

**STATE OF NEW MEXICO  
PUBLIC REGULATION  
COMMISSION**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

Moss Adams LLP  
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STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION

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PUBLIC REGULATION COMMISSION

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STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION

*Official Roster  
As of June 30, 2009*

COMMISSIONERS

Sandy Jones	Chairman
David King	Vice-Chairman
Jason Marks	Commissioner
David King	Commissioner
Ben R Lujan	Commissioner

ADMINISTRATIVE OFFICIALS

Daniel Mayfield	Chief of Staff
Juan Rjos	Director, Administrative Services
Matthew Lovato	Chief Financial Officer
Mona Varela	Director, Consumer Relations
Morris Chavez	Superintendent of Insurance
Carol Rising	Director, Legal
Larry Lujan	Director, Transportation
Roy Stephenson	Director, Utilities





Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2009, and the changes in financial position, where applicable for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Commission, as of June 30, 2009, and the respective changes in financial position and the budgetary comparisons for each major general and special revenue fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and fiduciary fund of the Commission, as of June 30, 2009, and the respective changes in the financial position thereof and the respective budgetary comparisons of each of the nonmajor governmental fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2009, on our consideration of the Commission'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* and should be considered in assessing the results of our audit.

Management's discussion and analysis reported on pages 5-11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor

Our audit was conducted for the purpose of forming opinions that collectively comprise the Commission's basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Not-for-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 15, 2009

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Public Regulation Commission's (Commission) discussion and analysis is designed to: (a) assist the reader in focusing on significant issues; (b) provide an overview of the Commission's financial activity; (c) identify changes in the Commission'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's discussion and analysis (MD&A) is designed to focus on the current year activities, resulting changes and current facts, it should be read in conjunction with the Commission's financial statements.

**HIGHLIGHTS**

**Financial Highlights**

The Commission's net assets decreased to \$16,783,304 compared to the previous year amount of \$19,358,994 for a total net loss of \$2,575,690. The reasons for the change are primarily a decrease in total cash and cash equivalents from the previous year of \$5,544,721 from \$34,195,635 to \$28,650,914, due primarily to decrease in fee collections from assessments made to the insurance industry and pipeline line safety. The decrease in cash and cash equivalents was in most funds with general fund decreasing by \$239,500, patient compensation fund decreased \$3,426,854, insurance operations fund increased \$656,192, and non-major governmental funds decreased \$356,387.

The total cost of all department programs was \$35,765,200.

The PRC in FY2009 was able to complete several large infrastructure projects at the Firefighter Training Academy which included completing its sewer tie in, reroofing all the buildings, resurfacing the parking lot, and completing the wireless internet connections for all buildings. These projects thus increased the overall agency program expenditures for FY09.

**Commission Highlights**

The Commission continues to strive to find a balance between industry and consumers to ensure that there are fair and reasonable rates, to ensure safe and reliable services and that regulated entities receive a fair return on their investments. The commission has continued to increase productivity and reduce costs by instituting better business practices such as the implementation of the procurement card and using information technology resources to be more financially accountable and working towards developing an online registration and payment system to streamline the revenue collections in the Corporations Bureau.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**HIGHLIGHTS (CONTINUED)**

**Commission Highlights (Continued)**

The Commission approved and completed the RFP process awarding a contract to an outside firm to perform and audit and prudence review of the PNM fuel clause. This type of review is the first completed review ever done before.

The Commission continues to expand regulatory enforcement of all motor carriers in the State of New Mexico to ensure compliance issuing over 100 revocations in FY 09 to motor carriers who did not hold the required amount of insurance coverage to do business.

Completed revisions and integration of procedural rules for utility and transportation cases, set technical standards for electric utility interconnection.

The Insurance Division Managed Healthcare Bureau saved consumers \$909,988, conducting 93 statewide outreach presentations educating the public on what consumer rights are and what the PRC regulates.

In FY 09 the Insurance Superintendent's 6% rate decrease from the 2006 Title Insurance hearing was upheld in the New Mexico District Court. The Insurance Division has also implemented an online insurance search tool for consumers to compare insurance rate to determine if they are being over charged.

State Fire Marshal's Fire Code Enforcement bureau has ensured completion of inspections of every public and private school in the state and implemented a program of mandatory inspections every two years. In FY 09 the State Fire Marshal's Office has increased the number of statewide fire departments with an insurance rating of 8 or better indicating that more departments are ready for any responses of emergency.

In FY 09 the ASD Division completed the physical move of all PRC staff into the old PERA Building thus saving the State of New Mexico over \$1 million dollars in rent. Since 2002 the PRC has reduced its overall budget by 18% and has continued to be diligent and fiscally responsible in managing the commission's overall expenditures reverting only \$45,924 in general fund appropriated dollars.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**USING THIS ANNUAL REPORT**

**Management's Discussion and Analysis**

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations of the Commission. Comparative information to the previous year is provided.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to be corporate-like in that all governmental activities are consolidated into one column. The Commission has no business type activities.

The focus of the Statement of Net Assets (the "Unrestricted Net Assets") is designed to be similar to a bottom line for the Commission and its governmental activities. The statement combines and consolidates governmental funds' current financial resources (short-term available resources) with capital assets and long term liabilities.

The Statement of Activities is focused on activities that are provided by the Commission's general and other revenues. This is intended to summarize and simplify the users' analysis of the cost of services.

The Governmental Activities section reflects the Commission's basic service, including Policy and Regulations and Public Safety.

**Fund Financial Statements**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is on major funds, rather than fund types.

The governmental Major Fund presentation is presented on a sources and uses of liquid resource basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Financial Statement allows the demonstration of sources and uses and budgeting compliance associated therein.

The Fund Financial Statements also allow the government to address its Agency Funds. While these Funds represent trust responsibilities of government, these assets are restricted in purpose and do not represent discretionary assets of the government. These assets, therefore, are not presented as part of the Government-Wide Financial Statements.

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009

USING THIS ANNUAL REPORT (CONTINUED)

**Combining and Individual Fund Financial Statements**

Consistent with the Commission's financial reports in prior years, combining and individual fund financial statements are also included in the report. These statements are presented on the same basis as fund financial statements, but are not grouped by fund type.

**Budgetary Comparisons**

In addition to MD&A, GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented. The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2 NMAC 2.2, the Statements of Revenues and Expenditures-Budget and Actual are also presented for the general and major special revenue funds that are part of the basic financial statements. The budget comparison information for all other funds is included as supplemental information. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

<b>Statement of Net Assets</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<i>Government Activities</i>		
Current and other assets	\$ 62,289,045	67,944,011
Capital assets	<u>3,223,613</u>	<u>2,932,540</u>
<b>Total assets</b>	<u><b>65,512,658</b></u>	<u>70,876,551</u>
Current liabilities	4,872,480	7,926,702
Non-current liabilities	<u>43,856,874</u>	<u>43,390,855</u>
<b>Total liabilities</b>	<u><b>48,729,354</b></u>	<u>51,317,557</u>
Net assets		
Invested in capital assets	3,223,613	2,932,540
Restricted for special projects	14,583,792	17,539,685
Unrestricted	<u>(1,024,101)</u>	<u>(1,113,231)</u>
<b>Total net assets</b>	<u><b>\$ 16,783,304</b></u>	<u>19,358,994</u>

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

<b>Statement of Activities</b>	<b>June 30, 2009</b>	<b>June 30, 2008</b>
<i>Government Activities</i>		
Operating grants and contributions	\$ 1,162,283	579,646
Investment income (loss)	(3,475,754)	(81,941)
Charges for services	20,793,330	20,183,161
General fund appropriations	11,374,200	11,613,700
Other financing sources	<u>17,686,716</u>	<u>17,470,927</u>
Total revenue	<u>47,540,775</u>	<u>49,765,493</u>
Program expenses	35,765,200	27,401,747
Other financing uses	<u>14,351,265</u>	<u>13,024,351</u>
Total expense	<u>50,116,465</u>	<u>40,426,098</u>
Change in net assets	(2,575,690)	9,339,395
Net assets, beginning of year	<u>19,358,994</u>	<u>10,019,599</u>
Net assets, end of year	<u>\$ 16,783,304</u>	<u>19,358,994</u>

For more detailed information see the Statement of Activities and the Statement of Net Assets.

There have been significant changes to assets, liabilities, and net assets compared to the prior year due to the push to complete all major infrastructure projects at the Firefighter Training Academy in Socorro New Mexico. The projects revenues were accounted for in last year's financial statements thus increasing net assets last year and reducing net assets in the current year by \$2,575,690, and increasing this year's expenditures by \$8,363,453. Liabilities in the current year have decreased with the increased awareness in getting all bills paid more timely. Capital assets increased in FY09 by \$291,073 due to the purchase of nine new vehicles and the investment in new computer hardware.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**THE COMMISSION'S FUNDS**

*Governmental Funds*

As of year end, the governmental funds, as presented on the balance sheet, reported a combined fund balance of \$3,283,195, for a net increase over the prior fiscal period of \$119,522. This increase is in all major funds other than General Fund and Patient Compensation Fund each decreasing respectfully by \$1,155,453 in General Fund and \$3,426,854 in Patient Compensation Fund. The decrease in General Fund is due to the push of completing all the infrastructure projects and IT enhancements for the agency. The Patient Compensation Fund decrease is due the national recession hitting the fund's investments throughout the year and increased patient claim payouts that were litigated and approved for payment.

*Budgetary Highlights*

In the General Fund the budgeted expenditures increased by \$ 3,364,982 to cover primarily increased compensation costs in personal services, capital outlay, supplies and maintenance and repairs. The increase in expenditures in these areas is due to the completion of various infrastructure projects, IT enhancements, and the costs of moving all the PRC staff from three building into one building. The information technology enhancements are for the development and implementation of a new online corporation registration and payment database that will be completed in December 2009.

**CAPITAL ASSETS AND LONG-TERM DEBT**

The increase in capital assets of \$ 291,073 is due to the purchase of new information technology equipment that will be used for the new online corporation registration and payment system and the purchase of nine new Ford Escapes. The Commission has no long-term debt.

**CURRENTLY KNOWN FACTS**

The State of New Mexico implemented a new financial and human capital system beginning in fiscal year 2007. The new system was designed to increase operating and processing efficiencies while increasing control and oversight. The Public Regulation Commission continues to make strides with the new financial and human capital system to ensure effective communication and financial reporting accountability. The PRC in FY09 has brought the complete financial close and statement preparation in-house moving away from contracting with an outside firm.

The fire protection grant fund was established by the laws of 2007, chapter 152, section 1 allowing balances in the fire protection fund to be transferred to the grant fund for distribution. Annual amounts transferred to the grant fund increase by six and seven-



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2009**

**CURRENTLY KNOWN FACTS (CONTINUED)**

tents percent starting on June 30, 2007 for a fifteen year period until it reaches one hundred percent. The one hundred percent distribution will continue each subsequent year. During Fiscal Year 2009 \$4,767,280 was transferred from the fire protection fund into the fire protection grant fund and distributed to 392 fire departments.

HB 622 amended Section 8-8-1 NMSA 1978 to create the Fire Marshal Division. Prior to the amendment the State Fire Marshal was organized as part of the Insurance Program. The Fire Fighter Training Academy is a bureau under the State Fire Marshal's office.

HB 377 amend Section 59A-53-7 NMSA 1978 and established a Firefighters-Survivors Fund the agency will be responsible for monitoring the distributions of this new fund from which the proceeds will provide a death benefit payment to a beneficiary of a firefighter who falls in the line of duty. The Firefighters-Survivors fund is funded by the fire protection fund.

**FINANCIAL CONTACT**

This financial report is designed to provide citizens, taxpayers, customers, legislators, and investors and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Services Division Director in room 536 of the PERA Building, 1120 Paseo de Peralta, P.O. Box 1269, Santa Fe, New Mexico, 87502-1269 or visit the Commission website at [www.nmprc](http://www.nmprc)

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF NET ASSETS  
June 30, 2009**

	Governmental Activities
<b>ASSETS</b>	
Investment in State General Fund Investment Pool	\$ 28,650,914
Investments	27,697,505
Accounts receivable	3,740
Due from external parties	4,961,484
Due from other agencies	488,817
Due from federal government	486,585
Capital assets, net	3,223,613
<b>Total assets</b>	<u>65,512,658</u>
<b>LIABILITIES</b>	
Accounts payable	836,429
Accrued payroll	573,269
Due to State General Fund	2,908,281
Due to external parties	554,501
Non-current liabilities	
Due in one year	11,601,547
Due in more than one year	32,255,327
<b>Total liabilities</b>	<u>48,729,354</u>
<b>NET ASSETS</b>	
Invested in capital assets	3,223,613
Restricted for special projects	14,583,792
Unrestricted (deficit)	(1,024,101)
<b>Total net assets</b>	<u>\$ 16,783,304</u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF ACTIVITIES  
Year Ended 30, 2009

	Policy & Regulation	Public Safety	Agency Support	Total Governmental Activities
Program Expenses	\$ 27,116,692	5,104,180	3,544,328	35,765,200
Program Revenues				
Operating grants and contributions	-	1,162,283	-	1,162,283
Charges for services	20,791,115	2,215	-	20,793,330
<b>Net program (expense) revenue</b>	<b>\$ (6,325,577)</b>	<b>(3,939,682)</b>	<b>(3,544,328)</b>	<b>(13,809,587)</b>
General revenues				
Transfers - General Fund appropriations				\$ 11,374,200
Transfers - State General Fund reversions - 2009 FY				(2,966,519)
Investment income (loss)				(3,475,754)
Transfers in				17,686,716
Transfers out				(11,384,746)
				<u>11,233,897</u>
<b>Change in net assets</b>				<b>(2,575,690)</b>
Net assets, beginning of year				<u>19,358,994</u>
<b>Net assets, end of year</b>				<b><u>\$ 16,783,304</u></b>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General Fund	Patients' Compensation Fund	Fire Protection Grant Fund	Insurance Operations Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current Assets						
Investment in State General Fund Investment Pool	\$ 2,726,315	18,593,587	169,940	5,092,585	2,068,487	28,650,914
Investments	-	27,697,505	-	-	-	27,697,505
Receivables	3,740	-	-	-	-	3,740
Due from other funds	-	-	-	391	1,214,708	1,215,099
Due from external parties	-	-	4,767,280	194,204	-	4,961,484
Due from other agencies	485,338	3,365	114	-	-	488,817
Due from federal government	486,585	-	-	-	-	486,585
<b>Total assets</b>	<b>\$ 3,701,978</b>	<b>46,294,457</b>	<b>4,937,334</b>	<b>5,287,180</b>	<b>3,283,195</b>	<b>63,504,144</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Current Liabilities						
Accounts payable	\$ 676,273	160,156	-	-	-	836,429
Accrued payroll	573,269	-	-	-	-	573,269
Due to other funds	1,215,099	-	-	-	-	1,215,099
Due to external parties	554,501	-	-	-	-	554,501
Due to State General Fund	477,555	-	-	2,430,726	-	2,908,281
<b>Total liabilities</b>	<b>3,496,697</b>	<b>160,156</b>	<b>-</b>	<b>2,430,726</b>	<b>-</b>	<b>6,087,579</b>
<b>FUND BALANCES</b>						
Unreserved: Designated for future year expenditures						
General Fund	205,281	-	-	-	-	205,281
Special Revenue Funds	-	46,134,301	4,937,334	2,856,454	3,283,195	57,211,284
<b>Total fund balances</b>	<b>205,281</b>	<b>46,134,301</b>	<b>4,937,334</b>	<b>2,856,454</b>	<b>3,283,195</b>	<b>57,416,565</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,701,978</b>	<b>46,294,457</b>	<b>4,937,334</b>	<b>5,287,180</b>	<b>3,283,195</b>	<b>63,504,144</b>

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009**

Fund balances - total governmental funds \$ 57,416,565

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental capital assets	\$ 9,701,919	
Less accumulated depreciation	<u>(6,478,306)</u>	
		3,223,613

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

Patients' Compensation Fund claims liability		(42,832,773)
Compensated absences		<u>(1,024,101)</u>

**Net assets governmental activities \$ 16,783,304**

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS  
June 30, 2009

	General Fund	Patients' Compensation Fund	Fire Protection Grant Fund	Insurance Operations Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Insurance tax	\$ -	-	-	-	1,515,919	1,515,919
Other fees	2,215	9,926,389	24,775	8,264,137	1,059,895	19,277,411
Gain (loss) on investments	-	(4,878,182)	-	-	-	(4,878,182)
Grant funds	959,683	-	-	-	202,600	1,162,283
Interest income	-	1,402,428	-	-	-	1,402,428
<b>Total revenues</b>	<b>961,898</b>	<b>6,450,635</b>	<b>24,775</b>	<b>8,264,137</b>	<b>2,778,414</b>	<b>18,479,859</b>
<b>EXPENDITURES</b>						
<b>Current</b>						
Personnel services	14,001,222	-	-	-	-	14,001,222
Employee benefits	5,713,551	-	-	-	-	5,713,551
In-state travel	173,635	-	7,208	-	-	180,843
Maintenance and repairs	658,411	-	-	-	-	658,411
Supplies	1,048,801	-	-	-	-	1,048,801
Contractual services	1,017,409	250,335	-	-	-	1,267,744
Operating costs	2,443,253	9,358,254	-	-	-	11,801,507
Out-of-state travel	101,512	-	-	-	-	101,512
Capital outlay	816,663	-	-	-	-	816,663
<b>Total expenditures</b>	<b>25,974,457</b>	<b>9,608,589</b>	<b>7,208</b>	<b>-</b>	<b>-</b>	<b>35,590,254</b>
Excess (deficiency) of Revenues over expenditures	(25,012,559)	(3,157,954)	17,567	8,264,137	2,778,414	(17,110,395)
<b>OTHER FINANCING SOURCES AND (USES)</b>						
General fund appropriations	11,374,200	-	-	-	-	11,374,200
Reversions to the State General Fund	(535,793)	-	-	(2,430,726)	-	(2,966,519)
Operating transfers in	13,018,699	-	4,668,017	-	-	17,686,716
Operating transfers out	-	(268,900)	(3,129,047)	(5,327,907)	(2,658,892)	(11,384,746)
<b>Total other financing sources and (uses)</b>	<b>23,857,106</b>	<b>(268,900)</b>	<b>1,538,970</b>	<b>(7,758,633)</b>	<b>(2,658,892)</b>	<b>14,709,651</b>
<b>Net change in fund balances</b>	<b>(1,155,453)</b>	<b>(3,426,854)</b>	<b>1,556,537</b>	<b>505,504</b>	<b>119,522</b>	<b>(2,400,744)</b>
Fund balances, beginning	1,360,734	49,561,155	3,380,797	2,350,950	3,163,673	59,817,309
Fund balances, ending	\$ 205,281	46,134,301	4,937,334	2,856,454	3,283,195	57,416,565

See Notes to Financial Statements.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009**

Net change in fund balances - total governmental funds	<u>\$ (2,400,744)</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlay	840,785
Depreciation expense	<u>(547,196)</u>
Change in capital assets	293,589
Change in Patients' Compensation Fund claim liabilities	(355,149)
Change in compensated absences	(110,871)
Other	<u>(2,515)</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ (2,575,690)</u></u>

*See Notes to Financial Statements.*

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL GENERAL FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
General fund appropriation	\$ 11,374,200	\$ 11,374,200	\$ 11,374,200	-
Reversions	-	-	(535,793)	(535,793)
Other financing sources	14,077,900	14,317,900	13,018,699	(1,299,201)
Federal funds	605,000	750,000	959,683	209,683
Other fees	-	-	2,215	2,215
Bond proceeds	-	-	-	-
<b>Total budgeted revenues</b>	<b>26,057,100</b>	<b>26,442,100</b>	<b>24,819,004</b>	<b>(1,623,096)</b>
<b>Expenditures</b>				
Personnel services	20,160,800	20,241,338	19,714,610	526,728
Contractual services	1,173,400	1,299,646	1,017,573	282,073
Operating costs	4,722,900	6,478,012	5,242,274	1,235,738
Other financing uses	-	2,000	-	2,000
<b>Total budgeted expenditures</b>	<b>26,057,100</b>	<b>28,020,996</b>	<b>25,974,457</b>	<b>2,046,539</b>
Excess (deficiency) of revenues over expenditures (prior year cash balance required to balance budget)	-	(1,578,896)	(1,155,453)	423,443
Cash balance carryforward	-	1,578,896		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		

See Notes to Financial Statements.



STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
PATIENTS' COMPENSATION FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Doctor's surcharge	\$ -	-	9,926,389	9,926,389
Interest	-	-	(3,475,754)	(3,475,754)
Other fees	-	-	-	-
<b>Total revenues</b>	-	-	6,450,635	6,450,635
<b>Expenditures</b>				
Contractual services	435,000	435,000	250,335	184,665
Operating costs	10,050,000	10,050,000	9,358,254	691,746
Other financing uses	269,600	269,600	268,900	700
<b>Total expenditures</b>	10,754,600	10,754,600	9,877,489	877,111
Excess (deficiency) of revenues over expenditures (prior year cash balance required to balance budget)	(10,754,600)	(10,754,600)	(3,426,854)	7,327,746
Cash balance carryforward	10,754,600	10,754,600		
<b>Total</b>	\$ -	-		

See Notes to Financial Statements.

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FIRE PROTECTION GRANT FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Other financing sources	\$ -	3,136,255	4,668,017	1,531,762
Other	-	-	24,775	24,775
<b>Total revenues</b>	-	3,136,255	4,692,792	1,556,537
Expenditures				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other financing uses	-	3,136,255	3,136,255	-
Other	-	-	-	-
<b>Total expenditures</b>	-	3,136,255	3,136,255	-
Excess (deficiency) of revenues over expenditures	-	-	1,556,537	1,556,537
Cash balance carryforward	-	-		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
INSURANCE OPERATIONS FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Reversions	\$ -	-	(2,430,726)	(2,430,726)
Other fees	-	-	8,264,137	8,264,137
Other financing sources	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>5,833,411</u>	<u>5,833,411</u>
Expenditures				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other financing uses	5,326,800	5,327,907	5,327,907	-
<b>Total expenditures</b>	<u>5,326,800</u>	<u>5,327,907</u>	<u>5,327,907</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(5,326,800)	(5,327,907)	<u>505,504</u>	<u>5,833,411</u>
Cash balance carryforward	<u>5,326,800</u>	<u>5,327,907</u>		
<b>Total</b>	<u>\$ -</u>	<u>-</u>		

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
June 30, 2009**

Agency Funds

**ASSETS**

Investment in General Fund Investment Pool	\$ 78,357,469
Cash in banks - ancillary receivership	2,042,178
Security deposits	427,802,805
Due from external parties	554,500
Due from other funds	2,616,752
<b>Total assets</b>	<b>\$ 511,373,704</b>

**LIABILITIES**

Due to State General Fund	\$ 33,447,582
Due to other funds	2,616,752
Due to external parties	4,961,484
Due to other state agencies	5,223,937
Undistributed receipts	7,379,140
Accounts payable	27,899,826
Deposits held in trust	429,844,983
<b>Total liabilities</b>	<b>\$ 511,373,704</b>

*See Notes to Financial Statements.*

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 1. HISTORY AND FUNCTION**

The State of New Mexico Public Regulation Commission (Commission), created by Article XI of the State Constitution, is a five member commission whose members are elected from districts provided by law for staggered four-year terms.

The Commission has the responsibility for chartering and regulating business corporations in such a manner as the Legislature provides. The Commission has responsibility for regulating public utilities, including electric, natural gas and water companies; transportation companies, including common and contract carriers; transmission and pipeline companies, including telephone, telegraph and information transmission companies; insurance companies and others engaged in risk assumption; and other public service companies in such a manner as the Legislature provides.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the State of New Mexico Public Regulation Commission (Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body of establishing governmental accounting and financial reporting principles. The most significant of the Commission's accounting policies are described below:

**A. Reporting Entity**

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

A primary government is any state government or general purpose local government, consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Commission, therefore, is part of the primary government of the State of New Mexico, and its financial data should be included with the financial data of the State.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**A. Reporting Entity (Continued)**

Included within the Commission for this purpose are the following: All of the programs that are administered and/or controlled by the Commission have been included. The commission has no component units.

**B. Basic Financial Statements**

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. The Commission only has governmental activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long term assets and receivable as well as long-term debt and obligations and excludes internal activity.

The government-wide Statement of Activities reflects both the gross and net cost per functional category, which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function which consists of grants and fees.

The Commission has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Commission has elected to not apply FASB pronouncements issued after the applicable date.

The net cost by function is normally covered by general revenue. Historically, the previous model did not summarize or present net cost by function or activity. The Commission does not employ indirect cost allocation in the financial statements.

As to fund financial statements, emphasis is on the major funds of the governmental category. Nonmajor funds are summarized into a single column. The Commission's major funds are the General Fund, Patients' Compensation Fund, and Insurance Operations Fund.

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

**B. Basic Financial Statements (Continued)**

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. This 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 Commission'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 adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The Commission's fiduciary funds are agency funds and are presented in the fund financial statements in total. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The financial transactions of the Commission 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 following fund types are used by the Commission:

Governmental Funds

*General Fund.* The General Fund is the general operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds.* Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

**B. Basic Financial Statements (Continued)**

*Patients' Compensation Fund.* A major special revenue fund to account for funds accumulated for payment of claims for bodily injury or death due to malpractice by a health care provider insured under the Medical Malpractice Act. This fund was created by Section 41-5-1 through 42-5-28, NMSA 1978 "Medical Malpractice Act". The purpose of the act is to promote the health and welfare of the people of New Mexico by making available professional liability insurance for health care providers in New Mexico. (SHARE Fund #23500).

*Insurance Operations Fund.* A major special revenue fund to account for the collection of fees, licenses, penalties, and taxes. This fund was created by Section 59A-6-5, NMSA 1978. The legislature shall annually appropriate from the fund to the division those amounts necessary for the division to carry out its responsibilities pursuant to the Insurance Code and other laws. Any balance in the fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation shall revert to the general fund. (SHARE Fund # 03900).

*Fire Protection Grant Fund.* To account for the collection of transfers, appropriations, gifts, grants, donations, and bequests to the Fire Protection Grant Fund. Money in the fund is appropriated to the fire protection grant council for the purpose of making distributions approved by the council for the critical needs of municipal and county fire districts was created by and is not reverting per Section 59A-53-18 NMSA 1978. (SHARE Fund # 43000-56900)

Fiduciary Funds Types

*Agency Funds.* Agency Funds are used to account for assets held by the Commission as an agent for individuals, private organizations, other governments, and/or other funds. The Commission only has agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Basis of Accounting**

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 that applies.



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**C. Basis of Accounting (Continued)**

The Government-wide Financial Statements and the Fiduciary Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis. Under the accrual method of accounting revenues are recognized when earned and expenditures are recognized when incurred.

All governmental funds utilize the 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 current fiscal period; available meaning collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

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

Program revenues consist of grant and contribution revenues consist of federal grants. Charges for services consist primarily of fees charged to regulated entities.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are accrued as current liabilities and non-current liabilities. 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 Statement No. 33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**D. Budgetary Accounting**

The State Legislature makes annual appropriations to the Commission, which lapse at fiscal year end. Legal compliance is monitored through the establishment of a budget (modified accrual-basis) and a financial control system, which permits a budget to actual expenditure comparison. 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. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

The budget is adopted on a modified accrual basis of accounting (General Appropriations Act, Laws of 2006, Chapter 109, Section 3 Subsections O and N) except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline ( Section 6-10-4 NMSA 1978) that must be paid out of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Commission has not included such reconciliation for fiscal year 2009 as all payables were paid by the statutory deadline.

The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

No later than September 1<sup>st</sup> of each year, the Commission submits to the State Budget Division (SBD) of the New Mexico Department of Finance and Administration (DFA) an appropriation request for the fiscal year commencing the following July 1<sup>st</sup>. Copies are also sent to the Legislative Finance Committee (LFC). The report submitted by the Office also details revenues and expenditures or expenses for the preceding year. The budget for the General Administrative Fund 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 (Section 6-10-4 NMSA 1978) that must be paid out of the next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**D. Budgetary Accounting (Continued)**

The appropriation request includes proposed expenditures and the means of financing them. It is reviewed by the SBD and additional information is obtained, if needed. Agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor's approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Commission.

Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated in the General Appropriations Act.

The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.

The Commission submits, no later than May 1<sup>st</sup>, to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The SBD reviews and approves the operating budget, which becomes effective on July 1<sup>st</sup>. All subsequent budget adjustments must be approved by the Director of the SBD and the Legislative Finance Committee. The budget for the current year was adjusted in a legal manner.

Legal budget control for expenditures is by category of appropriation unit. All of the Commission's governmental funds were budgeted except the Insurance Operations Fund. Agency funds are not budgeted.

Appropriations of the Commission's General Fund lapse at the end of the fiscal year.

The Commission's General Fund, Fire Protection Grant Fund, Pipeline Fees Fund, Franchise Tax Fund, Corporation Fees Fund, Fire Protection Fund, Special Corporations Fee Fund, Insurance Examination Fund, Insurance Operations Fund, and Insurance Suspense Fund wholly or partially revert to the State General Fund; the other governmental and fiduciary funds are non-reverting funds.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**E. Cash and Cash Equivalents**

*Cash and Cash Equivalents.* Interest in the pooled cash on deposit with the State Treasurer's Office (STO) and Ancillary Receivership Accounts on deposit with area banks, which are held in trust for the payment of claims for those insurance companies, which are in receivership are considered cash and cash equivalents.

**F. Investments**

*Security Deposits Held in Trust.* Investments recorded in the Trust Funds with Superintendent of Insurance are security deposits of insurance companies, which are required by statute. The securities are recorded at fair market value.

Investments in the Patients' Compensation Fund are held with the State Investment Council. The Investment Council operates in accordance with appropriate State laws and regulations. The reported value of the pooled shares is the same as the fair value of the pooled shares.

**G. Receivables**

Interest on investments is recorded as revenue in the year the interest is earned. No allowance for doubtful accounts has been recorded as management estimates that all amounts are collectible.

**H. Interfund Receivables and Payables**

Short-term amounts owed between funds are classified as "Due to/from other funds."

**I. Capital Assets**

Property, plant and equipment purchased or acquired at a value of \$5,000 or greater are capitalized. Assets are carried at historical cost or estimated historical cost, software is capitalized with the related equipment. Contributed assets are recorded at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**I. Capital Assets (Continued)**

capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value.

	Years
Building improvements	50
Machinery and equipment	5-20
Land improvements	15-20
Buildings	25-45

**J. Restrictions, Reservations and Designations**

Reservations of fund balance in the governmental fund statements are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. There were no specific reservations of fund balance accounts at year-end

**Net Assets**

*Unreserved, Designated for Future Year Expenditures.* These funds are unreserved, but due to special appropriations or non-reverting funds, they are designated for future year expenditures.

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

*Investment in Capital Assets* is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The Commission has no related debt.

*Restricted Assets* are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, bond covenant or granting agency) limitation on their use. Net assets restricted for special revenue are restricted by the enabling legislation that created the fund.

*Unrestricted Assets* represent unrestricted liquid assets.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**J. Restrictions, Reservations and Designations (Continued)**

The Commission allocates expenses to restricted or unrestricted resources based on the budgeted source of funds, which generally means restricted resources have been spent first.

**K. Compensated Absences**

Vested or accumulated vacation leave and vested sick leave are reported in the entity-wide financial statements, since they are not expected to be liquidated with expendable available financial resources. No current expenditures are reported in the General Fund financial statements for these amounts.

**L. Long-term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a liability of the General Fund. The remaining portion of such obligations is reported in the entity-wide financial statements.

**M. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE 3. CASH AND INVESTMENTS**

Included in cash and cash equivalent is \$107,008,383 of funds that are held in the State Treasurer's investment pool. Collateral requirements for cash and cash equivalents held by the State Treasurer's Office are provided in their separately issued audit report. A copy of this audit report may be obtained by contacting the State Treasurer's Office at 2019 Galisteo Street, building K, Santa Fe, New Mexico, 87504-0608.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3. CASH AND INVESTMENTS (CONTINUED)**

*Custodial Credit Risk – Deposits.* The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2009, the Commission's cash and cash equivalent deposits were not exposed to custodial credit risk.

The following is a summary of the Commission's interest in the State Treasurer Investment Pool:

	Book Balance	Treasurer Balance
General Fund		
Operating Account	\$ 2,726,315	2,726,315
Special Revenue Funds		
Insurance Examination	20,000	20,000
Insurance Licensee Continuing Education	515,020	515,020
Insurance Fraud Fund	100,209	100,209
Title Insurance Maintenance	363,166	363,166
Reproduction Fund	176,252	176,252
Fire Protection Fund	169,940	169,940
Insurance Operations	5,092,585	5,092,585
Fire Fighters Use Fee	714,813	714,813
Patients' Compensation Fund	18,593,587	18,593,587
Capital Projects		
Pipeline Safety Fund	179,027	179,027
Agency		
Fire Fighter Survivor Fund	50,000	50,000
Fire Protection Fund	67,755,530	67,755,530
Motor Transportation	23,553	23,553
Corporation Fees Fund	29,205	29,205
Qwest Performance Assurance Plan	30,000	30,000
Franchise Tax Fund	725	725
Special Corporation Fees Fund	53	53
Insurance Suspense Fund	10,468,403	10,468,403
<b>Total cash on deposit with New             Mexico State Treasurer</b>	<u>\$107,008,383</u>	<u>107,008,383</u>

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3. CASH AND INVESTMENTS (CONTINUED)**

Reconciling items consist of outstanding warrants and transfers.

*Cash in Banks - Ancillary Receivership.* The following is a listing of the Commission's Ancillary Receivership cash balances on deposit at local financial institutions. These balances are grouped by depository financial institutions as of June 30, 2009:

Century Bank	\$ 1,099,726
Valley National Bank	398,776
First National Bank of Santa Fe	213,469
Wells Fargo	4,323
Bank of America	<u>325,884</u>
<b>Total</b>	<u><b>\$ 2,042,178</b></u>

There were no reconciling items on these bank accounts.

The Commission has entered into custodial agreements with the above financial institutions and the New Mexico State Treasurer. According to this agreement, the State Treasurer is responsible for approving all changes in the pledged collateral, monitoring the collateral requirements, and ensuring that all collateral meets the requirements of state law. As of June 30, 2009, the State Treasurer reported that the cash accounts were adequately collateralized in accordance with state statutes.

*Deposits Held in Trust.* Section 59A-10-4, NMSA 1978 requires insurance companies to deposit with the Superintendent of Insurance, certain securities to be held in trust for the benefit of insurance company policy holders and creditors. If an insurance company is placed in receivership, the Superintendent of Insurance has the authority to seize those securities which are held in trust for payment of claims made by policyholders and creditors.

Security deposits recorded in the Trust Funds with the Superintendent of Insurance amounting to \$427,802,806 are from insurance companies which are required by statute. The deposits consist of federal government securities and are recorded at fair market value. While these assets are held in trust, the type of investment income and other investment decisions are controlled by the insurance companies.

*Pooled Investments.* The Commission has voluntarily entered into an agreement with the State Investment Council pursuant to Section 6-8-7.G, NMSA 1978 to participate in the investment pool. The Pool is not registered with the SEC and is managed by the State Investment Council. The investments are valued at fair market value based on quoted market prices at the valuation date. The reported value of the pooled shares is the same as the fair value of the pooled shares.



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PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 3. CASH AND INVESTMENTS (CONTINUED)**

The value of the investments maintained at the State Investment Council External Pooled Investment Funds are as follows at June 30, 2009:

	Original Cost	Reinvestment Income and Transfers	Realized Gain (Loss)	Unrealized Gain (Loss)	Market Value
Large Cap Active Fund	\$ 3,697,097	(5,420,198)	-	1,723,101	-
Core Bond Fund	14,673,190	6,032,204	-	(1,411,166)	19,294,228
Large Cap Index	1,750,000	(2,235,131)	-	485,131	-
Non US Developed	750,000	112,797	-	(73,686)	789,111
Emerging Markets	250,000	65,276	-	194,823	510,099
Mid/Small Cap	1,500,000	(2,266,269)	-	766,269	-
Large Cap ETF	-	6,027,869	-	(2,117,287)	3,910,582
S&P Index ETF	-	2,425,031	-	(864,006)	1,561,025
SMID ETF	-	2,374,355	-	(741,895)	1,632,460
	<u>\$ 22,620,287</u>	<u>7,115,934</u>	<u>-</u>	<u>(2,038,716)</u>	<u>27,697,505</u>

*Interest Rate Risk.* The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Concentration of Credit Risk.* The Commission places no limit on the amount the Commission may invest in any one issuer.

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**NOTE 4. DUE FROM AND DUE TO OTHER FUNDS**

Due from and due to other funds represent interfund receivables and payables arising from interdepartmental transfers primarily due to statutory requirements for transferring funds collected by one fund and expended by another. These are routine transactions that occur monthly or annually. These amounts have been eliminated on the government-wide statements. They are shown in the financial statements as due from/to external parties.

Due From	Due to			Total
	578000 Fire Protection Fund	508000 Insurance Suspense Fund	550000 General Fund	
Special Revenue Funds				
569000 Fire Protection Grant Fund	\$ 4,767,280	-	-	4,767,280
039000 Insurance Operations Fund	-	194,204	391	194,595
375000 Insurance Fraud Fund	-	-	393,643	393,643
47700 Reproduction Fund	-	-	138,636	138,636
860000 Title Insurance Maintenance Fund	-	-	179,316	179,316
	<u>4,767,280</u>	<u>194,204</u>	<u>711,987</u>	<u>5,673,471</u>
Agency Funds				
Due to external 508000 Insurance Suspense Fund	-	-	121,100	121,100
Due to external 578000 Fire Protection Fund	-	2,616,752	433,399	3,050,152
	-	<u>2,616,752</u>	<u>554,499</u>	<u>3,171,251</u>
Capital Projects Fund				
377000 Pipeline Safety Fund	-	-	503,114	503,114
	<u>\$ 4,767,280</u>	<u>2,810,956</u>	<u>1,769,600</u>	<u>9,347,836</u>

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 5. CAPITAL ASSETS**

The capital asset activity for the year ended June 30, 2009 is as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
Governmental Activities				
Depreciable Assets				
Land improvements	\$ 947,899	-	-	947,899
Buildings	1,857,991	148,632	-	2,006,623
Machinery and equipment	6,005,933	692,153	(91,889)	6,606,197
Building improvements	141,200	-	-	141,200
<b>Totals at historical cost</b>	<u>8,953,023</u>	<u>840,785</u>	<u>(91,889)</u>	<u>9,701,919</u>
Accumulated depreciation				
Land improvements	\$ (924,687)	(17,305)	-	(941,992)
Buildings	(810,776)	(42,748)	-	(853,524)
Machinery and equipment	(4,224,304)	(484,318)	89,373	(4,619,250)
Building improvements	(60,716)	(2,824)	-	(63,540)
<b>Total accumulated depreciation</b>	<u>(6,020,483)</u>	<u>(547,195)</u>	<u>89,373</u>	<u>(6,478,306)</u>
<b>Capital assets, net</b>	<u>\$ 2,932,540</u>	<u>293,593</u>	<u>(2,516)</u>	<u>3,223,613</u>

Depreciation expense was related to the Policy and Regulation program in the amount of \$82,080, Public Safety in the amount of \$421,341, and Agency Support in the amount of \$43,775.

**NOTE 6. NON-CURRENT LIABILITIES**

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09	Payable Within 1 Year
Annual leave	\$ 898,268	1,033,261	(930,185)	1,001,344	1,001,344
Sick leave	14,963	28,935	(21,140)	22,758	22,758
Patients' Compensation Fund claims payable	<u>42,477,624</u>	<u>9,694,696</u>	<u>(9,339,547)</u>	<u>42,832,773</u>	<u>11,601,547</u>
<b>Total non-current liabilities</b>	<u>\$ 43,390,855</u>	<u>10,756,892</u>	<u>(10,290,872)</u>	<u>43,856,875</u>	<u>12,625,649</u>

**STATE OF NEW MEXICO  
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June 30, 2009**

**NOTE 6. NON-CURRENT LIABILITIES (CONTINUED)**

The Commission does not prepare a claims reserve analysis to estimate claims payable in the Patients' Compensation Fund. Alternatively, the Commission uses overall claims data to prepare the estimate; there are significant actuarial assumptions used in estimating the liability, including the rate of return on investment and the number and cost of claims, among others. Differences in any of these assumptions and actual results may significantly change the liability. Claim liabilities are paid out of the Patients' Compensation Fund.

The Commission estimates that all compensated absences will be paid within one year. Substantially all of the compensated absences balances have been paid by the General Fund in prior years. The amount of compensated absences is calculated by multiplying the vested hours by the pay rate at year end plus applicable payroll taxes.

The Commission's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits.

Qualified employees accumulate maximum annual leave as follows:

Years of Service	Hours Earned Per Pay Period	Days of Maximum Accrual
Up to 3 years	3.08	30
Over 3 – 7 years	3.69	30
Over 7 – 11 years	4.61	30
Over 11-15 years	5.54	30
Over 15 years	6.15	30

The maximum accrued annual leave may be carried forward into the beginning of the next calendar year and any excess is lost. When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to the above maximums.

*Accrued Sick Leave.* Employees who have over 600 hours of accumulated sick leave can receive payment for the hours over 600 up to 120 hours, on July 1 and January 1 of each year. However, the sick leave will be paid at 50% of the employee's regular hourly wage.

At retirement, employees may receive 50% payment for up to 400 hours for the hours over 600 of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2009, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

**STATE OF NEW MEXICO  
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June 30, 2009**

**NOTE 7. DUE TO AND FROM OTHER STATE AGENCIES**

The following are short-term amounts owed between other state agencies and are classified as due to other state agencies:

	<u>Agency</u>	
<u>Due from</u>		
<u>General Fund (55000)</u>		
Department of Finance and Administration Board of Finance	341	\$ 400,000
Department of Finance and Administration Board of Finance	341	<u>85,338</u>
<b>Total General Fund</b>		<b><u>\$ 485,338</u></b>
<u>Special Revenue</u>		
<u>Special Revenue Fund (56900)</u>		
State Treasurer	394	\$ 114
Patients Compensation Fund (23500) State Treasurer		<u>3,365</u>
<b>Total Special Revenue</b>		<b><u>3,479</u></b>
<b>Total Due From</b>		<b><u>\$ 488,817</u></b>
<u>Due to</u>		
<u>Agency</u>		
<u>Motor Transportation (19000)</u>		
Department of Transportation	805	<u>\$ 23,553</u>
<u>Insurance Suspense (50800)</u>		
New Mexico Finance Authority	385	6,630,560
Department of Finance and Administration Carrie Tingley	341	1,160
Department of Finance and Administration	341	<u>136,304</u>
<b>Total Agency</b>		<b><u>6,768,024</u></b>
<b>Total Due To</b>		<b><u>\$ 6,791,577</u></b>

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 8. REVERSIONS**

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year end. Also, cash recoveries during the fiscal year from stale dated warrants are due to the State General Fund. Reversions due from State General and Insurance Operations Funds are comprised of the following at June 30, 2009:

	General Fund 430-550	Insurance Ops. 430-039
Budget year 2009 reversion	\$ 535,793	2,430,726
Amounts already paid	<u>(58,238)</u>	<u>-</u>
<b>Total due to State General Fund</b>	<b><u>\$ 477,555</u></b>	<b><u>2,430,726</u></b>

Current year reversions are calculated only for reverting funds (See list at Note 2 - D).

**NOTE 9. OTHER FINANCING SOURCES AND USES**

Other financing sources and uses consist of the following:

	<u>Transfers</u>	
	In	Out
Commission Operating Fund (#55000)	\$ 13,018,699	-
(1)Patients' Compensation Fund (#23500)	-	268,900
(1)Insurance Operations Fund (#03900)	-	5,327,907
(1)Insurance Fraud Fund (#37500)	-	1,642,580
(1)Title Insurance Maintenance Fund (#86000)	-	352,414
(1)Pipeline Safety Fund (#37700)	-	600,497
(1)Reproduction Fund (#47700)	-	63,400
(2)Fire Protection Grant Fund (#56900)	<u>4,668,017</u>	<u>3,129,047</u>
Total governmental funds	17,686,716	11,384,746
(2)Insurance Suspense Fund (#50800)	-	-
(2)Fire Protection Fund (#57800)	-	(30,000)
(2)DFA-Special Appropriation Fund (#34100)	-	-
(2)Agency Transfer out	-	1,967,053
(2)Agency Transfer out	-	209,155
(2)Agency Transfer out	-	4,155,763
Total	<u>\$17,686,716</u>	<u>17,686,716</u>

These transfers to the General Fund were to reimburse the fund for costs paid out of the General Fund (1) or to transfer amounts from agency funds in accordance with the underlying fee distribution (2).

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 10. RETIREMENT PLAN**

The Commission contributes to a defined benefit cost-sharing multiple employer public retirement system through the Public Employees Retirement Act.

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

*Fund Policy.* Plan members are required to contribute 7.42% of their gross salary. The Commission is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Commission are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the state legislature. The Commission's contributions to PERA for the year ended June 30, 2009, 2008, and 2007 were \$2,309,259, \$2,174,853, \$2,003,298 respectively. These contributions were equal to the amount of the required contributions for each period.

**NOTE 11. POST-EMPLOYMENT BENEFITS**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless

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NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 11. POST-EMPLOYMENT BENEFITS (CONTINUED)**

that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of one and three-tenths percent (1.30%) of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to sixty-five hundredths of one percent (0.65%) of the employee's annual salary. For the year ended June 30, 2008, each participating retiree paid a monthly premium for the medical plus basic life, plus an additional five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

For the year ended June 30, 2009, the Commission remitted \$168,763 in employer contributions and \$84,382 in employee contributions to the Retiree Health Care Authority.



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PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 12. RISK MANAGEMENT**

The Commission, as a “State Agency” defined in the New Mexico Tort Claims Act, is insured through the Risk Management Division of the State of New Mexico. The Office pays annual premiums to the Risk Management Division for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico;
2. Coverages to protect the State of New Mexico’s property and assets; and
3. Fringe benefit coverages for State of New Mexico employees.

At June 30, 2009, the Office had no claims for which the Risk Management Division has determined would not be covered and that would become the responsibility of the Office.

**NOTE 13. OPERATING LEASE COMMITMENTS**

The Commission is committed under various rental leases for space. These leases are considered operating leases, and are written with an escape clause in the event of non-appropriation of adequate funds. Monthly expenditures under such leases amounted to \$1,016,688 for the year ended June 30, 2009. Future minimum payments under these leases are as follows:

2010	\$ 177,092
2011	13,450
2012	<u>8,578</u>
	<u>\$ 199,120</u>

**NOTE 14. JOINT POWERS AGREEMENT**

The Office of the State Fire Marshal entered into an agreement with the New Mexico Energy, Minerals and Natural Resources Department (the financially accountable and audit responsible agency) for Waste Isolation Pilot Plant (WIPP) program activities on July 7, 1988. The agreement is to remain in effect perpetually, unless otherwise noted by either party or the Department of Energy.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 14. JOINT POWERS AGREEMENT (CONTINUED)**

The Office of the State Fire Marshal ensures local governments implement activities and address emergency response preparedness as it pertains to the transport of hazardous materials under the Waste Isolation Pilot Plant (WIPP) project. The costs of the projects are 100% funded by the Commission with the funds received by the Energy, Minerals, and Natural Resources Department. Each local government is the fiscal agent and has audit responsibility.

Local Government	Commission Contribution	Description
City of Artesia	\$ 7,000	Support regional response haz mat team
City of Albuquerque	7,000	Support regional response haz mat team
City of Carlsbad	7,000	Support regional response haz mat team
City of Gallup	7,000	Support regional response haz mat team
City of Hobbs	7,000	Support regional response haz mat team
City of Raton	7,000	Support regional response haz mat team
City of Roswell	7,000	Support regional response haz mat team
City of Santa Fe	7,000	Support regional response haz mat team
City of Vaughn	5,000	Support regional response haz mat team
Chavez County	11,000	Support first responder training
Cibola County	10,000	Support first responder training
Colfax County	7,000	Support first responder training
Eddy County	5,000	Support first responder training
McKinley County	15,000	Support first responder training
San Miguel County	7,000	Support first responder training
Santa Fe County	15,000	Support first responder training
Torrance County	7,000	Support first responder training
<b>Total amount</b>	<u>\$ 138,000</u>	

**NOTE 15. CONTINGENT LIABILITIES**

The Commission as a State Agency defined in the New Mexico Tort Claims Act is insured through the Risk Management Division of the General Services Department of the State of New Mexico. Annual premiums are paid to the Office of Risk Management for coverage provided in the following areas:

1. Liability and civil rights protection for claims made by others against the State of New Mexico.
2. Coverages to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverages for State of New Mexico employees.

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PUBLIC REGULATION COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009**

**NOTE 15. CONTINGENT LIABILITIES (CONTINUED)**

The Commission is a defendant in various lawsuits regarding regulatory matters and former employees. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Commission's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Commission.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor, if any, cannot be determined at this time, although the Commission expects such amounts to be immaterial.

**STATE OF NEW MEXICO  
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GENERAL FUND  
June 30, 2009**

*General Fund.* The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. (SHARE Fund # 43000-55000)

For budget purposes, the General Fund is divided into the following programs:

- Policy and Regulation
- Public Safety
- Agency Support
- Insurance Policy

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND-POLICY AND REGULATION  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ 8,033,300	8,151,373	8,151,373	-
Reversions	-	-	(23,585)	(23,585)
Other fees	-	-	822	822
Other financing sources	284,000	284,000	283,500	(500)
Other state funds	-	-	-	-
<b>Total revenues</b>	<b>8,317,300</b>	<b>8,435,373</b>	<b>8,412,110</b>	<b>(23,263)</b>
<b>Expenditures</b>				
Current				
Personnel services	7,278,000	7,463,211	7,463,211	-
Contractual services	249,700	141,788	140,897	891
Operating costs	789,600	830,374	808,002	22,372
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>8,317,300</b>	<b>8,435,373</b>	<b>8,412,110</b>	<b>23,263</b>
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	-	-	-
Cash balance carryforward	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>

STATE OF NEW MEXICO  
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STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS)-GENERAL FUND-PUBLIC SAFETY  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	-	-
Other fees	-	-	74	74
Other financing sources	5,540,500	5,780,500	4,781,190	(999,310)
Federal funds	605,000	750,000	959,683	209,683
<b>Total revenues</b>	<b>6,145,500</b>	<b>6,530,500</b>	<b>5,740,947</b>	<b>(789,553)</b>
<b>Expenditures</b>				
<b>Current</b>				
Personnel services	3,588,100	3,601,500	3,195,860	405,640
Contractual services	349,500	332,208	249,810	82,398
Operating costs	2,207,900	2,596,792	1,952,099	644,693
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>6,145,500</b>	<b>6,530,500</b>	<b>5,397,769</b>	<b>1,132,731</b>
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	-	343,178	343,178
Cash balance used	-	-		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS)-GENERAL FUND-AGENCY SUPPORT  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ 3,109,100	2,991,027	2,991,027	-
Reversions	-	-	(365,482)	(365,482)
Other fees	-	-	126	126
Other financing sources	574,300	574,300	573,000	(1,300)
Other fees	-	-	-	-
<b>Total revenues</b>	<b>3,683,400</b>	<b>3,565,327</b>	<b>3,198,671</b>	<b>(366,656)</b>
<b>Expenditures</b>				
Current				
Personnel services	3,123,500	3,005,427	3,005,352	75
Contractual services	107,700	66,514	66,514	-
Operating costs	452,200	493,386	469,947	23,439
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>3,683,400</b>	<b>3,565,327</b>	<b>3,541,813</b>	<b>23,514</b>
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	-	(343,142)	(343,142)
Cash balance used	-	-		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - INSURANCE POLICY  
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Reversions	\$ -	-	(115,159)	(115,159)
Other fees	-	-	1,193	1,193
Other financing sources	7,679,100	7,679,100	7,381,009	(298,091)
<b>Total revenues</b>	<b>7,679,100</b>	<b>7,679,100</b>	<b>7,267,043</b>	<b>(412,057)</b>
Expenditures				
Current				
Personnel services	6,171,200	6,171,200	6,050,187	121,013
Contractual services	446,500	496,500	348,038	148,462
Operating costs	1,061,400	1,011,400	868,818	142,582
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>7,679,100</b>	<b>7,679,100</b>	<b>7,267,043</b>	<b>412,057</b>
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	-	-	-
Cash balance carryforward	-	-		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		



STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - SPECIAL  
APPROPRIATION SOCORRO SEWER TIE IN  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	(4,866)	(4,866)
Other fees	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	-	-	(4,866)	(4,866)
Expenditures				
Current				
Personnel services	-	-	-	-
Contractual services	-	139,766	139,766	-
Operating costs	-	60,234	55,368	4,866
Other financing uses	-	-	-	-
<b>Total expenditures</b>	-	200,000	195,134	4,866
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(200,000)	(200,000)	-
Cash balance used	-	200,000		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - SOCORRO SEWER TIE IN  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	(548)	(548)
Other fees	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	-	-	(548)	(548)
<b>Expenditures</b>				
Current				
Personnel services	-	-	-	-
Contractual services	-	30,234	30,234	-
Operating costs	-	19,766	19,218	548
Other financing uses	-	-	-	-
<b>Total expenditures</b>	-	50,000	49,452	548
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(50,000)	(50,000)	-
Cash balance used	-	50,000		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - QWEST  
PERFORMANCE ASSURANCE PLAN  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	(19,885)	(19,885)
Other fees	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	-	-	(19,885)	(19,885)
Expenditures				
Current				
Personnel services	-	-	-	-
Contractual services	-	30,000	10,115	19,885
Operating costs	-	-	-	-
Other financing uses	-	-	-	-
<b>Total expenditures</b>	-	30,000	10,115	19,885
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(30,000)	(30,000)	-
Cash balance used	-	30,000		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - EVIDENCE PROCESSING ROOM  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	-	-
Bond proceeds	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
Current				
Personnel services	-	-	-	-
Contractual services	-	33,877	24,090	9,787
Operating costs	-	164,123	-	164,123
Other financing uses	-	2,000	-	2,000
<b>Total expenditures</b>	-	200,000	24,090	175,910
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(200,000)	(24,090)	175,910
Cash balance used	-	200,000		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - IT EQUIPMENT  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	(6,268)	(6,268)
Bond proceeds	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	-	-	(6,268)	(6,268)
Expenditures				
Current				
Personnel services	-	-	-	-
Contractual services	-	8,759	8,109	650
Operating costs	-	240,137	234,519	5,618
Other financing uses	-	-	-	-
<b>Total expenditures</b>	-	248,896	242,628	6,268
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(248,896)	(248,896)	-
Cash balance used	-	248,896		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - MARIAN HALL  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	-	-
Bond proceeds	-	-	-	-
Other financing sources	-	-	-	-
	<hr/>			
<b>Total revenues</b>	-	-	-	-
	<hr/>			
Expenditures				
Current				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Operating costs	-	800,000	784,303	15,697
Other financing uses	-	-	-	-
	<hr/>			
<b>Total expenditures</b>	-	800,000	784,303	15,697
	<hr/>			
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(800,000)	<u>(784,303)</u>	<u>15,697</u>
Cash balance used	-	<u>800,000</u>		
	<hr/>			
<b>Total</b>	\$ -	-		
	<hr/>			

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - FFTA PARKING LOT  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ -	-	-	-
Reversions	-	-	-	-
Bond proceeds	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	-	-	-	-
<b>Expenditures</b>				
Current				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Operating costs	-	50,000	50,000	-
Other financing uses	-	-	-	-
<b>Total expenditures</b>	-	50,000	50,000	-
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	(50,000)	(50,000)	-
Cash balance used	-	50,000		
<b>Total</b>	\$ -	-		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL -  
(NON-GAAP BUDGETARY BASIS) - GENERAL FUND - PRC MOVE  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues</b>				
State general fund appropriation	\$ 231,800	231,800	231,800.00	-
Reversions	-	-	-	-
Bond proceeds	-	-	-	-
Other financing sources	-	-	-	-
<b>Total revenues</b>	<b>231,800</b>	<b>231,800</b>	<b>231,800</b>	<b>-</b>
<b>Expenditures</b>				
Current				
Personnel services	-	-	-	-
Contractual services	20,000	20,000	-	20,000
Operating costs	211,800	211,800	-	211,800
Other financing uses	-	-	-	-
<b>Total expenditures</b>	<b>231,800</b>	<b>231,800</b>	<b>-</b>	<b>231,800</b>
Excess (deficiency) of revenues over expenditures (beginning cash balance used to balance budget	-	-	<u>231,800</u>	<u>231,800</u>
Cash balance used	-	-		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NONMAJOR FUNDS  
June 30, 2009**

*Insurance Examination Fund.* To account for funds received from insurance companies and insurance agencies which have been financially audited and examined for financial solvency and claim payment practices. These funds are used to defray travel and per diem costs pursuant to Section 59A-4-14 NMSA 1978 and is non-reverting. (SHARE Fund #43000-11300)

*Insurance Licensee Continuing Education Fund.* To account for funds received and expended for the purpose of administering the continuing education program pursuant to the provisions of Section 59A-12-26 NMSA 1978. The fund is non-reverting. (SHARE Fund #43000-17100)

*Title Insurance Maintenance Fund.* To account for fees relating to the New Mexico Title Insurance Law, Section 59A-30-1 through 59A-30-15. NMSA 1978. The Superintendent of Insurance determines a rate of assessment and collects a maintenance fee that does not exceed 1% of the gross title insurance premiums on policies written in New Mexico. The fee is deposited into the "Title Insurance Maintenance Assessment Fund" for use in paying expenses incurred in regulating and administering the New Mexico Title Insurance Law, including compensation and expenses of personnel and consultants. The purpose of the program is to promulgate rules and regulations to protect consumers and purchasers of title insurance pursuant to the McCarran-Ferguson Act (P.L. 79-15, U.S.C. Section 1001-1015). The fund is non-reverting. (SHARE Fund #43000-86000)

*Insurance Fraud Fund.* To account for all fees collected under the provisions of the Insurance Fraud Act, Section 59A-16C-1 through 59A-16C-16, NMSA 1978, which shall be deposited in the fund and are subject to appropriation for use in paying the expenses incurred by the Superintendent of Insurance in carrying out the provisions of the Insurance Fraud Act. Interest on the fund shall be credited to the fund. The fund is a continuing, non-reverting fund. (SHARE Fund #43000-37500)

*Reproduction Fee Fund.* To account for the revenue and related expenses of providing copying services to other state agencies, to the general public and to other divisions within the Public Regulation Commission. This fund is non-reverting. (SHARE Fund #43000-47700)

*Fire Fighters Use Fee.* To account for fees paid by nonstate fire fighters that are used for the fire fighters Training Academy. This fund is non-reverting. (SHARE Fund #43000-09300)

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
NONMAJOR FUNDS (CONTINUED)  
June 30, 2009**

*Fire Protection Fund.* To provide for distribution of funds from the fire protection fund under the Fire Protection Fund Law, Chapter 59A, Article 53 NMSA 1978, to incorporated cities, towns and villages, and to county fire districts, in protection to their respective needs, for use in operation, maintenance and betterment of local fire departments, to the end that the hazard of loss by fire and fire insurance rates may be reduced and the public safety thereby promoted.

*Pipeline Safety Fund.* To account for fees collected pursuant to Subsection D of 70-3-21 NMSA 1978, appropriations, gifts, grants, donations, and earnings from investment of the fund. Balances in the fund at year-end do not revert to the general fund. The purpose of the fund is for enhancing the staffing and training of Pipeline Safety Bureau for the inspection function of interstate and intrastate pipelines. (SHARE #43000-37700)

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING BALANCE SHEET - ALL NONMAJOR FUNDS  
June 30, 2009

	Insurance Examination	Insurance Licensee Continuing Education	Title Insurance Maintenance	Insurance Fraud
<b>ASSETS</b>				
Assets				
Interest in State Treasurer Investment Pool	\$ 20,000	515,020	363,166	100,209
Due from other funds	-	-	179,316	393,643
	<hr/>			
<b>Total assets</b>	<b>\$ 20,000</b>	<b>515,020</b>	<b>542,482</b>	<b>493,852</b>
	<hr/> <hr/>			
<b>FUND BALANCES</b>				
Fund Balances				
Unreserved - designated for future year expenditures				
	20,000	515,020	542,482	493,852
	<hr/>			
<b>Total fund balances</b>	<b>20,000</b>	<b>515,020</b>	<b>542,482</b>	<b>493,852</b>
	<hr/>			
<b>Total fund balances</b>	<b>\$ 20,000</b>	<b>515,020</b>	<b>542,482</b>	<b>493,852</b>
	<hr/> <hr/>			

Reproduction Fund	Firefighters Use Fee	Pipeline Safety	Total
176,252	714,813	179,027	2,068,487
138,636	-	503,113	1,214,708
<hr/>			
\$ 314,888	714,813	682,140	3,283,195
<hr/>			
314,888	714,813	682,140	3,283,195
<hr/>			
314,888	714,813	682,140	3,283,195
<hr/>			
\$ 314,888	714,813	682,140	3,283,195
<hr/>			

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - ALL NONMAJOR FUNDS  
Year Ended June 30, 2009

	Insurance Examination	Insurance Licensee Continuing Education	Title Insurance Maintenance	Insurance Fraud
Revenues				
Insurance tax	\$ -	117,215	-	1,398,704
Grant Funds	-	-	-	-
Other fees	-	-	-	-
<b>Total revenues</b>	-	117,215	-	1,398,704
Excess (deficiency) of revenues over expenditures	-	117,215	-	1,398,704
Other Financing Sources and (uses)				
Other financing sources	-	-	-	-
Other financing uses	-	-	(352,414)	(1,642,580)
<b>Total other financing sources and (uses)</b>	-	-	(352,414)	(1,642,580)
Excess (deficiency) of revenues and other financing sources over expenditures	-	117,215	(352,414)	(243,876)
Fund balances, beginning of year	20,000	397,805	894,896	737,728
<b>Fund balances, end of year</b>	\$ 20,000	515,020	542,482	493,852

Reproduction Fund	Firefighters Use Fund	Pipeline Safety	Total
\$ -	-	-	<b>1,515,919</b>
-	-	202,600	<b>202,600</b>
127,863	144,714	787,318	<b>1,059,895</b>
127,863	144,714	989,918	<b>2,778,414</b>
127,863	144,714	989,918	<b>2,778,414</b>
-	-	-	-
(63,400)	-	(600,498)	<b>(2,658,892)</b>
(63,400)	-	(600,498)	<b>(2,658,892)</b>
64,463	144,714	389,420	<b>119,522</b>
250,425	570,099	292,720	<b>3,163,673</b>
\$ 314,888	714,813	682,140	<b>3,283,195</b>

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
INSURANCE EXAMINATION FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Insurance tax	\$ -	-	-	-
Expenditures				
Other financing uses	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Cash balance carryforward	-	-		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
INSURANCE LICENSEE CONTINUING EDUCATION FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Insurance tax	\$ -	-	117,215	117,215
Expenditures				
Other financing uses	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	<u>117,215</u>	<u>117,215</u>
Cash balance carryforward	-	-		
<b>Total</b>	<u>\$ -</u>	<u>-</u>		



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
TITLE INSURANCE MAINTENANCE FUND  
Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Other financing sources	\$ -	-	-	-
Other	469,800	469,800	-	(469,800)
Total revenues	<u>469,800</u>	<u>469,800</u>	-	<u>(469,800)</u>
Expenditures				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	469,800	469,800	352,414	117,386
Total expenditures	<u>469,800</u>	<u>469,800</u>	<u>352,414</u>	<u>117,386</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>(352,414)</u>	<u>(352,414)</u>
Cash balance carryforward	<u>-</u>	<u>-</u>		
<b>Total</b>	<u><u>\$ -</u></u>	<u><u>-</u></u>		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
INSURANCE FRAUD FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Insurance tax	\$ -	-	1,398,704	1,398,704
Other financing sources	-	-	-	-
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>1,398,704</u>	<u>1,398,704</u>
Expenditures				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	1,362,400	1,642,580	1,642,580	-
<b>Total expenditures</b>	<u>1,362,400</u>	<u>1,642,580</u>	<u>1,642,580</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(1,362,400)	(1,642,580)	<u>(243,876)</u>	<u>1,398,704</u>
Cash balance carryforward	<u>1,362,400</u>	<u>1,642,580</u>		
<b>Total</b>	<u>\$ -</u>	<u>-</u>		

**STATE OF NEW MEXICO**  
**PUBLIC REGULATION COMMISSION**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**REPRODUCTION FUND**  
**Year Ended June 30, 2009**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Printing & Reproduction	\$ 63,400	63,400	127,863	64,463
Expenditures				
Personnel services	-	-	-	-
Other financing uses	63,400	63,400	63,400	-
Excess (deficiency) of revenues over expenditures	-	-	64,463	64,463
Cash balance carryforward	-	-		
<b>Total</b>	<b>\$ -</b>	<b>-</b>		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
FIREFIGHTERS USE FEE FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Other fees	\$ -	-	144,714	144,714
Expenditures				
Other	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	<u>144,714</u>	<u>144,714</u>
Cash balance carryforward	-	-		
<b>Total</b>	<u>\$ -</u>	<u>-</u>		

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
PIPELINE SAFETY FUND  
Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues				
Other fees	\$ 955,800	955,800	787,318	(168,482)
Grant funds	-	-	202,600	202,600
<b>Total revenues</b>	<u>955,800</u>	<u>955,800</u>	<u>989,918</u>	<u>34,118</u>
Expenditures				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other financing uses	955,800	955,800	600,498	355,302
<b>Total expenditures</b>	<u>955,800</u>	<u>955,800</u>	<u>600,498</u>	<u>355,302</u>
Excess (deficiency) of revenues over expenditures	-	-	<u>389,420</u>	<u>(321,184)</u>
Cash balance carryforward	-	-		
<b>Total</b>	<u>\$ -</u>	<u>-</u>		

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
AGENCY FUNDS  
June 30, 2009**

Agency funds are used to account for assets held as an agent for other governmental units, for claimants and for other funds. The agency funds of the Commission are as follows:

*Trust Funds with the Superintendent of Insurance Fund.* Section 59A-10-4, NMSA 1978 requires insurance companies to deposit with the State Treasurer, through the Superintendent of Insurance, certain securities to be held in trust for the benefit of all its policy holders and creditors. Since the Superintendent of Insurance is acting in a fiduciary capacity, a separate agency fund has been set up to reflect the assets held and related liability. There are no revenues collected on these funds as any earnings are forwarded to the insurance companies and no expenses are attributed to this fund.

*Motor Transportation Fund.* To account for the collection and payment to the State Road Fund of monies received from both interstate and intrastate motor carriers. Collections are from permits, filing fees, and leases. (SHARE Fund #43000-19000)

*Fire Protection Fund.* To account for the receipts from the Insurance Suspense Fund. The Fire Protection Fund distributes the monies collected for the operations of the State Fire Marshal and for the operations, maintenance, and betterment of local fire districts. Section 59A-53-15, NMSA 1978 provides that all sums in excess of the total of one hundred thousand dollars (\$100,000) for the pro rata distribution plus 75% of the approved State Fire Marshal budget for the succeeding fiscal year plus the amount certified to be distributed as provided in the Fire Protection Act shall be credited to the State General Fund on or before June 30, of each fiscal year. (SHARE Fund # 43000-57800)

*Corporation Fees Fund.* To account for the collection and payment to the State General Fund of monies received from corporations authorized to do business in the State of New Mexico. Collections are from taxes, licenses, permits and various other fees. (SHARE Fund # 43000-50300)

*Qwest Performance Assurance Plan.* To account for collection of Tier 2 payments received in conjunction with Qwest's application for approval under Section 271 of the Telecommunications Act of 1996. An agreement was formed requiring Qwest to meet certain parity and benchmark standards as defined in the agreement dated August 20, 2002. Failure to meet the specified criteria results in Tier 2 payments to the Fund. The fund reverts to the State General Fund. (SHARE Fund #43000-30500)

*Franchise Tax Fund.* To account for the collection and payment to the State General Fund of monies received from corporations and franchises authorized to do business in the State of New Mexico. Collections are from franchise taxes. (SHARE Fund #43000-50400)

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
AGENCY FUNDS (CONTINUED)  
June 30, 2009**

*Pipeline Fees Fund.* To account for the collection and payment to the State General Fund of monies received from companies that conduct pipeline business in the State of New Mexico. Collections are from various fees set by state statute. (SHARE Fund # 43000-50500)

*Special Corporation Fees Fund.* To account for the collection and payment to the State General Fund of monies collected from railroads, telephone companies and radio communication carriers doing business within the State of New Mexico. Collections are from one-fourth of one percent of the gross receipts of the companies' business within the State of New Mexico. (SHARE Fund # 43000-50600)

*Insurance Suspense Fund.* To account for the collection of fees, licenses, penalties and taxes and payments to the Fire Protection Fund and other various state agencies with the excess transferring to the State General Fund. (SHARE Fund # 43000-50800)

*Fire Protection Grant Fund.* To account for the collection of transfers, appropriations, gifts, grants, donations, and bequests to the Fire Protection Grant Fund. Money in the fund is appropriated to the fire protection grant council for the purpose of making distributions approved by the council for the critical needs of municipal and county fire districts. (SHARE Fund # 43000-56900)

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING BALANCE SHEET -  
ALL AGENCY FUNDS  
June 30, 2009

	Trust Funds With the Superintendent of Insurance	Motor Transportation	Fire Protection	Corporation Fees
<b>ASSETS</b>				
Interest in State Treasurer Investment Pool	\$ -	23,553	67,755,530	29,205
Cash in banks - ancillary receivership	2,042,178	-	-	-
Security deposits	427,802,805	-	-	-
Due from external parties	-	-	433,400	-
Due from other funds	-	-	2,616,752	-
<b>Total assets</b>	<b>429,844,983</b>	<b>23,553</b>	<b>70,805,682</b>	<b>29,205</b>
<b>LIABILITIES</b>				
Due to State General Fund	-	-	30,809,436	29,205
Due to other funds	-	-	-	-
Due to external parties	-	-	4,767,280	-
Due to other agencies	-	23,553	-	-
Undistributed receipts	-	-	7,329,140	-
Accounts payable	-	-	27,899,826	-
Deposits held in trust	429,844,983	-	-	-
<b>Total liabilities</b>	<b>\$ 429,844,983</b>	<b>23,553</b>	<b>70,805,682</b>	<b>29,205</b>



	Qwest Performance Assurance Plan	Franchise Tax	Pipeline Fees	Special Corporation Fees	Insurance Suspense	Fire Fighter Survivors	Total
\$	30,000	725	-	53	10,468,403	50,000	78,357,469
	-	-	-	-	-	-	2,042,178
	-	-	-	-	-	-	427,802,805
	-	-	-	-	121,100	-	554,500
	-	-	-	-	-	-	2,616,752
	30,000	725	-	53	10,589,503	50,000	511,373,704
	30,000	725	-	53	2,578,163	-	33,447,582
	-	-	-	-	2,616,752	-	2,616,752
	-	-	-	-	194,204	-	4,961,484
	-	-	-	-	5,200,384	-	5,223,937
	-	-	-	-	-	50,000	7,379,140
	-	-	-	-	-	-	27,899,826
	-	-	-	-	-	-	429,844,983
\$	30,000	725	-	53	10,589,503	50,000	511,373,704

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING SCHEDULE OF CHANGES IN ASSETS  
AND LIABILITIES - ALL AGENCY FUNDS  
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>TRUST FUNDS WITH SUPERINTENDENT</b>				
<b>ASSETS</b>				
Cash in banks - ancillary receivership	\$ 4,243,968	-	(2,201,790)	2,042,178
Security deposits	385,178,723	42,624,082	-	427,802,805
<b>Total Assets</b>	<b>\$ 389,422,691</b>	<b>42,624,082</b>	<b>(2,201,790)</b>	<b>429,844,983</b>

<b>LIABILITIES</b>				
Deposits held in trust	\$ 389,422,691	42,624,082	(2,201,790)	429,844,983
<b>Total Liabilities</b>	<b>\$ 389,422,691</b>	<b>42,624,082</b>	<b>(2,201,790)</b>	<b>429,844,983</b>

**MOTOR TRANSPORTATION**

<b>ASSETS</b>				
Interest in the State Treasurer Investment Pool	\$ 388,151	2,287,390	(2,651,988)	23,553
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 388,151</b>	<b>2,287,390</b>	<b>(2,651,988)</b>	<b>23,553</b>

<b>LIABILITIES</b>				
Due to other state agencies	\$ 388,151	2,287,390	(2,651,988)	23,553
Accounts payable	-	-	-	-
Undistributed receipts	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 388,151</b>	<b>2,287,390</b>	<b>(2,651,988)</b>	<b>23,553</b>

**FIRE PROTECTION**

<b>ASSETS</b>				
Interest in the State Treasurer Investment Pool	\$ 44,394,529	23,361,001	-	67,755,530
Due from external parties	-	433,400	-	433,400
Due from other funds	1,901,776	714,976	-	2,616,752
<b>Total Assets</b>	<b>\$ 46,296,305</b>	<b>24,509,377</b>	<b>-</b>	<b>70,805,682</b>

<b>LIABILITIES</b>				
Due to State General Fund	\$ 21,442,562	30,809,436	(21,442,562)	30,809,436
Due from other funds	-	4,767,280	-	4,767,280
Undistributed receipts	5,290,200	7,329,140	(5,290,200)	7,329,140
Accounts payable	19,563,543	27,899,826	(19,563,543)	27,899,826
<b>Total Liabilities</b>	<b>\$ 46,296,305</b>	<b>70,805,682</b>	<b>(46,296,305)</b>	<b>70,805,682</b>

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING SCHEDULE OF CHANGES IN ASSETS  
AND LIABILITIES - ALL AGENCY FUNDS (CONTINUED)  
Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>CORPORATION FEES</b>				
<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ (316,271)	2,822,697	(2,477,221)	29,205
<b>Total Assets</b>	<u>\$ (316,271)</u>	<u>2,822,697</u>	<u>(2,477,221)</u>	<u>29,205</u>

<b>LIABILITIES</b>				
Due to State General Fund	\$ (316,271)	2,822,697	(2,477,221)	29,205
<b>Total Liabilities</b>	<u>\$ (316,271)</u>	<u>2,822,697</u>	<u>(2,477,221)</u>	<u>29,205</u>

**QWEST PERFORMANCE ASSURANCE PLAN**

<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ 56,970	24,400	(51,370)	30,000
<b>Total Assets</b>	<u>\$ 56,970</u>	<u>24,400</u>	<u>(51,370)</u>	<u>30,000</u>

<b>LIABILITIES</b>				
Due to State General Fund	\$ 56,970	24,400	(51,370)	30,000
<b>Total Liabilities</b>	<u>\$ 56,970</u>	<u>24,400</u>	<u>(51,370)</u>	<u>30,000</u>

**FRANCHISE TAX**

<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ 21,375	112,495	(133,145)	725
<b>Total Assets</b>	<u>\$ 21,375</u>	<u>112,495</u>	<u>(133,145)</u>	<u>725</u>

<b>LIABILITIES</b>				
Due to State General Fund	\$ 21,375	112,495	(133,145)	725
<b>Total Liabilities</b>	<u>\$ 21,375</u>	<u>112,495</u>	<u>(133,145)</u>	<u>725</u>

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING SCHEDULE OF CHANGES IN ASSETS  
AND LIABILITIES - ALL AGENCY FUNDS (CONTINUED)  
Year Ended June 30, 2009**

<b>PIPELINE FEES</b>	<b>Balance July 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2009</b>
<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ 5,000	-	(5,000)	-
<b>Total Assets</b>	<b>\$ 5,000</b>	<b>-</b>	<b>(5,000)</b>	<b>-</b>
<b>LIABILITIES</b>				
Due to State General Fund	\$ 5,000	-	(5,000)	-
<b>Total Liabilities</b>	<b>\$ 5,000</b>	<b>-</b>	<b>(5,000)</b>	<b>-</b>
<b>SPECIAL CORPORATION FEES</b>				
<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ 856,543	16,415,848	(17,272,338)	53
<b>Total Assets</b>	<b>\$ 856,543</b>	<b>16,415,848</b>	<b>(17,272,338)</b>	<b>53</b>
<b>LIABILITIES</b>				
Due to State General Fund	\$ 856,543	16,415,848	(17,272,338)	53
<b>Total Liabilities</b>	<b>\$ 856,543</b>	<b>16,415,848</b>	<b>(17,272,338)</b>	<b>53</b>
<b>INSURANCE SUSPENSE</b>				
<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ 10,071,542	206,620,283	(206,223,422)	10,468,403
Due from other funds	39,186	81,914	-	121,100
<b>Total Assets</b>	<b>\$ 10,110,728</b>	<b>206,702,197</b>	<b>(206,223,422)</b>	<b>10,589,503</b>
<b>LIABILITIES</b>				
Due to State General Fund	\$ 2,463,817	114,346	-	2,578,163
Due to other funds	-	2,616,752	-	2,616,752
Due to external parties	2,974,468	194,204	(2,974,468)	194,204
Due to other state agencies	4,672,443	527,941	-	5,200,384
<b>Total Liabilities</b>	<b>\$ 10,110,728</b>	<b>3,453,243</b>	<b>(2,974,468)</b>	<b>10,589,503</b>

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
COMBINING SCHEDULE OF CHANGES IN ASSETS  
AND LIABILITIES - ALL AGENCY FUNDS (CONTINUED)  
Year Ended June 30, 2009

FIREFIGHTERS' SURVIVOR	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b>ASSETS</b>				
Interest in the State Treasurer Investment				
Pool	\$ 50,000	-	-	50,000
<b>Total Assets</b>	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
<b>LIABILITIES</b>				
Undistributed receipts	\$ 50,000	-	-	50,000
<b>Total Liabilities</b>	<u>\$ 50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF SPECIAL APPROPRIATIONS  
Year Ended June 30, 2009

	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion	Unexpended and Reverted
General Fund Special Appropriations						
Laws of 2004,						
Chapter 42, Section 62						
Public Regulation Commission	\$ -	50,000	49,454	49,452.10	-	548
Laws of 2008,						
Chapter 3, Section 5	-	299,500	242,627	293,231.00	-	6,269
Public Regulation Commission						
Chapter 3, Section 5	-	30,000	10,115	10,115	-	19,885
Public Regulation Commission						
Chapter 3, Section 5	-	800,000	784,303	784,303	15,697	-
Public Regulation Commission						
Chapter 3, Section 5	-	50,000	50,000	50,000.00	-	-
Public Regulation Commission						
Laws of 2009,						
Chapter 124, Section 5	231,800	231,800	-	-	231,800	231,800
Public Regulation Commission						
Bond Proceeds Appropriations						
Laws of 2007,						
Chapter 42, Section 19	-	200,000	195,134	195,134.00	-	4,866
Public Regulation Commission						
Laws of 2008, Chapter 3,						
Section 5	-	200,000	24,088	24,088.00	175,912	-
Public Regulation Commission						

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009**

Federal Grantor/ Pass Through Grantor/ Program Title	Grant Number or Pass Through Number	Federal Catalog of Domestic Assistance Number	Total Federal Award Expenditures
<b>U.S. Department of Transportation</b>			
Direct programs			
Gas Pipeline Safety	DTPH56-09-G-PHPG29	20.700	\$ 227,332
Gas Pipeline Safety	DTPH56-09-G-PHPG29	20.700	274,998
Damage Prevention	DTPH56-09-G-PHPS08	20.700	32,863
Hazardous Liquid Pipeline Safety	DTPH56-09-G-PHPL12	20.700	13,468
Hazardous Liquid Pipeline Safety	DTPH56-09-G-PHPL12	20.700	<u>14,562</u>
			563,223
 Gas Pipeline Safety (One-call)	 DTPH56-09-G-PHPC21	 20.701	 <u>43,515</u>
<b>Total U.S. Department of Transportation</b>			<u>606,738</u>
<b>U.S. Department of Energy</b>			
Pass through program from State of New Mexico, Energy, Minerals, and Natural Resources Department			
Waste Isolation Pilot Plant Enhancement of the State of New Mexico's Emergency Response Capability	DE-FC29-88AL53813	81.106	<u>212,257</u>
<b>Total U.S. Department of Energy</b>			<u>212,257</u>
<b>U.S. Department of HUD</b>			
Economic development Initiatives-Special Projects - Firefighters Training and equipments	B-05-SP-NM-0183	14.251	<u>117,279</u>
<b>Total U.S. Department of HUD</b>			<u>117,279</u>
<b>U. S. Department of Homeland Security</b>			
State Fire training grants	2009-RB-63-0133	97.043	<u>23,408</u>
<b>Total U. S. Department of Homeland Security</b>			<u>23,408</u>
<b>Total expenditures of federal awards</b>			<u>\$ 959,682</u>

The Schedule is prepared on the accrual basis of accounting.

**Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters  
Based on an Audit of Financial  
Statements Performed in Accordance With  
*Governmental Auditing Standards***

Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

We have audited the financial statements of the governmental activities, each major fund, including the budgetary comparisons, and the aggregate remaining fund information of the State of New Mexico Public Regulation Commission (Commission), as of and for the year ended June 30, 2009, and have issued our report thereon dated December 15, 2009. We have also audited the financial statements of each of the Commission's nonmajor governmental and fiduciary funds, including the budgetary comparisons, for the year then ended June 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.



Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting; 02-03

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal controls.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 09-01.

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

This report is intended solely for the information and use of management, others within the entity, the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico Legislature, and applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 15, 2009

**Report on Compliance with Requirements Applicable to Each  
Major Program and Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

Compliance

We have audited the compliance of New Mexico Public Regulation Commission (Commission) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Not-for-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission's compliance with those requirements.

Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-02 and 09-03.

#### Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Commission's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficient is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote

Public Regulation Commissioners  
State of New Mexico Public Regulation Commission  
and  
Mr. Hector H. Balderas  
New Mexico State Auditor  
Santa Fe, New Mexico

likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-02 and 09-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

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

This report is intended solely for the information and use of the Commission's management, federal awarding agencies and pass-through entities, the New Mexico State Auditor's Office, Commission of Finance Administration, and Legislative Finance Committee and is not intended to be and should not be used by anyone other than those specific parties.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 15, 2009

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended June 30, 2009**

<u>Comment</u>	<u>Current Status</u>
02-03 Cash Receipts Deposits	Repeated and Modified
07-05 Procurement Code Violations	Resolved
08-01 Approval of Per Diem and Mileage Reimbursements	Resolved

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2009**

**A. SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?   X   Yes \_\_\_\_\_ None Reported

Non-compliance material to financial statements noted?   X   Yes \_\_\_\_\_ No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)   X   Yes \_\_\_\_\_ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?   X   Yes \_\_\_\_\_ No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.700	Hazardous Liquid Pipeline Safety Program

Dollar threshold used to distinguish between type A and type B programs   \$ 300,000  

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT NEW MEXICO  
PUBLIC REGULATION COMMISSION**

**02-03 Cash Receipts Deposits**

CONDITION

Through review of the minutes, as well as discussion with Commission management, it was noted that receipts had failed to be timely accounted for and submitted for deposit to accounting. Additionally, Commission management brought to the auditor's attention that a number of checks were discovered in a first floor bathroom, which had not been submitted to ASD for deposit. PRC management took immediate actions to rectify these issues and implemented immediate corrective measures to mitigate the risk for non-compliance and potential fraud.

We performed walkthroughs of the cash receipts and deposits transaction cycle and noted that deposits generally undergo the following process in the Insurance, Transportation and Utility divisions: payment received from customer on day one, payment processed for deposit by the Administrative Services Division on day two, and deposited with the State Treasurer on day three. We further noted deposits within the Division of Insurance continue to not meet the 24-hour statutory deposit requirement in some instances.

CRITERIA

According to State Statute (59A-6-5(c) NMSA 1978), all money received by the Insurance, Transportation and Utility divisions must be deposited within twenty-four hours of receipt. The Transportation and Utility Divisions are covered by 6-10-3 NMSA 1978, which also requires deposits to be made in 24 hours.

EFFECT

There is an increased possibility of the loss or theft of cash receipts. There is an increased risk of misstatement due to fraud or error.

CAUSE

The Commission at times receives a large quantity of incoming cash receipts. Computer systems are sometimes down, which creates a lag time in entering them into the system at the individual department.



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT NEW MEXICO  
PUBLIC REGULATION COMMISSION (CONTINUED)**

**02-03 Cash Receipts Deposits (Continued)**

RECOMMENDATION

All money received should be deposited within 24 hours. The Commission should consider streamlining the depositing process, providing additional training and guidelines and creating a monitoring function to ensure each division complies with these requirements or seek a statutory exemption from this requirement through the legislative process. For those divisions where depositing the cash receipts in 24 hours is not feasible, after considering possible streamlining, the Commission may wish to seek a statutory exemption from the 24 hour deposit rule.

MANAGEMENT RESPONSE

The Commission recognizes the instances of non-compliance with the 24-hour deposit rule. The ASD Division has implemented a check and balance procedure in which each staff member responsible for depositing cash receipts must sign and validate each receipt and get signatures of their supervisors validating that all receipts are accounted for therefore, reducing the chances of lost receipts and potential fraud. The Commission is also moving forward in creating an automated online payment and registration system for the Corporations Bureau, which will eventually be instituted agency-wide for those divisions receiving payments. The PRC does not accept cash. Upon receipt, checks are immediately, restrictively endorsed. The Commission is also providing more training to all staff in the policies and procedures involved in cash receipt management. The Commission recognizes that the instances identified in the mentioned conditions were isolated and were rectified immediately by ASD finance and budget staff. Proactive steps were immediately taken by the Commission to institute financial measures and controls to correct the non-compliance with the 24-hour deposit rule. Additionally, ASD also changed mail delivery protocols, which require designated division staff to sign for all mail that is picked up by divisions.

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009

**B. FINDINGS-FINANCIAL STATEMENT AUDIT NEW MEXICO  
PUBLIC REGULATION COMMISSION (CONTINUED)**

**09-01 Approval of Per Diem and Mileage Reimbursements**

CONDITION

During Fiscal Year 2009, the New Mexico Public Regulation Commission discovered instances of alleged fraud concerning falsification of public vouchers. The PRC management took immediate administrative and financial actions to rectify the situation. The New Mexico State Auditor was properly notified according to state law on June 23, 2009 by the ASD.

CRITERIA

The condition is a violation of the Commission's Code of Conduct and a violation of NMSA 1978, 30-23-3, Making or Permitting False Public Vouchers. Further, pursuant to 2.2.2.10 I (1) NMAC, "*Audit findings: GAGAS Paragraphs 5.10 and 5.11 states that "auditors should report, as applicable to the objectives of the audit, and based upon the audit work performed, ... all instances of fraud and illegal acts unless inconsequential..."*".

EFFECT

The NMPRC employees were in violation of NMSA 1978, 30-23-3, Making or Permitting False Public Vouchers.

CAUSE

Collusion made it difficult for the Commission to prevent the instances of alleged fraud.

RECOMMENDATION

We recommend that the Commission review its current policies and to review requests for reimbursements for proper support prior to processing them for payment. We recommend that the Commission tighten controls over travel and per-diem reimbursement.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**B. FINDINGS-FINANCIAL STATEMENT AUDIT NEW MEXICO  
PUBLIC REGULATION COMMISSION (CONTINUED)**

**09-01 Approval of Per Diem and Mileage Reimbursements (Continued)**

**MANAGEMENT RESPONSE**

The Commission recognizes, and has self reported to the State Auditor, the travel fraud that occurred and believes that this was an isolated incident. The Commission has reviewed and corrected its internal financial polices for travel and per diem reimbursements. The Commission's travel and per diem policy now mandates that all travel and per diem reimbursements require supervisor and division director signatures prior to submission to ASD for processing. The ASD staff will verify that the travel was taken through supporting documentation submitted and approved by the supervisor and division director. If supporting documentation does not support the reimbursement request, ASD staff shall return reimbursement requests to the employee requiring more documentation prior to final acceptance by ASD for submission to DFA for payment.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS  
PROGRAM AUDIT - NEW MEXICO PUBLIC REGULATION  
COMMISSION**

**09-02 Pipeline Safety Program – Allowable Costs**

Funding agency: U.S. Department of Transportation  
Title: Pipeline Safety Program  
CFDA Number: 20.700  
Award Number: DTPH56-09-G-PHPG29

QUESTIONED COSTS - \$14,000

**CONDITION**

During our single audit procedures we noted that the program has been charged for \$20,000 for postage; \$14,000 of the expenditure is unallowed as per briefing given by the federal financial review of the program during the month of October 2009.

**CRITERIA**

Per the grant agreement, expenditures charged should be for the purpose of the program objectives.

**EFFECT**

The Program has unallowed expenditures, which have to either be refunded to the federal agency or adjusted against the grant funds of future periods.

**CAUSE**

Federal and State funds were not accounted for under separate accounting structures within the accounting systems.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS  
PROGRAM AUDIT - NEW MEXICO PUBLIC REGULATION  
COMMISSION (CONTINUED)**

**09-02 Pipeline Safety Program – Allowable Costs (Continued)**

Funding agency: U.S. Department of Transportation

Title: Pipeline Safety Program

CFDA Number: 20.700

Award Number: DTPH56-09-G-PHPG29

**RECOMENDATION**

We recommend that the program should implement review procedures in place to monitor all the program disbursements.

**MANAGEMENT RESPONSE**

The Commission through a federal financial audit done in October 2009, recognizes that a purchase of \$20,000 in postage was inadvertently submitted for reimbursement to the Federal Government. This purchase was to be allocated to both the federal grant and to the pipeline safety fee fund. Because the commission has accounted for federal dollars in the same accounting structure code as other state funds (pipeline safety fees) the complete purchase amount was sent to the federal government for reimbursement by the program manager. The account structure previously used by the Pipeline Safety Bureau increased the risk of charging unallowed expenses to the federal government. The Commission has reviewed and corrected internal financial policies to separate each revenue source into its own accounting structure in the state's accounting system SHARE in order to account for all expenditures in the correct revenue source. This will reduce the risk of charging unallowed expenditures to a federal grant. The federal government is adjusting the unallowed expenditure by reducing the current year grant by the unallowed portion of the expenditure.

STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS  
PROGRAM AUDIT – NEW MEXICO PUBLIC REGULATION  
COMMISSION (CONTINUED)**

**FA-09-03 Pipeline Safety Program – Progress Report and Mid-term Financial  
Status Report**

Funding agency: U.S. Department of Transportation  
Title: Pipeline Safety Program – Damage Prevention  
CFDA Number: 20.700  
Award Number: DTPH56-09-G-PHPS08

QUESTIONED COSTS - None

CONDITION

We noted during our inquiries, that the progress report and mid-term financial status reports are not filed.

CRITERIA

According to the grant agreement the program is required to submit progress reports and mid-term financial status report, no later than July 31, 2009.

EFFECT

The program is not in compliance with the reporting requirement of grant agreement and this may impact future funding.

CAUSE

The program does not have a system in place to alert the staff to file the reports.

RECOMMENDATION

We recommend that a tickler system be implemented to alert the staff to prepare and submit the reports in time.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
Year Ended June 30, 2009**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS  
PROGRAM AUDIT - NEW MEXICO PUBLIC REGULATION  
COMMISSION (CONTINUED)**

**FA-09-03 Pipeline Safety Program - Progress Report and Mid-term Financial  
Status Report (Continued)**

**MANAGEMENT RESPONSE**

The Commission recognizes the bureaus failure to submit required federal reports. The Commission has reviewed and corrected the agency's internal policies to ensure there is a check and balance within the reporting processes for federal grant reporting. ASD is working to centralize and establish a federal grant management function within ASD finance and budget to ensure compliance of all federal grant requirements.

**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION  
EXIT CONFERENCE  
Year Ended June 30, 2009**

An exit conference was held on December 14, 2009. Attending were the following:

Representing the Commission:

Sandy Jones, Chairman of Commission  
Juan Rios, ASD Director  
Matthew Lovato, Chief Financial Officer  
Ronny Lujan, Deputy Superintendent – Insurance Division  
Rocke Johnson, Chief of Staff – Management Analysis

Representing Moss Adams LLP:

Larry Carmony, Partner  
Christopher Wolf, Senior

The financial statements were prepared with the assistance of Moss Adams LLP.