



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION**

**FINANCIAL STATEMENTS  
AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2013**

atkinson

PRECISE. PERSONAL. PROACTIVE.

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State of New Mexico  
Public Regulation Commission

**OFFICIAL ROSTER**

June 30, 2013

**COMMISSIONERS**

Karen L. Montoya	Commissioner
Patrick H. Lyons	Chairman
Valerie Espinoza	Commissioner
Theresa Becenti-Aguilar	Vice-Chairman
Ben L. Hall	Commissioner

**ADMINISTRATIVE OFFICIALS**

S. Vincent Martinez	Chief of Staff beginning September 2013
Matthew Lovato	Director, Administrative Services / Chief Financial Officer
Jim Williamson	Director, Consumer Relations
John Franchini	Superintendent of Insurance
Patrick Lopez	Director, Legal
Ryan Jerman	Director, Transportation
Dwight Lamberson	Director, Utilities
Michael C. Smith	Deputy Chief of Staff, Office of General Counsel
William Hermann	Director, Hearing Examiners
Johnny Montoya	Chief of Staff through August 2013



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the budgetary comparisons for the General Fund and Major Special Revenue Funds, and the aggregate remaining fund information of the State of New Mexico Public Regulation Commission (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. We have also audited the financial statements of each of the Commission's non-major governmental and fiduciary funds, including the budgetary comparisons of the non-major funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the 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, 2013, and the respective changes in financial position and the respective budgetary comparisons of the General Fund and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary funds of the Commission as of June 30, 2013, and the respective changes in the financial position and the respective budgetary comparisons for the nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note B1, the financial statements of the Commission are intended to present the financial position and changes in financial position, of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of the Commission. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2013, and the changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis information of pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.



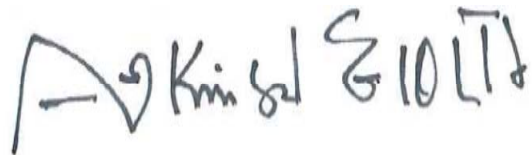
We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements, and the combining and individual fund financial statements and respective budgetary comparisons. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The fiduciary combining schedules of changes in assets and liabilities – agency funds and special appropriations listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the fiduciary combining schedule of changes in assets and liabilities – agency funds and schedule of special appropriations are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, 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* in considering the Commission's internal control over financial reporting and compliance.

A handwritten signature in dark ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 12, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2013

The State of New Mexico Public Regulation Commission's (Commission or NMPRC) discussion and analysis provides the reader of the financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2013. The financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments*, and related GASB statements, which established financial reporting requirements for state and local governments throughout the United States. The requirements were developed by GASB to make annual reports more comprehensive and easier to understand and use.

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.

### **The Basic Financial Statements**

In compliance with requirements of U.S. generally accepted accounting principles (GAAP), the Commission's basic financial statements include the:

- Government-wide financial statements;
- Fund financial statements;
- Budget comparison statements;
- Notes to the financial statements.

In accordance with 2.2.2 New Mexico Administrative Code (NMAC) Section 2.2.2.10 A. (2)(d), the audit opinion also covers additional information consisting of:

- Combining financial statements.

The Management's Discussion and Analysis (MD&A) is included as required supplementary information (RSI).

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a corporate-like manner. These statements report information about the overall government without displaying individual funds or fund types. They distinguish between governmental activities and business-type activities. The Commission does not have any business-type activities.

The focus of the Statement of Net Position 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**Government-Wide Financial Statements - Continued**

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 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 held in a custodial purpose and do not represent discretionary assets of the government. These assets, therefore, are not presented as part of the Government-Wide Financial Statements.

**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.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to gain a full understanding of the data provided in the government-wide financial statements. The notes to the financial statements can be found on pages 22 through 44 of this report.

State of New Mexico  
Public Regulation Commission

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**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**

**Commission's Net Position**

<u>NET POSITION</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
<b>ASSETS</b>			
<i>Government activities</i>			
Current and other assets	\$ 69,036,749	\$ 72,878,563	\$ (3,841,814)
Capital assets	2,688,943	2,754,643	(65,700)
Total assets	<u>\$ 71,725,692</u>	<u>\$ 75,633,206</u>	<u>\$ (3,907,514)</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 19,477,856	\$ 26,603,726	\$ (7,125,870)
Non-current liabilities	43,247,223	41,984,328	1,262,895
Total liabilities	<u>62,725,079</u>	<u>68,588,054</u>	<u>(5,862,975)</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,688,943	2,754,643	(65,700)
Restricted for special projects	6,873,488	4,820,917	2,052,571
Unrestricted	<u>(561,818)</u>	<u>(530,408)</u>	<u>(31,410)</u>
Total net position	<u>9,000,613</u>	<u>7,045,152</u>	<u>1,955,461</u>
Total liabilities and net position	<u>\$ 71,725,692</u>	<u>\$ 75,633,206</u>	<u>\$ (3,907,514)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED**

**Discussion of Statement of Net Position**

Net position is derived by deducting total liabilities from total assets as there are no deferred outflows and inflows. Net position increased by \$1,955,461.

Current assets consist mostly of investments with the State Treasurer of \$23,055,696; other investments of \$40,636,642; amounts due from external parties (agency funds) of \$4,600,185; grants receivable of \$742,126 and amounts due from other state agencies of \$2,100.

The Commission reports balances in three categories of net position; (1) invested in capital assets; (2) restricted for special purposes and (3) unrestricted. The invested in capital assets balance is positive, but the unrestricted balance is negative due to compensated absences reported on the government-wide financial statements.

Restricted net position increased due to increases in investments held with the State Treasurer reported by the Patient Compensation Fund.

**Capital Asset and Debt Administration**

The decrease in capital assets of \$65,700 is due to depreciation expense recorded in the current fiscal year, partially offset by new purchases of machinery and equipment of \$305,304.

**Liabilities**

Current liabilities of \$19,477,856 consists primarily of accounts payable \$798,995, i.e., money that the Commission is obligated to pay; accrued salaries and benefits payable \$51,965; due to external parties (agency funds) \$127,109; due to the State General Fund \$5,461,034; deferred revenue \$1,763,549, due to the Federal Government of \$5,152, and other liabilities of \$226,823. The estimated current portion of patients' claims payable is \$11,043,229.

**Long-Term Debt**

At the end of the current fiscal year, the Commission had total long-term debt outstanding of \$43,247,223, of which primarily consist of the long-term portion of patient's compensation claims payable.

Employees can receive compensation for a maximum of 240 hours upon severance.

State of New Mexico  
Public Regulation Commission

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED**

**Commission's Statement of Activities**

<u>STATEMENTS OF ACTIVITIES</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change</u>
<i>Government activities</i>			
Operating grants and contributions	\$ 1,632,261	\$ 1,743,801	\$ (111,540)
Investment income	3,120,931	1,464,820	1,656,111
Charges for services	23,040,243	23,245,438	(205,195)
General Fund appropriations	7,836,800	7,771,200	65,600
Other financing sources	9,420,400	7,148,874	2,271,526
Other	(22,435)	(3,062)	(19,373)
	<u>45,028,200</u>	<u>41,371,071</u>	<u>3,657,129</u>
Total revenue			
Program expenses	33,727,948	51,002,841	(17,274,893)
Other financing uses	9,344,791	8,435,013	909,778
	<u>43,072,739</u>	<u>59,437,854</u>	<u>(16,365,115)</u>
Total expense			
Change in net position	1,955,461	(18,066,783)	20,022,244
Net position, beginning of year	<u>7,045,152</u>	<u>25,111,935</u>	<u>(18,066,783)</u>
Net position, end of year	<u>\$ 9,000,613</u>	<u>\$ 7,045,152</u>	<u>\$ 1,955,461</u>

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

**Discussion of Statement of Activities**

This statement shows the components that increased, in the aggregate, the Commission's net position by \$1,955,461 during the year. In the government-wide financials, revenues from other financing sources increased \$2,576,134 due to a related increase in transfers into the General Fund from agency funds. The transfers served to reimburse the costs of insurance policy and public safety programs provided in the General Fund. There was an increase in other financing uses of \$909,778 due to a lower amount of reversions required to be transferred to the State General Fund offset by an increase in grants to other organizations. Program expenses decreased \$17,274,893 primarily due to the prior year changes in estimates to the Patients Compensation Fund claim liability. This liability only changes every other year. Additionally, an increase in appropriations of \$65,600 also occurred in FY 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**THE COMMISSION'S FUNDS**

**The Commission's Individual Governmental Funds**

As of year-end, the governmental funds, as presented on the balance sheet, reported a combined fund balance of \$60,602,122, for a net increase over the prior fiscal period of \$2,081,720. This increase is primarily in the Patients' Compensation Fund which increased by \$698,236 as a result of an increase in revenue and a decrease in operating costs due to a one time class action lawsuit settlement in the prior year. The non-major governmental funds and Insurance Operations Fund increased by \$1,354,785 and \$28,699, respectively. The General Fund remained at zero.

The General Fund revenues decreased \$127,436 as compared to the previous year due to a decrease in grant funds and bond proceeds. Other financing sources decreased \$304,623 as a result of an increase in General Fund reversions to the State General Fund. Expenditures also decreased \$432,059 as a result of a decrease overall spending by the agency due to vacancies.

The Patients' Compensation Fund fee revenues increased \$599,948 primarily due to an increase in investment income of \$1,653,844, which was partially offset by a decrease in other fee revenue of \$1,053,896 due to a decrease in annual surcharge revenue levied and collected by healthcare providers. Expenditures decreased \$10,244,693 due to decrease in claim expenditures in fiscal year 2013 in comparison with fiscal year 2012 which included a one-time class action lawsuit settlement.

The Insurance Operations Fund revenues increased in Fiscal Year 2013 by \$468,273 as compared to the previous year resulting from an increase in fees. Other financing uses increased in Fiscal Year 2013 by \$146,655 due to an increase in the amount transferred out to cover operations and a decrease in the amount of \$360,379 required to be transferred to the State General Fund.

**General Fund Budgetary Highlights**

In the General Fund, the final budgeted expenditures decreased from the prior fiscal year by \$2,334,330 due to normal variances in operations. The Commission has continued to manage its operations meeting all statutory requirements that are set upon this Commission. Actual expenditures were a favorable variance of \$2,621,428 as compared to the final budgeted amount.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) – CONTINUED**

June 30, 2013

**THE COMMISSION'S FUNDS - CONTINUED**

**Currently Known Facts**

The New Mexico Public Regulation Commission in fiscal year 2013 continued to achieve all statutorily required functions of the agency and was able to reduce overall operating expenditures. The Commission increased transparency by implementing a new website with more information available to the public. The Commission is now providing webcasting with audio streaming which allows the public to view the Commission open meetings. The Commission implemented a new vehicle policy that will ensure accountability in the use of all Commission vehicles. The Commission is committed to providing staff training to ensure that staff has the required tools to provide accurate and reliable information to the Commissioners in order to make sound decisions in rule and rate making processes.

Due to the passage of constitutional amendments passed on November 12, 2013, moving the regulation of insurance to a stand-alone agency and the movement of the registration of corporations to the Secretary of State, which took place effective July 1, 2013, the Commission's overall budget and subsequent revenues and expenditures will significantly decrease in fiscal year 2014. The Commission in fiscal year 2014 will consist of three major funds in which the Commission's operations will reside (P611 Policy and Regulation, P612 Public Safety, and P613 Program Support) moving the Insurance program from the Commission to the Office of the Superintendent of Insurance. The Program Support Program within the reorganized Commission will see the majority of the decrease in budget and expenditures as the majority of the FTE's that were transferred with the passage of these constitutional amendments were from this program and the Insurance Program, which is no longer part of the Commission. Effectively a total of 108 FTE's have moved from the Commission, 20 FTEs moved with Corporations to the Secretary of State and 88 FTEs moved with the Office of the Superintendent of Insurance. Therefore you will see a significant decrease on Personal Services and Employee Benefits for the Commission's Program Support Program where the FTEs for the Corporations staff resided while under the Commission.

The Commission worked closely with the transition team of the Secretary of State and the Office of the Superintendent of Insurance to ensure that a streamlined transition occurred that did not impact the services being provided to consumers.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, customers, legislators, 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 335 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.gov](http://www.nmprc.gov).



State of New Mexico  
Public Regulation Commission

**STATEMENT OF NET POSITION**

June 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Investments	\$ 40,636,642
Investments, State Treasurer Investment Pool	23,055,696
Due from external parties-agency funds	4,600,185
Due from Federal government	742,126
Due from other agencies	2,100
Total current assets	69,036,749
Capital assets, net	2,688,943
Total assets	71,725,692
<b>LIABILITIES</b>	
Accounts payable	798,995
Accrued payroll	51,965
Deferred revenue	1,763,549
Other liabilities	226,823
Due to external parties	127,109
Due to Federal Government	5,152
Due to State General Fund	5,461,034
Due in one year	11,043,229
Total current liabilities	19,477,856
Non-current liabilities	
Due in more than one year	43,247,223
Total liabilities	62,725,079
<b>NET POSITION</b>	
Net investment in capital assets	2,688,943
Restricted for special purposes	6,873,488
Unrestricted (deficit)	(561,818)
Total net position	\$ 9,000,613

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**STATEMENT OF ACTIVITIES**

For the year ended June 30, 2013

	<u>Policy and Regulation</u>	<u>Public Safety</u>	<u>Agency Support</u>	<u>Governmental Activities</u>
PROGRAM EXPENSES	\$ (26,038,069)	\$ (4,859,328)	\$ (2,830,551)	\$ (33,727,948)
PROGRAM REVENUES				
Operating grants	181,087	1,451,174	-	1,632,261
Charges for services	<u>23,040,243</u>	<u>-</u>	<u>-</u>	<u>23,040,243</u>
Net program revenue (expense)	<u>\$ (2,816,739)</u>	<u>\$ (3,408,154)</u>	<u>\$ (2,830,551)</u>	(9,055,444)
GENERAL REVENUES				
Transfers - General Fund appropriations				7,836,800
Transfers - State General Fund reversions - 2013 FY				(6,399,111)
Grants to local governments				(2,945,680)
Investment income				3,120,931
Loss on disposal of capital assets				(22,435)
Transfers in from external parties-agency funds				<u>9,420,400</u>
Total general revenues				<u>11,010,905</u>
Change in net position				1,955,461
Net position, beginning of year				<u>7,045,152</u>
Net position, end of year				<u>\$ 9,000,613</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2013

	General Fund- 55000	Patient's Compensation Fund- 23500	Insurance Operations Fund- 03900	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Current Assets					
Investments, State Treasurer Investment Pool	\$ 1,804,048	\$ 9,967,898	\$ 7,036,250	\$ 4,247,500	\$ 23,055,696
Investments	-	40,636,642	-	-	40,636,642
Due from other funds	-	-	199,650	618,916	818,566
Due from external parties-agency funds	-	-	-	4,600,185	4,600,185
Due from state general fund	-	-	-	-	-
Due from other agencies	1,198	896	-	6	2,100
Due from federal government	742,126	-	-	-	742,126
	<u>742,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>742,126</u>
<b>Total assets</b>	<b><u>\$ 2,547,372</u></b>	<b><u>\$ 50,605,436</u></b>	<b><u>\$ 7,235,900</u></b>	<b><u>\$ 9,466,607</u></b>	<b><u>\$ 69,855,315</u></b>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable	\$ 779,113	\$ 19,882	\$ -	\$ -	\$ 798,995
Accrued payroll	50,498	1,467	-	-	51,965
Deferred revenue	-	-	-	1,763,549	1,763,549
Other liabilities	-	-	-	226,823	226,823
Due to other funds	818,566	-	-	-	818,566
Due to agency funds	127,109	-	-	-	127,109
Due to Federal Government	5,152	-	-	-	5,152
Due to State General Fund	766,934	-	4,694,100	-	5,461,034
	<u>766,934</u>	<u>-</u>	<u>4,694,100</u>	<u>-</u>	<u>5,461,034</u>
<b>Total liabilities</b>	<b>2,547,372</b>	<b>21,349</b>	<b>4,694,100</b>	<b>1,990,372</b>	<b>9,253,193</b>
<b>FUND BALANCES</b>					
Restricted:					
Special Revenue Funds	-	50,584,087	2,541,800	7,251,921	60,377,808
Committed:					
Reproduction Fund	-	-	-	224,314	224,314
	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,314</u>	<u>224,314</u>
<b>Total fund balances</b>	<b><u>-</u></b>	<b><u>50,584,087</u></b>	<b><u>2,541,800</u></b>	<b><u>7,476,235</u></b>	<b><u>60,602,122</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,547,372</u></b>	<b><u>\$ 50,605,436</u></b>	<b><u>\$ 7,235,900</u></b>	<b><u>\$ 9,466,607</u></b>	<b><u>\$ 69,855,315</u></b>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS**

For the year ended June 30, 2013

Fund balance - total governmental funds		\$ 60,602,122
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Governmental capital assets	9,914,849	
Accumulated depreciation	<u>(7,225,906)</u>	2,688,943
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Patients' Compensation Fund claims liability		(53,504,320)
Compensated absences		<u>(786,132)</u>
Net position of governmental activities (Statement of Net Position)		<u>\$ 9,000,613</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the year ended June 30, 2013

	General Fund - 55000	Patients' Compensation Fund- 23500	Insurance Operations Fund- 03900	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Insurance tax	\$ -	\$ -	\$ -	\$ 1,328,108	\$ 1,328,108
Other fees	-	11,134,060	9,806,400	771,675	21,712,135
Investment income	-	3,117,810	-	3,121	3,120,931
Grant funds - federal	1,451,174	-	-	181,087	1,632,261
<b>Total revenues</b>	<b>1,451,174</b>	<b>14,251,870</b>	<b>9,806,400</b>	<b>2,283,991</b>	<b>27,793,435</b>
<b>EXPENDITURES</b>					
Current:					
Personal services	11,823,408	40,400	-	86,096	11,949,904
Employee benefits	5,091,644	14,757	-	-	5,106,401
In-state travel	135,991	-	-	-	135,991
Maintenance and repairs	186,572	1,116	-	-	187,688
Supplies	397,060	7,976	-	-	405,036
Contractual services	857,441	193,687	-	104,245	1,155,373
Operating costs	1,533,261	12,744,698	-	18,242	14,296,201
Out-of-state travel	82,226	-	-	-	82,226
Capital outlay	305,304	-	-	-	305,304
<b>Total expenditures</b>	<b>20,412,907</b>	<b>13,002,634</b>	<b>-</b>	<b>208,583</b>	<b>33,624,124</b>
(Deficiency) excess of revenues over expenditures	(18,961,733)	1,249,236	9,806,400	2,075,408	(5,830,689)
<b>OTHER FINANCING SOURCES (USES)</b>					
General Fund appropriations	7,836,800	-	-	-	7,836,800
Reversions to the State General Fund	(1,705,011)	-	(4,694,100)	-	(6,399,111)
Grants to local governments	-	-	-	(2,945,680)	(2,945,680)
Operating transfers in	12,829,944	-	-	5,219,101	18,049,045
Operating transfers out	-	(551,000)	(5,083,601)	(2,994,044)	(8,628,645)
<b>Total other financing sources (uses)</b>	<b>18,961,733</b>	<b>(551,000)</b>	<b>(9,777,701)</b>	<b>(720,623)</b>	<b>7,912,409</b>
Net change in fund balances	-	698,236	28,699	1,354,785	2,081,720
FUND BALANCES - beginning of year	-	49,885,851	2,513,101	6,121,450	58,520,402
FUND BALANCES - end of year	<u>\$ -</u>	<u>\$ 50,584,087</u>	<u>\$ 2,541,800</u>	<u>\$ 7,476,235</u>	<u>\$ 60,602,122</u>

The accompanying notes are an integral part of this financial statement.

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**

For the year ended June 30, 2013

Net change in fund balances - total governmental funds		\$ 2,081,720
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Loss on disposal of capital assets	(22,435)	
Capital outlay	305,304	
Depreciation expense	<u>(348,569)</u>	
Change in capital assets		(65,700)
Change in Patients' Compensation Fund Liabilities		-
Change in compensated absences		<u>(60,559)</u>
Change in net position of governmental activities (Statement of Activities)		<u>\$ 1,955,461</u>

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
GENERAL FUND (SHARE 55000)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 7,836,800	\$ 7,836,800	\$ 7,836,800	\$ -
Other financing sources	13,500,100	13,500,100	12,829,944	(670,156)
Federal funds	930,000	1,562,435	1,451,174	(111,261)
Bond proceeds	135,000	135,000	-	(135,000)
Total budgeted revenues	22,401,900	23,034,335	22,117,918	(916,417)
Expenditures:				
Personal services	17,871,100	18,053,389	16,915,052	1,138,337
Contractual services	1,293,400	1,640,988	857,441	783,547
Operating costs	3,237,400	3,339,958	2,640,414	699,544
Total budgeted expenditures	22,401,900	23,034,335	20,412,907	2,621,428
Excess (deficiency) of revenues over expenditures	-	-	1,705,011	1,705,011
Prior year fund balance required to balance budget	-	-	-	-
Total	\$ -	\$ -	1,705,011	\$ 1,705,011
Reversions			(1,705,011)	
Change in fund balance per GAAP			\$ -	

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
PATIENTS’ COMPENSATION FUND (SHARE 23500)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Doctors' surcharge	\$ -	\$ -	\$ 11,134,060	\$ 11,134,060
Investment Income	-	-	3,117,810	3,117,810
Other fees	-	-	-	-
Total revenues	-	-	14,251,870	14,251,870
Expenditures:				
Personal services	55,700	55,700	55,157	543
Contractual services	489,300	489,300	193,687	295,613
Operating costs	15,012,700	15,012,700	12,753,790	2,258,910
Other Financing Uses	551,400	551,400	551,000	400
Total expenditures	16,109,100	16,109,100	13,553,634	2,555,466
Excess (deficiency) of revenues over expenditures (prior year fund balance required to balance budget)	(16,109,100)	(16,109,100)	698,236	\$ 16,807,336
Fund balance carryforward	16,109,100	16,109,100		
Total	\$ -	\$ -		
Reversions			-	
Change in fund balance per GAAP			\$ 698,236	

The accompanying notes are an integral part of this financial statement.



State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
INSURANCE OPERATIONS FUND (SHARE 03900)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees	\$ 5,083,600	\$ 5,083,600	\$ 9,806,400	\$ 4,722,800
Other financing sources	-	-	-	-
Total revenues	5,083,600	5,083,600	9,806,400	4,722,800
Expenditures:				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Other financing uses	5,083,600	5,083,600	5,083,600	-
Total expenditures	5,083,600	5,083,600	5,083,600	-
Excess (deficiency) of revenues over expenditures (prior year fund balance required to balance budget)	-	-	4,722,800	\$ 4,722,800
Fund balance carryforward	-	-		
Total	\$ -	\$ -		
Reversions			(4,694,101)	
Change in fund balance per GAAP			\$ 28,699	

The accompanying notes are an integral part of this financial statement.

State of New Mexico  
Public Regulation Commission

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUNDS**

June 30, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Investments, State Treasurer Investment Pool	\$ 71,030,495
Cash in banks - ancillary receivership accounts	1,256,622
Securities deposits	483,330,496
Due from external parties	326,759
Due from other funds	<u>1,567,724</u>
 Total assets	 <u>\$ 557,512,096</u>
<b>LIABILITIES</b>	
Due to State General Fund	\$ 19,131,825
Due to other funds	1,567,724
Due to external parties	4,799,835
Due to other state agencies	73,078
Undistributed receipts	4,145,094
Accounts payable	43,207,422
Securities held in trust	<u>484,587,118</u>
 Total liabilities	 <u>\$ 557,512,096</u>

The accompanying notes are an integral part of this financial statement.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### NOTE A – HISTORY AND FUNCTION

The State of New Mexico Public Regulation Commission (Commission or NMPRC), 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 B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Commission have been prepared in conformity with U.S. generally accepted accounting principles (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:

#### 1. Reporting Entity

GASB 14 and 61 define the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable and a financial benefit or burden relationship is present, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government".

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.

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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. 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 Position, 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 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.

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. Any internal activity between funds is eliminated for fund financial statements.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Basic Financial Statements – Continued

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.

*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 42-528, 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). The fund is non-reverting.

*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).

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

2. Basic Financial Statements – Continued

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.

3. 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.

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 and all other eligibility requirements are met. 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. Revenues collected for future periods are deferred until available. All other revenues are recognized when they are received and are not susceptible to accrual.

Program 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

3. Basis of Accounting – Continued

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.

4. 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 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 2013 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 Commission 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

4. 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 1st. 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 program level. All of the Commission's governmental funds were budgeted that had significant activity. 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 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.

5. 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.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

6. Investments

*Security Investments 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.

7. 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.

8. Interfund Receivables and Payables

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

9. Capital Assets

Property, plant and equipment purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. 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 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.

	<u>Years</u>
Building improvements	50
Machinery and equipment	5-20
Land improvements	15-20
Buildings	25-45

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

10. Fund Balances

In the governmental fund financial statements, the Commission classifies fund balances into spendable and non-spendable classifications. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact until expended for its restricted purpose. The Commission has no non-spendable fund balances as of June 30, 2013.

The spendable classifications are detailed below:

***Restricted Fund Balances***

In the governmental fund financial statements, *restrictions* of fund balance are reported when constraints placed on the use of resources are either: (1) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Based on the criteria above, the Commission reports restricted funds totaling \$60,377,808 as of June 30, 2013.

***Committed Fund Balances***

In the governmental fund financial statements *committed* fund balances are reported when amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (both Legislative and Executive branches through formal action ). The Commission had *committed* fund balances in the Reproduction Fund (SHARE 47700) totaling \$224,314 as of June 30, 2013.

***Assigned Fund Balances***

In the governmental fund financial statements, *assigned* fund balances are reported when amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. The Commission does not have the authority to assign fund balance for a specific purpose. The Commission has no *assigned* fund balances as of June 30, 2013.

***Unassigned Fund Balances***

In the governmental fund financial statements, *unassigned* fund balances are reported to reflect residual fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The Commission has no *unassigned* fund balances as of June 30, 2013.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

10. Fund Balances – Continued

***Unassigned Fund Balances – Continued***

Generally, the Commission would first apply committed resources when an expense is incurred for purposes for which both committed or unassigned fund balances are available.

11. Net Position

The government-wide fund financial statements utilize a net position presentation. The Commission adopted GASB Statement No. 63 during the year ended June 30, 2013. Net position is defined by GASB 63 as the residual of all assets, liabilities, deferred outflows of resources, and deferred inflows of resources for the Commission. There are no deferred inflows of resources or deferred outflows of resources for the year ended June 30, 2013. See Note Q for more information on the implementation of GASB 63. Net position is categorized as net investment in capital assets, restricted and unrestricted.

**Net Investment in Capital Assets** – is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The Commission did not have any related debt during the year ended June 30, 2013.

**Unrestricted Deficit** – represents the deficit of total assets over total liabilities and net position invested in capital assets at June 30, 2013.

**Restricted Net Position** – net position should be reported as restricted when constraints placed on net asset use are either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Enabling legislation must be legally enforceable. Legal enforceability means that a government can be compelled by an external party - such as citizens, public interest groups or the judiciary – to use resources only for the purposes specified by the legislation.

The amount of net position restricted by enabling legislation is \$6,873,488 at June 30, 2013.

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.

12. 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

13. 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.

14. 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 C – CASH AND INVESTMENTS**

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. At June 30, 2013 the Commission had the following invested in the General Fund Investment Pool:

General Fund Investment Pool (GFIP):	<u>\$ 94,086,191</u>
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The circumstances recorded in Note P raise a concern regarding the accuracy of the Commission's share of the GFIP.

The Commission has adopted policies and procedures to mitigate the risk of misstatement in the Commission's interest in the State General Fund Investment Pool. These include:

The Commission does a batch process for all cash that is collected and deposited. These batches are generated by staff within each division that collects revenues. The batches are verified by the supervisors of each division and then sent down to Administrative Services Division (ASD) for deposit. The batches are then verified by ASD staff to ensure that the checks in each batch match the batch report. The ASD supervisor will then verify deposit entered into SHARE to ensure that the amount equals for each batch and are entered into correct fund and account documentation is retained for all transactions. Expenditure support is retained for all transactions. Due to these compensating controls, the Commission believes the value of its share of the GFIP at June 30, 2013 materially approximates \$94,086,090, including agency funds. Adjustments, if any that might be required are not known currently.

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE C – CASH AND INVESTMENTS – CONTINUED**

*Interest Rate Risk* - The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

*Credit risk* - The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2013.

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

	Book Balance	Treasurer Balance
General Fund		
Operating Account	\$ 1,804,048	\$ 1,804,048
Special Revenue Funds		
Patients' Compensation Fund	9,967,898	9,967,898
Insurance Operations Fund	7,036,250	7,036,250
Fire Protection Grant Fund	18,938	18,938
Firefighter's Use Fund	1,024,892	1,024,892
Insurance Examination Fund	1,387	1,387
Insurance Licensing Continuing Ed Fund	926,906	926,906
Insurance Fraud Fund	760,989	760,989
Fire Safe Cigarette and Fire Protection Fund	479,513	479,513
Reproduction Fund	32,314	32,314
Pipeline Safety Fund	1,002,561	1,002,561
Total Special Revenue Funds	21,251,648	21,251,648
Agency Funds		
Fire Fighter Survivor Fund	64,361	64,361
Fire Protection Fund	69,643,390	69,643,390
Motor Transportation Fund	21,926	21,926
Corporation Fees Fund	65,573	65,573
Special Corporation Fees Fund	51	51
Franchise Tax Fund	-	-
Utility Fees Fund	-	-
Pipeline Fees Fund	-	-
Insurance Suspense Fund	1,234,594	1,234,594
Qwest Performance Assurance Fund	600	600
Total Agency Funds	71,030,495	71,030,495
Total Investments, State Treasurer	\$ 94,086,191	\$ 94,086,191

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE C – CASH AND INVESTMENTS – CONTINUED**

*Cash in Banks - Ancillary Receivership.* The following is a listing of the Commission's Ancillary Receivership cash balances on deposit at a local financial institution. The amounts are reported in Trust funds with the Superintendent of Insurance Agency Fund (SHARE 41190). These balances are grouped by depository financial institutions as of June 30, 2013:

Century Bank of Santa Fe - Deposit Account	\$ <u>628,272</u>
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There were no reconciling items on this bank account.

The Commission has entered into a custodial agreement with the above financial institution 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, 2013, the State Treasurer reported that the cash account was adequately collateralized in accordance with state statutes. Please refer to the separately issued financial statements of the State Treasurer's Office for additional information.

*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 \$483,330,496 are from insurance companies which are required by statute. The deposits consist of federal government securities and are recorded at fair value. While these assets are held in trust, the type of investment income and other investment decisions are controlled by the insurance companies. The amounts are reported in Trust funds with the Superintendent of Insurance Agency Fund (SHARE 41190).

*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.

The value of the investments maintained at the State Investment Council External Pooled Investment Funds are as follows at June 30, 2013:

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE C – CASH AND INVESTMENTS – CONTINUED**

	Market Value
Core Bond Fund	\$ 25,647,998
Non US Developed	2,558,755
Non US Emerging Markets	2,061,688
Large Cap Index	8,061,858
Mid/Small Cap	2,306,343
	\$ 40,636,642

*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.

Please see the financial statements of the State Investment Council for a further discussion of the risks of the pooled investments. Their audit report may be obtained by contacting the State Investment Council at 41 Plaza La Prensa #A, Santa Fe, New Mexico 87507.

**NOTE D – 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 financial statements. Amounts reported as due to and from external parties represents internal balance between governmental funds and agency funds. Agency funds are excluded from governmental funds and governmental-wide financial statements.

	55000 General Fund	508000 Insurance Suspense	Total
<u>Due From Other Funds</u>			
039000 Insurance Operation Fund	\$ 199,650	\$ -	\$ 199,650
375000 Insurance Fraud	54,917	-	54,917
377000 Pipeline Safety	227,458	-	227,458
477000 Reproduction Fund	192,000	-	192,000
860000 Title Insurance Maintenance	144,541	-	144,541
Total	\$ 818,566	\$ -	\$ 818,566
<u>Agency Fund and External Parties</u>			
578000 Fire Protection Agency Fund	\$ 127,109	\$ 1,767,374	\$ 1,894,483

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE D – DUE FROM AND DUE TO OTHER FUNDS – CONTINUED**

<u>Due From External Parties</u>	<u>Due to External Parties</u>	
	578000 Protection Agency Fund	<u>Total</u>
569000 Fire Protection Fund	\$ 4,600,185	\$ 4,600,185
Total	<u>\$ 4,600,185</u>	<u>\$ 4,600,185</u>

**NOTE E – CAPITAL ASSETS**

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

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Governmental Activities				
Depreciable Assets				
Land improvements	\$ 958,172	\$ -	\$ -	\$ 958,172
Buildings	2,333,787	-	-	2,333,787
Machinery and equipment	6,759,411	305,304	(583,025)	6,481,690
Building improvements	<u>141,200</u>	<u>-</u>	<u>-</u>	<u>141,200</u>
Total at historical cost	10,192,570	305,304	(583,025)	9,914,849
Accumulated depreciation				
Land improvements	944,695	1,329	-	946,024
Buildings	989,431	50,778	-	1,040,209
Machinery and equipment	5,431,789	293,638	(560,590)	5,164,837
Building improvements	<u>72,012</u>	<u>2,824</u>	<u>-</u>	<u>74,836</u>
Total accumulated depreciation	<u>7,437,927</u>	<u>348,569</u>	<u>(560,590)</u>	<u>7,225,906</u>
Capital assets, net	<u>\$ 2,754,643</u>	<u>\$ (43,265)</u>	<u>\$ (22,435)</u>	<u>\$ 2,688,943</u>

Depreciation expense for the current year was \$348,569 and was related to the Public Safety Program.



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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE F – NON-CURRENT LIABILITIES**

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Payable Within 1 Year
Annual leave	\$ 705,861	\$ 649,516	\$ (588,284)	\$ 767,093	\$ 767,093
Sick leave	19,712	20,410	(21,083)	19,039	19,039
Patients' Compensation Fund claims payable	<u>53,504,320</u>	<u>-</u>	<u>-</u>	<u>53,504,320</u>	<u>10,257,097</u>
Total non-current liabilities	<u>\$ 54,229,893</u>	<u>\$ 669,926</u>	<u>\$ (609,367)</u>	<u>\$ 54,290,452</u>	<u>\$ 11,043,229</u>

The Commission uses overall claims data to prepare the estimate for claims payable. 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. The Commission performs an actuarial analysis on the fund every two years. 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 absence 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

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE F – NON-CURRENT LIABILITIES – CONTINUED**

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, 2013, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

**NOTE G – DUE TO AND DUE 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 Agency</u>		
<u>General Fund (55000)</u>		
General Services Division		
Property Control	350	\$ 1,198
Total General Fund		1,198
 <u>Special Revenue</u>		
<u>Special Revenue Fund (56900)</u>		
State Treasurer (prior year)	394	6
<u>Patients' Compensation Fund (23500)</u>		
State Treasurer (prior year)	394	896
Total Special Revenue		902
Total Due From Agency		<u>\$ 2,100</u>
 <u>Due to Agency</u>		
<u>Agency Funds Transportation (19000)</u>		
Department of Transportation	805	\$ 21,926
<u>Insurance Suspense (50800)</u>		
Department of Finance and Administration		
Law Enforcement Fund	341	50,282
Department of Finance and Administration		
Carrie Tingley	341	870
Total Due To Agency		<u>\$ 73,078</u>

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE H – 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, 2013:

	General Fund 430-55000	Insurance Ops. 430-03900
Budget year 2013 reversions	\$ 1,705,011	\$ 4,694,100
Total due to State General Fund and other funds	\$ 1,705,011	\$ 4,694,100

**NOTE I – OTHER FINANCING SOURCES AND USES**

Other financing sources and uses consist of the following:

	Transfers	
	In	Out
Commission Operating Fund (#55000)	\$ 12,829,944	\$ -
Patients' Compensation Fund (#23500)	-	551,000
Insurance Operations Fund (#03900)	-	5,083,601
Insurance Fraud Fund (#37500)	54,917	1,285,310
Title Insurance Maintenance Fund (#86000)	144,541	365,249
Pipeline Safety Fund (#37700)	227,458	1,151,485
Reproduction Fund (#47700)	192,000	192,000
Fire Protection Grant Fund (#56900)	4,600,185	-
Insurance Examination Fund (#11300)	-	-
Fire Safer Cigarette and Fire Protection (#10890)	-	-
Grand Total	\$ 18,049,045	\$ 8,628,645

The purpose of transfers from Special Revenue and Agency Funds to the General Fund is to support policy and regulation, program support, public safety and insurance policy programs pursuant to the General Appropriation Act, Laws of 2012.

The purpose of transfers from the General Fund to the Special Revenue Funds and Agency Funds is to return annually unexpended transferred amounts back to the fund of origin.

The purpose of transfers from the Fire Protection Agency fund to the Fire Protection Grant fund is to make funds available for distribution to municipal and county fire districts in the succeeding year pursuant to State Statute 59A-53-5.2 NMSA 1978.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE J – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*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 benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. That report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute 10.67% of their gross salary. The Commission is required to contribute 13.34% of the gross covered salary. The contribution requirements of the plan members and the Commission are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission's employer contributions to PERA for the years ending June 30, 2013, 2012, and 2011 were \$1,733,788, \$1,608,161, and \$1,856,018, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE K – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE K – POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN –  
CONTINUED**

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0 % of their salary.

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Commission's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$229,686, \$219,702, and \$203,574, respectively, which equal the required contributions for each year.

**NOTE L – 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 Commission 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. Coverage to protect the State of New Mexico's property and assets; and
3. Fringe benefit coverage for State of New Mexico employees.

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**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE L – RISK MANAGEMENT – CONTINUED**

At June 30, 2013, the Commission had no claims for which the Risk Management Division has determined would not be covered and that would become the responsibility of the Commission.

**NOTE M – JOINT POWERS AGREEMENT AND MEMORANDUM OF UNDERSTANDING**

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.

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.

<u>Government</u>	<u>Local Contributions</u>	<u>Commission Description</u>
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 Hobbs	7,000	Support regional response haz mat team
City of Las Vegas	6,000	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
Chaves County	11,000	Support first responder training
Colfax County	7,000	Support first responder training
Eddy County	5,000	Support first responder training
San Miguel County	7,000	Support first responder training
Santa Fe County	15,000	Support first responder training
Torrance County	<u>7,000</u>	Support first responder training
 Total	 <u>\$ 112,000</u>	

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE N – CONTINGENT LIABILITIES**

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.

**NOTE O – SUBSEQUENT EVENTS**

Events subsequent to June 30, 2013 have been evaluated by management through December 12, 2013, the date of the auditor's report. In the opinion of management, no events occurring after June 30, 2013 require adjustment to the financial statements.

Per constitutional amendments passed on November 12, 2012, the authority to regulate and charter corporations and regulate insurance companies was removed from the Commission and transferred to other state agencies. As a consequence, the Commission participated in extended discussions, planning, performed required procedures, and took necessary actions to transfer these divisions to the other state agencies by the end of its fiscal year. As of July 1, 2013 in accordance with the direction of the constitutional amendments, these functions are not part of the Public Regulation Commission of New Mexico.

**NOTE P – GENERAL FUND INVESTMENT POOL NOT RECONCILED**

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

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE P – GENERAL FUND INVESTMENT POOL NOT RECONCILED – CONTINUED**

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

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

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

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

**NOTE Q – NEW ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) has published Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2013

**NOTE Q – NEW ACCOUNTING STANDARDS – CONTINUED**

The Governmental Accounting Standards Board (GASB) has published Statement No. 63, *Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position.* This pronouncement introduces a fundamental change to the reporting of elements that make up a statement of financial position. Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term “net position” for reporting the residual of all elements in a statement of financial position. The statement of financial position of the Public Regulation Commission at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

The Governmental Accounting Standards Board (GASB) has published Statement No. 65, *Items Previously Reported as Assets and Liabilities*, changes the classification of various financial statement balances including several more common type transactions to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012. The Public Regulation Commission will implement this standard next year.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, revises existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record the government’s pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements including multiemployer cost sharing plans. The Commission is a participating member of the Public Employees Retirement Association (PERA), a multiemployer cost sharing plan. See Note J. Information to implement this standard will be developed by PERA and the State of New Mexico. The implementation date for Statement No. 68 is for FY 2015. The current status of the unfunded liability for PERA is \$6.18 billion based on the most recently issued audited financial statement at June 30, 2012. Legislation was passed in the last year changing PERA’s plan benefits design and contribution requirements to fully fund UAAL within 30 years.

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**GENERAL FUND - PROGRAMS AND PROJECTS**

June 30, 2013

*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 #55000)

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

Programs:

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

Project:

- Evidence Processing Building

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) GENERAL FUND (SHARE 55000) –  
POLICY AND REGULATION (P611)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 5,739,500	\$ 5,739,500	\$ 5,739,500	\$ -
Other financing sources	1,450,200	1,450,200	1,311,700	(138,500)
Federal funds	-	-	-	-
Other fees	-	-	-	-
Total budgeted revenues	7,189,700	7,189,700	7,051,200	(138,500)
Expenditures:				
Personnel services	6,442,600	6,442,600	6,042,728	399,872
Contractual services	168,300	168,300	57,848	110,452
Operating costs	578,800	578,800	531,229	47,571
Total budgeted expenditures	7,189,700	7,189,700	6,631,805	557,895
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	419,395	<u>\$ 419,395</u>
Reversions			(419,395)	
Change in fund balance per GAAP			\$ -	

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) GENERAL FUND (SHARE 55000) –  
PUBLIC SAFETY (P612)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Internal reversions within the Commission	-	-	-	-
Other financing sources	4,803,600	4,803,600	4,504,785	(298,815)
Federal funds	930,000	978,884	863,833	(115,051)
Other fees	-	-	-	-
	5,733,600	5,782,484	5,368,618	(413,866)
Total budgeted revenues				
Expenditures:				
Personnel services	3,454,800	3,454,800	3,193,671	261,129
Contractual services	605,000	628,500	295,721	332,779
Operating costs	1,673,800	1,699,184	1,326,671	372,513
	5,733,600	5,782,484	4,816,063	966,421
Total budgeted expenditures				
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 552,555	\$ 552,555
Reversions			(552,555)	
Change in fund balance per GAAP			\$ -	

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) GENERAL FUND (SHARE 55000) –  
AGENCY SUPPORT (P613)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ 2,097,300	\$ 2,097,300	\$ 2,097,300	\$ -
Other financing sources	989,000	989,000	957,000	(32,000)
Federal funds	-	-	-	-
Other fees	-	-	-	-
Total budgeted revenues	3,086,300	3,086,300	3,054,300	(32,000)
Expenditures:				
Personnel services	2,685,700	2,685,700	2,441,152	244,548
Contractual services	121,600	121,600	72,275	49,325
Operating costs	279,000	279,000	256,565	22,435
Total budgeted expenditures	3,086,300	3,086,300	2,769,992	316,308
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	284,308	\$ 284,308
Reversion to the State General Fund			(284,308)	
Change in fund balance per GAAP			\$ -	

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
(NON-GAAP BUDGETARY BASIS) GENERAL FUND (SHARE 55000) –  
INSURANCE POLICY (P675)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Reversions to the state general fund	-	-	-	-
Other financing sources	6,157,300	6,157,300	6,056,459	(100,841)
Federal funds	-	583,551	587,341	3,790
Other fees	-	-	-	-
	6,157,300	6,740,851	6,643,800	(97,051)
<b>Total budgeted revenues</b>				
<b>Expenditures:</b>				
Personnel services	5,288,000	5,470,289	5,237,503	232,786
Contractual services	298,100	622,188	431,596	190,592
Operating costs	571,200	648,374	525,949	122,425
Internal reversions within the Commission	-	-	-	-
	6,157,300	6,740,851	6,195,048	545,803
<b>Total budgeted expenditures</b>				
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	448,752	\$ 448,752
Reversion to the State General Fund			(448,752)	
Change in fund balance per GAAP			\$ -	

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**NONMAJOR FUNDS**

June 30, 2013

*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 #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 #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 #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. The fund is a continuing, non-reverting fund. (SHARE Fund #37500)

*Fire Safer Cigarette and Fire Protection Fund.* To account for revenue and other fees paid under Section 4 (57-2B-4 NMSA 1978) of the Fire-Safer Cigarette and Firefighter Protection Act and money recovered as penalties under Section 6 (57-2B-6 NMSA 1978) of that act. The money in the fund is appropriated to the state fire marshal to enforce the Fire-safer Cigarette and Firefighter Protection Act (57-2B-1 NMSA 1978) and to support fire safety and prevention programs. This fund is non-reverting. (SHARE Fund #10890)

*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 #47700)

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

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**NONMAJOR FUNDS – CONTINUED**

June 30, 2013

*ARRA Renewable Energy Fund.* To account for funds received and expended for the purpose of administering the State Electricity Regulator's Assistance Renewable Energy program. The program is designed to promote and assist with the implementation of renewable energy plans and reports pursuant to the Renewable Energy Act 62-16-1 of NMSA 1978 and Title 17.9.572 NMAC. This fund is non-reverting. (SHARE Fund #89000)

*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 #37700)

*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. The fund was created by and is not reverting per Section 59A-53-18 NMSA 1978. (SHARE Fund #56900)



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**COMBINING BALANCE SHEET – ALL NONMAJOR FUNDS**

June 30, 2013

	Insurance Examination- 11300	Insurance Licensee Continuing Education- 17100	Title Insurance Maintenance- 86000	Insurance Fraud- 37500
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ 1,387	\$ 926,906	\$ -	\$ 760,989
Due from other funds	-	-	144,541	54,917
Due from external parties - agency funds	-	-	-	-
Due from other agencies	-	-	-	-
	<u>\$ 1,387</u>	<u>\$ 926,906</u>	<u>\$ 144,541</u>	<u>\$ 815,906</u>
Total assets	<u>\$ 1,387</u>	<u>\$ 926,906</u>	<u>\$ 144,541</u>	<u>\$ 815,906</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	760,989
Other liabilities	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	-	-	760,989
<b>FUND BALANCES</b>				
Restricted	1,387	926,906	144,541	54,917
Committed	-	-	-	-
	<u>1,387</u>	<u>926,906</u>	<u>144,541</u>	<u>54,917</u>
Total fund balances	<u>1,387</u>	<u>926,906</u>	<u>144,541</u>	<u>54,917</u>
Total liabilities and fund balances	<u>\$ 1,387</u>	<u>\$ 926,906</u>	<u>\$ 144,541</u>	<u>\$ 815,906</u>

Fire Safer Cigarette and Fire Protection- 10890	Reproduction Fund- 47700	Firefighters Use Fee- 09300	ARRA Renewable Energy 89000	Pipeline Safety- 37700	Fire Protection Grant Fund- 56900	Total
\$ 479,513	\$ 32,314	\$ 1,024,892	\$ -	\$ 1,002,561	\$ 18,938	\$ 4,247,500
-	192,000	-	-	227,458	-	618,916
-	-	-	-	-	4,600,185	4,600,185
-	-	-	-	-	6	6
<u>\$ 479,513</u>	<u>\$ 224,314</u>	<u>\$ 1,024,892</u>	<u>\$ -</u>	<u>\$ 1,230,019</u>	<u>\$ 4,619,129</u>	<u>\$ 9,466,607</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	1,002,560	-	1,763,549
-	-	-	-	-	226,823	226,823
-	-	-	-	-	-	-
-	-	-	-	1,002,560	226,823	1,990,372
479,513	-	1,024,892	-	227,459	4,392,306	7,251,921
-	224,314	-	-	-	-	224,314
<u>479,513</u>	<u>224,314</u>	<u>1,024,892</u>	<u>-</u>	<u>227,459</u>	<u>4,392,306</u>	<u>7,476,235</u>
<u>\$ 479,513</u>	<u>\$ 224,314</u>	<u>\$ 1,024,892</u>	<u>\$ -</u>	<u>\$ 1,230,019</u>	<u>\$ 4,619,129</u>	<u>\$ 9,466,607</u>

State of New Mexico  
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**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – ALL NONMAJOR FUNDS**

June 30, 2013

	Insurance Examination- 11300	Insurance Licensee Continuing Education- 17100	Title Insurance Maintenance- 86000	Insurance Fraud- 37500
<b>Revenues</b>				
Insurance tax	\$ -	\$ 97,077	\$ -	\$ 1,231,031
Grant funds	-	-	-	-
Investment income	-	-	-	-
Other fees	-	-	438,199	-
	-	97,077	438,199	1,231,031
Total revenues	-	97,077	438,199	1,231,031
<b>Expenditures</b>				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Operating costs	-	-	-	-
	-	-	-	-
Total expenditures	-	-	-	-
<b>Excess (deficiency) of revenues over expenditures</b>				
	-	97,077	438,199	1,231,031
<b>Other financing sources and (uses)</b>				
Grants to local governments	-	-	-	-
Other financing sources - transfers in	-	-	144,541	54,917
Other financing uses - transfers out	-	-	(365,249)	(1,285,310)
	-	-	(220,708)	(1,230,393)
Total other financing sources and (uses)	-	-	(220,708)	(1,230,393)
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>				
	-	97,077	217,491	638
<b>Fund balances, beginning of year</b>				
	1,387	829,829	(72,950)	54,279
<b>Fund balances, end of year</b>				
	\$ 1,387	\$ 926,906	\$ 144,541	\$ 54,917

Fire Safer Cigarette and Fire Protection Fund- 10890	Reproduction Fund- 47700	Firefighters Use Fee- 09300	ARRA Renewable Energy- 89000	Pipeline Safety- 37700	Fire Protection Grant Fund- 56900	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,328,108
-	-	-	181,087	-	-	181,087
-	-	-	-	-	3,121	3,121
<u>227,250</u>	<u>29,149</u>	<u>77,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>771,675</u>
227,250	29,149	77,077	181,087	-	3,121	2,283,991
-	-	-	86,096	-	-	86,096
-	-	-	80,856	-	23,389	104,245
-	-	-	14,135	-	4,107	18,242
<u>-</u>	<u>-</u>	<u>-</u>	<u>181,087</u>	<u>-</u>	<u>27,496</u>	<u>208,583</u>
227,250	29,149	77,077	-	-	(24,375)	2,075,408
-	-	-	-	-	(2,945,680)	(2,945,680)
-	192,000	-	-	227,458	4,600,185	5,219,101
-	<u>(192,000)</u>	<u>-</u>	<u>-</u>	<u>(1,151,485)</u>	<u>-</u>	<u>(2,994,044)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(924,027)</u>	<u>1,654,505</u>	<u>(720,623)</u>
227,250	29,149	77,077	-	(924,027)	1,630,130	1,354,785
<u>252,263</u>	<u>195,165</u>	<u>947,815</u>	<u>-</u>	<u>1,151,486</u>	<u>2,762,176</u>	<u>6,121,450</u>
<u>\$ 479,513</u>	<u>\$ 224,314</u>	<u>\$ 1,024,892</u>	<u>\$ -</u>	<u>\$ 227,459</u>	<u>\$ 4,392,306</u>	<u>\$ 7,476,235</u>

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
INSURANCE LICENSEE CONTINUING EDUCATION FUND (SHARE 17100)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Insurance tax	\$ -	\$ -	\$ 97,077	\$ 97,077
Expenditures:				
Other financing uses	-	-	-	-
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 97,077	\$ 97,077

No budget was adopted in this fund for FY13 due to low activity.

Fund 11300 is used on an emergency basis only and is not normally budgeted.

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
TITLE INSURANCE MAINTENANCE FUND (SHARE 86000)**

For the year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Other financing sources	\$ 536,100	\$ 536,100	\$ 144,541	\$ (391,559)
Other fees	-	-	438,199	438,199
Total revenues	536,100	536,100	582,740	46,640
Expenditures:				
Other financing uses	536,100	536,100	365,249	170,851
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,491</u>	<u>\$ 217,491</u>

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
INSURANCE FRAUD FUND (SHARE 37500)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Insurance tax	\$ 1,385,800	\$ 1,385,800	\$ 1,231,031	\$ (154,769)
Other financing sources	-	-	54,917	54,917
Total revenues	1,385,800	1,385,800	1,285,948	(99,852)
Expenditures:				
Other financing uses	1,385,800	1,385,800	1,285,310	100,490
Excess (deficiency) of revenues over expenditures	-	-	<u>\$ 638</u>	<u>\$ 638</u>
Cash balance carryforward	-	-		
Total	<u>\$ -</u>	<u>\$ -</u>		

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
FIRE SAFER CIGARETTE AND FIRE PROTECTION FUND (SHARE 10890)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other Fees	\$ -	\$ -	\$ 227,250	\$ 227,250
Expenditures:				
Other financing uses	-	-	-	-
Excess (deficiency) of revenues over expenditures (prior year fund balance required to balance budget)	-	-	\$ 227,250	\$ 227,250
Fund balance carryforward	292,500	292,500		
Total	\$ 292,500	\$ 292,500		



State of New Mexico  
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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
REPRODUCTION FUND (SHARE 47700)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other financing sources	\$ -	\$ -	\$ 192,000	\$ 192,000
Printing and reproduction	-	-	29,149	29,149
Total revenues	-	-	221,149	221,149
Expenditures:				
Other financing uses	192,000	192,000	192,000	-
Excess (deficiency) of revenues over expenditures	(192,000)	(192,000)	29,149	29,149
Cash balance carryforward	192,000	192,000	-	-
Total	\$ -	\$ -		
Change in fund balance per GAAP			\$ 29,149	\$ 29,149

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Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
FIREFIGHTERS USE FEE FUND (SHARE 09300)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees	\$ -	\$ -	\$ 77,077	\$ 77,077
Expenditures:				
Other	-	-	-	-
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77,077</u>	<u>\$ 77,077</u>

There was no budget established for this fund in FY13 due to minimal activity.

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
ARRA FUND (SHARE 89000)**

For the year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Federal Grants	\$ 346,384	\$ 346,384	\$ 181,087	\$ (165,297)
Expenditures:				
Personal services	173,192	173,192	86,096	87,096
Contractual services	138,554	138,554	80,856	57,698
Other	<u>34,638</u>	<u>34,638</u>	<u>14,135</u>	<u>20,503</u>
Total expenditures	<u>346,384</u>	<u>346,384</u>	<u>181,087</u>	<u>165,297</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
PIPELINE SAFETY FUND (SHARE 37700)**

For the year ended June 30, 2013

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other financing sources	\$ 1,216,000	\$ 1,216,000	\$ 227,458	\$ (988,542)
Expenditures:				
Other financing uses	1,216,000	1,216,000	1,151,485	64,515
Excess (deficiency) of revenues over expenditures	-	-	\$ (924,027)	\$ (924,027)
Cash balance carryforward	-	924,027		
Total	\$ -	\$ 924,027		

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
FIRE PROTECTION GRANT FUND (SHARE 56900)**

For the year ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Other financing sources	\$ 2,989,000	\$ 2,989,000	\$ 4,600,185	\$ 1,611,185
Investment Income	-	-	3,121	3,121
 Total revenues	 2,989,000	 2,989,000	 4,603,306	 1,614,306
Expenditures:				
Personal services	-	-	-	-
Contractual services	35,000	35,000	23,389	11,611
Other	2,954,000	2,954,000	2,949,787	4,213
Other financing uses	-	-	-	-
 Total expenditures	 2,989,000	 2,989,000	 2,973,176	 15,824
 Excess (deficiency) of revenues over expenditures	 -	 -	 <u>\$ 1,630,130</u>	 <u>\$ 1,630,130</u>
 Fund balance carryforward	 -	 -		
 Total	 <u>\$ -</u>	 <u>\$ -</u>		

State of New Mexico  
Public Regulation Commission

**AGENCY FUNDS**

June 30, 2013

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. (Share Fund #430-41190)

*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 #430-19000)

*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-53-5-2, NMSA 1978 provides that the remaining balance in the fire protection fund shall be calculated on June 30, of each year and shall equal the balance of the fund on that date less the sum of (1) the total amount to be distributed the succeeding fiscal year and (2) the total amount of other appropriations from the fire protection fund for the succeeding fiscal year. The remaining balance in the fire protection fund shall be transferred from the fire protection fund to the fire protection grant fund on a percentage basis on June 30<sup>th</sup> of each fiscal year as provided by Section 59A-53-5-2 NMSA 1978 (c). (SHARE Fund # 430-57800)

*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 # 430-50300)

*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 #430-30500)

*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 #430-50400)

State of New Mexico  
Public Regulation Commission

**AGENCY FUNDS – CONTINUED**

June 30, 2013

*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 # 430-50500)

*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 # 430-50600)

*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 # 430-50800)

*Firefighters Survivors Fund.* To account for funds deposited that will be distributed to firefighters' families. (Share Fund # 43040-56400)

State of New Mexico  
Public Regulation Commission

**SCHEDULE OF SPECIAL APPROPRIATIONS**

June 30, 2013

	Appropriation Period	Current Year Revenue	Amount Appropriated	Current Year Expenditures	Project to Date Expenditures	Unexpended Portion	Unexpended and Reverted
<b>Bond Proceeds Appropriations</b>							
Laws of 2009, Chapter 125, Section 7, Item 19 Public Regulation Commission	2013	\$ 3,479	\$ 135,000	\$ -	\$ 126,283	\$ -	\$ 8,717
<b>Special Appropriations</b>							
Laws of 2012, Chapter 19, Section 7	2015	\$ -	\$ 590,000	\$ -	\$ -	\$ 590,000	\$ -

The Special Appropriation was not recorded by the Commission as the rights and obligations are transferred to the Insurance Agency, a new state agency, as of July 1, 2013 and formerly part of the Commission.



State of New Mexico  
Public Regulation Commission

**COMBINING BALANCE SHEET – ALL AGENCY FUNDS**

June 30, 2013

	Trust Funds with the Superintendent of Insurance- 41190	Motor Transportation- 19000	Fire Protection Agency Fund- 57800	Corporation Fees- 50300
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ -	\$ 21,926	\$ 69,643,390	\$ 65,573
Cash in banks - ancillary receivership	1,256,622	-	-	-
Security deposits	483,330,496	-	-	-
Due from external parties-governmental funds	-	-	326,759	-
Due from other agency funds	-	-	1,567,724	-
	<u>\$ 484,587,118</u>	<u>\$ 21,926</u>	<u>\$ 71,537,873</u>	<u>\$ 65,573</u>
Total assets				
<b>LIABILITIES</b>				
Due to State General Fund	\$ -	\$ -	\$ 18,613,066	\$ 65,573
Due to other agency funds	-	-	-	-
Due to external parties-governmental funds	-	-	4,600,185	-
Due to other agencies	-	21,926	-	-
Undistributed receipts	-	-	5,117,200	-
Accounts payable	-	-	43,207,422	-
Deposits held in trust	484,587,118	-	-	-
	<u>\$ 484,587,118</u>	<u>\$ 21,926</u>	<u>\$ 71,537,873</u>	<u>\$ 65,573</u>
Total liabilities and fund balances				

Special Corporation Fees Fund-50600	Qwest Performance Assurance Plan-30500	Franchise Tax-50400	Pipeline Fees Agency Fund-50500	Insurance Suspense Agency Fund-50800	Fire Fighter Survivors-56400	Total
\$ 51	\$ 600	\$ -	\$ -	\$ 1,234,594	\$ 64,361	\$ 71,030,495
-	-	-	-	-	-	1,256,622
-	-	-	-	-	-	483,330,496
-	-	-	-	-	-	326,759
-	-	-	-	-	-	1,567,724
<u>\$ 51</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234,594</u>	<u>\$ 64,361</u>	<u>\$ 557,512,096</u>
\$ 51	\$ 600	\$ -	\$ -	\$ 452,535	\$ -	\$ 19,131,825
-	-	-	-	1,567,724	-	1,567,724
-	-	-	-	199,650	-	4,799,835
-	-	-	-	51,152	-	73,078
-	-	-	-	(1,036,467)	64,361	4,145,094
-	-	-	-	-	-	43,207,422
-	-	-	-	-	-	484,587,118
<u>\$ 51</u>	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234,594</u>	<u>\$ 64,361</u>	<u>\$ 557,512,096</u>

State of New Mexico  
Public Regulation Commission

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS**

June 30, 2013

	Balance July 1, 2012	Additions	(Deletions)	Balance June 30, 2013
<b><u>TRUST FUNDS WITH SUPERINTENDENT (41190)</u></b>				
<b>ASSETS</b>				
Cash in banks - ancillary receivership	\$ 628,272	\$ 628,350	\$ -	\$ 1,256,622
Security deposits	451,450,790	31,879,706	-	483,330,496
Total assets	\$ 452,079,062	\$ 32,508,056	\$ -	\$ 484,587,118
<b>LIABILITIES</b>				
Deposits held in trust	\$ 452,079,062	\$ 32,508,056	\$ -	\$ 484,587,118
Total liabilities	\$ 452,079,062	\$ 32,508,056	\$ -	\$ 484,587,118
<b><u>MOTOR TRANSPORTATION (19000)</u></b>				
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ 18,311	\$ 3,212,930	\$ (3,209,315)	\$ 21,926
Total assets	\$ 18,311	\$ 3,212,930	\$ (3,209,315)	\$ 21,926
<b>LIABILITIES</b>				
Due to other state agencies	\$ 18,311	\$ 3,212,930	\$ (3,209,315)	\$ 21,926
Total liabilities	\$ 18,311	\$ 3,212,930	\$ (3,209,315)	\$ 21,926
<b><u>FIRE PROTECTION AGENCY FUND (57800)</u></b>				
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ 54,185,404	\$ 69,643,390	\$ (54,185,404)	\$ 69,643,390
Due from external parties-governmental funds	130,894	326,849	(130,984)	326,759
Due from other agency funds	15,639,233	523,682	(14,595,191)	1,567,724
Total assets	\$ 69,955,531	\$ 70,493,921	\$ (68,911,579)	\$ 71,537,873
<b>LIABILITIES</b>				
Due to State General Fund	\$ 18,942,964	\$ 18,613,066	\$ (18,942,964)	\$ 18,613,066
Due to external parties-governmental funds	2,910,874	4,600,185	(2,910,874)	4,600,185
Undistributed receipts	4,951,300	74,888,732	(74,722,832)	5,117,200
Accounts payable	43,150,393	43,207,422	(43,150,393)	43,207,422
Total liabilities	\$ 69,955,531	\$ 141,309,405	\$ (139,727,063)	\$ 71,537,873

State of New Mexico  
Public Regulation Commission

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS – CONTINUED**

June 30, 2013

	Balance July 1, 2012	Additions	(Deletions)	Balance June 30, 2013
<b><u>CORPORATION FEES (50300)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 21,189	\$ 3,127,313	\$ (3,082,929)	\$ 65,573
Total assets	<u>\$ 21,189</u>	<u>\$ 3,127,313</u>	<u>\$ (3,082,929)</u>	<u>\$ 65,573</u>
LIABILITIES				
Due to State General Fund	\$ 21,189	\$ 3,127,313	\$ (3,082,929)	\$ 65,573
Total liabilities	<u>\$ 21,189</u>	<u>\$ 3,127,313</u>	<u>\$ (3,082,929)</u>	<u>\$ 65,573</u>
<b><u>SPECIAL CORPORATION FEES FUND (50600)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 27	\$15,448,020	\$(15,447,996)	\$ 51
Total assets	<u>\$ 27</u>	<u>\$15,448,020</u>	<u>\$(15,447,996)</u>	<u>\$ 51</u>
LIABILITIES				
Due to State General Fund	\$ 27	\$15,448,020	\$(15,447,996)	\$ 51
Total liabilities	<u>\$ 27</u>	<u>\$15,448,020</u>	<u>\$(15,447,996)</u>	<u>\$ 51</u>
<b><u>QWEST PERFORMANCE ASSURANCE PLAN (30500)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 600	\$ -	\$ -	\$ 600
Total assets	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600</u>
LIABILITIES				
Due to State General Fund	\$ 600	\$ -	\$ -	\$ 600
Total liabilities	<u>\$ 600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 600</u>
<b><u>FRANCHISE TAX (50400)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 825	\$ 4,225	\$ (5,050)	\$ -
Total assets	<u>\$ 825</u>	<u>\$ 4,225</u>	<u>\$ (5,050)</u>	<u>\$ -</u>
LIABILITIES				
Due to State General Fund	\$ 825	\$ 4,225	\$ (5,050)	\$ -
Total liabilities	<u>\$ 825</u>	<u>\$ 4,225</u>	<u>\$ (5,050)</u>	<u>\$ -</u>

State of New Mexico  
Public Regulation Commission

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES –  
ALL AGENCY FUNDS – CONTINUED**

June 30, 2013

	Balance July 1, 2012	Additions	(Deletions)	Balance June 30, 2013
<b><u>PIPELINE FEES (50500)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 500	\$ 50,080	\$ (50,580)	\$ -
Total assets	\$ 500	\$ 50,080	\$ (50,580)	\$ -
LIABILITIES				
Due to State General Fund	\$ 500	\$ 50,080	\$ (50,580)	\$ -
Total liabilities	\$ 500	\$ 50,080	\$ (50,580)	\$ -
<b><u>INSURANCE SUSPENSE (50800)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 16,640,897	\$ 194,511,465	\$ (209,917,768)	\$ 1,234,594
Total assets	\$ 16,640,897	\$ 194,511,465	\$ (209,917,768)	\$ 1,234,594
LIABILITIES				
Due to State General Fund	\$ 1,347,014	\$ 452,535	\$ (1,347,014)	\$ 452,535
Due to other agency funds	15,639,233	523,681	(14,595,190)	1,567,724
Due to external parties-governmental funds	361,552	199,650	(361,552)	199,650
Due to other state agencies	151,736	51,152	(151,736)	51,152
Undistributed receipts	(858,638)	1,049,190	(1,227,019)	(1,036,467)
Total liabilities	\$ 16,640,897	\$ 2,276,208	\$ (17,682,511)	\$ 1,234,594
<b><u>FIREFIGHTERS' SURVIVOR (56400)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 56,870	\$ 7,491	\$ -	\$ 64,361
Total assets	\$ 56,870	\$ 7,491	\$ -	\$ 64,361
LIABILITIES				
Undistributed receipts	\$ 56,870	\$ 7,491	\$ -	\$ 64,361
Total liabilities	\$ 56,870	\$ 7,491	\$ -	\$ 64,361

State of New Mexico  
Public Regulation Commission

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2013

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>			
<b>Direct Programs:</b>			
Gas Pipeline Safety	DTPH56-12-G-PHPG29	20.700	\$ 229,930
Gas Pipeline Safety	DTPH56-13-G-PHPG28	20.700	237,468
Hazardous Liquid Pipeline Safety	DTPH56-12-G-PHPL08	20.700	83,106
Hazardous Liquid Pipeline Safety	DTPH56-13-G-PHPL08	20.700	<u>28,038</u>
			578,542
Damage Prevention Pipeline Safety		20.720	31,823
Damage Prevention Pipeline Safety		20.720	<u>70,495</u>
			102,318
Gas Pipeline Safety (One-call)	DTPH56-12-G-PHPC19	20.721	37,222
Gas Pipeline Safety (One-call)	DTPH56-13-G-PHPC20	20.721	<u>555</u>
			<u>37,777</u>
<b>Total U.S. Department of Transportation</b>			718,637
<b>U.S. Department of Energy:</b>			
<b>Direct Programs:</b>			
State Electric Regulator's Assistance Award (ARRA)	DE-OE0000162	81.122	181,087
Pass through program from State of New Mexico, Energy, Minerals, and Natural Resources Department Waste Isolation Pilot Plan Enhancement of the State of New Mexico's Emergency Response Capability	DE-FC29-88AL53813	81.106	<u>160,390</u>
<b>Total U.S. Department of Energy</b>			341,477
<b>U.S. Department of Homeland Security:</b>			
<b>Direct Programs:</b>			
State Fire Training Systems Grants	EMW-2011-GR-00109	97.043	8,443
State Fire Training Systems Grants	EMW-2011-GR-00109	97.043	<u>13,214</u>
<b>Total U.S. Department of Homeland Security</b>			21,657

State of New Mexico  
Public Regulation Commission

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

Year ended June 30, 2013

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 Health and Human Services:</b>			
<b>Direct Programs:</b>			
Health Insurance Premium Review	11PRPR100038-01-01	93.511	36,215
Health Insurance Premium Review	1PRPPR120026-01-00	93.511	454,319
			490,534
Consumer Assistance Program Grant	CAPCA110039-01-01	93.519	27,940
Consumer Assistance Program Grant	CAPCA120055-01-00	93.519	37,332
Consumer Assistance Program Grant	CAPCA120074-01-00	93.519	31,536
			96,808
<b>Total U.S. Department of Health and Human Services</b>			587,342
<b>U.S. Department of HUD:</b>			
<b>Direct Programs:</b>			
Economic development initiatives - Special Projects - Firefighters training and equipment	B-05-SP-NM-0183	14.251	12,951
<b>Total U.S. Department of HUD</b>			12,951
<b>Total expenditures of federal awards</b>			<b>\$ 1,682,064</b>
Grant revenue per financial statements			\$ 1,632,261
Other revenue			
Gas Pipeline - \$20,721 previously recognized			36,852
HUD revenue - \$14,251 previously recognized			12,951
Federal expenditures per above			<b>\$ 1,682,064</b>

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. There is no noncash assistance or outstanding loans for the year ended June 30, 2013.



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

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the budgetary comparison for the General Fund and Major Special Revenue Funds, and the aggregate remaining fund information of the State of New Mexico Public Regulation Commission (the Commission), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We have also audited the financial statements of each of the Commission's non-major governmental funds and respective budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents, and have issued our report thereon dated December 12, 2013.

**Internal Control Over Financial Reporting**

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

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



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

### **Compliance and Other Matters**

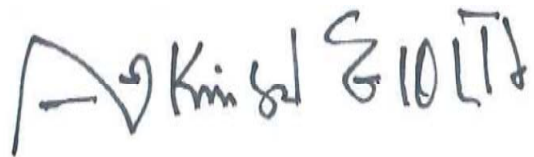
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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* which are described in the accompanying schedule of findings and questioned costs as items 02-03, 12-03, and 13-01.

### **Commission's Responses to Findings**

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

### **Purpose of this Report**

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

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 12, 2013



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY 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

**Report on Compliance for Each Major Federal Program**

We have audited the State of New Mexico Public Regulation Commission's (the Commission) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2013. 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*.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the Commission's compliance.

## Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

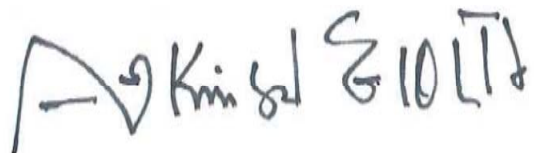
Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with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

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

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

## Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a large 'A' and a checkmark-like shape.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 12, 2013

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2013

**I. Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   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 weaknesses? \_\_\_\_\_ Yes   X   None reported

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

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

**II. Findings – Findings and Questioned Costs – Major Federal Award Programs Audit**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>	<u>Questioned Cost</u>
20.700	Department of Transportation: Gas Pipeline Safety and Hazardous Liquid Pipeline Safety	None
93.511	Health Insurance Premium Review	None

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

For the year ended June 30, 2013

**II. Findings – Findings and Questioned Costs – Major Federal Award Programs Audit – Continued**

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

Auditee qualified as low-risk auditee?  Yes  No

**III. Status of Prior Audit Findings**

<u>Comment</u>	<u>Current Status</u>
02-03 Cash Receipts Deposits	Repeated and modified
11-06 State Vehicles and Commuting	Resolved
12-01 Capital Outlay Accounts Not Reconciled To Capital Asset Inventory	Resolved
12-02 Improper Revenue Recognition	Resolved
12-03 Procurement Violation	Repeated and modified

**IV. Current Audit Findings**

**Financial Statement Findings Required by *Government Auditing Standards***

None

**Findings in Accordance with OMB Circular A-133**

None

**Findings in Accordance with 2.2.2. NMAC**

02-03 Cash Receipts Deposits (Compliance)  
12-03 Procurement Violation (Compliance)  
13-01 Physical Inventory of Capital Assets (Compliance)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

For the year ended June 30, 2013

**Findings in Accordance with 2.2.2. NMAC**

**02-03 CASH RECEIPTS DEPOSITS (COMPLIANCE)**

***Condition:***

We performed walkthroughs of the cash receipts and deposits transaction cycle and noted one out of five receipts tested where the cash receipt was deposited more than twenty-four hours (excluding weekends and holidays) after the date of receipt. The amount of receipts not timely deposited was \$1,735.

***Criteria:***

According to State Statutes 59A-6-5(A) NMSA 1978 and 6-10-3 NMSA, all money received by the division must be deposited within 24 hours of receipt.

***Effect:***

Cash flow is delayed for undeposited amounts for state purposes.

***Cause:***

At time the Commission receives a large quantity of incoming cash receipts of which it is not feasible to process within a twenty-four hour period.

***Recommendation:***

All money received should be deposited within twenty-four hours. Atkinson & Co., Ltd. recommends the Commission should consider streamlining the deposit process electronically, providing additional training and guidelines and creating a monitoring function to ensure each division complies with these requirements. Another recommendation is to consider using lockboxes to expedite the deposit of state funds. For those divisions where depositing the cash receipts within twenty-four hours and/or a lockbox is not feasible, the Commission may wish to seek a statutory exemption from the twenty-four hour deposit rule.

***Views of Responsible Officials and Planned Corrective Action:***

The New Mexico Public Regulation Commission has instituted a scanned deposit process with Wells Fargo Bank effective July 1, 2013 in which all manual checks that are received are scanned to the Wells Fargo bank account. The manual check scan process will enable all revenue processing to be done in-house within the 24 hour timeframe. This process will also give the NMPRC access to all detailed deposits being processed to ensure that monthly reconciliations can be verified with detailed deposit information from Wells Fargo.

***Point of Contact: Matthew Lovato, Administrative Services Director/CFO***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2013

**Findings in Accordance with 2.2.2. NMAC - Continued**

**12-03 PROCUREMENT VIOLATION (COMPLIANCE)**

***Condition:***

A vendor performed work totaling \$12,977 for the Commission without a valid contract in place. The procurement violation was subsequently discovered by management who self reported this violation.

***Criteria:***

Section 6-5-3 NMSA 1978 requires state agencies to have a valid contract in place before work is performed.

***Effect:***

The procurement of services was in violation of statute.

***Cause:***

The Commission did not have a contract in place and did not get prior approval from DFA to procure the services without a contract.

***Recommendation:***

We recommend the Commission comply with state purchasing regulations for all future procurements.

***Views of Responsible Officials and Planned Corrective Action:***

The New Mexico Public Regulation Commission acknowledges that the insurance Division approved a vendor to provide legal services for the Title Insurance Bureau rate hearings without an approved purchase order. The NMPRC has corrected the issue with the Insurance Division and has instituted quarterly trainings on all aspects of procurement to ensure that all staff understands the procurement process, required forms and approval processes.

***Point of Contact: Matthew Lovato, Administrative Services Director/CFO***

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

June 30, 2013

**13-01 PHYSICAL INVENTORY OF CAPITAL ASSETS (COMPLIANCE)**

***Condition:***

No physical inventory was performed in FY 2013 by either the Public Regulation Commission or the third party capital asset management company.

***Criteria:***

Section 13-6-10 NMSA 1978 requires state agencies to perform a physical observation of all capital assets on an annual basis.

***Effect:***

There is no assurance the capital asset listing is accurate and complete. Capital assets may be omitted from the listing or disposed of assets not properly removed from the listing.

***Cause:***

The third-party contractor did not perform a capital asset inventory.

***Recommendation:***

We recommend the Commission request to have the third-party contractor perform an inventory or assign a Commission staff member to perform the inventory internally.

***Views of Responsible Officials and Planned Corrective Action:***

The New Mexico Public Regulation Commission acknowledges that a physical inventory was not done in FY 2013 due to the transition of Insurance Division and Corporation Bureau moving from the NMPRC, the agency did not do the inventory until after June 30, 2013. The NMPRC has done a physical inventory walk through with a third party entity every three years but will implement an annual physical inventory of all capital assets with a certification form signed by NMPRC management to verify that this process is done and certified each fiscal year.

***Point of Contact: Matthew Lovato, Administrative Services Director/CFO***



State of New Mexico  
Public Regulation Commission

**FINANCIAL STATEMENT PREPARATION**

June 30, 2013

The financial statements were prepared by the independent certified public accounting firm performing the audit with the assistance of the Commission's CFO. Management is responsible for ensuring that the books and records adequately support the preparation of financial statements in accordance with generally accepted accounting principles. Management has reviewed and approved the financial statements.

**EXIT CONFERENCE**

An exit conference was held on December 10, 2013, to discuss the audit. The following individuals were in attendance:

**State of New Mexico – Public Regulation Commission**

Ben L. Hall, Commissioner/Chairman

S. Vincent Martinez, Chief of Staff

Matthew Lovato, Administrative Services Director/CFO

**Independent Auditor – Atkinson & Co., Ltd.**

Martin Mathisen, CPA, CGFM, Audit Director

Sarah Brack, CPA, CGFM, CGMA, Audit Manager

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