



**STATE OF NEW MEXICO  
PUBLIC REGULATION COMMISSION**

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

**June 30, 2014**

atkinson

PRECISE. PERSONAL. PROACTIVE.

## CONTENTS

	Page
TABLE OF CONTENTS.....	i-iii
<b><u>INTRODUCTORY SECTION</u></b>	
OFFICIAL ROSTER.....	1
<b><u>FINANCIAL SECTION</u></b>	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS .....	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) .....	5-12
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION .....	13
STATEMENT OF ACTIVITIES .....	14
FIDUCIARY FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS .....	15
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION – GOVERNMENTAL FUNDS.....	16
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS .....	17
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS.....	18
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL GENERAL FUND .....	19
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL FIRE PROTECTION GRANT FUND .....	20
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL PIPELINE SAFETY FUND .....	21
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL FIREFIGHTERS USE FEE FUND .....	22

## CONTENTS

Page

### **BASIC FINANCIAL STATEMENTS – CONTINUED**

#### FIDUCIARY FUND FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –  
AGENCY FUNDS .....23

NOTES TO FINANCIAL STATEMENTS..... 24-45

### **INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

GENERAL FUND – PROGRAMS AND PROJECTS .....46

STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND – POLICY AND REGULATION .....47

STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND – PUBLIC SAFETY .....48

STATEMENT OF REVENUES AND EXPENDITURES –  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND – AGENCY SUPPORT .....49

NONMAJOR FUNDS .....50

COMBINING BALANCE SHEET – ALL NONMAJOR FUNDS..... 51-52

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – ALL NONMAJOR FUNDS..... 53-54

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET  
AND ACTUAL FIRE SAFER CIGARETTE AND FIRE PROTECTION FUND .....55

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET  
AND ACTUAL REPRODUCTION FUND .....56

AGENCY FUNDS .....57

### **OTHER SUPPLEMENTAL INFORMATION**

SCHEDULE OF SPECIAL APPROPRIATIONS.....58

COMBINING BALANCE SHEET – ALL AGENCY FUNDS ..... 59-60

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS  
AND LIABILITIES – ALL AGENCY FUNDS..... 61-62

## CONTENTS

Page

### **SINGLE AUDIT INFORMATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	63-64
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	65-66
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.....	67-68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	69-72
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE .....	73

State of New Mexico  
Public Regulation Commission

**OFFICIAL ROSTER**

June 30, 2014

**COMMISSIONERS**

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

**ADMINISTRATIVE OFFICIALS**

S. Vincent Martinez	Chief of Staff
Matthew Lovato	Director, Administrative Services / Chief Financial Officer
John Standefer	State Fire Marshal
Jim Williamson	Director, Consumer Relations
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



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.  
6501 AMERICAS PKWY NE  
SUITE 700  
ALBUQUERQUE, NM 87110

T 505 843 6492  
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246  
ALBUQUERQUE, NM 87125

## 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, and the budgetary comparisons for the General Fund and Major Special Revenue Funds of the State of New Mexico Public Regulation Commission (the Commission), as of and for the year ended June 30, 2014, 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, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 State 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, 2014, 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 accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental and fiduciary fund of the Commission as of June 30, 2014, and the respective changes in the financial position and the respective budgetary comparisons for the non-major funds for the year then ended in accordance 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, 2014, and the changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 5 through 12 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.

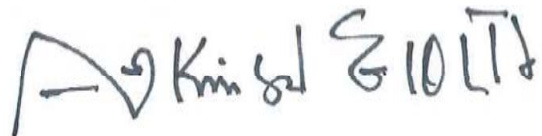
#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements, combining and individual fund financial statements, and respective budgetary comparisons that collectively comprise the Commission's basic financial statements. The schedule of special appropriations, combining balance sheet – all agency funds, and combining schedule of changes in fiduciary assets and liabilities – all agency funds listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 also not a required part of the basic financial statements.

The schedule of special appropriations, combining balance sheet – all agency funds, combining schedule of changes in fiduciary assets and liabilities – all agency funds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of special appropriations, combining balance sheet – all agency funds, combining schedule of changes in fiduciary assets and liabilities – all agency funds, and the schedule of expenditures of federal awards 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 5, 2014, 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 blue ink, appearing to read "Atkinson & Co., Ltd.", with a stylized logo to the left consisting of a square with a diagonal line and a heart shape.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 5, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

June 30, 2014

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, 2014. 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 accounting principles generally accepted in the U.S. (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 fund financial statements.

The 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, 2014

**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 Financial Statements are 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 24 through 44 of this report.

**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.

State of New Mexico  
Public Regulation Commission

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

June 30, 2014

**Budgetary Comparisons - Continued**

As required by the Office of the State Auditor under 2.2.2 NMAC, 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, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>
<b>ASSETS</b>			
<i>Government activities</i>			
Current and other assets	\$ 9,750,090	\$ 69,036,749	\$ (59,286,659)
Capital assets	2,560,885	2,688,943	(128,058)
Total assets	<u>\$ 12,310,975</u>	<u>\$ 71,725,692</u>	<u>\$ (59,414,717)</u>
<b>LIABILITIES</b>			
Current liabilities	\$ 1,880,588	\$ 18,475,295	\$ (16,594,707)
Non-current liabilities	-	43,247,223	(43,247,223)
Total liabilities	1,880,588	61,722,518	(59,841,930)
DEFERRED INFLOWS	225,708	1,002,561	(776,853)
<b>NET POSITION</b>			
Net investment in capital assets	2,560,885	2,688,943	(128,058)
Restricted for special projects	7,926,887	6,873,488	1,053,399
Unrestricted	(283,093)	(561,818)	278,725
Total net position	<u>10,204,679</u>	<u>9,000,613</u>	<u>1,204,066</u>
Total liabilities and net position	<u>\$ 12,310,975</u>	<u>\$ 71,725,692</u>	<u>\$ (59,414,717)</u>

*Note: The June 30, 2013 net position presentation has been restated for the effects of GASB 65 which changed the presentation of certain amounts previously reported as deferred revenue to deferred inflows.*

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

June 30, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED**

**Discussion of Statement of Net Position**

Deducting total liabilities, deferred inflows and outflows from total assets derives the Net position. Deferred inflows in fiscal year 2014 in the amount of \$225,708 were collected in the Pipeline Safety Fee Fund for operational costs in fiscal year 2015. The overall Net position increased by \$1,204,066 over fiscal year 2013.

#

Current assets consist mostly of assets due from external parties-agency funds in the amount of \$5,888,015 (Due from the Fire Protection Fund) and investments with the State Treasurer of \$3,275,722; federal grants receivable of \$586,108; other receivables in the amount of \$242 and amounts due from other state agencies of \$3.

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.

The unrestricted deficit balance was reduced by \$278,725 mostly due to the transfer of 93 FTEs to the newly created Office of the Superintendent of Insurance (OSI) and 23 FTE to the Secretary of State Office which reduced the related compensated absence liability on the government-wide financial statements for the NMPRC.

**Capital Asset Administration**

The decrease in capital assets of \$128,058 is due to depreciation expense recorded in the current fiscal year, partially offset by new purchases of machinery and equipment of \$202,197.

**Liabilities**

Current liabilities of \$1,880,588 consists primarily of accounts payable of \$525,816, i.e., money that the Commission is obligated to pay; accrued salaries and benefits payable \$138,256; unearned federal revenue \$37,375; reversions due to the State General Fund \$440,772; and other liabilities of \$226,823. The estimated portion of compensated absence liabilities due in one year is \$511,546.

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

**Long-Term Debt**

The Commission has no long-term debt outstanding.

State of New Mexico  
Public Regulation Commission

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

June 30, 2014

**GOVERNMENT-WIDE FINANCIAL ANALYSIS - CONTINUED**

**Commission's Statement of Activities**

<b>STATEMENTS OF ACTIVITIES</b>	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Change</u>
<i>Government activities</i>			
Operating grants and contributions	\$ 1,124,056	\$ 1,632,261	\$ (508,205)
Investment income	1,137	3,120,931	(3,119,794)
Charges for services	1,181,129	23,040,243	(21,859,114)
General Fund appropriations	7,534,100	7,836,800	(302,700)
Other financing sources	11,193,488	9,420,400	1,773,088
Other	(13,999)	(22,435)	8,436
	<u>21,019,911</u>	<u>45,028,200</u>	<u>(24,008,289)</u>
Total revenue			
Program expenses	18,009,403	33,727,948	(15,718,545)
Other financing uses	1,843,309	9,344,791	(7,501,482)
	<u>19,852,712</u>	<u>43,072,739</u>	<u>(23,220,027)</u>
Total expense			
Change in net position	1,167,199	1,955,461	(788,262)
Net position, beginning of year (incl. restatement)	<u>9,037,480</u>	<u>7,045,152</u>	<u>1,992,328</u>
Net position, end of year	<u>\$ 10,204,679</u>	<u>\$ 9,000,613</u>	<u>\$ 1,204,066</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 \$1,204,066 during the year. In the government-wide financials, revenues from other financing sources increased \$1,773,088 due to an increase in transfers into the General, Fire Protection Grant, and Pipeline Safety Funds from agency funds. The transfers in the General Fund served to reimburse the costs of Public Safety program expenses as well as administrative costs for Policy and Regulation and Program Support programs provided in the General Fund. Overall total revenues decreased by \$24,065,910 and total expenses decreased by \$23,277,684 due to constitutional amendments moving the regulation of insurance to a stand-alone agency and transferring the registration of corporations to the Office of the Secretary of State.

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

June 30, 2014

**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 \$8,155,340, for a net decrease over the prior fiscal period of \$52,446,782. This decrease is due to constitutional amendments moving the regulation of insurance to a stand-alone agency and transferring the registration of corporations to the Office of the Secretary of State. The combined fund balance comes from the Fire Protection Grant Fund \$5,692,825, Firefighter Use Fee Fund \$1,087,882, Pipeline Safety Fund \$638,167, and Non-major Government Funds of \$735,466. The General Fund program-related fund balance remained at zero.

The General Fund is the Commission's operating fund where all operational expenses reside. The General Fund revenues decreased \$327,118, other financing sources decreased \$6,695,713 and expenditures decreased \$7,022,831 as compared to the previous year due to recent legislation moving the regulation of insurance to a stand-alone agency and transferring the registration of corporations to the Office of the Secretary of State in fiscal year 2014.

The Fire Protection Grant Fund revenues are transferred from the Fire Protection Fund and used to provide grants of up to \$100,000 to fire departments in need of fire service support equipment. This fund collected \$1,137 in interest income and other financing sources transfers from the fire protection fund in the amount of \$5,888,015. Expenses incurred in this fund total \$4,587,496 primarily from grant awards to fire departments and a contract for IT services to maintain its grant award application system.

The Pipeline Safety Fund is a fund that collects revenues used to support the Pipeline Safety Bureau by an assessment determined in May of each year to all gas consumers and pipeline distributors in the state. Revenues collected in fiscal year 2014 were \$1,085,500. Other financing sources and uses combined for \$674,792, which was the state portion of expenditures in the Pipeline Safety Bureau in fiscal year 2014.

The Firefighter Use Fee Fund is revenue collected from the firefighter-training courses taught at the Firefighter Training Academy in Socorro NM. These funds can be budgeted for emergency maintenance expenses that may arise with live fire-training courses provided at this facility. The fiscal year 2014 revenues collected were \$62,990 with no expenditures incurred in this fund.

Non-major Governmental Funds at the PRC are the Fire Safer Cigarette Fund and the Reproduction Fund. The Fire Safer Cigarette funds are used for State Fire Marshal staff equipment and training materials used at all elementary schools for fire training awareness and the Reproduction Funds are used in the NMPRC General Fund for general operations. Revenues collected in fiscal year 2014 were \$32,639 with other financing sources netting to zero, therefore increasing the fund balance in this area by \$32,639.

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

June 30, 2014

**THE COMMISSION'S FUNDS - CONTINUED**

**General Fund Budgetary Highlights**

In the General Fund, the final budgeted expenditures decreased from the prior fiscal year by \$8,656,535 primarily due to legislation passed in November 2012 moving the regulation of insurance to a stand-alone agency and transferring the registration of corporations to the Office of the Secretary of State as well as normal variances in operations such as vacancies. 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 \$987,724 as compared to the final budgeted amount.

**Currently Known Facts**

The New Mexico Public Regulation Commission in fiscal year 2014 undertook a lot of transition with the passage of constitutional amendments by voters in November 2013, moving the regulation of insurance from the NMPRC to a stand-alone agency and transferring the registration of corporations to the Office of the Secretary of State (SOS). This transition transferred 93 FTEs to the newly created Office of the Superintendent of Insurance (OSI) and 20 FTEs to the secretary of state office. NMPRC staff worked closely with OSI, SOS, DFA, state treasurer, and DOIT to ensure that the transition of these functions were seamless and did not affect consumers. All affected funds were closed out with the Commission and transferred to the new agencies by the end of FY2014. Due to this transition and the removal of administrative funding by the Insurance Division, to meet its statutory requirements, the NMPRC requested a supplemental appropriation of \$498,500 to cover personnel services and employee benefits in its Policy and Regulation Program. This supplemental appropriation enabled the Commission to fill critical vacant positions within its Utility and Legal Divisions with highly qualified staff. With the ever changing regulatory atmosphere with greater regulatory pushes for energy efficiency and renewable energy, the NMPRC must continue to expand its training capacities for staff to better analyze the rate cases being filed at the Commission.

In spite of its budgetary constraints in fiscal year 2014, the Commission achieved significant results in each of its practices areas. The NMPRC Utility Division has handled several multi-million dollar rate cases involving the state investor-owned utilities, a large energy efficiency case for Public Service Company of New Mexico, and completed the \$950 million dollar sale of New Mexico Gas Company to Tampa Electric Company. Additionally, public safety inspectors in the Pipeline Safety Bureau and the State Fire Marshall's Office logged over 18,000 hours in the field in fiscal year 2014.

The NMPRC in the last six years has worked diligently to maintain its strong financial controls by implementing policies that work to reduce its findings. The findings reported in the FY2014 financial audit are findings that are of a nature that should not be repeated.



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

June 30, 2014

**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, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Investments, State Treasurer Investment Pool	\$ 3,275,722
Due from external parties-agency funds	5,888,015
Due from Federal government	586,108
Due from other state agencies	3
Other receivables	<u>242</u>
 Total current assets	 9,750,090
 Capital assets, net	 <u>2,560,885</u>
 Total assets	 12,310,975
<b>LIABILITIES</b>	
Accounts payable	525,816
Accrued payroll	138,256
Unearned revenue	37,375
Other liabilities	226,823
Due to State General Fund	440,772
Due in one year	<u>511,546</u>
 Total current liabilities	 <u>1,880,588</u>
 Total liabilities	 1,880,588
 DEFERRED INFLOWS	 <u>225,708</u>
<b>NET POSITION</b>	
Net investment in capital assets	2,560,885
Restricted for special purposes	7,926,887
Unrestricted (deficit)	<u>(283,093)</u>
 Total net position	 <u>\$ 10,204,679</u>

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, 2014

	Policy and Regulation	Public Safety	Agency Support	Total Governmental Activities
PROGRAM EXPENSES	\$ (6,844,403)	\$ (9,447,843)	\$ (1,717,157)	\$ (18,009,403)
PROGRAM REVENUES				
Operating grants	-	1,124,056	-	1,124,056
Charges for services	1,181,129	-	-	1,181,129
Net program revenue (expense)	\$ (5,663,274)	\$ (8,323,787)	\$ (1,717,157)	(15,704,218)
GENERAL REVENUES				
Transfers - General Fund and special appropriations				7,534,100
Transfers - State General Fund reversions - 2014 FY				(1,248,345)
Transfers, net				11,193,488
Loss on disposal of capital assets				(13,999)
Interest income				1,137
SPECIAL ITEM - Transfer of operations				(594,964)
Total general revenues and special item				16,871,417
Change in net position				1,167,199
Net position, beginning of year				9,000,613
Prior period restatement				36,867
Net position, beginning of year, as restated				9,037,480
Net position, end of year				\$ 10,204,679

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

State of New Mexico  
Public Regulation Commission

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2014

	General Fund - 55000	Fire Protection Grant Fund - 56900	Pipeline Safety Fund - 37700	Firefighters Use Fee Fund - 09300	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current Assets						
Investments, State Treasurer Investment Pool	\$ 1,216,577	\$ 31,630	\$ 291,167	\$ 1,087,882	\$ 648,466	\$ 3,275,722
Due from other funds	-	-	572,708	-	88,000	660,708
Due from external parties-agency funds	-	5,888,015	-	-	-	5,888,015
Due from federal government	586,108	-	-	-	-	586,108
Due from other state agencies	-	3	-	-	-	3
Other receivables	242	-	-	-	-	242
	<u>1,802,927</u>	<u>5,919,648</u>	<u>863,875</u>	<u>1,087,882</u>	<u>736,466</u>	<u>10,410,798</u>
Total assets	<u>\$ 1,802,927</u>	<u>\$ 5,919,648</u>	<u>\$ 863,875</u>	<u>\$ 1,087,882</u>	<u>\$ 736,466</u>	<u>\$ 10,410,798</u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 525,816	\$ -	\$ -	\$ -	\$ -	\$ 525,816
Accrued payroll	138,256	-	-	-	-	138,256
Unearned revenue	37,375	-	-	-	-	37,375
Other liabilities	-	226,823	-	-	-	226,823
Due to other funds	660,708	-	-	-	-	660,708
Due to State General Fund	440,772	-	-	-	-	440,772
	<u>1,802,927</u>	<u>226,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,029,750</u>
Total liabilities	1,802,927	226,823	-	-	-	2,029,750
DEFERRED INFLOWS	-	-	225,708	-	-	225,708
<b>FUND BALANCES</b>						
Spendable						
Restricted	-	5,692,825	638,167	1,087,882	508,013	7,926,887
Assigned	-	-	-	-	228,453	228,453
	<u>-</u>	<u>5,692,825</u>	<u>638,167</u>	<u>1,087,882</u>	<u>736,466</u>	<u>8,155,340</u>
Total fund balances	-	5,692,825	638,167	1,087,882	736,466	8,155,340
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,802,927</u>	<u>\$ 5,919,648</u>	<u>\$ 863,875</u>	<u>\$ 1,087,882</u>	<u>\$ 736,466</u>	<u>\$ 10,410,798</u>

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, 2014

Fund balance - total governmental funds		\$ 8,155,340
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Governmental capital assets	9,152,468	
Accumulated depreciation	<u>(6,591,583)</u>	2,560,885
Long-term liabilities are not due and payable in the current period and therefore are not reported in the government funds:		
Compensated absences		<u>(511,546)</u>
Net position of governmental activities (Statement of Net Position)		<u>\$ 10,204,679</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, 2014

	General Fund - 55000	Fire Protection Grant Fund - 56900	Pipeline Safety Fund - 37700	Firefighters Use Fee Fund - 09300	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Other fees	\$ -	\$ -	\$ 1,085,500	\$ 62,990	\$ 32,639	\$ 1,181,129
Interest income	-	1,137	-	-	-	1,137
Federal grant revenue	1,124,056	-	-	-	-	1,124,056
<b>Total revenues</b>	<b>1,124,056</b>	<b>1,137</b>	<b>1,085,500</b>	<b>62,990</b>	<b>32,639</b>	<b>2,306,322</b>
<b>EXPENDITURES</b>						
Current:						
Personal services	10,786,509	-	-	-	-	10,786,509
Contractual services	638,530	25,000	-	-	-	663,530
Other costs	1,762,840	4,563,633	-	-	-	6,326,473
Capital outlay	202,197	-	-	-	-	202,197
<b>Total expenditures</b>	<b>13,390,076</b>	<b>4,588,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,978,709</b>
(Deficiency) excess of revenues over expenditures	(12,266,020)	(4,587,496)	1,085,500	62,990	32,639	(15,672,387)
<b>OTHER FINANCING SOURCES (USES)</b>						
General Fund appropriations	7,534,100	-	-	-	-	7,534,100
Reversions to the State General Fund	(1,248,345)	-	-	-	-	(1,248,345)
Transfers in	5,980,265	5,888,015	572,708	-	88,000	12,528,988
Transfers out	-	-	(1,247,500)	-	(88,000)	(1,335,500)
<b>Total other financing sources (uses)</b>	<b>12,266,020</b>	<b>5,888,015</b>	<b>(674,792)</b>	<b>-</b>	<b>-</b>	<b>17,479,243</b>
<b>SPECIAL ITEM</b>						
Transfer of operations	-	-	-	-	(54,253,638)	(54,253,638)
<b>Net change in fund balances</b>	<b>-</b>	<b>1,300,519</b>	<b>410,708</b>	<b>62,990</b>	<b>(54,220,999)</b>	<b>(52,446,782)</b>
<b>FUND BALANCES - beginning of year</b>	<b>-</b>	<b>4,392,306</b>	<b>227,459</b>	<b>1,024,892</b>	<b>54,957,465</b>	<b>60,602,122</b>
<b>FUND BALANCES - end of year</b>	<b>\$ -</b>	<b>\$ 5,692,825</b>	<b>\$ 638,167</b>	<b>\$ 1,087,882</b>	<b>\$ 736,466</b>	<b>\$ 8,155,340</b>

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, 2014

Net change in fund balances - total governmental funds		\$ (52,446,782)
Special item - transfer of operations		<u>54,253,638</u>
Net change in fund balance, less special item - total governmental funds		1,806,856
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Loss on disposal of capital assets	(13,999)	
Capital outlay	202,197	
Depreciation expense	<u>(295,501)</u>	
Change in capital assets		(107,303)
Change in compensated absences		<u>62,610</u>
Change in net position of governmental activities prior to special item - transfer of operations		<u>1,762,163</u>
Government-wide special items:		
Capital assets	(57,621)	
Compensated absences	211,975	
Patient's compensation fund liabilities	53,504,320	
Transfer of fund balance from fund financial statements	<u>(54,253,638)</u>	
		<u>(594,964)</u>
Change in net position of governmental activities (Statement of Activities)		<u>\$ 1,167,199</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, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund and special appropriations	\$ 7,035,600	\$ 7,534,100	\$ 7,534,100	\$ -
Other financing sources	5,933,700	6,215,865	5,980,265	(235,600)
Federal funds	910,000	942,786	1,124,056	181,270
Total revenues	13,879,300	14,692,751	14,638,421	(54,330)
Expenditures:				
Personal services	10,431,500	11,212,165	10,786,509	425,656
Contractual services	888,000	915,686	638,530	277,156
Operating costs	2,559,800	2,564,900	1,965,037	599,863
Total expenditures	13,879,300	14,692,751	13,390,076	1,302,675
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	1,248,345	\$ 1,248,345
Reversions			(1,248,345)	
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  
FIRE PROTECTION GRANT FUND (SHARE 56900)**

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other financing sources	\$ -	\$ 4,607,500	\$ 5,888,015	\$ 1,280,515
Investment Income	-	-	1,137	1,137
Total revenues	-	4,607,500	5,889,152	1,281,652
Expenditures:				
Personal services	-	-	-	-
Contractual services	-	25,000	25,000	-
Other	-	4,582,500	4,563,633	18,867
Total expenditures	-	4,607,500	4,588,633	18,867
Excess (deficiency) of revenues over expenditures	-	-	\$ 1,300,519	\$ 1,300,519
Fund balance carryforward	4,392,306	4,392,306		
Total	\$ 4,392,306	\$ 4,392,306		

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  
PIPELINE SAFETY FUND (SHARE 37700)**

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees	\$ -	\$ -	\$ 1,085,500	\$ 1,085,500
Other financing sources	1,188,100	1,247,500	572,708	(674,792)
Total revenues	1,188,100	1,247,500	1,658,208	410,708
Expenditures:				
Other financing uses	1,188,100	1,247,500	1,247,500	-
Excess (deficiency) of revenues over expenditures	-	-	\$ 410,708	\$ 410,708
Fund balance carryforward	227,459	227,459		
Total	\$ 227,459	\$ 227,459		

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  
FIREFIGHTERS USE FEE FUND (SHARE 09300)**

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees	\$ -	\$ -	\$ 62,990	\$ 62,990
Expenditures:				
Other	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	\$ 62,990	\$ 62,990
Fund balance carryforward	1,024,892	1,024,892		
Total	\$ 1,024,892	\$ 1,024,892		

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, 2014

	<u>Agency Funds</u>
<b>ASSETS</b>	
Investments, State Treasurer Investment Pool	\$ 72,507,734
Due from other state agencies	700,449
Due from other agency funds	<u>28,694</u>
 Total assets	 <u><u>\$ 73,236,877</u></u>
<b>LIABILITIES</b>	
Due to State General Fund	\$ 16,082,190
Due to other agency funds	28,694
Due to external parties	5,888,015
Due to other state agencies	25,283
Undistributed receipts	5,521,750
Accounts payable	<u>45,690,945</u>
 Total liabilities	 <u><u>\$ 73,236,877</u></u>

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### 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 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; and other public service companies in such a manner as the Legislature provides.

The Commission promotes public safety through the offices of state fire marshal, the firefighter training academy, and pipeline safety bureau.

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. See also Note J.

### 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

GAAP defines 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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

1. Reporting Entity – Continued

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.

All of the programs that are administered and/or controlled by the Commission have been included. The Commission has no component units.

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, Fire Protection Grant Fund, Pipeline Safety Fund, and Firefighters Use Fee 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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

2. Basic Financial Statements – Continued

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 Statement of Fiduciary Net Position. 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 governmental or government-wide statements.

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

The financial transactions of the Commission are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The following fund types are used by the Commission:

Governmental Funds

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

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

*Pipeline Safety Fund.* This major fund accounts 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)

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

2. Basic Financial Statements – Continued

*Fire Protection Grant Fund.* This major fund accounts 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)

*Firefighters Use Fee Fund.* This major fund accounts 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)

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.



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

3. Basis of Accounting – Continued

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 considered to be deferred inflows of resources 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. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources. The current portion of the compensated absences liability is not included in the fund financial statements because the State of New Mexico does not budget for any compensated absences in the current year.

In applying the “susceptible to accrual” concept to intergovernmental revenues, 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 unearned 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 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 2014 as all payables were paid by the statutory deadline.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

4. Budgetary Accounting – Continued

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.

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 Fund, and Special Corporations Fee Fund, wholly or partially revert to the State General Fund; the other governmental and fiduciary funds are non-reverting funds.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

5. Cash and Cash Equivalents

Interest in the pooled cash on deposit with the State Treasurer's Office (STO) is considered cash and cash equivalents.

6. 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.

7. Interfund Receivables and Payables

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

8. 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

9. 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, 2014.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

9. Fund Balances - Continued

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 \$7,926,887 as of June 30, 2014.

***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 no *committed* fund balances as of June 30, 2014.

***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 had *assigned* fund balances in the Reproduction Fund (SHARE 47700) totaling \$228,453 as of June 30, 2014.

***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, 2014. Generally, the Commission would first apply committed resources when an expense is incurred for purposes for which either committed or unassigned fund balances are available.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

10. Net Position

The government-wide fund financial statements utilize a net position presentation. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources, and deferred inflows of resources for the Commission. Deferred inflows of resources for the year ended June 30, 2014 consist of fees collected for the subsequent fiscal year's operations. The Commission had no deferred outflows of resources for the year ended June 30, 2014. 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 is 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, 2014.

**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 \$7,926,887 at June 30, 2014.

**Unrestricted Deficit** – represents the deficit of total assets over total liabilities and net position invested in capital assets at June 30, 2014.

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.

11. 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, 2014

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

12. 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, 2014 the Commission had \$75,783,456 invested in the State Treasurer's General Fund Investment Pool (SGFIP).

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 (see Note Q). 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 deposits 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, 2014 materially approximates \$75,783,456, including agency funds. Adjustments, if any, which might be required are not known currently.

*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, 2014.

State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

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	\$ 1,216,577	\$ 1,216,577
Special Revenue Funds		
Fire Protection Grant Fund	31,630	31,630
Firefighters Use Fee Fund	1,087,882	1,087,882
Fire Safer Cigarette and Fire Protection Fund	508,013	508,013
Reproduction Fund	140,453	140,453
Pipeline Safety Fund	291,167	291,167
Total Special Revenue Funds	2,059,145	2,059,145
Agency Funds		
Firefighters Survivors Fund	21,306	21,306
Fire Protection Fund	72,461,145	72,461,145
Motor Transportation Fund	25,283	25,283
Special Corporation Fees Fund	-	-
Pipeline Fees Fund	-	-
Qwest Performance Assurance Fund	-	-
Total Agency Funds	72,507,734	72,507,734
Total Investments, State Treasurer	\$ 75,783,456	\$ 75,783,456

**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 represent internal balances between governmental funds and agency funds. Agency funds are excluded from governmental funds and governmental-wide financial statements.

State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

<u>Due From Other Funds</u>	<u>55000 General Fund</u>
37700 Pipeline Safety	\$ 572,708
47700 Reproduction Fund	88,000
Total	<u>\$ 660,708</u>
<u>Due From External Parties</u>	<u>57800 Protection Agency Fund</u>
56900 Fire Protection Grant Fund	\$ 5,888,015
56400 Firefighters Survivors Fund	28,694
Total	<u>\$ 5,916,709</u>

**NOTE E – CAPITAL ASSETS**

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

	Balance June 30, 2013	Restatement	Balance June 30, 2013, As Restated	Additions	Deletions	Balance June 30, 2014
Governmental Activities						
Depreciable Assets						
Land improvements	\$ 958,172	\$ -	\$ 958,172	\$ -	\$ -	\$ 958,172
Buildings	2,333,787	-	2,333,787	-	-	2,333,787
Machinery and equipment	6,481,690	117,975	6,599,665	202,197	(1,082,553)	5,719,309
Building improvements	141,200	-	141,200	-	-	141,200
Total at historical cost	9,914,849	117,975	10,032,824	202,197	(1,082,553)	9,152,468
Accumulated depreciation						
Land improvements	946,024	-	946,024	1,329	-	947,353
Buildings	1,040,209	-	1,040,209	50,778	-	1,090,987
Machinery and equipment	5,164,837	81,108	5,245,945	240,571	(1,010,933)	4,475,583
Building improvements	74,836	-	74,836	2,824	-	77,660
Total accumulated depreciation	7,225,906	81,108	7,307,014	295,502	(1,010,933)	6,591,583
Capital assets, net	<u>\$ 2,688,943</u>	<u>\$ 36,867</u>	<u>\$ 2,725,810</u>	<u>\$ (93,305)</u>	<u>\$ (71,620)</u>	<u>\$ 2,560,885</u>

Depreciation expense for the current year was \$295,502 and was related to the Public Safety Program.



State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE F – COMPENSATED ABSENCES LIABILITY**

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Payable Within 1 Year
Annual leave	\$ 767,093	\$ 1,179,505	\$ (1,447,718)	\$ 498,880	\$ 498,880
Sick leave	19,040	28,620	(34,994)	12,666	12,666
Total current liabilities	<u>\$ 786,133</u>	<u>\$ 1,208,125</u>	<u>\$ (1,482,712)</u>	<u>\$ 511,546</u>	<u>\$ 511,546</u>

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

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, 2014, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**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 Other State Agencies</u>		
<u>Special Revenue Funds</u>		
Fire Protection Grant Fund (56900)		
State Treasurer (prior year)	394	\$ 3
<u>Agency Funds</u>		
Firefighters Survivors Fund (56400)		
NM Taxation & Revenue Department	333	750
Fire Protection Fund (57800)		
Office of the Superintendent of Insurance	440	<u>699,699</u>
Total Due From Other State Agencies		<u>\$ 700,452</u>
<u>Due to Other State Agencies</u>		
<u>Agency Funds</u>		
Motor Transportation Fund (19000)		
Department of Transportation	805	<u>\$ 25,283</u>
Total Due To Other State Agencies		<u>\$ 25,283</u>

**NOTE H – REVERSIONS**

Unexpended and unencumbered cash balances of certain funds and the unexpended portion of special appropriations received during the fiscal year 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, 2014:

	General Fund 430-55000
	<hr/>
Budget year 2014 reversions	<u>\$ 1,248,345</u>

State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

Other financing sources and uses consist of the following:

	Transfers	
	In	Out
Commission Operating Fund (#55000)	\$ 5,980,265	\$ -
Pipeline Safety Fund (#37700)	572,708	1,247,500
Reproduction Fund (#47700)	88,000	88,000
Fire Protection Grant Fund (#56900)	5,888,015	-
	<u>\$ 12,528,988</u>	<u>\$ 1,335,500</u>
Grand Total	<u>\$ 12,528,988</u>	<u>\$ 1,335,500</u>

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

The purpose of transfers into the Pipeline Safety and Reproduction Funds is to account for the excess of revenues over expenditures for the fiscal year that is to remain in these non-reverting funds. Transfers out of these funds are for the transfer of state appropriations to the General Fund to support the operation of the Funds' programs pursuant to the General Appropriation Act.

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.

**NOTE J – DISPOSAL OF OPERATIONS**

On July 1, 2013, the Commission transferred the assets and liabilities comprising its insurance and corporations operations to the Office of the Superintendent of Insurance (OSI) and Office of the Secretary of State (SOS) in accordance with constitutional amendments passed in November 2012. As a result of the transfer, the Commission transferred assets of cash and investments and net capital assets with a carrying value of \$54.3 million and liabilities consisting of compensated absence liability and the Patient's Compensation Fund claims of \$53.7 million to the OSI. In addition, the Commission transferred liabilities of \$24,046 consisting of the compensated absence liability for employees who transferred to the SOS.

There was no revenue or expense associated with the insurance and corporations operations in fiscal year 2014.

The Commission elected to implement GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, to record the transaction related to the transfer of

State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE J – DISPOSAL OF OPERATIONS – CONTINUED**

operations. As a result of the transfer, the Commission recognized a special item, “transfer of operations”, for the following assets, liabilities, fund balance, and net position:

Transferred governmental funds

Fund balance:

Patient's Compensation Fund - 11850	\$ (50,584,087)
Insurance Operations Fund - 03900	(2,541,800)
Insurance Examination Fund - 11300	(1,387)
Insurance Licensee Continuing Education Fund - 17100	(926,906)
Title Insurance Maintenance Fund - 86000	(144,541)
Insurance Fraud Fund - 37500	<u>(54,917)</u>

Total governmental funds transferred	(54,253,638)
--------------------------------------	--------------

Transferred government-wide balances

Assets:

Capital assets to OSI	(57,621)
-----------------------	----------

Liabilities:

Current liabilities

Compensated absences to OSI	187,929
Compensated absences to SOS	<u>24,046</u>

Total current liabilities	211,975
---------------------------	---------

Non-current liabilities

Patient's compensation fund claims liability	<u>53,504,320</u>
--	-------------------

Total government-wide balances transferred	<u>53,658,674</u>
--	-------------------

Total transfer of operations	<u><u>\$ (594,964)</u></u>
------------------------------	----------------------------

**NOTE K – 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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE K – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION –  
CONTINUED**

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 7.42%-8.92% of their gross salary. The Commission is required to contribute 16.59% 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, 2014, 2013, and 2012 were \$1,217,167, \$1,733,788, and \$1,608,161, respectively, which equal the amount of the required contributions for each fiscal year.

*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.

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

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.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

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

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, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0 % of their salary.

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, 2014, 2013, and 2012 were \$146,988, \$229,686, and \$219,702, respectively, which equal the required contributions for each year.

**NOTE M – 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.

At June 30, 2014, the Commission had no claims which the Risk Management Division has determined would not be covered and that would become the responsibility of the Commission.

State of New Mexico  
Public Regulation Commission

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE N – 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>	

**NOTE O – 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.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE O – CONTINGENT LIABILITIES – CONTINUED**

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 P – RESTATEMENT**

During 2014, it was determined that beginning net position was understated by \$36,867, the net book value of capital assets not previously recorded. The prior year change in net position was overstated by \$14,747, the amount of depreciation on the unrecorded assets.

**NOTE Q – STATE 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).

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.

Phase I of the Cash Management Remediation Project (completed in May 2013) implemented statewide business process changes and corrected numerous SHARE System configurations. As a result of the changes and corrections, DFA/FCD was able to begin reconciling activity reported by the State’s fiscal agent bank to the SHARE general ledger on a go-forward basis beginning February 1, 2013. However, additional critical business process changes and corrections to configurations within the SHARE System remain to be



**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE Q – STATE GENERAL FUND INVESTMENT POOL NOT RECONCILED –  
CONTINUED**

completed; therefore, Cash Management Remediation Project, Phase II, commenced July 2014. Its scope was to perform reconciliations from July 2000 to January 2013. It is not completed as of November 2014.

DFA 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 has not been changed to date. 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 R – NEW ACCOUNTING STANDARDS**

Governmental Accounting Standards Board Statement No. 65, *Items previously Reported as Assets and Liabilities* (GASB 65), changes the classification of various financial statement balance sheet items including several more common types of transactions from presentation as assets and liabilities to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after November 25, 2012. The Commission implemented this standard this fiscal year. There were no deferred outflows to separately report at June 30, 2014. Deferred inflows are appropriately reported on the Balance Sheet and Statement of Net Position.

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 K. Information to implement this standard will be developed by PERA and the State of New Mexico. The standard will be implemented in FY 2015. The current status of the unfunded liability for PERA is \$4.62 billion based on the most recently issued audited financial statement at June 30, 2013. Legislation was passed in 2012 changing PERA's plan benefits design and contribution requirements to fully fund UAAL within 30 years. The Commission will be recording a material liability for the year ended June 30, 2015 for pension participation.

Governmental Accounting Standards Board Statement No. 69, *Government Combinations and Disposals of Government Operations* establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term "government combinations" includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment and requires disclosures to be made about government combinations and

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

June 30, 2014

**NOTE R – NEW ACCOUNTING STANDARDS – CONTINUED**

disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The Public Regulation Commission has implemented this standard early in the current year as allowed under the standard and with the approval of the Office of the State Auditor. The effect of this implementation on the Commission's financial statements is the special item reporting of the transfer of net position to the OSI and SOS on the Statement of Activities and the disclosure of the disposal of operations in Note J.

Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, requires a government employer to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability required to be recorded as a result of the implementation of GASB 68. GASB 68 requires employers to record contributions made to a defined pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period as a deferred outflow of resources. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers. The requirements of this Statement are required to be applied simultaneously with the provisions of GASB 68.

**NOTE S – SUBSEQUENT EVENTS**

Events subsequent to June 30, 2014 have been evaluated by management through December 5, 2014, the date of the auditors' report. In the opinion of management, no events occurring after June 30, 2014 require adjustment to or disclosure in the financial statements.

State of New Mexico  
Public Regulation Commission

**GENERAL FUND - PROGRAMS AND PROJECTS**

June 30, 2014

*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

State of New Mexico  
Public Regulation Commission

**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, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund and special appropriations	\$ 4,923,600	\$ 6,075,500	\$ 6,075,500	\$ -
Other financing sources	629,200	1,073,265	1,073,265	-
Federal funds	-	-	-	-
	5,552,800	7,148,765	7,148,765	-
Total revenues				
Expenditures:				
Personal services	4,773,900	6,369,865	6,215,967	153,898
Contractual services	168,600	168,600	97,243	71,357
Operating costs	610,300	610,300	531,193	79,107
	5,552,800	7,148,765	6,844,403	304,362
Total expenditures				
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	304,362	\$ 304,362
Reversions			(304,362)	
Change in fund balance per GAAP			\$ -	

State of New Mexico  
Public Regulation Commission

**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, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
General fund appropriation	\$ -	\$ -	\$ -	\$ -
Other financing sources	4,838,900	4,677,000	4,441,400	(235,600)
Federal funds	910,000	942,786	1,124,056	181,270
	<u>5,748,900</u>	<u>5,619,786</u>	<u>5,565,456</u>	<u>(54,330)</u>
Total revenues				
Expenditures:				
Personal services	3,554,300	3,392,400	3,188,560	203,840
Contractual services	597,600	625,286	474,339	150,947
Operating costs	1,597,000	1,602,100	1,103,007	499,093
	<u>5,748,900</u>	<u>5,619,786</u>	<u>4,765,906</u>	<u>853,880</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	799,550	<u>\$ 799,550</u>
Reversions			<u>(799,550)</u>	
Change in fund balance per GAAP			<u>\$ -</u>	

State of New Mexico  
Public Regulation Commission

**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, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Revenues:				
General fund appropriation	\$ 2,112,000	\$ 1,458,600	\$ 1,458,600	\$ -
Other financing sources	465,600	465,600	465,600	-
Federal funds	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues	2,577,600	1,924,200	1,924,200	-
Expenditures:				
Personal services	2,103,300	1,449,900	1,381,982	67,918
Contractual services	121,800	121,800	66,948	54,852
Operating costs	352,500	352,500	330,837	21,663
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenditures	2,577,600	1,924,200	1,779,767	144,433
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	144,433	<u>\$ 144,433</u>
Reversion to the State General Fund			<u>(144,433)</u>	
Change in fund balance per GAAP			<u>\$ -</u>	

State of New Mexico  
Public Regulation Commission

**NONMAJOR FUNDS**

June 30, 2014

*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)

State of New Mexico  
Public Regulation Commission

**COMBINING BALANCE SHEET – ALL NONMAJOR FUNDS**

June 30, 2014

	<u>Fire Safer Cigarette and Fire Protection - 10890</u>	<u>Reproduction Fund - 47700</u>	<u>Patient's Compensation Fund - 23500</u>
<b>ASSETS</b>			
Investments, State Treasurer Investment Pool	\$ 508,013	\$ 140,453	\$ -
Due from other funds	<u>-</u>	<u>88,000</u>	<u>-</u>
Total assets	<u><u>\$ 508,013</u></u>	<u><u>\$ 228,453</u></u>	<u><u>\$ -</u></u>
<b>FUND BALANCES</b>			
Restricted	\$ 508,013	\$ -	\$ -
Committed	<u>-</u>	<u>228,453</u>	<u>-</u>
Total fund balances	<u><u>\$ 508,013</u></u>	<u><u>\$ 228,453</u></u>	<u><u>\$ -</u></u>



<u>Insurance Operations Fund - 03900</u>	<u>Insurance Examination - 11300</u>	<u>Insurance Licensee Continuing Education - 17100</u>	<u>Title Insurance Maintenance - 86000</u>	<u>Insurance Fraud - 37500</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 648,466
-	-	-	-	-	88,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,466</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 508,013
-	-	-	-	-	228,453
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,466</u>

State of New Mexico  
Public Regulation Commission

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

June 30, 2014

	Fire Safer Cigarette and Fire Protection Fund - 10890	Reproduction Fund - 47700	Patient's Compensation Fund - 23500
Revenues			
Other fees	\$ 28,500	\$ 4,139	\$ -
Total revenues	28,500	4,139	-
Expenditures			
Personal services	-	-	-
Contractual services	-	-	-
Other costs	-	-	-
Total expenditures	-	-	-
Excess (deficiency) of revenues over expenditures	28,500	4,139	-
Other financing sources and (uses)			
Grants to local governments	-	-	-
Other financing sources - transfers in	-	88,000	-
Other financing uses - transfers out	-	(88,000)	-
Total other financing sources and (uses)	-	-	-
Special item			
Transfer of operations	-	-	(50,584,087)
Excess (deficiency) of revenues and other financing sources over expenditures	28,500	4,139	(50,584,087)
Fund balances, beginning of year	479,513	224,314	50,584,087
Fund balances, end of year	\$ 508,013	\$ 228,453	\$ -

<u>Insurance Operations Fund - 03900</u>	<u>Insurance Examination - 11300</u>	<u>Insurance Licensee Continuing Education - 17100</u>	<u>Title Insurance Maintenance - 86000</u>	<u>Insurance Fraud - 37500</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,639</u>
-	-	-	-	-	32,639
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	32,639
-	-	-	-	-	-
-	-	-	-	-	88,000
-	-	-	-	-	(88,000)
-	-	-	-	-	-
<u>(2,541,800)</u>	<u>(1,387)</u>	<u>(926,906)</u>	<u>(144,541)</u>	<u>(54,917)</u>	<u>(54,253,638)</u>
(2,541,800)	(1,387)	(926,906)	(144,541)	(54,917)	(54,220,999)
<u>2,541,800</u>	<u>1,387</u>	<u>926,906</u>	<u>144,541</u>	<u>54,917</u>	<u>54,957,465</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 736,466</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, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other Fees	\$ -	\$ -	\$ 28,500	\$ 28,500
Expenditures:				
Other financing uses	-	-	-	-
Excess (deficiency) of revenues over expenditures (prior year fund balance required to balance budget)	-	-	\$ 28,500	\$ 28,500
Fund balance carryforward	479,513	479,513		
Total	\$ 479,513	\$ 479,513		

State of New Mexico  
Public Regulation Commission

**STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
REPRODUCTION FUND (SHARE 47700)**

For the year ended June 30, 2014

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Other fees - printing and reproduction	\$ 88,000	\$ 88,000	\$ 4,139	\$ (83,861)
Other financing sources	-	-	88,000	88,000
Total revenues	88,000	88,000	92,139	4,139
Expenditures:				
Other financing uses	88,000	88,000	88,000	-
Excess (deficiency) of revenues over expenditures	-	-	\$ 4,139	\$ 4,139
Fund balance carryforward	224,314	224,314		
Total	\$ 224,314	\$ 224,314		

State of New Mexico  
Public Regulation Commission

**AGENCY FUNDS**

June 30, 2014

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:

*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)

*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)

*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)

*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)

*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, 2014

	<u>Appropriation Period</u>	<u>Current Year Revenue</u>	<u>Amount Appropriated</u>	<u>Current Year Expenditures</u>	<u>Unexpended Portion</u>	<u>Unexpended and Reverted</u>
<b>Special Appropriations</b> Laws of 2013, Chapter 227, Section 6	2014	\$ 498,500	\$ 498,500	\$ 420,457	\$ 78,043	\$ 78,043

State of New Mexico  
Public Regulation Commission

**COMBINING BALANCE SHEET – ALL AGENCY FUNDS**

June 30, 2014

	Motor Transportation - 19000	Fire Protection Agency Fund - 57800	Special Corporation Fees Fund - 50600
<b>ASSETS</b>			
Investments, State Treasurer Investment Pool	\$ 25,283	\$ 72,461,145	\$ -
Due from other state agencies	-	699,699	-
Due from other agency funds	-	-	-
	<b>\$ 25,283</b>	<b>\$ 73,160,844</b>	<b>\$ -</b>
<b>LIABILITIES</b>			
Due to State General Fund	\$ -	\$ 16,082,190	\$ -
Due to other agency funds	-	28,694	-
Due to external parties-governmental funds	-	5,888,015	-
Due to other state agencies	25,283	-	-
Undistributed receipts	-	5,471,000	-
Accounts payable	-	45,690,945	-
	<b>\$ 25,283</b>	<b>\$ 73,160,844</b>	<b>\$ -</b>



Qwest Performance Assurance Plan - 30500	Pipeline Fees Fund - 50500	Firefighters Survivors - 56400	Total
\$ -	\$ -	\$ 21,306	\$ 72,507,734
-	-	750	700,449
-	-	28,694	28,694
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,750</u>	<u>\$ 73,236,877</u>
\$ -	\$ -	\$ -	\$ 16,082,190
-	-	-	28,694
-	-	-	5,888,015
-	-	-	25,283
-	-	50,750	5,521,750
-	-	-	45,690,945
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,750</u>	<u>\$ 73,236,877</u>

State of New Mexico  
Public Regulation Commission

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

June 30, 2014

	Balance June 30, 2013	Additions	(Deletions)	Balance June 30, 2014
<b><u>MOTOR TRANSPORTATION (19000)</u></b>				
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ 21,926	\$ 2,034,651	\$ (2,031,294)	\$ 25,283
Total assets	<u>\$ 21,926</u>	<u>\$ 2,034,651</u>	<u>\$ (2,031,294)</u>	<u>\$ 25,283</u>
<b>LIABILITIES</b>				
Due to other state agencies	\$ 21,926	\$ 2,034,651	\$ (2,031,294)	\$ 25,283
Accounts payable	-	126	(126)	-
Total liabilities	<u>\$ 21,926</u>	<u>\$ 2,034,777</u>	<u>\$ (2,031,420)</u>	<u>\$ 25,283</u>
<b><u>FIRE PROTECTION AGENCY FUND (57800)</u></b>				
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ 69,643,389	\$ 75,634,857	\$ (72,817,101)	\$ 72,461,145
Due from external parties - governmental funds	127,109	-	(127,109)	-
Due from other state agencies	1,767,374	3,337,616	(4,405,291)	699,699
Total assets	<u>\$ 71,537,872</u>	<u>\$ 78,972,473</u>	<u>\$ (77,349,501)</u>	<u>\$ 73,160,844</u>
<b>LIABILITIES</b>				
Due to State General Fund	\$ 18,613,067	\$ 16,082,190	\$ (18,613,067)	\$ 16,082,190
Due to other agency funds	-	28,694	-	28,694
Due to external parties - governmental funds	4,600,185	5,888,015	(4,600,185)	5,888,015
Undistributed receipts	5,117,199	265,551,478	(265,197,677)	5,471,000
Accounts payable	43,207,422	45,690,945	(43,207,422)	45,690,945
Total liabilities	<u>\$ 71,537,873</u>	<u>\$ 333,241,322</u>	<u>\$ (331,618,351)</u>	<u>\$ 73,160,844</u>
<b><u>SPECIAL CORPORATION FEES FUND (50600)</u></b>				
<b>ASSETS</b>				
Investments, State Treasurer Investment Pool	\$ 51	\$ 15,630,267	\$ (15,630,318)	\$ -
Total assets	<u>\$ 51</u>	<u>\$ 15,630,267</u>	<u>\$ (15,630,318)</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to State General Fund	\$ 51	\$ 15,630,267	\$ (15,630,318)	\$ -
Total liabilities	<u>\$ 51</u>	<u>\$ 15,630,267</u>	<u>\$ (15,630,318)</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, 2014

	Balance July 1, 2012	Additions	(Deletions)	Balance June 30, 2014
<b><u>QWEST PERFORMANCE ASSURANCE PLAN (30500)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 600	\$ -	\$ (600)	\$ -
Total assets	\$ 600	\$ -	\$ (600)	\$ -
LIABILITIES				
Due to State General Fund	\$ 600	\$ -	\$ (600)	\$ -
Total liabilities	\$ 600	\$ -	\$ (600)	\$ -
<b><u>PIPELINE FEES (50500)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ -	\$ 64,736	\$ (64,736)	\$ -
Total assets	\$ -	\$ 64,736	\$ (64,736)	\$ -
LIABILITIES				
Due to State General Fund	\$ -	\$ 64,736	\$ (64,736)	\$ -
Total liabilities	\$ -	\$ 64,736	\$ (64,736)	\$ -
<b><u>FIREFIGHTERS SURVIVORS (56400)</u></b>				
ASSETS				
Investments, State Treasurer Investment Pool	\$ 64,361	\$ 7,545	\$ (50,600)	\$ 21,306
Due from other state agencies	-	750	-	750
Due from other agency funds	-	28,694	-	28,694
Total assets	\$ 64,361	\$ 36,989	\$ (50,600)	\$ 50,750
LIABILITIES				
Undistributed receipts	\$ 64,361	\$ 86,989	\$ (100,600)	\$ 50,750
Accounts payable	-	50,000	(50,000)	-
Total liabilities	\$ 64,361	\$ 136,989	\$ (150,600)	\$ 50,750

State of New Mexico  
Public Regulation Commission

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2014

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	DTPH56-13-G-PHPG28	20.700	\$ 427,361
Gas Pipeline Safety	DTPH56-14-G-PHPG28	20.700	410,900
Hazardous Liquid Pipeline Safety	DTPH56-13-G-PHPL08	20.700	(1,958)
Hazardous Liquid Pipeline Safety	DTPH56-14-G-PHPL08	20.700	<u>10,207</u>
			846,510
Damage Prevention Pipeline Safety	DTPH56-13-G-PHPS16	20.720	4,505
Damage Prevention Pipeline Safety	DTPH56-14-G-PHPS16	20.720	<u>64,774</u>
			69,279
Gas Pipeline Safety (One-call)	DTPH56-13-G-PHPC20	20.721	40,309
Gas Pipeline Safety (One-call)	DTPH56-14-G-PHPC20	20.721	<u>7,625</u>
			<u>47,934</u>
<b>Total U.S. Department of Transportation</b>			963,723
<b>U.S. Department of Energy:</b>			
<b>Pass-through programs:</b>			
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>145,074</u>
<b>Total U.S. Department of Energy</b>			145,074
<b>U.S. Department of Homeland Security:</b>			
<b>Direct Programs:</b>			
State Fire Training Systems Grants	EMW-2011-GR-00109	97.043	8,200
State Fire Training Systems Grants	EMW-2011-GR-00109	97.043	<u>17,360</u>
<b>Total U.S. Department of Homeland Security</b>			<u>25,560</u>
<b>Total expenditures of federal awards</b>			<u><u>\$ 1,134,357</u></u>

State of New Mexico  
Public Regulation Commission

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

Year ended June 30, 2014

Grant revenue per financial statements	\$ 1,124,056
Other revenue	
WIPP - \$10,301 previously recognized	<u>10,301</u>
Federal expenditures per schedule	<u>\$ 1,134,357</u>

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, 2014.



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.  
6501 AMERICAS PKWY NE  
SUITE 700  
ALBUQUERQUE, NM 87110

T 505 843 6492  
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246  
ALBUQUERQUE, NM 87125

**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, 2014, 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, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents, and have issued our report thereon dated December 5, 2014.

**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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2014-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

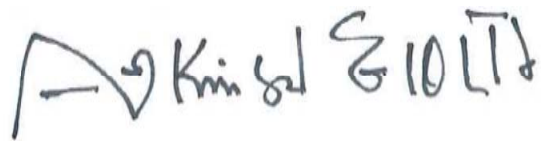
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2014-002.

### **Commission's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish on the left side.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 5, 2014



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.  
6501 AMERICAS PKWY NE  
SUITE 700  
ALBUQUERQUE, NM 87110

T 505 843 6492  
F 505 843 6817

ATKINSONCPA.COM

PO BOX 25246  
ALBUQUERQUE, NM 87125

**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, 2014. 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, 2014.

### **Report on Internal Control over Compliance**

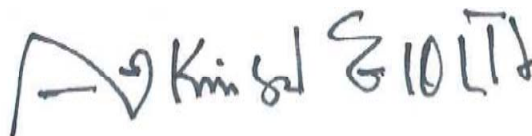
Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with 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. 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.

### **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 "Krin 5d 10 LT", is written over a stylized logo consisting of a large, open 'A' shape.

**Atkinson & Co., Ltd.**

Albuquerque, New Mexico  
December 5, 2014

State of New Mexico  
Public Regulation Commission

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the year ended June 30, 2014

**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?   X   Yes \_\_\_\_\_ 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:

CFDA Number	Name of Federal Program	Questioned Cost
20.700	Department of Transportation: Gas Pipeline Safety and Hazardous Liquid Pipeline Safety	None

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

For the year ended June 30, 2014

**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?

X  Yes        No

**III. Status of Prior Audit Findings**

<u>Comment</u>	<u>Current Status</u>
02-03 Cash Receipts Deposits	Resolved
12-03 Procurement Violation	Resolved
13-01 Physical Inventory of Capital Assets	Resolved

**IV. Current Audit Findings**

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

2014-001 Capital Asset Additions (Significant Deficiency)

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

None

**Findings in Accordance with 2.2.2. NMAC**

2014-002 Unauthorized Use of State Vehicle (Compliance)

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

For the year ended June 30, 2014

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

**2014-001 CAPITAL ASSET ADDITIONS (SIGNIFICANT DEFICIENCY)**

***Condition:***

The physical inventory performed in the current year determined that there were 5 vehicles (with a cost of \$117,975 and accumulated depreciation at June 30, 2014 of \$81,108) purchased in 2008 that were never put on the main asset listing and therefore were not recorded in the financial statements.

***Criteria:***

Per Section 12-6-10 NMSA 1978, property, plant, and equipment purchased or acquired at a value of \$5,000 or greater are capitalized. Per U.S. GAAP, capital assets should be recorded in the year the asset is acquired and depreciation expense should be recorded from the acquisition date until the asset is fully depreciated or disposed of.

***Effect:***

Beginning capital assets and net position invested in capital assets were understated by a material amount.

***Cause:***

A physical inventory was not completed in the prior year.

***Recommendation:***

We recommend that a physical inventory be performed each year to ensure that all property is recorded.

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

The Public Regulation Commission acknowledges that upon verifying the fixed asset report developed by a vendor, who conducted an onsite physical inventory check for the NMPRC for FY 2014, 5 of 8 Honda Civics that were purchased in June 2008 were never added to the fixed assets for the NMPRC, therefore creating a prior period adjustment in this fiscal year's audit. The NMPRC is implementing a full inventory list of all assets owned by the NMPRC with a separate list of all assets over \$5,000 which will be maintained by the ASD Staff Manager and verified by the ASD Director/CFO each year. This will allow the agency to better account for all the assets that reside and what is being removed or added to the inventory. This asset inventory list will include all assets that are tangible with a life expectancy of over one year. A separate list of assets over \$5,000 will be pulled from the overall inventory list and placed on a fixed asset list that will allow the NMPRC to verify what fixed assets should be on the vendor's fixed asset report and be able to identify what fixed assets were added and deleted in any given fiscal year.

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

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

For the year ended June 30, 2014

**Findings in Accordance with 2.2.2. NMAC**

**2014-002 UNAUTHORIZED USE OF STATE VEHICLE (COMPLIANCE)**

***Condition:***

An agency (state) vehicle was used to transport persons who were not state employees without obtaining a waiver from the NM General Services Department (GSD). The Commission self-reported this matter to GSD.

***Criteria:***

Per NMAC section 1.5.3.12B "Authorized Drivers and Passengers", "A person who is not a state employee must obtain written authorization . . . before occupying a state vehicle". Such authorization must be requested in writing from GSD at least 5 working days before the use occurs.

***Effect:***

The Agency did not comply with state regulations.

***Cause:***

The transportation occurred as a matter of convenience based on the driver's proximity to the non-state employee (the child of another employee) in distress.

***Recommendation:***

We recommend that the Agency communicate state vehicle use policies to all employees with an emphasis on full compliance, noting that non-emergency use is strictly prohibited by regulation unless appropriate permission is obtained as provided by regulation.

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

The Public Regulation Commission acknowledges that a state issued vehicle owned by the NMPRC was used to transport non-state employees who were in distress on the side of a freeway. The incident was reported to Administrative Services Division the next morning who then called GSD Transportation Services to report the incident and determine what information will be required to report. GSD Transportation Services indicated that they would follow-up with a resolution to the incident. NMPRC provided all documentation of the incident upon the follow-up from GSD Transportation. The state employee expended no additional state dollars with this transport of a non-state employee. All NMPRC employees involved with this incident were reprimanded. The NMPRC will continue to provide continuous training and email correspondence to all employees of the driving policies and mandates, ensuring that all employees understand and follow all rules and regulations related to state vehicle use.

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

State of New Mexico  
Public Regulation Commission

**FINANCIAL STATEMENT PREPARATION**

June 30, 2014

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 3, 2014, to discuss the audit. The following individuals were in attendance:

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

Theresa Becenti-Aguilar, Commissioner/Chair

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

ATKINSON & CO. LTD.  
CERTIFIED PUBLIC ACCOUNTANTS CONSULTANTS

ALBUQUERQUE, NM  
T 505 843 6492  
F 505 843 6817

[ATKINSONCPA.COM](http://ATKINSONCPA.COM)

