



NEW MEXICO
DEPARTMENT OF
INFORMATION TECHNOLOGY



New Mexico Department Information Technology

Financial Statements

For the Year Ended June 30, 2019

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INTRODUCTORY SECTION

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New Mexico Department of Information Technology
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STATE OF NEW MEXICO
New Mexico Department of Information Technology
Official Roster
June 30, 2019

Vincent Martinez

Cabinet Secretary

Andrea Martinez

Chief Financial Officer and ASD Director

John Mares

Chief Legal Counsel

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Mr. Brian S. Colón, Esq.
New Mexico State Auditor
Mr. Vincent Martinez
Department of Information Technology
State of New Mexico
Santa Fe, New Mexico

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, 2019, 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, 2019 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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, 2019, 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 of the capital project and enterprise funds of the Department for the year ended June 30, 2019 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, 2019, 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 12 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements and the budgetary comparisons. The introductory section and Supporting Schedule I 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.

Supporting Schedule I required by 2.2.2 NMAC is 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, Supporting Schedule I required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 31, 2019

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

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, 2019

Government-Wide Financial Statements (Continued)

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, 2019, 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, 2019

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, 2019. Net position for business-type activities was \$109,559,978.

Table A-1

| | <u>Business-Type Activities</u> | | |
|---|---------------------------------|-----------------------|-----------------------|
| | 2019 | 2018 | Change |
| Assets | | | |
| Current Assets | \$ 63,232,878 | \$ 54,812,656 | \$ 8,420,222 |
| Capital Assets, net of depreciation | <u>51,049,321</u> | <u>49,514,400</u> | <u>\$ 1,534,921</u> |
| Total Assets | <u>\$ 114,282,199</u> | <u>\$ 104,327,056</u> | <u>\$ 9,955,143</u> |
| Liabilities and Net Position | | | |
| Liabilities: | | | |
| Current Liabilities | \$ 4,722,221 | \$ 5,792,872 | \$ (1,070,651) |
| Non-Current Liabilities | <u>-</u> | <u>-</u> | <u>\$ -</u> |
| Total Liabilities | <u>4,722,221</u> | <u>5,792,872</u> | <u>\$ (1,070,651)</u> |
| Net Position | | | |
| Net investment in Capital Assets | 51,049,321 | 49,514,400 | \$ 1,534,921 |
| Restricted | 58,510,657 | 49,019,784 | \$ 9,490,873 |
| Unrestricted | <u>-</u> | <u>-</u> | <u>\$ -</u> |
| Total Net Position | 109,559,978 | 98,534,184 | \$11,025,794 |
| Total Liabilities and Net Position | <u>\$ 114,282,199</u> | <u>\$ 104,327,056</u> | <u>\$ 9,955,143</u> |

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Business-type Activities Changes in Net Position The Department's change in business-type net position for fiscal year 2019 was an increase of \$11,025,794.

Table A-2

| | Business-Type Activities | | |
|--|--------------------------|----------------------|---------------------|
| | 2019 | 2018 | Change |
| Revenues | | | |
| Program Revenues | \$ 61,296,626 | \$ 60,173,231 | \$ 1,123,395 |
| General Revenues | 927,940 | 155,033 | \$ 772,907 |
| Total Revenues | \$ 62,224,566 | \$ 60,328,264 | \$ 1,896,302 |
| Expenses: | | | |
| Enterprise Services | 42,725,592 | 39,433,130 | \$ 3,292,462 |
| SHARE Operating | 10,756,449 | 9,035,974 | \$ 1,720,475 |
| Program Support | 2,590,029 | 2,809,846 | \$ (219,817) |
| Enterprise ERF | (49) | 47 | \$ (96) |
| Total Expenses | 56,072,021 | 51,278,997 | \$ 4,793,024 |
| Excess (deficiency) before transfers | 6,152,545 | 9,049,267 | \$ (2,896,722) |
| | | - | |
| Loss on disposal of capital assets | (4,687) | - | \$ (4,687) |
| Internal transfers of capital assets | 4,749,773 | 2,488,625 | \$ 2,261,148 |
| Internal transfers | 128,163 | 182,747 | \$ (54,584) |
| Transfers in | - | 0 | \$ - |
| Changes in net position | 11,025,794 | 11,720,639 | \$ (694,845) |
| Beginning net position | 98,534,184 | 86,669,288 | \$11,864,896 |
| Fund balances - restatement (note 16) | | 144,257 | \$ (144,257) |
| Fund balances - beginning, as restated | 98,534,184 | 86,813,545 | \$11,720,639 |
| Ending Net Position | \$ 109,559,978 | \$ 98,534,184 | \$11,025,794 |

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Governmental Activities Net Position Table A-3 summarizes the Department's net position for the fiscal year ended June 30, 2019. Net position for governmental activities was \$31,330,114.

Table A-3

| | Governmental Activities | | |
|---|-------------------------|----------------------|-----------------------|
| | 2019 | 2018 | Change |
| Assets | | | |
| Current Assets | \$ 13,268,038 | \$ 1,222,560 | \$ 12,045,478 |
| Capital Assets, net of depreciation | <u>19,837,144</u> | <u>24,220,862</u> | <u>\$ (4,383,718)</u> |
| Total Assets | <u>\$ 33,105,182</u> | <u>\$ 25,443,422</u> | <u>\$ 7,661,760</u> |
| Liabilities and Net Position | | | |
| Liabilities: | | | |
| Current Liabilities | \$ 1,775,068 | \$ 1,270,422 | \$ 504,646 |
| Non-Current Liabilities | <u>-</u> | <u>-</u> | <u>\$ -</u> |
| Total Liabilities | 1,775,068 | 1,270,422 | \$ 504,646 |
| Net Position | | | |
| Net investment in Capital Assets | 19,837,144 | 24,220,862 | \$ (4,383,718) |
| Restricted | 11,508,959 | 942 | \$ 11,508,017 |
| Unrestricted | <u>(15,989)</u> | <u>(48,804)</u> | <u>\$ 32,815</u> |
| Total Net Position | 31,330,114 | 24,173,000 | \$ 7,157,114 |
| Total Liabilities and Net Position | <u>\$ 33,105,182</u> | <u>\$ 25,443,422</u> | <u>\$ 7,661,760</u> |

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Governmental Activities Changes in Net Position The Department's change in net position for governmental activities for fiscal year 2019 was an increase of \$7,157,114 (Statement of Activities).

Table A-4

| | Governmental Activities | | |
|---------------------------------------|-------------------------|----------------------|----------------------|
| | 2019 | 2018 | Change |
| Revenues | | | |
| Program Revenues | \$ 159,015 | \$ 377,223 | \$ (218,208) |
| General Revenues | 18,021,409 | 3,315,481 | \$ 14,705,928 |
| Total Revenues | <u>18,180,424</u> | <u>3,692,704</u> | <u>\$ 14,487,720</u> |
| Expenses: | | | |
| Public Safety Communications | 5,503,458 | 5,788,907 | \$ (285,449) |
| Information Technology Management | 641,916 | 750,261 | \$ (108,345) |
| Total Expenses | <u>6,145,374</u> | <u>6,539,168</u> | <u>\$ (393,794)</u> |
| Excess (deficiency) before transfers | 12,035,050 | (2,846,464) | \$ 14,881,514 |
| Internal transfers of capital assets | (4,749,773) | (2,488,625) | \$ (2,261,148) |
| Internal transfers out | <u>(128,163)</u> | <u>(182,747)</u> | <u>\$ 54,584</u> |
| Changes in net position | 7,157,114 | (5,517,836) | \$ 12,674,950 |
| Beginning Net Position | 24,173,000 | 29,604,564 | \$ (5,431,564) |
| Fund balance - Restatement | | 86,272 | |
| Fund balance - beginning, as restated | 24,173,000 | 29,690,836 | |
| Ending Net Position | <u>\$ 31,330,114</u> | <u>\$ 24,173,000</u> | <u>\$ 7,157,114</u> |

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

Financial Analysis of Overall Financial Position and Results of Operations

Governmental activities increased the Department's net position by \$7,157,114 and enterprise activities increased the Department's net position by \$11,025,794. Key elements of these changes are as follows:

Governmental Activities Governmental activities increased the Department's net position by \$7,157,114. Revenues increased \$14,487,720 due to the increase in Special Appropriations. Other financing uses increased due to an increase in transfers of capital assets from a governmental fund to enterprise fund. Prior year transfers of capital assets were \$2,488,625 and current year transfers were \$4,749,773.

Enterprise Activities Revenues increased by \$1,896,302 and internal transfer of capital assets increased by \$2,261,148 with an increase in the net position of \$11,025,794. This is a result of enterprise assets increasing by \$9,955,143 and a decrease in overall liabilities by \$1,070,651.

Capital Asset Administration

Capital Assets The Department's net investment in capital assets totaled \$70,886,465 at June 30, 2019. Amounts reflected in this category are not available to fund future spending. The Department uses these assets to provide services.

The Department's net investment in capital assets as of June 30, 2019 amounts to \$19,837,144 for its governmental activities and \$51,049,321 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 2019 was \$8,233,643 compared with \$6,982,673 in fiscal year 2018. Capital assets primarily consist of radio and telecommunications infrastructure, as well as information technology equipment that are used primarily by governmental units within the State of New Mexico. The use of the equipment and infrastructure via depreciation is built into the rate structure and charged to the customers over the life of the asset to replace equipment as it reaches end of life.

General Fund Budget and Transaction Highlights

The Department's approved budget for the Information Technology Management Office (Fund 20370) was \$853,200 for fiscal year 2019. The Department expended 74% in personnel, 5% in the other categories of expense and the remaining 15% in other financing uses for the transfer funding to Program Support and \$50,306 was reverted to the General Fund.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

AGENCY DESCRIPTION

The Department of Information Technology's purpose is to provide leadership and oversight ensuring alignment with statewide strategic planning, consolidate enterprise information technology services duplicated within agencies and to provide information technology services and functionality to improve and streamline the executive branch information technology systems. The Department is organized into three program areas: Enterprise Services, Program Support and Project Oversight and Compliance.

ACCOMPLISHMENTS IN STATE FISCAL YEAR 2019

IMPROVE THE SECURITY, COMPLIANCE AND RESILIENCE OF STATE SYSTEMS, NETWORKS AND DATA

Through the Legislative Session at the beginning of 2019, DoIT was appropriated an additional \$6 million for work to improve the state's cybersecurity posture. Already DoIT has initiated an enterprise cybersecurity scanning pilot that provides cybersecurity scanning and reporting to agencies across the enterprise at no cost to the agencies. This also will enable DoIT and State leaders to more insightfully assess the State's overall cybersecurity posture.

IMPROVE CYBERSECURITY INFRASTRUCTURE, MONITORING AND REPORTING

DoIT implemented security reporting using a Splunk dashboard, and implemented log aggregation, threat detection scanning and intrusion detection. DoIT began work on implementing the upgraded firewall; however, this work will not be complete until June 2020.

IN ACCORDANCE WITH DOIT ENTERPRISE ARCHITECTURE PLAN, V.1, PLAN AND IMPLEMENT MAJOR UPGRADES TO CRITICAL CUSTOMER-SERVING TECHNOLOGIES

- DoIT completed the core data network and ISP upgrade to 10 Gb in mid FY 2019.
- DoIT continued evaluation of email alternatives; the project remains part of the department's plans and goals.

SHARE

Successfully implemented Oracle PeopleSoft Update 28 for SHARE Financials, and Oracle PeopleSoft Update 17 for SHARE Enterprise Learning Management.

Changed user access controls for SHARE Financials to centralize role at DoIT, limiting authority to grant users access to Department of Finance and Administration (DFA) and DoIT.

Changed user access for SHARE Human Capital Management (HCM) so that only agencies with more than 2000 employees can create HCM user access themselves.

Improved procedural consistency to free agency staff to perform other duties.

Created and launched Procure-to-Pay three-part web-based statewide training for financial staff involved in procurement. Increased agency knowledge levels and promoted standard practices.

PUBLIC SAFETY AND COMMUNICATIONS

- The Public Safety Communications (PSC) landscape within DoIT's scope became substantially simpler. EVINE was cancelled due to vendor issues that precluded successful implementation of the enhanced capability. The E911 Program, which was temporarily transferred to DoIT at the beginning of 2018, was returned to DFA. The focus of DoIT PSC efforts now is on sustaining the Land Mobile Radio System (LMRS), planning and implementing the P25 Upgrade statewide, and sustaining the existing VINE capability.
- DoIT staff are working with the State Department of Homeland Security and Emergency Management to revise the Statewide Communications Interoperability Plan (SCIP).
- Installed primary and redundant system core.

STATE OF NEW MEXICO
DEPARTMENT OF INFORMATION TECHNOLOGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019

- Installed eight P25 radio sites and one deployable site.
- Converted all Department of Public Safety (DPS) and Department of Transportation dispatch centers.
- Transitioned DPS dispatch center in Santa Fe and Bernalillo County to production.
- Began developing an implementation plan for statewide deployment.
- Developed and executed an outreach plan for local agencies.

OFFICE OF BROADBAND AND GEOSPATIAL INITIATIVES (OBGI)

DoIT received funding for broadband projects – including the \$10-million rural broadband project – and is re-defining the Office of Broadband structure, role, responsibilities, staffing and funding requirements.

The Office of Broadband representative participates in a wide range of meetings with stakeholders at all levels throughout the state to promote, educate and collaborate on broadband planning.

Similarly, the State Geospatial Information Officer (GIO) plays an active role at state and Federal levels in organizations promoting development and use of geospatial data to support broadband – and other – programs.

ADMINISTRATIVE SERVICES DIVISION

The Department's 2018 audit resulted in an unmodified opinion; in addition, the Department was able to resolve the 2018 finding during fiscal year 2019. The Administrative Services Division (ASD) shall continue to work jointly with Enterprise Services to implement cost containment and budgetary controls.

ASD established electronic processes for invoices and internal purchase requests to ensure timely payments and issuance of purchase orders to vendors.

The Department is in the process of implementing a new billing system which is planned to be in production by January 2020. This system is a Subscription as a Service (SaaS) solution that also has five additional module options. The department is currently reviewing the cost modeling module to determine if it can be a potential tool utilized to assist with rate transparency, rate development and rate modeling functionality.

STATE FISCAL YEAR 2018 THROUGH 2020 IT GOALS

- Improve the security, compliance and resilience of state systems, networks and data
- Modernize the State's enterprise resource planning system - SHARE
- Develop and mature Office of Chief Information Officer
- Improve DoIT financial transparency and drive administrative excellence
- Make DoIT a center of technical excellence, collaboration, and support
- Improve interoperability and communication structure for public safety
- Serve as focal point for broadband and geospatial initiatives statewide

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, 2019

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) | \$ 13,267,566 | \$ 56,232,424 | \$ 69,499,990 |
| Accounts receivable, net of allowance for uncollectible accounts | - | 6,980,233 | 6,980,233 |
| Due from the federal government | 472 | - | 472 |
| Other receivables | - | 9,330 | 9,330 |
| Prepaid expenses | - | 10,891 | 10,891 |
| Total current assets | <u>13,268,038</u> | <u>63,232,878</u> | <u>76,500,916</u> |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | <u>19,837,144</u> | <u>51,049,321</u> | <u>70,886,465</u> |
| Total noncurrent assets | <u>19,837,144</u> | <u>51,049,321</u> | <u>70,886,465</u> |
| Total assets | <u>\$ 33,105,182</u> | <u>\$ 114,282,199</u> | <u>\$ 147,387,381</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Investment in state treasurer's general fund investment pool (SGFIP) overdraft | \$ 472 | \$ - | \$ 472 |
| Accounts payable | 1,751,544 | 3,471,298 | 5,222,842 |
| Accrued payroll | 7,063 | 527,104 | 534,167 |
| Compensated absences | 15,989 | 723,819 | 739,808 |
| Total current liabilities | <u>1,775,068</u> | <u>4,722,221</u> | <u>6,497,289</u> |
| Total liabilities | <u>1,775,068</u> | <u>4,722,221</u> | <u>6,497,289</u> |
| Net Position | | | |
| Investment in capital assets | 19,837,144 | 51,049,321 | 70,886,465 |
| Restricted | 11,508,959 | 58,510,657 | 70,019,616 |
| Unrestricted | <u>(15,989)</u> | <u>-</u> | <u>(15,989)</u> |
| Total net position | <u>31,330,114</u> | <u>109,559,978</u> | <u>140,890,092</u> |
| Total liabilities and net position | <u>\$ 33,105,182</u> | <u>\$ 114,282,199</u> | <u>\$ 147,387,381</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, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | |
|---------------------------------------|----------------------|-----------------------------|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> |
| Governmental Activities: | | | |
| Broadband technology | \$ 5,503,458 | \$ - | \$ 159,015 |
| Information technology management | 641,916 | - | - |
| <i>Total governmental activities</i> | <u>6,145,374</u> | <u>-</u> | <u>159,015</u> |
| Business-type Activities: | | | |
| Enterprise services | 42,725,592 | 51,368,669 | - |
| SHARE operating | 10,756,400 | 9,927,957 | - |
| Program support | 2,590,029 | - | - |
| <i>Total business-type activities</i> | <u>56,072,021</u> | <u>61,296,626</u> | <u>-</u> |
| <i>Total primary government</i> | <u>\$ 62,217,395</u> | <u>\$ 61,296,626</u> | <u>\$ 159,015</u> |

General Revenues and Transfers:

State general fund appropriation
Compensation appropriation
Severance tax bond proceeds
General obligation bond proceeds
FY19 reversions
Investment income
Miscellaneous revenue
Loss on disposal of capital assets
Internal transfers of capital assets
Internal transfers

Total general revenues and transfers

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 |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (5,344,443) | \$ - | \$ (5,344,443) |
| (641,916) | - | (641,916) |
| (5,986,359) | - | (5,986,359) |
| - | 8,643,077 | 8,643,077 |
| - | (828,443) | (828,443) |
| - | (2,590,029) | (2,590,029) |
| - | 5,224,605 | 5,224,605 |
| (5,986,359) | 5,224,605 | (761,754) |
| 13,314,784 | - | 13,314,784 |
| 8,100 | - | 8,100 |
| 3,110,168 | - | 3,110,168 |
| 1,639,605 | - | 1,639,605 |
| (51,248) | - | (51,248) |
| - | 834,500 | 834,500 |
| - | 93,440 | 93,440 |
| - | (4,687) | (4,687) |
| (4,749,773) | 4,749,773 | - |
| (128,163) | 128,163 | - |
| 13,143,473 | 5,801,189 | 18,944,662 |
| 7,157,114 | 11,025,794 | 18,182,908 |
| 24,173,000 | 98,534,184 | 122,707,184 |
| <u>\$ 31,330,114</u> | <u>\$ 109,559,978</u> | <u>\$ 140,890,092</u> |

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

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Balance Sheet
Governmental Funds
June 30, 2019

| | General Fund Information Technology Management Office (20370) | Radio Communications (20340) | State and Local Implementation Grants (11890) |
|---|--|---|--|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Investment in state treasurer's general fund investment pool (SGFIP) | \$ 8,815 | \$ - | \$ - |
| Due from the federal government | <u>-</u> | <u>-</u> | <u>472</u> |
| <i>Total assets</i> | <u><u>\$ 8,815</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 472</u></u> |
| LIABILITIES AND FUND BALANCES | | | |
| <i>Liabilities</i> | | | |
| Investment in state treasurer's general fund investment pool (SGFIP) overdraft | \$ - | \$ - | \$ 472 |
| Accounts payable | 1,752 | - | - |
| Accrued payroll | <u>7,063</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities</i> | <u>8,815</u> | <u>-</u> | <u>472</u> |
| <i>Fund balances</i> | | | |
| Spendable: | | | |
| Restricted | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total fund balances</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Total liabilities and fund balances</i> | <u><u>\$ 8,815</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 472</u></u> |

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

| Severance Tax Bonds Capital Outlay (89200) | General Fund Capital Outlay (93100) | Total Governmental Funds |
|---|--|---|
| \$ 789,067 | \$ 12,469,684 | \$ 13,267,566 |
| - | - | 472 |
| <u>\$ 789,067</u> | <u>\$ 12,469,684</u> | <u>\$ 13,268,038</u> |
| | | |
| \$ - | \$ - | \$ 472 |
| 789,067 | 960,725 | 1,751,544 |
| - | - | 7,063 |
| <u>789,067</u> | <u>960,725</u> | <u>1,759,079</u> |
| | | |
| - | 11,508,959 | 11,508,959 |
| - | 11,508,959 | 11,508,959 |
| <u>\$ 789,067</u> | <u>\$ 12,469,684</u> | <u>\$ 13,268,038</u> |

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

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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, 2019

Exhibit B-1
Page 2 of 2

| | |
|--|-----------------------------|
| Fund Balance - Governmental Funds (Exhibit B-1) | \$ 11,508,959 |
| 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 | 19,837,144 |
| Compensated absences are not payable on June 30, 2019 and therefore are not reported in the fund financial statements | <u>(15,989)</u> |
| Total net position (Exhibit A-1) | <u><u>\$ 31,330,114</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, 2019

| | General Fund Information Technology Management Office (20370) | Radio Communications (20340) | State and Local Implementation Grants (11890) |
|--|--|---|--|
| REVENUES: | | | |
| Federal operating grants | \$ - | \$ - | \$ 159,015 |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>159,015</u> |
| EXPENDITURES: | | | |
| General Government | | | |
| Current | | | |
| Personnel services | 632,084 | - | 137,756 |
| Other costs | 42,647 | - | 21,259 |
| Capital outlay | - | - | - |
| <i>Total expenditures</i> | <u>674,731</u> | <u>-</u> | <u>159,015</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(674,731)</u> | <u>-</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| State general fund appropriation | 845,100 | - | - |
| Compensation appropriation | 8,100 | - | - |
| Severance tax bond proceeds | - | - | - |
| General obligation bond proceeds | - | - | - |
| Internal transfers (out) | (128,163) | - | - |
| FY 19 Reversion | (50,306) | (942) | - |
| <i>Total other financing sources and (uses)</i> | <u>674,731</u> | <u>(942)</u> | <u>-</u> |
| <i>Net change in fund balance</i> | - | (942) | - |
| <i>Fund balances - beginning</i> | <u>-</u> | <u>942</u> | <u>-</u> |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| Severance Tax Bonds Capital Outlay (89200) | General Fund Capital Outlay (93100) | Total Governmental Funds |
|---|--|---|
| \$ - | \$ - | \$ 159,015 |
| - | - | 159,015 |
| - | - | 769,840 |
| - | - | 63,906 |
| 4,749,773 | 960,725 | 5,710,498 |
| 4,749,773 | 960,725 | 6,544,244 |
| (4,749,773) | (960,725) | (6,385,229) |
| - | 12,469,684 | 13,314,784 |
| - | - | 8,100 |
| 3,110,168 | - | 3,110,168 |
| 1,639,605 | - | 1,639,605 |
| - | - | (128,163) |
| - | - | (51,248) |
| 4,749,773 | 12,469,684 | 17,893,246 |
| - | 11,508,959 | 11,508,017 |
| - | - | 942 |
| <u>\$ -</u> | <u>\$ 11,508,959</u> | <u>\$ 11,508,959</u> |

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

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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, 2019

| | |
|---|----------------------------|
| Net Change in Fund Balance - Governmental Funds | \$ 11,508,017 |
| 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 | 5,710,498 |
| Book value of capital assets disposed | (25,224) |
| Depreciation expense | (5,319,219) |
| Transfer of capital assets from governmental activities to business-type activities | (4,749,773) |
| Decrease in compensated absences | <u>32,815</u> |
| Change in Net Position (Exhibit A-2) | <u><u>\$ 7,157,114</u></u> |

STATE OF NEW MEXICO

Exhibit C-1

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, 2019

| | 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> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | 632,200 | 632,200 | 632,084 | 116 |
| Contractual services | - | - | - | - |
| Other costs | 42,900 | 42,900 | 42,647 | 253 |
| <i>Total expenditures</i> | <u>675,100</u> | <u>675,100</u> | <u>674,731</u> | <u>369</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(675,100)</u> | <u>(675,100)</u> | <u>(674,731)</u> | <u>369</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | (178,100) | (178,100) | (128,163) | 49,937 |
| FY 19 Reversion | - | - | (50,306) | (50,306) |
| State general fund appropriation | 845,100 | 845,100 | 845,100 | - |
| Compensation appropriation | 8,100 | 8,100 | 8,100 | - |
| <i>Total other financing sources (uses)</i> | <u>675,100</u> | <u>675,100</u> | <u>674,731</u> | <u>(369)</u> |
| <i>Net change in fund balances</i> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

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

STATE OF NEW MEXICO

Exhibit C-2

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, 2019

| | 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> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | - | - | - | - |
| Contractual services | - | - | - | - |
| Other costs | 942 | 942 | - | 942 |
| <i>Total expenditures</i> | <u>942</u> | <u>942</u> | <u>-</u> | <u>942</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(942)</u> | <u>(942)</u> | <u>-</u> | <u>942</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | - | - | - | - |
| Special appropriations | - | - | - | - |
| FY 19 Reversion | - | - | (942) | (942) |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>(942)</u> | <u>(942)</u> |
| <i>Net change in fund balances</i> | <u>\$ (942)</u> | <u>\$ (942)</u> | <u>\$ (942)</u> | <u>\$ -</u> |

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

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STATE OF NEW MEXICO

Exhibit C-3

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, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variations Favorable (Unfavorable) Final to Actual |
|--|-------------------------|----------------|--------------------------------------|---|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| Federal operating grants | \$ 356,069 | \$ 356,069 | \$ 159,015 | \$ (197,054) |
| <i>Total revenues</i> | <u>356,069</u> | <u>356,069</u> | <u>159,015</u> | <u>(197,054)</u> |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | 243,921 | 243,921 | 137,756 | 106,165 |
| Contractual services | 40,000 | 40,000 | - | 40,000 |
| Other costs | 72,148 | 72,148 | 21,259 | 50,889 |
| <i>Total expenditures</i> | <u>356,069</u> | <u>356,069</u> | <u>159,015</u> | <u>197,054</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> |

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, 2019

| | Enterprise Services (20310) | SHARE Operating (20360) |
|---|--|--|
| | <u> </u> | <u> </u> |
| ASSETS | | |
| <i>Current assets:</i> | | |
| Investment in state treasurer's general fund investment pool (SGFIP) | \$ 20,299,864 | \$ 4,221,742 |
| Accounts receivable, net of allowance for uncollectible accounts | 6,799,783 | 180,450 |
| Other receivables | 9,330 | - |
| Prepaid expenses | - | - |
| Due from other funds | - | - |
| | <u> </u> | <u> </u> |
| <i>Total current assets</i> | <u>27,108,977</u> | <u>4,402,192</u> |
| <i>Noncurrent assets:</i> | | |
| Capital assets, net of accumulated depreciation | <u>24,677,331</u> | <u>26,371,990</u> |
| | <u>24,677,331</u> | <u>26,371,990</u> |
| <i>Total noncurrent assets</i> | <u>24,677,331</u> | <u>26,371,990</u> |
| | <u>\$ 51,786,308</u> | <u>\$ 30,774,182</u> |
| LIABILITIES AND NET POSITION | | |
| <i>Liabilities</i> | | |
| <i>Current liabilities:</i> | | |
| Accounts payable | \$ 2,004,093 | \$ 191,255 |
| Accrued payroll | 369,917 | 56,775 |
| Due to other funds | 13,055,540 | 3,221,984 |
| Compensated absences | 494,260 | 75,958 |
| | <u> </u> | <u> </u> |
| <i>Total current liabilities</i> | <u>15,923,810</u> | <u>3,545,972</u> |
| | <u>15,923,810</u> | <u>3,545,972</u> |
| <i>Net position</i> | | |
| Net investment in capital assets | 24,677,331 | 26,371,990 |
| Restricted | <u>11,185,167</u> | <u>856,220</u> |
| | <u>35,862,498</u> | <u>27,228,210</u> |
| <i>Total net position</i> | <u>35,862,498</u> | <u>27,228,210</u> |
| | <u>\$ 51,786,308</u> | <u>\$ 30,774,182</u> |

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

| Program Support Fund (20320) | Enterprise ERF (96880) | SHARE ERF (96870) | Total Enterprise Funds |
|---|-----------------------------------|------------------------------|-----------------------------------|
| \$ 247,350 | \$ 28,042,494 | \$ 3,420,974 | \$ 56,232,424 |
| - | - | - | 6,980,233 |
| - | - | - | 9,330 |
| 10,891 | - | - | 10,891 |
| - | 13,055,540 | 3,221,984 | 16,277,524 |
| <u>258,241</u> | <u>41,098,034</u> | <u>6,642,958</u> | <u>79,510,402</u> |
| - | - | - | 51,049,321 |
| - | - | - | 51,049,321 |
| <u>\$ 258,241</u> | <u>\$ 41,098,034</u> | <u>\$ 6,642,958</u> | <u>\$ 130,559,723</u> |
| \$ 4,228 | \$ 1,271,722 | \$ - | \$ 3,471,298 |
| 100,412 | - | - | 527,104 |
| - | - | - | 16,277,524 |
| 153,601 | - | - | 723,819 |
| <u>258,241</u> | <u>1,271,722</u> | <u>-</u> | <u>20,999,745</u> |
| <u>258,241</u> | <u>1,271,722</u> | <u>-</u> | <u>20,999,745</u> |
| - | - | - | 51,049,321 |
| - | 39,826,312 | 6,642,958 | 58,510,657 |
| - | 39,826,312 | 6,642,958 | 109,559,978 |
| <u>\$ 258,241</u> | <u>\$ 41,098,034</u> | <u>\$ 6,642,958</u> | <u>\$ 130,559,723</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, Expenses and Changes in Net Position
Enterprise Funds
For the Year Ended June 30, 2019

| | Enterprise Services (20310) | SHARE Operating (20360) |
|--|--|--|
| | <u> </u> | <u> </u> |
| OPERATING REVENUES: | | |
| User fees | \$ 51,368,669 | \$ 9,927,957 |
| Other revenues | 32,743 | 1,614 |
| | <u> </u> | <u> </u> |
| <i>Total revenues</i> | <u>51,401,412</u> | <u>9,929,571</u> |
| OPERATING EXPENSES: | | |
| Personnel services | 8,205,186 | 1,357,400 |
| Contractual services | 6,659,506 | 4,700,726 |
| Other costs | 22,849,240 | 1,476,340 |
| Depreciation expense | 5,011,660 | 3,221,983 |
| | <u> </u> | <u> </u> |
| <i>Total expenses</i> | <u>42,725,592</u> | <u>10,756,449</u> |
| <i>Operating (loss) income</i> | <u>8,675,820</u> | <u>(826,878)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Investment income | - | - |
| Loss on disposal of capital assets | (782) | - |
| | <u> </u> | <u> </u> |
| <i>Total non-operating revenues (expenses)</i> | <u>(782)</u> | <u>-</u> |
| <i>Income (loss) before transfers</i> | <u>8,675,038</u> | <u>(826,878)</u> |
| Internal transfers of capital assets | 8,187,170 | 1,582,176 |
| Internal transfers | (7,158,386) | (3,526,370) |
| | <u> </u> | <u> </u> |
| <i>Changes in net position</i> | <u>9,703,822</u> | <u>(2,771,072)</u> |
| <i>Net position - beginning</i> | <u>26,158,676</u> | <u>29,999,282</u> |
| <i>Net position - ending</i> | <u>\$ 35,862,498</u> | <u>\$ 27,228,210</u> |

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

| Program Support Fund (20320) | Enterprise ERF (96880) | SHARE ERF (96870) | Total Enterprise Funds |
|---|-----------------------------------|------------------------------|-----------------------------------|
| \$ - | \$ - | \$ - | \$ 61,296,626 |
| 10,753 | 48,330 | - | 93,440 |
| 10,753 | 48,330 | - | 61,390,066 |
| 2,383,995 | - | - | 11,946,581 |
| 21,980 | - | - | 11,382,212 |
| 184,054 | (49) | - | 24,509,585 |
| - | - | - | 8,233,643 |
| 2,590,029 | (49) | - | 56,072,021 |
| (2,579,276) | 48,379 | - | 5,318,045 |
| - | 785,850 | 48,650 | 834,500 |
| - | (3,905) | - | (4,687) |
| - | 781,945 | 48,650 | 829,813 |
| (2,579,276) | 830,324 | 48,650 | 6,147,858 |
| - | (3,437,397) | (1,582,176) | 4,749,773 |
| 2,579,276 | 5,011,660 | 3,221,983 | 128,163 |
| - | 2,404,587 | 1,688,457 | 11,025,794 |
| - | 37,421,725 | 4,954,501 | 98,534,184 |
| \$ - | \$ 39,826,312 | \$ 6,642,958 | \$ 109,559,978 |

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

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2019

| | Enterprise Services (20310) | SHARE Operating (20360) |
|---|--|--|
| | <u> </u> | <u> </u> |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Cash received from customers | \$ 60,059,556 | \$ 9,770,485 |
| Cash payments to suppliers | (29,714,267) | (6,253,137) |
| Cash payments to employees for services | <u>(8,172,744)</u> | <u>(1,368,491)</u> |
| <i>Net cash provided (used) by operating activities</i> | <u>22,172,545</u> | <u>2,148,857</u> |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Transfers in (out) from other funds | <u>(10,446,727)</u> | <u>(3,382,350)</u> |
| <i>Net cash provided (used) by non-capital financing activities</i> | <u>(10,446,727)</u> | <u>(3,382,350)</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> | 11,725,818 | (1,233,493) |
| INVESTMENTS, STATE TREASURER, BEGINNING OF YEAR | <u>8,574,046</u> | <u>5,455,235</u> |
| INVESTMENTS, STATE TREASURER, END OF YEAR | <u>\$ 20,299,864</u> | <u>\$ 4,221,742</u> |

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

| Program Support Fund (20320) | Enterprise ERF (96880) | SHARE ERF (96870) | Total Enterprise Funds |
|---|-----------------------------------|------------------------------|---------------------------------------|
| \$ 10,753 | \$ 48,379 | \$ - | \$ 69,889,173 |
| (258,195) | - | - | (36,225,599) |
| <u>(2,383,123)</u> | <u>-</u> | <u>-</u> | <u>(11,924,358)</u> |
| (2,630,565) | 48,379 | - | 21,739,216 |
| <u>2,579,276</u> | <u>8,300,000</u> | <u>3,077,964</u> | <u>128,163</u> |
| <u>2,579,276</u> | <u>8,300,000</u> | <u>3,077,964</u> | <u>128,163</u> |
| <u>-</u> | <u>(2,813,301)</u> | <u>(2,967,114)</u> | <u>(5,780,415)</u> |
| <u>-</u> | <u>(2,813,301)</u> | <u>(2,967,114)</u> | <u>(5,780,415)</u> |
| <u>-</u> | <u>785,850</u> | <u>48,650</u> | <u>834,500</u> |
| <u>-</u> | <u>785,850</u> | <u>48,650</u> | <u>834,500</u> |
| (51,289) | 6,320,928 | 159,500 | 16,921,464 |
| <u>298,639</u> | <u>21,721,566</u> | <u>3,261,474</u> | <u>39,310,960</u> |
| <u>\$ 247,350</u> | <u>\$ 28,042,494</u> | <u>\$ 3,420,974</u> | <u>\$ 56,232,424</u> |

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

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Statement of Cash Flows
Enterprise Funds
For the Year Ended June 30, 2019

| | Enterprise Services (20310) | SHARE Operating (20360) |
|---|--|--|
| OPERATING INCOME (LOSS) | \$ 8,675,820 | \$ (826,878) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities | | |
| Depreciation | 5,011,660 | 3,221,983 |
| Changes in assets and liabilities: | | |
| (Increase) Decrease in accounts receivable | 8,658,144 | (159,086) |
| Decrease in prepaids expenses | - | - |
| (Decrease) in accounts payable | (202,471) | (76,071) |
| (Decrease) in due to other state beneficiary agencies | (3,050) | - |
| Increase (Decrease) in accrued payroll | 42,979 | (129) |
| Decrease in compensated absences | (10,537) | (10,962) |
| | 13,496,725 | 2,975,735 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 22,172,545 | \$ 2,148,857 |

Noncash items:

Noncash items affecting capital assets (see note 12)

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

| Program Support Fund (20320) | Enterprise ERF (96880) | SHARE ERF (96870) | Total Enterprise Funds |
|---|-----------------------------------|------------------------------|---------------------------------------|
| \$ (2,579,276) | \$ 48,379 | \$ - | \$ 5,318,045 |
| - | - | - | 8,233,643 |
| - | - | - | 8,499,058 |
| 2,183 | - | - | 2,183 |
| (54,344) | - | - | (332,886) |
| - | - | - | (3,050) |
| 5,517 | - | - | 48,367 |
| (4,645) | - | - | (26,144) |
| (51,289) | - | - | 16,421,171 |
| <u>\$ (2,630,565)</u> | <u>\$ 48,379</u> | <u>\$ -</u> | <u>\$ 21,739,216</u> |

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

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

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
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

- Security services
 - o Firewall
 - o Virtual private network

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

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

The accompanying financial statements of the Department include all funds and activities over which the Department has oversight responsibility. Even though the Governor appoints the Department Secretary, the Secretary has decision-making authority, the power to designate management, the responsibility to significantly influence operations and is primarily accountable for fiscal matters. The Department is part of the primary government of the State of New Mexico, and its financial data is included with the financial data in the State of New Mexico's Comprehensive Annual Financial Report. These financial statements present financial information that is attributable to the Department and does not purport to present the financial position of the State of New Mexico.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

During the year ended June 30, 2019, the Department adopted GASB Statements No. 83, *Certain Asset Retirement Obligations*, No. 84, *Fiduciary Activities*, No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* as required by GAAP. None of these pronouncements have a significant impact on these financial statements.

Financial Reporting Entity

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).

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In evaluating how to define the Department, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14 as amended by GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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.

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.

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities presents governmental and business-type activities by function. The governmental functions of the Department have been defined as broadband technology and information technology management. The business-type functions include enterprise services, SHARE operating 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.

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.

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

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 Bonds 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.

The General Fund Capital Outlay capital projects fund (SHARE 93100) was created by Senate Bill 280, Laws of 2019, Chapter 277. A total of five projects were funded for DoIT or DoIT oversight for a total of \$12,469,684. These projects appear in Sections 32 and 67 and are available beginning in FY19 through FY23. Please see the Schedule of Special Appropriations for more information on these projects

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 Enterprise Services (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
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Laws of 2007, CH 290, HB 959, transferred the SHARE Operating 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 SHARE ERF and Enterprise ERF 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 Enterprise Services Fund (SHARE 20310). Replacement funds in 96870 are intended to replace equipment in the SHARE Operating 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.

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Notes to Financial Statements
June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget.

g. The original budget differs from the final budgets presented in the budget comparison statements by any amendments made during the fiscal year.

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

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 Enterprise Services operations. The capital outlay purchases in governmental funds are generally funded through special appropriations and severance tax bond proceeds. Capital assets acquired by governmental and business-type funds are reported in those funds at cost.

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Notes to Financial Statements
 June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Accrued Compensated Absences

Accrued compensated absences consist of accumulated annual leave, sick leave between 600 and 720 hours, and compensatory leave for employees, including the related employers' matching FICA and Medicare payroll taxes. Vacation and sick leave earned and not taken is cumulative; however, upon termination of employment, sick pay for such leave hours accumulated up to 600 hours is forfeited, and vacation pay is limited to payment for 240 hours. Vacation leave up to the maximum of 240 hours is payable upon separation from service at the employee's current hourly rate. Sick leave is payable semi-annually to qualified employees for hours accumulated above 600 hours at a rate equal to 50% of their hourly rate, not to exceed 120 hours each semi-annual period. Upon retirement, payment for sick leave is limited to 400 hours accumulated in excess of 600 hours at the 50% hourly rate. Qualified employees accumulate annual leave to a maximum of 240 hours as follows:

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

The current portion of compensated absences is expected to be expended during the fiscal year 2019. 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to and deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. As with items related to pensions, 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 OPEB 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 OPEB liability, OPEB expense, and OPEB-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.

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, 2019. 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 legally 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.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Department noted \$11,508,959 in restricted fund balance in the governmental funds balance sheet as of year-end June 30, 2019. See Schedule I for details related to the enabling legislation restrictions.

In the proprietary funds Statement of Net Position, the Department has presented restricted net position in the amount of \$58,510,657 for capital replacement.

Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State.

Assigned fund balance is constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to 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, 2019.

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, 2019.

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.

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NOTE 3 - STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

As provided for in Chapter 8-6 of the New Mexico Statutes Annotated 1978, the State Treasurer shall receive and keep all monies of the State, except when otherwise provided, and shall disburse the public money upon lawful warrants. The State Treasurer's Organization (STO) acts as the state's bank when agency cash receipts are deposited and later pooled into a statewide investment fund, as referred to as the State General Fund Investment Pool (SFGIP). In times when cash amounts are greater than immediate needs, the amounts are placed into short-term investments. When agencies make payments to vendors and employees, they are made from this pool and their claims on the pool are reduced.

The comprehensive cash reconciliation model which compares aggregated agency claims on the State General Fund Investment Pool to the associated resources held by the State Treasurer's Office has been completed for fiscal year 2019. This process has been previously reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration and the State of New Mexico's Comprehensive Annual Financial Report. The reviews have deemed the process sound and the Department fully compliant with the requirements.

The State Controller indicated on September 17, 2019 that as of June 30, 2019, resources held in the pool were equivalent to the corresponding business unit claims on those resources and all claims as recorded in SHARE shall be honored at face value.

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. At June 30, 2019, the Department had the following invested in the State General Fund:

| <u>Fund</u> | <u>Type of Account</u> | <u>SHARE Fund No.</u> | <u>Reconciled balance</u> |
|---|------------------------|-----------------------|---------------------------|
| General Fund Information | | | |
| Technology Management Office | Investment | 20370 | \$ 8,815 |
| State and local government grants | Investment | 11890 | (472) |
| General Fund Capital Outlay | Investment | 93100 | 12,469,684 |
| Severance Tax Bonds Capital Outlay | Investment | 89200 | <u>789,067</u> |
| Total governmental funds | | | <u>13,267,094</u> |
| Enterprise services | Investment | 20310 | 20,299,864 |
| SHARE operating | Investment | 20360 | 4,221,742 |
| Program support fund | Investment | 20320 | 247,350 |
| Enterprise ERF | Investment | 96880 | 28,042,494 |
| SHARE ERF | Investment | 96870 | <u>3,420,974</u> |
| Total enterprise funds | | | <u>56,232,424</u> |
| Total share of state general fund investment pool | | | <u>\$ 69,499,518</u> |

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NOTE 3 - STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

Interest Rate Risk: The State Treasurer’s General Fund Investment Pool does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The New Mexico State Treasurer’s General Fund Investment Pool is not rated for credit risk.

For additional GASB 40 disclosure information regarding the investment in the New Mexico State Treasurer’s General Fund Investment Pool, the reader should see the separate audit report for the State Treasurer’s Office for the fiscal year ended June 30, 2019.

NOTE 4 - ACCOUNTS RECEIVABLE

The Department provides enterprise information technology services to State government's executive branch Accounts receivable at June 30, 2019 for the Department's enterprise funds, including the applicable allowances for uncollectible accounts, are as follows:

| | Enterprise Services (20310) | SHARE Operating (20360) | Total Enterprise Funds |
|---|-----------------------------------|-------------------------------|------------------------------|
| Gross accounts receivable | \$ 8,293,753 | \$ 252,760 | \$ 8,546,513 |
| Less allowance for uncollectible accounts | <u>(1,493,970)</u> | <u>(72,310)</u> | <u>(1,566,280)</u> |
| Receivables, net | <u>\$ 6,799,783</u> | <u>\$ 180,450</u> | <u>\$ 6,980,233</u> |

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

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NOTE 5 - CAPITAL ASSETS

The capital assets activity for the year ended June 30, 2019 is as follows:

| | Governmental activities | | | | |
|---|--------------------------------|----------------|-------------|-------------------------------|---------------|
| | June 30, 2018 | Additions | Deletions | Transfers to Business-Type | |
| Capital assets not being depreciated | | | | | |
| Construction in progress | \$ - | \$ 1,748,397 | \$ - | \$ (789,067) | \$ 959,330 |
| | | | | | |
| Total capital assets not being depreciated | - | 1,748,397 | - | (789,067) | 959,330 |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 131,057 | - | - | - | 131,057 |
| Autos & trucks | 59,999 | - | - | - | 59,999 |
| Machinery & equipment | 2,032,242 | 1,457,407 | - | (1,456,012) | 2,033,637 |
| Data processing | 35,331,683 | 2,504,694 | (83,321) | (2,504,694) | 35,248,362 |
| | | | | | |
| Total capital assets being depreciated | 37,554,981 | 3,962,101 | (83,321) | (3,960,706) | 37,473,055 |
| | | | | | |
| Total capital assets | 37,554,981 | 5,710,498 | (83,321) | (4,749,773) | 38,432,385 |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | (16,381) | (10,595) | - | 4,042 | (22,934) |
| Autos & trucks | (25,001) | (11,295) | - | 1,295 | (35,001) |
| Machinery & equipment | (1,013,704) | (1,085,126) | - | 678,605 | (1,420,225) |
| Data processing | (12,279,033) | (6,127,620) | 58,097 | 1,231,475 | (17,117,081) |
| | | | | | |
| Total accumulated depreciation | (13,334,119) | (7,234,636) | 58,097 | 1,915,417 | (18,595,241) |
| | | | | | |
| Capital assets, net of accumulated depreciation | \$ 24,220,862 | \$ (1,524,138) | \$ (25,224) | \$ (2,834,356) | \$ 19,837,144 |

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Notes to Financial Statements
June 30, 2019

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Transfers of capital assets in the amount of \$4,749,773 relate to capital outlay purchases in governmental funds that are used for the Department's Enterprise Services operations. The capital outlay purchases in governmental funds are generally funded through special appropriations and severance tax bond proceeds.

| | Business-type activities | | | | June 30, 2019 |
|---|---------------------------------|--------------------|-----------------------|---------------------|----------------------|
| | June 30, 2018 | Additions | Deletions | Internal Transfers | |
| Capital assets not being depreciated | | | | | |
| Construction in progress | \$ 1,566,000 | \$ 28,121 | \$ (1,566,000) | \$ 789,067 | \$ 817,188 |
| Total capital assets not being depreciated | <u>1,566,000</u> | <u>28,121</u> | <u>(1,566,000)</u> | <u>789,067</u> | <u>817,188</u> |
| Capital assets being depreciated | | | | | |
| Buildings and improvements | 16,887,251 | 13,641 | (3,205,903) | - | 13,694,989 |
| Auto and trucks | 38,115 | - | (30,176) | - | 7,939 |
| Machinery and equipment | 35,505,685 | 286,352 | (20,576,022) | 1,456,012 | 16,672,027 |
| Furniture and office equipment | 110,970 | - | (48,536) | - | 62,434 |
| Data processing | 93,074,623 | 6,261,364 | (14,796,149) | 2,504,694 | 87,044,532 |
| Total capital assets being depreciated | <u>145,616,644</u> | <u>6,561,357</u> | <u>(38,656,786)</u> | <u>3,960,706</u> | <u>117,481,921</u> |
| Total capital assets | <u>147,182,644</u> | <u>6,589,478</u> | <u>(40,222,786)</u> | <u>4,749,773</u> | <u>118,299,109</u> |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | (9,773,608) | (548,922) | 3,205,903 | (4,042) | (7,120,669) |
| Auto and trucks | (32,296) | - | 30,038 | (1,295) | (3,553) |
| Machinery and equipment | (31,096,467) | (349,236) | 20,572,118 | (678,605) | (11,552,190) |
| Furniture and office equipment | (110,970) | - | 48,536 | - | (62,434) |
| Data processing | (56,654,903) | (5,420,068) | 14,795,504 | (1,231,475) | (48,510,942) |
| Total accumulated depreciation | <u>(97,668,244)</u> | <u>(6,318,226)</u> | <u>38,652,099</u> | <u>(1,915,417)</u> | <u>(67,249,788)</u> |
| Capital assets, net of accumulated depreciation | <u>\$ 49,514,400</u> | <u>\$ 271,252</u> | <u>\$ (1,570,687)</u> | <u>\$ 2,834,356</u> | <u>\$ 51,049,321</u> |

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NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

| | |
|---|---------------------|
| Governmental activities: | |
| Broadband Technology | \$ 5,319,219 |
| Total depreciation expense-governmental activities | <u>\$ 5,319,219</u> |
| Business-type activities: | |
| Enterprise Operating | \$ 5,011,660 |
| SHARE Operating | 3,221,983 |
| Total depreciation expense-business-type activities | <u>\$ 8,233,643</u> |

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. Interfund balances will be settled as soon as funds become available.

Due from and due to other funds as of June 30, 2019 are as follows:

| | <u>Due from</u> | <u>Due to</u> |
|-----------------------------|----------------------|----------------------|
| Business-type activities: | | |
| Enterprise Services (20310) | \$ - | \$ 13,055,540 |
| SHARE Operating (20360) | - | 3,221,984 |
| SHARE ERF (96870) | 3,221,984 | - |
| Enterprise ERF (96880) | <u>13,055,540</u> | <u>-</u> |
| Grand total | <u>\$ 16,277,524</u> | <u>\$ 16,277,524</u> |

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NOTE 7 - DUE FROM / TO OTHER AGENCIES

No amounts were due from or to other state agencies as of June 30, 2019.

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

| Governmental activities | | | | | |
|---------------------------------|---------------|------------|------------|---------------|------------------------|
| | June 30, 2018 | Additions | Deletions | June 30, 2019 | Due within one Year |
| Compensated absences | \$ 48,804 | \$ 6,415 | \$ 39,229 | \$ 15,989 | \$ 15,989 |
| Business-type activities | | | | | |
| | June 30, 2018 | Additions | Deletions | June 30, 2019 | Due within one Year |
| Compensated absences | \$ 749,963 | \$ 827,498 | \$ 853,642 | \$ 723,819 | \$ 723,819 |

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

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 years ending June 30, 2018 and 2017. 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 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.

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

Compliant with the requirements of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2018.

The (Department, Agency, Commission, etc.), as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit postemployment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other postemployment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 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.

The Department's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$169,040, \$191,596, and \$212,235, respectively, which equal the required contributions for each year.

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, 2019 excluding 1-year equipment and vehicle leases totaled approximately \$319,157.

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, 2019.

Year ending June 30:

| | Amount |
|-------|--------------|
| 2020 | \$ 359,776 |
| 2021 | 364,560 |
| 2022 | 330,307 |
| 2023 | 277,254 |
| 2024 | 240,951 |
| Total | \$ 1,572,848 |

There is no lease future minimum payments beyond 2024.

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NOTE 11 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, 2018 through June 30, 2019. There have been no settlements in excess of insurance coverage as of June 30, 2019.

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, 2019. The Department was owed \$472 in requests for reimbursement as of June 30, 2019 which is 100% of receivables for governmental activities at June 30, 2019.

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NOTE 12 - INTERFUND TRANSFERS

The following amounts were transferred between funds within the Department's fund structure for purposes of covering the cost of program support, to record amounts due to the equipment replacement, and Transfers of capital assets between funds are detailed below.

| | <u>Transfers in</u> | <u>Transfers out</u> |
|--|-----------------------------|-----------------------------|
| Program Support Fund (20320) | \$ 2,579,276 | \$ - |
| Enterprise Services (20310) | | 2,146,727 |
| SHARE Operating (20360) | - | 304,386 |
| General Fund Information Technology Management Office (20370) | - | <u>128,163</u> |
| | <u>2,579,276</u> | <u>2,579,276</u> |
| Enterprise Services (20310) | 8,187,170 | - |
| Severance Tax Bonds Capital Outlay (89200) | | 4,749,773 |
| Enterprise ERF (96880) | - | <u>3,437,397</u> |
| | <u>8,187,170</u> | <u>8,187,170</u> |
| SHARE Operating (20360) | 1,582,176 | - |
| Radio Communications (20340) | - | - |
| SHARE ERF (96870) | - | <u>1,582,176</u> |
| | <u>1,582,176</u> | <u>1,582,176</u> |
| Enterprise ERF (96880) | 5,011,660 | - |
| Enterprise Services (20310) | - | <u>5,011,660</u> |
| | <u>5,011,660</u> | <u>5,011,660</u> |
| SHARE ERF (96870) | 3,221,983 | - |
| SHARE Operating (20360) | - | <u>3,221,983</u> |
| | <u>3,221,983</u> | <u>3,221,983</u> |
| Grand total | <u><u>\$ 20,582,265</u></u> | <u><u>\$ 20,582,265</u></u> |

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NOTE 13 - TRANSFERS FROM OTHER AGENCIES

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.

| Department Fund | Agency | Agency Number | Fund Number | Amount | Purpose |
|---------------------|-----------|------------------|--------------------------|----------------------------|---|
| Governmental funds: | | | | | |
| 93100 | DFA | 34101 | 85300 | \$ 3,160,000 | Public Safety Communications - Hidalgo County |
| 93100 | DFA | 34101 | 85300 | 259,684 | Rural Broadband - North Central Econ. Dev. District |
| 93100 | DFA | 34101 | 85300 | 50,000 | WiFi for Railrunner - Belen to Santa Fe |
| 93100 | DFA | 34101 | 85300 | 6,000,000 | Enterprise Cybersecurity for Agencies statewide |
| 93100 | DFA | 34101 | 85300 | <u>3,000,000</u> | Modernize Public Safety Communications statewide |
| | | | Subtotal (93100) | <u>12,469,684</u> | |
| 20370 | DFA | 34101 | 85300 | <u>845,100</u> | General fund appropriation |
| | | | Subtotal (20370) | <u>845,100</u> | |
| 89200 | DFA - SBF | 34103 | 50230 | 81,708 | Public Safety Communications - Severance Tax Bonds |
| 89200 | DFA - SBF | 34103 | 20650 | <u>3,028,460</u> | Public Safety Communications - Severance Tax Bonds |
| | | | Subtotal (89200) | <u>3,110,168</u> | |
| 20370 | DFA | 34100 | 62000 | <u>8,100</u> | FY19 Compensation Package |
| | | | Subtotal (20370) | <u>8,100</u> | |
| 89200 | DFA - SBF | 34103 | 50330 | <u>1,639,605</u> | Public Safety Communications - General Oblig. Bonds |
| | | | Subtotal (89200) | <u>1,639,605</u> | |
| | | | Total governmental funds | <u><u>\$18,072,657</u></u> | |

NOTE 14 - SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is October 31, 2019, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

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NOTE 15 – SUBSEQUENT PRONOUNCEMENTS

In June 2017, GASB Statement No. 87 Leases, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2019. The Department is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The standard will be implemented during the fiscal year ended June 30, 2021. The Department is still evaluating how this pronouncement will affect the financial statements.

In August 2019, GASB Statement No. 90 Majority Equity Interests—an amendment of GASB Statements No.14 and No. 61, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after December 15, 2020. The Department does not expect this pronouncement to have a material effect on the financial statements.

In May 2019, GASB Statement No. 91, Conduit Debt Obligations, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Department does not expect this pronouncement to have a material effect on the financial statements.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Exhibit E-1

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, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variances |
|--|-------------------------|--------------|----------------------------------|--|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Other revenue | \$ - | \$ - | \$ - | \$ - |
| <i>Total revenues</i> | - | - | - | - |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | - | - | - | - |
| Contractual services | 590 | 590 | - | 590 |
| Other costs | 2,695,309 | 12,695,309 | 4,749,773 | 7,945,536 |
| <i>Total expenditures</i> | 2,695,899 | 12,695,899 | 4,749,773 | 7,946,126 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (2,695,899) | (12,695,899) | (4,749,773) | 7,946,126 |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | - | - | - | - |
| Severance Tax Bonds | 82,423 | 10,082,423 | 3,110,168 | (6,972,255) |
| General obligation bond proceeds | 2,613,476 | 2,613,476 | 1,639,605 | (973,871) |
| Miscellaneous revenue | - | - | - | - |
| Compensation appropriation | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 2,695,899 | 12,695,899 | 4,749,773 | (7,946,126) |
| <i>Net change in fund balances</i> | \$ - | \$ - | \$ - | \$ - |

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

STATE OF NEW MEXICO

Exhibit E-2

New Mexico Department of Information Technology
 Statement of Revenues, Expenditures and
 Changes in Fund Balance-Budget (Budget Basis) and Actual
 General Fund Capital Outlay Capital Projects Fund (93100)
 For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variances |
|--|-------------------------|--------------|----------------------------------|--|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Revenues:</i> | | | | |
| Other revenue | \$ - | \$ - | \$ - | \$ - |
| <i>Total revenues</i> | - | - | - | - |
| <i>Expenditures:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | - | - | - | - |
| Contractual services | 400,000 | 400,000 | - | 400,000 |
| Other costs | 9,069,684 | 9,069,684 | 960,725 | 8,108,959 |
| <i>Total expenditures</i> | 9,469,684 | 9,469,684 | 960,725 | 8,508,959 |
| <i>Excess (deficiency) of revenues over expenditures</i> | (9,469,684) | (9,469,684) | (960,725) | 8,508,959 |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | (3,000,000) | (3,000,000) | - | 3,000,000 |
| State general fund appropriation | 12,469,684 | 12,469,684 | 12,469,684 | - |
| Miscellaneous revenue | - | - | - | - |
| Compensation appropriation | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 9,469,684 | 9,469,684 | 12,469,684 | 3,000,000 |
| <i>Net change in fund balances</i> | \$ - | \$ - | \$ 11,508,959 | \$ 11,508,959 |

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

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Enterprise Services Enterprise Fund (20310)
 For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variances Favorable (Unfavorable) Final to Actual |
|---|-------------------------|--------------------|----------------------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| User fees | \$ 52,456,200 | \$ 52,456,200 | \$ 51,368,669 | \$ (1,087,531) |
| Other revenues | - | - | 32,743 | 32,743 |
| <i>Total revenues</i> | <u>52,456,200</u> | <u>52,456,200</u> | <u>51,401,412</u> | <u>(1,054,788)</u> |
| <i>Expenses:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | 12,265,500 | 12,265,500 | 8,205,184 | 4,060,316 |
| Contractual services | 6,648,000 | 7,348,000 | 6,659,506 | 688,494 |
| Other costs | 26,162,400 | 25,462,400 | 22,849,240 | 2,613,160 |
| <i>Total expenses</i> | <u>45,075,900</u> | <u>45,075,900</u> | <u>37,713,930</u> | <u>7,361,970</u> |
| <i>Excess (deficiency) of revenues over expenses</i> | <u>7,380,300</u> | <u>7,380,300</u> | <u>13,687,483</u> | <u>6,307,183</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | (7,590,800) | (7,590,800) | (2,146,729) | 5,444,071 |
| State general fund appropriation | - | - | - | - |
| Compensation appropriation | - | - | - | - |
| Loss on disposal of capital assets | - | - | (782) | (782) |
| Special appropriation | 210,500 | 210,500 | - | (210,500) |
| <i>Total other financing sources (uses)</i> | <u>(7,380,300)</u> | <u>(7,380,300)</u> | <u>(2,147,511)</u> | <u>5,232,789</u> |
| <i>Change in net position</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,539,972</u> | <u>\$ 11,539,972</u> |
| Change in net position (budgetary basis) | | | \$ 11,539,972 | |
| Depreciation expense | | | (5,011,660) | |
| Adjustment to internal balances for equipment replacement | | | (5,011,660) | |
| Internal transfers of capital assets | | | <u>8,187,170</u> | |
| Change in net position GAAP basis | | | <u>\$ 9,703,822</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, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 SHARE Operating Enterprise Fund (20360)
 For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variances Favorable (Unfavorable) Final to Actual |
|--|--------------------|--------------------|--------------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| User fees | \$ 9,914,800 | \$ 9,914,800 | \$ 9,927,957 | \$ 13,157 |
| Other revenues | - | - | 1,614 | 1,614 |
| <i>Total revenues</i> | <u>9,914,800</u> | <u>9,914,800</u> | <u>9,929,571</u> | <u>14,771</u> |
| <i>Expenses:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | 2,113,500 | 1,513,500 | 1,357,400 | 156,101 |
| Contractual services | 4,384,300 | 4,709,300 | 4,700,726 | 8,574 |
| Other costs | 1,345,400 | 1,620,400 | 1,476,340 | 144,059 |
| <i>Total expenses</i> | <u>7,843,200</u> | <u>7,843,200</u> | <u>7,534,466</u> | <u>308,734</u> |
| <i>Excess (deficiency) of revenues over expenses</i> | <u>2,071,600</u> | <u>2,071,600</u> | <u>2,395,105</u> | <u>323,505</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | (2,071,600) | (2,071,600) | (304,387) | 1,767,213 |
| State general fund appropriation | - | - | - | - |
| Compensation appropriation | - | - | - | - |
| Special appropriation | - | - | - | - |
| Designated cash | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>(2,071,600)</u> | <u>(2,071,600)</u> | <u>(304,387)</u> | <u>1,767,213</u> |
| <i>Change in net position</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,090,718</u> | <u>\$ 2,090,718</u> |
| Change in net position (budgetary basis) | | | \$ 2,090,718 | |
| Depreciation expense | | | (3,221,983) | |
| Adjustment to due to other funds for equipment replacement | | | (3,221,983) | |
| Internal transfers of capital assets | | | <u>1,582,176</u> | |
| Change in net position GAAP basis | | | <u>\$ (2,771,072)</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, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Program Support Fund Enterprise Fund (20320)
 For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variances Favorable (Unfavorable) Final to Actual |
|--|------------------|-------------|--------------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| User fees | \$ - | \$ - | \$ - | \$ - |
| Other revenues | - | - | 10,753 | 10,753 |
| <i>Total revenues</i> | - | - | 10,753 | 10,753 |
| <i>Expenses:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | 3,344,000 | 3,344,000 | 2,383,995 | 960,005 |
| Contractual services | 22,200 | 22,200 | 21,980 | 220 |
| Other costs | 289,700 | 289,700 | 184,054 | 105,646 |
| <i>Total expenses</i> | 3,655,900 | 3,655,900 | 2,590,029 | 1,065,871 |
| <i>Excess (deficiency) of revenues over expenses</i> | (3,655,900) | (3,655,900) | (2,579,276) | 1,076,624 |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | 3,655,900 | 3,655,900 | 2,579,276 | (1,076,624) |
| State general fund appropriation | - | - | - | - |
| Special appropriation | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 3,655,900 | 3,655,900 | 2,579,276 | (1,076,624) |
| <i>Change in net position</i> | \$ - | \$ - | \$ - | \$ - |

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

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 Enterprise ERF Enterprise Fund (96880)
 For the Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budget) Basis | Variances Favorable (Unfavorable) Final to Actual |
|--|------------------|--------------|--------------------------|--|
| | Original | Final | | |
| <i>Revenues:</i> | | | | |
| User fees | \$ - | \$ - | \$ - | \$ - |
| Other revenues | - | - | 48,330 | 48,330 |
| <i>Total revenues</i> | - | - | 48,330 | 48,330 |
| <i>Expenses:</i> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | - | - | - | - |
| Contractual services | - | 840,000 | - | 840,000 |
| Other costs | 4,521,600 | 12,680,315 | 3,437,348 | 9,242,967 |
| <i>Total expenses</i> | 4,521,600 | 13,520,315 | 3,437,348 | 10,082,967 |
| <i>Excess (deficiency) of revenues over expenses</i> | (4,521,600) | (13,520,315) | (3,389,018) | 10,131,297 |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | 4,521,600 | 4,521,600 | 5,011,660 | 490,060 |
| Prior year fund balance | - | 8,998,715 | - | (8,998,715) |
| Compensation appropriation | - | - | - | - |
| Loss on disposal of capital assets | - | - | (3,905) | (3,905) |
| Investment income | - | - | 785,850 | 785,850 |
| <i>Total other financing sources (uses)</i> | 4,521,600 | 13,520,315 | 5,793,605 | (7,726,710) |
| <i>Change in net position</i> | \$ - | \$ - | \$ 2,404,587 | \$ 2,404,587 |
| Change in net position (budgetary basis) | | | \$ 2,404,587 | |
| GAAP Adjustment for capital outlay | | | 3,437,348 | |
| Internal transfers of capital assets | | | (3,437,348) | |
| Change in net position GAAP basis | | | \$ 2,404,587 | |

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

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Statement of Revenues, Expenses and
 Changes in Net Position-Budget (Budget Basis) and Actual
 SHARE ERF Enterprise Fund (96870)
 For the Year Ended June 30, 2019

| | 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> | | | | |
| <i>Current:</i> | | | | |
| Personnel services | - | - | - | - |
| Contractual services | 1,663,000 | 1,663,000 | 1,582,176 | 80,824 |
| Other costs | - | - | - | - |
| <i>Total expenses</i> | 1,663,000 | 1,663,000 | 1,582,176 | 80,825 |
| <i>Excess (deficiency) of revenues over expenses</i> | (1,663,000) | (1,663,000) | (1,582,176) | 80,825 |
| <i>Other financing sources (uses)</i> | | | | |
| Internal transfers | 1,663,000 | 1,663,000 | 3,221,983 | 1,558,983 |
| State general fund appropriation | - | - | - | - |
| Compensation appropriation | - | - | - | - |
| Investment income | - | - | 48,650 | 48,650 |
| Designated cash | - | - | - | - |
| <i>Total other financing sources (uses)</i> | 1,663,000 | 1,663,000 | 3,270,633 | 1,607,633 |
| <i>Change in net position (designated cash)</i> | \$ - | \$ - | \$ 1,688,457 | \$ 1,688,458 |
| Change in net position (budgetary basis) | | | \$ 1,688,457 | |
| GAAP Adjustment for capital outlay | | | 1,582,176 | |
| Internal transfers of capital assets | | | (1,582,176) | |
| Change in net position GAAP basis | | | \$ 1,688,457 | |

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
 New Mexico Department of Information Technology
 Schedule of Special Appropriations and Severance Tax Bond Proceeds
 Year Ended June 30, 2019

| Description | Authority | Appropriation Period | SHARE Fund |
|---|--|-------------------------|---------------|
| To plan, design, construct, and equip infrastructure for public safety radio communications for emergency responders statewide. | Laws 2015, SS, Chapter 3, Sec. 26, Item 1 | 2016-2019 | 89200 |
| To plan, design, construct, and equip infrastructure for public safety radio communications for emergency responders statewide. | Law 2018, Chapter 80, Sec. 24, Item 1 | 2019-2022 | 89200 |
| To plan, design, construct and equip infrastructure for public safety radio communications for emergency responders statewide. | Laws 2015, SS, Chapter 3, Sec. 71 | 2016-2019 | 20340 |
| To stabilize and upgrade the radio communication infrastructure | Laws 2016, Chapter 82, Sec. 10, Item D (2) | 2018-2021 | 89200 |
| To complete Public Safety Comm's - Hidalgo Co. | Laws 2019, Chapter 277, Sec. 32, Item 1 | 2019-2023 | 93100 |
| To complete Rural Broadband - North Central Econ. Devel. | Laws 2019, Chapter 277, Sec. 32, Item 2 | 2019-2023 | 93100 |
| To complete the NM Railrunner WiFi system. | Laws 2019, Chapter 277, Sec. 32, Item 3 | 2019-2023 | 93100 |
| To complete Enterprise cybersecurity system. | Laws 2019, Chapter 277, Sec. 32, Item 5 | 2019-2023 | 93100 |
| To Improve/replace Central Telephone system statewide. | Laws 2019, Chapter 277, Sec. 61, Item 1 | 2019-2023 | 93100 |
| To stabilize/modernize Public Safety Comm's statewide. | Laws 2019, Chapter 277, Sec. 67, Item 1 | 2019-2023 | 93100 |
| To complete ntegrated digital government solutions project. | Laws 2018, Chapter 73, Sec. 7, Item 10 | 2018-2020 | 20310 |
| To complete the Statewide cybersecurity assessment | Laws 2018, Chapter 73, Sect. 7, Item 11 | 2018-2020 | 20310 |

See independent auditors' report.

| Total Appropriations or Bond Proceeds | Current Year Expenditures | Previous Year's Expenditures | Unexpended Portion | Unexpended and Reverted | Restricted Fund Balance |
|--|--------------------------------------|---|-------------------------------|------------------------------------|------------------------------------|
| \$ 3,200,000 | \$ 81,708 | \$ 3,118,162 | \$ 130 | \$ - | \$ - |
| \$ 10,000,000 | \$ 3,028,460 | \$ - | \$ 6,971,540 | \$ - | \$ - |
| \$ 1,000,000 | \$ - | \$ 999,058 | \$ 942 | \$ 942 | \$ - |
| \$ 5,000,000 | \$ 1,639,605 | \$ 2,386,524 | \$ 973,871 | \$ - | \$ - |
| \$ 3,160,000 | \$ 960,725 | \$ - | \$ 2,199,275 | \$ - | \$ 2,199,275 |
| \$ 259,684 | \$ - | \$ - | \$ 259,684 | \$ - | \$ 259,684 |
| \$ 50,000 | \$ - | \$ - | \$ 50,000 | \$ - | \$ 50,000 |
| \$ 6,000,000 | \$ - | \$ - | \$ 6,000,000 | \$ - | \$ 6,000,000 |
| \$ 6,298,715 | \$ - | \$ - | \$ 6,298,715 | \$ - | \$ - |
| \$ 3,000,000 | \$ - | \$ - | \$ 3,000,000 | \$ - | \$ 3,000,000 |
| \$ 1,000,000 | \$ 8,337 | \$ - | \$ 991,663 | \$ - | \$ - |
| \$ 1,000,000 | \$ 21,884 | \$ - | \$ 978,116 | \$ - | \$ - |

See independent auditors' report.

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COMPLIANCE SECTION

**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. Brian S. Colón, Esq.
New Mexico State Auditor
Mr. Vincent Martinez
Department of Information Technology
State of New Mexico
Santa Fe, New Mexico

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 of the New Mexico Department of Information Technology (the "Department") as of and for the year ended June 30, 2019, 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 October 31, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2019-001.

The Department's Responses to the Findings

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
October 31, 2019

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STATE OF NEW MEXICO
New Mexico Department of Information Technology
Schedule of Findings and Responses
June 30, 2019

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? | Yes |

SECTION II – PRIOR YEAR AUDIT FINDINGS

2018-001 Improper Internal Controls over Voucher Payments (Significant Deficiency) (Resolved)

SECTION III – FINANCIAL STATEMENT FINDINGS

2019-001 Procurement Noncompliance (Material Noncompliance)

Condition: During our review of procurement transactions by the Department during fiscal year 2019, we noted the following:

- During fiscal year 2019, the Department procured services in the amount of \$49,821.83 before a proper purchase order was in place.
- During fiscal year 2019, the Department procured services in the amount of \$190,370.58 before a proper purchase order was in place.
- During fiscal year 2019, the Department procured services in the amount of \$539.47 before a proper purchase order was in place.
- During fiscal year 2019, the Department procured services in the amount of \$36,018.51 before a proper purchase order was in place.

Criteria: Per NMSA 13-1-30 “Except as otherwise provided in the Procurement Code [13-1-28 NMSA 1978] that code shall apply to every expenditure by state agencies and local public bodies for the procurement of items of tangible personal property, services and construction ... When a procurement involves the expenditure of federal funds, the procurement shall be conducted in accordance with mandatory applicable federal law and regulations.”. Also, DFA’s Model Accounting Practices FIN 4.4 “Encumbrances” (“MAPs”).

Effect: The Department potentially did not get the lowest price because the purchases did not have a proper amended price agreement or purchase order in place. Noncompliance with state procurement requirements.

Cause: The Department did not properly ensure that an amended price agreement and or approved purchase order from the New Mexico General Services and New Mexico Department of Finance and Administration respectively, was valid and in place before the purchase was made or services were rendered.

Auditors’ Recommendation: We recommend the Department ensure that all procurement goes through the proper procurement method, and if negotiations of contracts for are going to be delayed, that no services are provided to the Department until a proper method of procurement is achieved.

Management’s Response: Management agrees with the auditors finding, 2019-001 Procurement Noncompliance. The Department is in the process of updating processes and procedures to ensure that all procurements are in compliance with the State Procurement Code and DFA MAPs. As part of the updates, the Department will ensure that personnel involved with procurements understand the processes and are properly trained to avoid the reoccurrence. The CFO will oversee the updating of the processes and procedures and DoIT estimates implementing these new procedures by June 30, 2020. The CPO will monitor all purchases to ensure compliance with the rules and will notify the CFO and/or the Secretary of any noncompliance.

STATE OF NEW MEXICO
New Mexico Department of Information Technology
Other Disclosures
June 30, 2019

OTHER DISCLOSURES

Exit Conference

An exit conference was held on October 23, 2019. The following individuals were in attendance.

Representing New Mexico Department of Information Technology

| | |
|------------------|--|
| Vincent Martinez | Cabinet Secretary |
| Andrea Martinez | Chief Financial Officer and ASD Director |
| Douglas Taylor | GL Bureau Chief |
| Tricia Trujillo | Assistant General Ledger Manager |

Representing Cordova CPAs LLC

| | |
|----------------------|----------------------|
| Robert Gonzales, CPA | Engagement Principal |
|----------------------|----------------------|

Auditor Prepared Financial Statements

Cordova CPAs LLC 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.