			<u>\$ 32,315,813</u>

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NOTE 4 - ACCOUNTS RECEIVABLE

The Department provides enterprise information technology services to State government's executive branch Accounts receivable at June 30, 2015 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	\$ 11,236,332	\$ 226,097	\$ 11,462,429
Less allowance for uncollectible accounts	<u>(2,461,002)</u>	<u>(69,206)</u>	<u>(2,530,208)</u>
Receivables, net	<u>\$ 8,775,330</u>	<u>\$ 156,891</u>	<u>\$ 8,932,221</u>

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

NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2015 is as follows:

	Governmental activities				June 30, 2015
	June 30, 2014	Additions	Deletions	Internal transfers	
Capital assets not being depreciated					
Construction in progress	\$ 30,017,577	\$ 3,408,231	\$ -	\$ -	\$ 33,425,808
Total capital assets not being depreciated	<u>30,017,577</u>	<u>3,408,231</u>	<u>-</u>	<u>-</u>	<u>33,425,808</u>
Capital assets being depreciated					
Data processing	12,208,284	3,948,682	(1,158,718)	(3,948,682)	11,049,566
Total capital assets being depreciated	<u>12,208,284</u>	<u>3,948,682</u>	<u>(1,158,718)</u>	<u>(3,948,682)</u>	<u>11,049,566</u>
Total capital assets	<u>42,225,861</u>	<u>7,356,913</u>	<u>(1,158,718)</u>	<u>(3,948,682)</u>	<u>44,475,374</u>
Less accumulated depreciation					
Data processing	(12,169,949)	(38,335)	1,158,718	-	(11,049,566)
Total accumulated depreciation	<u>(12,169,949)</u>	<u>(38,335)</u>	<u>1,158,718</u>	<u>-</u>	<u>(11,049,566)</u>
Capital assets, net of accumulated depreciation	<u>\$ 30,055,912</u>	<u>\$ 7,318,578</u>	<u>\$ -</u>	<u>\$ (3,948,682)</u>	<u>\$ 33,425,808</u>

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

	Business-type activities					June 30, 2015
	June 30, 2014	Adjustments	Additions	Deletions	Internal transfers	
Capital assets not being depreciated						
Construction in progress	\$ 6,326,977	\$ (113,000)	\$ 1,626,211	\$ -	\$ -	\$ 7,840,188
Total capital assets not being depreciated	<u>6,326,977</u>	<u>(113,000)</u>	<u>1,626,211</u>	<u>-</u>	<u>-</u>	<u>7,840,188</u>
Capital assets being depreciated						
Data processing	54,802,295	(157,032)	4,099,327	(28,438)	2,803,324	61,519,476
Buildings and improvements	13,080,956	-	-	(414,248)	14,435	12,681,143
Auto and trucks	70,199	-	-	-	8,916	79,115
Machinery and equipment	30,383,190	190,782	175,540	(108,304)	1,122,007	31,763,215
Furniture and office equipment	110,970	-	-	-	-	110,970
Total capital assets being depreciated	<u>98,447,610</u>	<u>33,750</u>	<u>4,274,867</u>	<u>(550,990)</u>	<u>3,948,682</u>	<u>106,153,919</u>
Total capital assets	<u>104,774,587</u>	<u>(79,250)</u>	<u>5,901,078</u>	<u>(550,990)</u>	<u>3,948,682</u>	<u>113,994,107</u>
Less accumulated depreciation						
Data processing	(39,117,010)	-	(5,885,841)	22,511	-	(44,980,340)
Buildings and improvements	(7,545,039)	-	(687,167)	315,533	-	(7,916,673)
Auto and trucks	(70,455)	-	(167)	-	-	(70,622)
Machinery and equipment	(22,566,563)	-	(3,465,552)	108,190	-	(25,923,925)
Furniture and office equipment	(102,612)	-	(7,604)	-	-	(110,216)
Total accumulated depreciation	<u>(69,401,679)</u>	<u>-</u>	<u>(10,046,331)</u>	<u>446,234</u>	<u>-</u>	<u>(79,001,776)</u>
Capital assets, net of accumulated depreciation	<u>\$ 35,372,908</u>	<u>\$ (79,250)</u>	<u>\$ (4,145,253)</u>	<u>\$ (104,756)</u>	<u>\$ 3,948,682</u>	<u>\$ 34,992,331</u>

Transfers of capital assets in the amount of \$3,948,682 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:

Center for advanced computing	<u>\$ 38,335</u>
Total depreciation expense-governmental activities	<u><u>\$ 38,335</u></u>

Business-type activities:

Central telephone service	\$ 6,484,532
ISD-OIP human resources	<u>3,561,799</u>
Total depreciation expense-business-type activities	<u><u>\$ 10,046,331</u></u>

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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, 2015 are as follows:

	<u>Due from</u>	<u>Due to</u>
Governmental activities:		
Information technology management office (20370)		
ISD-OIP human resources (20360)	\$ -	\$ 600
	<u>-</u>	<u>600</u>
ARRA Fund (89000)		
Central telephone services (20310)	-	973
	<u>-</u>	<u>973</u>
State and Local Implementation Grants (11890)		
Program support (20320)	-	16,953
	<u>-</u>	<u>16,953</u>
Total governmental-type activities	<u>\$ -</u>	<u>\$ 18,526</u>
Business-type activities:		
Central telephone services (20310)		
ARRA Fund (89000)	973	
Program support (20320)	361,039	-
Equipment Replacement Fund (96880)	-	24,106,053
	<u>362,012</u>	<u>24,106,053</u>
ISD-OIP-human resources (20360)		
Information technology management office (20370)	600	
Program support (20320)	45,435	-
Equipment replacement fund (96870)	-	7,184,059
	<u>46,035</u>	<u>7,184,059</u>
Program support (20320)		
State and Local Implementation Grants (11890)	16,953	-
Information technology management office (20370)	-	-
Central telephone services (20310)	-	361,039
ISD-OIP human resources (20360)	-	45,435
	<u>16,953</u>	<u>406,474</u>
Equipment replacement fund (96880)		
Central telephone services (20310)	24,106,053	-
	<u>24,106,053</u>	<u>-</u>
Equipment replacement fund (96870)		
ISD-OIP human resources (20360)	7,184,059	-
	<u>7,184,059</u>	<u>-</u>
Total business-type activities	<u>31,715,112</u>	<u>31,696,586</u>
Grand total	<u>\$ 31,715,112</u>	<u>\$ 31,715,112</u>

STATE OF NEW MEXICO
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NOTE 7 - DUE FROM / TO OTHER AGENCIES

A summary of amounts due to other agencies as of June 30, 2015:

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental funds:					
20370	DFA	34101	85300	\$ 51,945	Reversion payable FY15
Total governmental funds				<u>\$ 51,945</u>	

A summary of amounts due from other state agencies as of June 30, 2015:

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental funds:					
89200	DFA	34103	20610	\$ 638,519	Draws for severance tax bonds
Total governmental funds				<u>\$ 638,519</u>	
Enterprise funds:					
20310	Department of Military Affairs	70500	99200	\$ 255	Payroll correction
20320	Department of Military Affairs	70500	99200	300	Payroll correction
20320	Department of Tourism	41800	18800	13,435	Legal expense reimbursement
96880	State Treasurer's Office	39400	80100	147	Interest earnings receivable
96870	State Treasurer's Office	39400	80100	835	Interest earnings receivable
Total enterprise funds				<u>\$ 14,972</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, 2015 is as follows:

	Governmental activities				Due within one Year
	June 30, 2014	Additions	Deletions	June 30, 2015	
Compensated absences	\$ 42,968	\$ 65,814	\$ 38,774	\$ 70,008	\$ 38,774

	Business-type activities				Due within one Year
	June 30, 2014	Additions	Deletions	June 30, 2015	
Compensated absences	\$ 864,583	\$ 489,151	\$ 453,642	\$ 900,092	\$ 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

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. 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. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage option that applies to the Department is State Plan 3. Statutorily required contributions to the pension plan were \$1,896,132 for the year ended June 30, 2015.

STATE OF NEW MEXICO
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NOTE 9 - PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pensions:

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The State of New Mexico's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts.

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Compliant with the requirements of Government Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for fiscal year ending June 30, 2015. The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA).

Disclosure requirements including schedules of required supplementary information and related notes for governmental funds apply to the primary government as a whole, and as such this information will be presented in the Component Appropriation Funds Annual Financial Report General Fund) and the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico. The net pension liability is a long-term liability that is not directly related to or expected to be paid from the Department's enterprise funds and therefore not reported in the Department's Statement of Net Position. Information concerning the net pension liability, pension expense, and pension-related deferred inflow and outflow of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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 Department 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, 2015, 2014 and 2013 were \$223,279, \$205,354, and \$188,600, respectively, which equal the required contributions for each year.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2015

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, 2015 excluding 1 year equipment and vehicle leases totaled approximately \$180,750.

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, 2015.

Years ending June 30:

	<u>Amount</u>
2016	\$ 173,793
2017	164,209
2018	165,986
2019	87,729
2020 and thereafter	<u>67,696</u>
Total	<u>\$ 659,413</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, 2014 through June 30, 2015. There have been no settlements in excess of insurance coverage as of June 30, 2015.

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, 2015. The Department was owed \$431,431 in requests for reimbursement as of June 30, 2015 which is approximately 40% of receivables for governmental activities at June 30, 2015.

STATE OF NEW MEXICO
 Department of Information Technology
 Notes to Financial Statements
 June 30, 2015

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)	\$ -	\$ 84,500
Total governmental-type activities	<u>-</u>	<u>84,500</u>
Business-type activities:		
Central telephone services (20310)		
Program support (20320)	-	2,379,961
Equipment Replacement Fund (96880)	-	6,484,532
	<u>-</u>	<u>8,864,493</u>
ISD-OIP-human resources (20360)		
Program support (20320)	-	299,465
Equipment replacement fund (96870)	-	3,561,799
	<u>-</u>	<u>3,861,264</u>
Program support (20320)		
Information technology management office (20370)	84,500	-
Central telephone services (20310)	2,379,961	-
ISD-OIP human resources (20360)	299,465	-
	<u>2,763,926</u>	<u>-</u>
Equipment replacement fund (96880)		
Central telephone services (20310)	6,484,532	-
	<u>6,484,532</u>	<u>-</u>
Equipment replacement fund (96870)		
ISD-OIP human resources (20360)	3,561,799	-
	<u>3,561,799</u>	<u>-</u>
Total business-type activities	<u>12,810,257</u>	<u>12,725,757</u>
Grand total	<u>\$ 12,810,257</u>	<u>\$ 12,810,257</u>

STATE OF NEW MEXICO
 Department of Information Technology
 Notes to Financial Statements
 June 30, 2015

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)	\$ -	\$ 3,948,682
Total governmental-type activities	<u>-</u>	<u>3,948,682</u>
Business-type activities:		
Central telephone services (20310)		
Equipment Replacement Fund (96880)	3,975,666	
Governmental activities	<u>3,948,682</u>	<u>-</u>
	7,924,348	-
ISD-OIP-human resources (20360)		
Equipment replacement fund (96870)	<u>1,925,413</u>	<u>-</u>
	1,925,413	-
Equipment replacement fund (96880)		
Central telephone services (20310)	<u>-</u>	<u>3,975,666</u>
	-	3,975,666
Equipment replacement fund (96870)		
ISD-OIP human resources (20360)	<u>-</u>	<u>1,925,413</u>
	-	1,925,413
Total business-type activities	<u>9,849,761</u>	<u>5,901,079</u>
Grand total	<u>\$ 9,849,761</u>	<u>\$ 9,849,761</u>

STATE OF NEW MEXICO
 Department of Information Technology
 Notes to Financial Statements
 June 30, 2015

NOTE 13 – TRANSFERS FROM OTHER AGENCIES

Department Fund	Agency	Agency Number	Fund Number	Amount	Purpose
Governmental funds:					
89200	DFA	34103	20610	\$ 3,955,240	Severance tax bond proceeds
20370	DFA	34101	85300	863,200	General fund appropriation
20370	DFA	34100	62000	<u>14,200</u>	Compensation appropriation
Total governmental funds				<u>\$ 4,832,640</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 February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2016. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Department is still evaluating how this pronouncement will affect the Department.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not effect the Department’s financial

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Department is still evaluating how this pronouncement will affect the Department.

In June 2015, GASB Statement No. 76 The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2016. The Department is still evaluating how this pronouncement will affect the Department.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Department will implement this standard during the fiscal year ended June 30, 2017. The Department is still evaluating how this pronouncement will effect the financial statements.

STATE OF NEW MEXICO
Department of Information Technology
Notes to Financial Statements
June 30, 2015

NOTE 15 –SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 6, 2015, 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 \$43,885,536 for capital replacement and \$145,203 for toll-free phone expenses as required by Laws of 2014 chapter 63 section 6 item 7.

NOTE 17 –SPECIAL ITEM

In fiscal year 2015, the Department reduced a customer account receivable balance in the amount of \$977,282 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 2012-2015. The item is considered unusual, infrequent, and within the control of management as defined by the Governmental Accounting Standards Board statement 34 paragraph 56.

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, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Miscellaneous revenue	\$ -	\$ -	\$ -	\$ -
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Personnel services and employee benefits	-	-	-	-
Contractual services	300,000	300,000	93,191	206,809
Other costs	4,700,000	4,700,000	3,862,049	837,951
<i>Total expenditures</i>	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,955,240</u>	<u>1,044,760</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,000,000)</u>	<u>(5,000,000)</u>	<u>(3,955,240)</u>	<u>1,044,760</u>
<i>Other financing sources (uses)</i>				
Internal transfers	-	-	-	-
Severance bond tax proceeds	5,000,000	5,000,000	3,955,240	(1,044,760)
Compensation appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,000,000</u>	<u>5,000,000</u>	<u>3,955,240</u>	<u>(1,044,760)</u>
<i>Net change in fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
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
 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, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
User fees	\$ 43,150,700	\$ 43,837,536	\$ 42,604,919	\$ (1,232,617)
Other revenues	-	-	81,364	81,364
<i>Total revenues</i>	<u>43,150,700</u>	<u>43,837,536</u>	<u>42,686,283</u>	<u>(1,151,253)</u>
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	12,962,300	11,762,300	11,522,922	239,378
Contractual services	4,888,200	5,511,036	5,411,205	99,831
Other costs	19,259,200	20,523,200	20,282,240	240,960
<i>Total expenses</i>	<u>37,109,700</u>	<u>37,796,536</u>	<u>37,216,367</u>	<u>580,169</u>
<i>Excess (deficiency) of revenues over expenses</i>	<u>6,041,000</u>	<u>6,041,000</u>	<u>5,469,916</u>	<u>(571,084)</u>
<i>Other financing sources (uses)</i>				
Internal transfers	(6,041,000)	(6,041,000)	(2,379,961)	3,661,039
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(6,041,000)</u>	<u>(6,041,000)</u>	<u>(2,379,961)</u>	<u>3,661,039</u>
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,089,955</u>	<u>\$ 3,089,955</u>
Change in net position (budgetary basis)			\$ 3,089,955	
Depreciation expense			(6,484,532)	
Loss on disposal of capital assets			(184,005)	
Adjustment to internal balances for equipment replacement			(6,484,532)	
Internal transfers of capital assets			<u>7,924,348</u>	
Change in net position GAAP basis			<u>\$ (2,138,766)</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, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
User fees	\$ 8,819,400	\$ 8,819,400	\$ 8,966,453	\$ 147,053
Other revenues	-	-	14,431	14,431
<i>Total revenues</i>	<u>8,819,400</u>	<u>8,819,400</u>	<u>8,980,884</u>	<u>161,484</u>
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	1,894,800	1,745,300	1,707,398	37,902
Contractual services	1,947,800	1,787,000	1,785,507	1,493
Other costs	882,900	1,193,200	1,147,085	46,115
<i>Total expenses</i>	<u>4,725,500</u>	<u>4,725,500</u>	<u>4,639,990</u>	<u>85,510</u>
<i>Excess (deficiency) of revenues over expenses</i>	<u>4,093,900</u>	<u>4,093,900</u>	<u>4,340,894</u>	<u>246,994</u>
<i>Other financing sources (uses)</i>				
Internal transfers	(4,093,900)	(4,093,900)	(299,465)	3,794,435
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(4,093,900)</u>	<u>(4,093,900)</u>	<u>(299,465)</u>	<u>3,794,435</u>
<i>Change in net position</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,041,429</u>	<u>\$ 4,041,429</u>
Change in net position (budgetary basis)			\$ 4,041,429	
Depreciation expense			(3,561,799)	
Adjustment to due to other funds for equipment replacement			(3,561,799)	
Internal transfers of capital assets			<u>1,925,413</u>	
Change in net position GAAP basis			<u>\$ (1,156,756)</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, 2015

	Budgeted Amounts		Actual (Budget) Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
User fees	\$ -	\$ -	\$ -	\$ -
Other revenues	-	-	16,992	16,992
<i>Total revenues</i>	-	-	16,992	16,992
<i>Expenses:</i>				
Current:				
Personnel services and employee benefits	2,876,900	2,826,900	2,502,282	324,618
Contractual services	40,000	32,956	32,956	-
Other costs	253,700	310,744	245,680	65,064
<i>Total expenses</i>	3,170,600	3,170,600	2,780,918	389,682
<i>Excess (deficiency) of revenues over expenses</i>	(3,170,600)	(3,170,600)	(2,763,926)	406,674
<i>Other financing sources (uses)</i>				
Internal transfers	3,170,600	3,170,600	2,763,926	(406,674)
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Special appropriation	-	-	-	-
<i>Total other financing sources (uses)</i>	3,170,600	3,170,600	2,763,926	(406,674)
<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, 2015

	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	-	55,000	52,563	2,437
Other costs	3,300,000	3,945,000	3,923,105	21,895
<i>Total expenses</i>	3,300,000	4,000,000	3,975,668	24,332
<i>Excess (deficiency) of revenues over expenses</i>	(3,300,000)	(4,000,000)	(3,975,668)	24,332
<i>Other financing sources (uses)</i>				
Internal transfers	3,300,000	3,300,000	6,484,532	3,184,532
Prior year fund balance	-	700,000	700,000	-
Compensation appropriation	-	-	-	-
Investment income	-	-	2,927	2,927
<i>Total other financing sources (uses)</i>	3,300,000	4,000,000	7,187,459	3,187,459
<i>Change in net position</i>	\$ -	\$ -	\$ 3,211,791	\$ 3,211,791
Change in net position (budgetary basis)			\$ 3,211,791	
GAAP Adjustment for capital outlay			3,975,668	
Prior year fund balance not revenue for GAAP purposes			(700,000)	
Internal transfers of capital assets			(3,975,668)	
Change in net position GAAP basis			\$ 2,511,791	

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, 2015

	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	3,749,000	3,520,809	1,698,983	1,821,826
Other costs	-	228,191	226,427	1,764
<i>Total expenses</i>	3,749,000	3,749,000	1,925,410	1,823,590
<i>Excess (deficiency) of revenues over expenses</i>	(3,749,000)	(3,749,000)	(1,925,410)	1,823,590
<i>Other financing sources (uses)</i>				
Internal transfers	3,749,000	3,749,000	3,561,799	(187,201)
State general fund appropriation	-	-	-	-
Compensation appropriation	-	-	-	-
Investment income	-	-	10,642	10,642
<i>Total other financing sources (uses)</i>	3,749,000	3,749,000	3,572,441	(176,559)
<i>Change in net position</i>	\$ -	\$ -	\$ 1,647,031	\$ 1,647,031
Change in net position (budgetary basis)			\$ 1,647,031	
GAAP Adjustment for capital outlay			1,925,413	
Depreciation expense			-	
Internal transfers of capital assets			(1,925,413)	
Change in net position GAAP basis			\$ 1,647,031	

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, 2015

Description	Authority	Appropriation Period	SHARE Fund
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
To plan, design, acquire, purchase and implement infrastructure for public safety communications statewide for improved communication equipment affecting all emergency responders.	Laws 2014, Chap. 66, Sec. 20, Item 2	2015-2018	89200

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>
\$ 3,913,400	\$ 977,282	\$ 2,790,915	\$ 145,203	\$ -	\$ 145,203
\$ 3,955,240	\$ 3,955,240	\$ -	\$ -	\$ -	\$ -

STATE OF NEW MEXICO
 Department of Information Technology
 Memoranda of Understanding
 Year ended June 30, 2015

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	\$ -	\$ -	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, 2015

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 & General Services Department	Department of Information Technology	Cost sharing agreement for Public Information Officer
DoIT & New Mexico State University	Department of Information Technology	co-location for DoIT redundant mainframe & serve hosting data center at NMSU. Las Cruces
DoIT & Tourism Department	Department of Information Technology	Cost-sharing agreement for General Counsel

<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
Effective February 14, 2015. Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology
April 30, 2014-term upon mutual agreement	\$ -	\$ -	Mutual between both parties	Department of Information Technology	Department of Information Technology
Effective Feb 1, 2015. Term effective unless terminated	\$ -	\$ -	Department of Information Technology	Department of Information Technology	Department of Information Technology

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)
 For the Year Ended June 30, 2015

Prepared by Agency: Department of Information Technology
 Title: General Ledger Bureau Chief
 Date: 10/2/2015

Bid/RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract
403611401778	Sole Souce	COMPUWARE CORP	114,888
403611401780	Sole Souce	IBM CORP	1,998,735
403611401782	Sole Souce	COMPUTER ASSOC INTL INC	1,808,708
403611401791	Sole Souce	APPRISS INC	351,517
50-36100-14-CP109	Sole Souce	KELLER AND HECKMAN LLP	300,000

See independent auditors' report.

\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation of All Vendor(s) that	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
N/A	COMPUWAR E CORP DRAWER #64376, DETROIT, MI 48264	N	N/A	Software Maint for Abend, File
N/A	2155 LOUISIANA BLVD NE 10500 ALBUQUERQ UE NM 87110 COMPUTER ASSOC INTL INC P O BOX 933316	N	N/A	IBM software licenses
N/A	ATLANTA GA 31193	N	N/A	CA software licenses & maintenance
N/A	APPRISS INC 10401 LINN STATION ROAD #200 LOUISVILLE KY 40223	N	N/A	Victim Identification and notification
N/A	HECKMAN LLP 1001 G Street NW ste 500 West Washington DC 20001	N	N/A	Legal Contract

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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
Timothy Keller
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, 2015, 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 6, 2015.

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 did not disclose any instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

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 6, 2015

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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 WITH OMB CIRCULAR A-133

INDEPENDENT AUDITORS' REPORT

Mr. Darryl Ackley
State of New Mexico
Department of Information Technology
Timothy Keller
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, 2015. 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, 2015.

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 6, 2015

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STATE OF NEW MEXICO
 Department of Information Technology
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

Schedule IV

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 *	\$ 951,294
ARRA-State Broadband Technology Opportunities	NT10BIX5570097	11.557	3,752,474
State and Local Implementation Grant Program	35-10-S13035	11.549 *	<u>402,147</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,105,915</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	\$ 5,105,915
Total federal operating grant revenue per exhibit B-2	<u>5,105,915</u>
Difference	<u><u>\$ -</u></u>

See independent auditors' report

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | None Noted |

Federal Awards:

- | | | | | | | | |
|---|--|-----------------|--------|---|--------|--|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | None Noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted | | | | | | |
| 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? | None Noted | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table style="border-collapse: collapse;"> <tr> <td style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</td> <td style="text-align: center; border-bottom: 1px solid black;">Federal Program</td> </tr> <tr> <td style="text-align: center;">11.558</td> <td style="text-align: center;">ARRA-State Broadband Data and Development</td> </tr> <tr> <td style="text-align: center;">11.549</td> <td style="text-align: center;">State and Local Implementation Grant Program</td> </tr> </table> | CFDA
Number | Federal Program | 11.558 | ARRA-State Broadband Data and Development | 11.549 | State and Local Implementation Grant Program | |
| CFDA
Number | Federal Program | | | | | | |
| 11.558 | ARRA-State Broadband Data and Development | | | | | | |
| 11.549 | State and Local Implementation Grant Program | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | | | |

SECTION II – PRIOR YEAR AUDIT FINDINGS

2014-001 Capital Assets Not Completely Inventoried-Resolved

SECTION III – FINANCIAL STATEMENT FINDINGS

None noted

SECTION IV – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted

STATE OF NEW MEXICO
Department of Information Technology
Other Disclosures
June 30, 2015

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 5, 2015. The following individuals were in attendance.

Representing New Mexico Department of Information Technology

Darryl Ackley	Department Secretary
Charles Martinez	Chief Financial Officer
Douglas Taylor	GL Bureau Chief
Maria Sanchez	General Counsel

Representing Accounting & Consulting Group, LLP

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

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.