



**ANNUAL FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

June 30, 2019

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Commissioners

Theresa Becenti-Aguilar	Chair
Cynthia B. Hall	Vice-Chair
Jefferson L. Byrd	Commissioner
Stephen Fischmann	Commissioner
Valerie Espinoza	Commissioner

Administrative Officials

Jason N. Montoya	Interim Chief of Staff
Jim Williamson	Director, Administrative Services Division/CFO
Don Shainin	State Fire Marshal
Milo Chavez	Acting Director, Utility & Consumer Relations
Vacant	Director, Transportation

INDEPENDENT AUDITORS REPORT

Public Regulation Commissioners
State of New Mexico Public Regulation Commission
and
Mr. Brian S Colón, 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 aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the State of New Mexico Public Regulation Commission (Commission), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Commission, as of June 30, 2019, and the respective changes in financial position thereof 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 A1, 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, 2019, 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 States of America require that the management's discussion and analysis on pages 5-12 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.

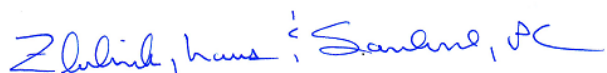
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements, and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other schedules required by 2.2.2.NMAC 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 and the accompanying supplementary information listed on the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the supplementary information listed on the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2019 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.



Zlotnick, Laws & Sandoval, P.C.

October 25, 2019

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, 2019. 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 in 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.

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 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.

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

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Management Discussion and Analysis June 30, 2019

appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances, stated on the government's budgetary basis.

As required by the Office of the State Auditor under 2.2.2 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. 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, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
ASSETS			
Government activities			
Current and other assets	\$ 27,745,416	\$ 22,358,875	\$ 5,386,541
Capital assets	<u>1,682,307</u>	<u>1,931,790</u>	<u>(249,483)</u>
Total assets	<u>\$ 29,427,723</u>	<u>\$ 24,290,665</u>	<u>\$ 5,137,058</u>
LIABILITIES			
Current liabilities	\$ 24,100,973	\$ 20,020,272	\$ 4,080,701
Long-term liabilities	<u>160,905</u>	<u>129,390</u>	<u>31,515</u>
Total liabilities	24,261,878	20,149,662	4,112,216
Deferred inflows of resources	1,576,429	960,319	616,110
NET POSITION			
Net investment in capital assets	1,682,307	1,931,790	(249,483)
Restricted for special projects	1,852,961	1,360,121	492,840
Unrestricted	<u>54,148</u>	<u>(111,227)</u>	<u>165,375</u>
Total net position	<u>3,589,416</u>	<u>3,180,684</u>	<u>408,732</u>
Total liabilities, deferred inflows, and net position	<u>\$ 29,427,723</u>	<u>\$ 24,290,665</u>	<u>\$ 5,137,058</u>

Discussion of Statement of Net Position

Deducting total liabilities, deferred inflows, and outflows from total assets derive the Net position. The overall net position increased by \$408,732 over fiscal year 2018.

Current assets consist mostly of assets due from external parties-federal grants in the amount of \$375,780 and investments with the State Treasurer of \$6,793,475; and receivables from the State of New Mexico's Office of the Superintendent of Insurance in the amount of \$20,563,537.

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 decreased by \$249,483 due in part to the material recognition of the disposal of Fixed Assets.

Restricted net position balance increased by \$492,840 due to the special appropriation in the General Fund of \$198,900 and activity of the following non-reverting funds: \$86,395 of Other Sales of Services Revenue in the Fire Fighters Use Fee Fund (09300), \$201,000 of Fee Revenue in the Fire Safer Cigarette Fund (10890), \$21,847 of Other Fee and Interest Revenue in the Transportation Network Company Fund (43150), and a reduction of \$15,302 from the SFMO Inspections fund (20750).

The Unrestricted net position balance was increased by \$165,375 due to the net increase of revenue over expense in the Pipeline Safety Fund (37700).

Capital Asset Administration

The decrease in capital assets of \$ 249,483 is due to the disposal of machinery and equipment of \$ 248,079 and the recognition 8 vehicles and a fire engine disposed of in prior year of \$ 5,870.

Liabilities

Current liabilities of \$24,100,973 consist primarily of accounts payable of \$364,800, i.e., amounts that the Commission is obligated to pay; accrued salaries and benefits payable \$398,240; reversions due to the State General Fund \$ 22,723,926; and other liabilities of \$252,147. The portion of compensated absence liabilities due in the current year is \$361,860 and the portion due long term is \$160,905.

Long-Term Debt

The Commission has no long-term debt outstanding other than the noncurrent portion of compensated absences of \$ 160,905 as of June 30, 2019.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Management Discussion and Analysis June 30, 2019

Deferred Inflows of Resources

The Commission received at year-end from the utility companies for FY2020 pipeline fee assessments of \$1,207,471, and unavailable federal revenue of \$368,9580.

Commission's Statement of Activities

STATEMENT OF ACTIVITIES	June 30, 2019	June 30, 2018	Change
Program revenue	\$ 2,079,707	\$ 2,353,003	(273,296)
Program expenses	(81,120,478)	(68,408,396)	(12,712,082)
Net changes	(79,040,771)	(66,055,393)	(12,985,378)
General revenues:			
Fire Insurance Tax	94,645,246	90,529,671	4,115,575
Investment income	3,397	9,110	(5,713)
Loss on disposal of assets	(5,870)	-0-	(5,870)
General Fund Appropriations	7,460,700	6,666,800	793,900
Transfers, net	99,800	29,447	70,353
Reversion	(22,753,769)	(30,687,144)	7,933,375
Total general revenue and transfers	79,449,504	66,547,884	12,901,620
Change in net position	408,733	492,491	(83,758)
Net position, beginning of year	3,180,683	2,688,192	492,491
Net position, end of year	\$ 3,589,416	\$ 3,180,683	\$ 408,733

Discussion of Statement of Activities

This statement shows the components that increased, in the aggregate, the Commission's net position by \$408,733 during the year. Program revenue decreased by \$273,296 from the prior year due to the decrease in federal grants. Program expenses in the Public Safety program increased by about \$13 million due to distributions to local fire districts. The Commission recognized an increase in the Fire Insurance Tax Revenue category because of increased revenue of \$94,645,246. \$22,462,279 was reverted to the State of New Mexico's General Fund from the Fire Protection Fund, \$289,940 from the Operating Fund, and \$1,550 from the Fire Protection Grant Fund for FY19.

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 \$2,429,874, for a net increase over the prior fiscal period of \$639,883. This is primarily from revenue from Pipeline Safety Fund (37700), Fire Fighters Use Feed Fund (09300), Fire Safer Cigarette Fund (10890), SFMO Inspections Fund (20750), PRC Reproduction Fund (47700), and Transportation Network Fund (43150).

The Operating Fund (55000) is the Commission's operating fund where all operational expenses reside. The Operating Fund revenues decreased \$411,365 due to less Federal Revenues realized, Other Financing Sources increased by \$99,800, Appropriations increased by \$793,900, Intra-Agency Transferred increased by \$2,011,621. Expenditures increased \$2,080,440 compared to FY18 primarily due to increased expenditures in Personnel Services 200s category and Other Services 400s category.

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. In FY19, the Fire Protection Grant Fund distributed \$9,060,600.

The Fire Protection Fund (57800) is presented as a Special Revenue Fund this fiscal year. The revenues in this fund are derived from fire insurance tax assessments through the Office of the Superintendent of Insurance. Major expenditures and uses incurred are amounts appropriated to the Commission's General Fund for operations, \$250,000 per recipient payments to beneficiaries upon the deaths of statewide volunteer firefighters to the Firefighters Survivor Fund (56400), and the annual transfer of \$750,000 to the PERA Volunteer Firefighters Retirement Fund. In FY19 the distribution for the Fire Protection Fund is \$ 57,074,913.

The Pipeline Safety Fund (37700) 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 realized in fiscal year 2019 were \$1,234,705. The other financing uses are amounts transferred to the General Fund (55000) to fund the operations of the Commission for the fiscal year.

Non-major Governmental Funds at the PRC are the Firefighter Use Fee Fund (09300), Fire Safer Cigarette Fund (10890), SFMO Inspections Fund (20750), Transportation Network Company Fund (43150), Reproduction Fee Fund (47700), Pipeline Fees Fund (50500), and the Firefighters' Survivors Fund (56400). 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; the

Reproduction Funds are used in the NMPRC General Fund for general operations; the Transportation Network Company funds are available for use of the Commission to carry out its duties pursuant to the provisions of the Transportation Network Company Services Act; and Firefighter Use Fee funds can be budgeted for emergency maintenance expenses that may arise with live fire-training courses provided at the Firefighter Training Academy in Socorro, NM. Firefighter Use Fee Fund Revenues realized in the fiscal year 2019 were \$86,395.

General Fund Highlights

The Commission has continued to manage operations that were set upon by this Commission in spite of the increase in its caseload and vacancy factors.

Currently Known Facts

The New Mexico Public Regulation Commission (PRC) continues to experience an increase in the number of utility case filings that are more voluminous, complex and contentious due to the new regulatory demands of the Federal Energy Regulation Commission (FERC), North American Electric Reliability Corporation (NERC), Environmental Protection Agency (EPA) and legislative-mandated renewable/energy efficiency programs in the state such as the Energy Transition Act (ETA), Senate Bill 489 which passed in the 2019 Legislative Session. The ETA sets a statewide renewable energy standard of 50 percent by 2030 for New Mexico investor-owned utilities and rural electric cooperatives and a goal of 80 percent by 2040. The passage of the ETA will require additional accounting, economist and legal staff in the Agency's Utility Division in order to comply with the requirements.

In FY19, the Commission achieved significant results in each of its programs. NMPRC Utility and Legal Divisions handled the adjudication of major utility cases filed with the Commission. Policy & Regulation Program (P611) filed 42% of written documents by staff (testimonies, reports, rulemaking comments, and affidavits) to the total number of docketed cases in a fiscal year. Consumer Relations Division (P611) obtained \$58,500 of credits and refunds obtained for New Mexico consumers through complaint resolution. Transportation Division (P611) performed 10% of total carrier inspections (household goods, bus, taxi, ambulance, tow, and rail) to the total number of regulated carriers in a fiscal year.

Public Safety Program (P612) achieved goal metrics in its duty to protect and maintain public safety for the citizens of New Mexico. 88% was the pass rate for state certification exams administered by the State Firefighter Academy (P612). The Pipeline Safety Bureau, Firefighters Training Academy, and State Fire Marshal's Office (P612) logged over 104,680 contact training hours in FY19. 79% of statewide fire districts with insurance service office ratings of eight or better in coordination with the State Fire Marshal's Office (P612).

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, 87501 or visit the Commission website at <http://nmprc.state.nm.us>.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Net Position
June 30, 2019**

	<u>Governmental Activities</u>
Assets	
Interest in State General Fund Investment Pool	\$ 6,793,475
Due from Other State Agencies	20,563,537
Due from Federal Government	375,780
Prepaid Expenses	12,624
Total Current Assets	<u>27,745,416</u>
Capital Assets, net	<u>1,682,307</u>
Total Assets	<u><u>\$ 29,427,723</u></u>
Liabilities	
Current Liabilities	
Accounts Payable	\$ 364,800
Accrued Payroll	398,240
Due to State General Fund	22,723,926
Other Liabilities	252,147
Compensated Absences - current	361,860
Total Current Liabilities	<u>24,100,973</u>
Compensated Absences - noncurrent	<u>160,905</u>
Total Liabilities	<u><u>24,261,878</u></u>
Deferred Inflows of Resources	
Unavailable Revenues	1,576,429
Net Position	
Net Investment in Capital Assets	1,682,307
Restricted	1,852,961
Unrestricted	54,148
Total Net Position	<u><u>3,589,416</u></u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 29,427,723</u></u>

See Notes to the Financial Statements

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Activities
For the Year Ended June 30, 2019**

	Policy and Regulation	Public Safety	Program Support	Total Governmental Activities
Program Expenses	\$ 6,666,665	\$ 72,577,172	\$ 1,603,215	\$ 80,847,052
Depreciation	18,478	250,504	4,444	273,426
Total Expenses	<u>6,685,143</u>	<u>72,827,676</u>	<u>1,607,659</u>	<u>81,120,478</u>
Program Revenues				
Charges for Services	28,865	1,533,309	14,260	1,576,434
Operating Grants and Contributions	7,122	496,151	-	503,273
Total revenues	<u>35,987</u>	<u>2,029,460</u>	<u>14,260</u>	<u>2,079,707</u>
Net Program Revenue (Expense)	\$ (6,649,156)	\$ (70,798,216)	\$ (1,593,399)	(79,040,771)
General Revenue				
Fire Insurance Tax				94,645,246
Interest Income				3,397
General Fund Appropriations				7,460,700
Transfers, net				99,800
General Fund Reversion				(22,753,769)
Loss on Disposal of Assets				(5,870)
Total General Revenues				<u>79,449,504</u>
Change in Net Position				408,733
Net Position, Beginning				<u>3,180,683</u>
Net Position, Ending				<u><u>\$ 3,589,416</u></u>

See Notes to the Financial Statements.

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund (SHARE #55000)

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:

Pipeline Safety Fund (SHARE #37700)

The purpose of the fund is to enhance the staffing and training of the Pipeline Safety Bureau for the inspection function of interstate and intrastate pipelines.

Fire Protection Grant Fund (SHARE #56900)

Money in the fund is appropriated to the Fire Protection Grant Council to make distributions approved by the council for the critical needs of municipal and county fire districts.

Fire Protection Fund (SHARE #57800)

The Fire Protection Fund distributes the monies collected from the Insurance Suspense Fund for the operations of the State Fire Marshal and the operations, maintenance, and betterment of local fire districts.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Balance Sheet - Governmental Funds
June 30, 2019**

	General 55000	Pipeline Safety 37700	Fire Protection Grant 56900
Assets			
Interest in SGFIP	\$ 1,118,545	\$ 1,638,099	\$ 15,801
Due from Other Funds	-	-	-
Due from Other State Agencies	-	-	-
Due from Federal Agencies	375,780	-	-
Prepaid Expenses	12,624	-	-
Total Assets	\$ 1,506,949	\$ 1,638,099	\$ 15,801
Liabilities			
Accounts Payable	\$ 276,969	\$ -	\$ -
Accrued Payroll	397,971	-	-
Due to Other Funds	29,178	-	-
Due to State General Fund	234,940	-	15,801
Other Liabilities	33	-	-
Total Liabilities	939,091	-	15,801
Deferred Inflows of Resources			
Unavailable Revenues	368,958	1,207,471.00	-
Fund Balance			
Restricted	198,900	-	-
Committed	-	430,628	-
Unassigned	-	-	-
Total Fund Balance	198,900	430,628	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,506,949	\$ 1,638,099	\$ 15,801

See Notes to the Financial Statements.

Fire Protection 57800	Non Major Governmental Funds	Total Governmental Funds
\$ 1,986,573	\$ 2,034,457	\$ 6,793,475
-	29,178	29,178
20,563,537	-	20,563,537
-	-	375,780
-	-	12,624
<u>\$ 22,550,110</u>	<u>\$ 2,063,635</u>	<u>\$ 27,774,594</u>
\$ 87,831	\$ -	\$ 364,800
-	269	398,240
-	-	29,178
22,462,279	10,906	22,723,926
-	252,114	252,147
<u>22,550,110</u>	<u>263,289</u>	<u>23,768,291</u>
-	-	1,576,429
-	1,654,061	1,852,961
-	50,000	480,628
-	96,285	96,285
<u>-</u>	<u>1,800,346</u>	<u>2,429,874</u>
<u>\$ 22,550,110</u>	<u>\$ 2,063,635</u>	<u>\$ 27,774,594</u>

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STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2019**

Total Fund Balance - Governmental Funds \$ 2,429,874

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	\$ 7,201,256	
Accumulated depreciation	<u>(5,518,949)</u>	
Total capital assets, net		1,682,307

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds	<u>(522,765)</u>
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Total Net position - Governmental Activities \$ 3,589,416

See Notes to the Financial Statements.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019**

	General 55000	Pipeline Safety 37700	Fire Protection Grant 56900
Revenues			
Fire Insurance Tax	\$ -	\$ -	\$ -
Licenses and Fees	-	1,234,705	-
Interest Income	-	-	1,550
Federal Grant Revenue	503,272	-	-
Miscellaneous Revenue	10,377	-	-
Total Revenue	<u>513,649</u>	<u>1,234,705</u>	<u>1,550</u>
Expenditures			
Current:			
Personal Services	10,875,518	-	-
Contractual Services	441,910	-	-
Other Costs	2,983,430	-	9,060,600
Capital Outlay	29,813	-	-
Total Expenditures	<u>14,330,671</u>	<u>-</u>	<u>9,060,600</u>
Excess (Deficiency) of Revenues over Expenditures	(13,817,022)	1,234,705	(9,059,050)
Other Financing Sources (Uses)			
General Fund Appropriation	7,460,700	-	-
Other Financing Sources	99,800	-	-
Intra-Agency Transfers	6,745,362	(1,081,100)	9,060,600
Reversions FY2019	(289,940)	-	(1,550)
Total Other Financing Sources (Uses)	<u>14,015,922</u>	<u>(1,081,100)</u>	<u>9,059,050</u>
Net Change in Fund Balance	198,900	153,605	-
Fund Balance, Beginning	<u>-</u>	<u>277,023</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 198,900</u>	<u>\$ 430,628</u>	<u>\$ -</u>

See Notes to the Financial Statements.

Fire Protection 57800	Non Major Governmental Funds	Total Governmental Funds
\$ 94,645,246	\$ -	\$ 94,645,246
-	331,352	1,566,057
-	1,847	3,397
-	-	503,272
-	-	10,377
<u>94,645,246</u>	<u>333,199</u>	<u>96,728,349</u>
-	-	10,875,518
111,327	-	553,237
57,392,600	-	69,436,630
-	-	29,813
<u>57,503,927</u>	<u>-</u>	<u>80,895,198</u>
37,141,319	333,199	15,833,151
-	-	7,460,700
-	-	99,800
(14,679,040)	(45,822)	-
<u>(22,462,279)</u>	<u>-</u>	<u>(22,753,769)</u>
<u>(37,141,319)</u>	<u>(45,822)</u>	<u>(15,193,269)</u>
-	287,377	639,882
-	1,512,969	1,789,992
<u>\$ -</u>	<u>\$ 1,800,346</u>	<u>\$ 2,429,874</u>

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 639,882

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are expensed as they are consumed or are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital Outlay	\$ 29,813	
Depreciation Expense	<u>(273,426)</u>	
Net depreciation expense over capital outlay		(243,613)

Loss on Disposal of Assets (5,870)

Expenses recognized in the Statement of Activities, not reported in the governmental funds:

Change in Compensated Absences	<u>18,334</u>
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Change in Net Position - Governmental Activities \$ 408,733

See Notes to the Financial Statements.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Revenues And Expenditures – Budget And Actual
For the Year Ended June 30, 2019**

	General Fund (55000)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal Grant Revenue	\$ 899,800	\$ 945,700	\$ 503,272	\$ (442,428)
Miscellaneous Revenue	205,600	205,600	10,377	(195,223)
General Fund Appropriations	7,460,700	7,460,700	7,460,700	-
Other Financing Sources	6,221,600	8,417,951	6,874,340	(1,543,611)
Total Revenues	14,787,700	17,029,951	14,848,689	(2,181,262)
EXPENDITURES				
Personal services	12,073,200	11,979,200	10,875,518	1,103,682
Contractual services	497,400	497,400	441,910	55,490
Other costs	2,011,500	4,311,851	3,013,243	1,298,608
Other Financing Uses	205,600	241,500	-	241,500
Total Expenditures	\$ 14,787,700	\$ 17,029,951	14,330,671	\$ 2,699,280
Excess (deficiency) of revenues over expenditures			518,018	
Reversion to State General Fund (FY2019)			(289,940)	
Intra-Agency:				
Reversion to Reproduction Fund (47700) (FY2019)			(29,178)	
Fund balance, beginning			-	
Fund balance carryforward			*	<u><u>\$ 198,900</u></u>

Special Appropriations

<u>Title</u>	<u>Period</u>	<u>Approved Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Unexpended</u>
Vehicles	FY2019 *	\$ 297,900	\$ -	\$ -	\$ 297,900

Under Laws of 2018, Chapter 271, Section 5, two hundred ninety-seven thousand, nine hundred dollars (\$297,900) is appropriated from the State general fund and the fire protection fund for expenditure in fiscal years 2019 through 2020, to purchase ten vehicles for the public regulation commission operations.

See Notes to the Financial Statements.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Revenues And Expenditures – Budget And Actual
For the Year Ended June 30, 2019**

	Pipeline Safety Fund (37700)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Fees	\$ 1,081,100	\$ 1,081,100	\$ 1,234,705	\$ 153,605
Total Revenues	<u>1,081,100</u>	<u>1,081,100</u>	<u>1,234,705</u>	<u>153,605</u>
EXPENDITURES				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Other costs	-	-	-	-
Other financing uses	1,081,100	1,081,100	1,081,100	-
Total Expenditures	<u>\$ 1,081,100</u>	<u>\$ 1,081,100</u>	<u>1,081,100</u>	<u>\$ -</u>
Excess (deficiency) of revenues over expenditures			153,605	
Fund balance, beginning			<u>277,023</u>	
Fund balance carryforward			<u>\$ 430,628</u>	

See Notes to the Financial Statements.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Revenues And Expenditures – Budget And Actual
For the Year Ended June 30, 2019**

Fire Protection Grant Fund (56900)				
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Fire Insurance Tax	\$ 9,060,600	\$ 10,263,711	\$ -	\$ (10,263,711)
Interest Income	-	-	1,550	1,550
Other Financing Sources	9,060,600	9,060,600	9,060,600	-
Total Revenues	<u>18,121,200</u>	<u>19,324,311</u>	<u>9,062,150</u>	<u>(10,262,161)</u>
EXPENDITURES				
Personal services	-	-	-	-
Contractual services	-	-	-	-
Other costs	9,060,600	9,060,600	9,060,600	-
Other financing uses	9,060,600	10,263,711	-	10,263,711
Total Expenditures	<u>\$ 18,121,200</u>	<u>\$ 19,324,311</u>	<u>9,060,600</u>	<u>\$ 10,263,711</u>
Excess (deficiency) of revenues over expenditures			1,550	
Reversion (FY2019)			(1,550)	
Fund balance, beginning			-	
Fund balance carryforward			<u>\$ -</u>	

See Notes to the Financial Statements.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Statement of Revenues And Expenditures – Budget And Actual
For the Year Ended June 30, 2019**

	Fire Protection Fund (57800)			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Fire Insurance Tax	\$ 62,078,700	\$ 63,011,040	\$ 94,645,246	\$ 31,634,206
Other Financing Sources	57,392,600	57,392,600	-	(57,392,600)
Total Revenues	119,471,300	120,403,640	94,645,246	(25,758,394)
EXPENDITURES				
Personal services	-	-	-	-
Contractual services	*	-	111,327	(111,327)
Other costs	57,392,600	57,392,600	57,392,600	-
Other financing uses	62,078,700	63,011,040	14,679,040	48,332,000
Total Expenditures	\$ 119,471,300	\$ 120,403,640	72,182,967	\$ 48,220,673
Excess (deficiency) of revenues over expenditures			22,462,279	
Reversion (FY2019)			(22,462,279)	
Fund balance, beginning			-	
Fund balance carryforward			\$ -	

Capital Appropriation

<u>Title</u>	<u>Period</u>	<u>Approved Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Unexpended</u>
Firefighter Burn Building	FY2018 *	\$ 2,500,000	\$ 12,988	\$ 111,327	\$ 2,375,685

Under Laws of 2018, Chapter 80, Section 52, two million five hundred thousand dollars (\$2,500,000) is appropriated from the fire protection fund to the public regulation commission for expenditure in fiscal years 2018 through 2022, unless otherwise provided in Section 2 of this act, to plan, design and construct a firefighter training burn building at the firefighter training academy in Socorro in Socorro county.

See Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

REPORTING ENTITY

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 functions of the Commission are administered through the following programs:

Policy and Regulation (P611)

The purpose of the policy and regulation program is to fulfill the constitutional and legislative mandates regarding regulated industries through rulemaking, adjudications and policy initiatives to ensure the provision of adequate and reliable services at fair, just and reasonable rates so the interests of the consumers and regulated industries are balanced to promote and protect the public interest.

Public Safety (P612)

The purpose of the public safety program is to provide services and resources to the appropriate entities to enhance their ability to protect the public from fire and pipeline hazards and other risk as assigned to the public regulation commission.

Program Support (P613)

The purpose of program support is to provide administrative support and direction to ensure consistency, compliance, financial integrity and fulfillment of the agency mission.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 is included with the financial data of the State. In accordance with the criteria set forth in GASB No. 14 (as amended by GASB No. 39 and No. 61) for determining component units, the Commission does not have any 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 receivables, 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 (taxes, intergovernmental revenues, interest income, etc.). The Commission does not employ indirect cost allocation in the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The governmental funds in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to demonstrate the source and use of liquid resources, and to demonstrate how the Commission's experience conforms with the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental column of the government-wide presentation. Any internal activity between funds is eliminated for government-wide 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.

As to fund financial statements, the emphasis is on the major funds of the governmental category. Nonmajor funds are summarized into a single column. The Commission's major funds are as follows:

Governmental Funds

General Fund (SHARE #55000). 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. The Commission major special revenue fund is described below:

Pipeline Safety Fund (SHARE #37700). This fund consists of 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 to enhance the staffing and training of the Pipeline Safety Bureau for the inspection function of interstate and intrastate pipelines. This fund may not always meet the criteria for a major fund; however, management has elected to present this fund with the major funds to maintain consistency.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Protection Grant Fund (SHARE #56900). This 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 to make distributions approved by the council for the critical needs of municipal and county fire districts. The fund was created by and is reverting per Section 59A-53-18 NMSA 1978.

Fire Protection Fund (SHARE #57800). The Fire Protection Fund distributes the monies collected from the Insurance Suspense Fund for the operations of the State Fire Marshal and the operations, maintenance, and betterment of local fire districts. Section 59A-53-5-2, NMSA 1978 states that the 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 of each fiscal year, as provided by Section 59A-53-5-2 NMSA 1978. Unexpended amounts at year-end revert to the State General Fund.

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 are presented on an accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned, and expenditures are recognized when incurred. Revenues collected for future periods are recorded as deferred inflows of resources until available.

Program revenues consist of federal 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. Charges for services consist primarily of fees charged to regulated entities.

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. Measurable means knowing or being able to reasonably estimate the amount. Available meaning collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 compensated absences in the current year.

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 does 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 the fiscal year 2019 as all payables were paid by the statutory deadline. The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- No later than September 1 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. 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 does not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of the next year’s budget.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The appropriation request includes proposed expenditures and the means of financing them. It is reviewed by the SBD, and additional information is obtained if needed. Agency budgets are consolidated, with revisions, and submitted as a tentative budget to the Governor of the State. The Governor's approved appropriation request is then submitted to the Legislature as the recommended appropriation request for the Commission.
- Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of these hearings is incorporated in the General Appropriations Act.
- The Act is signed into law by the Governor of the State of New Mexico within the legally prescribed time limit.
- The Commission submits no later than May 1 to DFA an annual operating budget by category and line item based upon the appropriations made by the Legislature. The SBD reviews and approves the operating budget, which becomes effective on July 1. 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.

Encumbrances related to single year appropriations lapse at year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. Legal budget control for expenditures is by category of appropriation program level (A-Code, P-Code, and Z-Code). All the Commission's governmental funds were budgeted that had significant activity.

5. Interfund Activity

Interfund transactions are treated as transfers. Transfers between governmental funds are eliminated to remove the 'doubling-up' effect in the government-wide financial statements.

6. Federal Grants Receivable

Various funding procedures are used for federal awards received by the Commission. Consequently, timing differences between expenditures and program reimbursements can exist at any time during the fiscal year. Receivable balances at fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. 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 outlay 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 and Improvements	25-50
Land improvements	15-20
Machinery and equipment	5-20

8. 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.

Qualified employees accumulate maximum annual leave as follows:

<u>Years of Service</u>	<u>Hours Earned Per Pay Period</u>	<u>Days of Maximum Accrual</u>
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 (240 hours) 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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Sick Leave. Employees accrue 3.69 hours of sick leave per pay period. Employees' accumulated sick leave over 600 hours 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 hours over 600 of accumulated sick leave. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2019, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission did not have any items that qualified for reporting in this category as of June 30, 2019.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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, 2019, 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, 2019. 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 a 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, 2019.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – 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.

Net position restricted by enabling legislation at June 30, 2019.

Fund	Description	Enabling Legislation	Restricted Fund Balance
55000	General Fund	Laws 2018, Ch 271, Sect 5	\$ 198,900
Nonmajor Funds			
09300	Firefighters Use Fee	8-8-9.1 NMSA 1978	718,679
10890	Fire Safer Cigarette and Fire Protection	57-2B-9 NMSA 1978	848,919
20750	SMFO Inspections	22-24-4 NMSA 1978	14,144
43150	Transportation Network	67-7-19 NMSA 1978	72,319
		Total nonmajor funds	1,654,061
		Total – All government funds	<u>\$ 1,852,961</u>

Unrestricted – consists of Net Position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

11. 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, 2019.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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).

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.

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.

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

12. Reversion

The Commission uses the general fund to account for all operating activities. When non-reverting funds are commingled with reverting funds, through intra-agency transfers, the Commission uses the net program activities (P-codes) within the general fund to determine reversion amounts. The Commission expends the State General Fund Appropriations before restricted funds.

13. Pension Plan

Compliant with the requirements of Government Accounting Standards Board Statement No.68 and No.71, the State of New Mexico has implemented the standards for the fiscal year ending June 30, 2015.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Commission, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, the total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Comprehensive Annual Financial Report (CAFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

14. Volunteer Firefighters' Retirement Fund

The Commission is a nonemployer contributing to this fund. This plan is a single employer defined benefit pension plan with a special funding situation. Eligibility for membership in the Volunteer Firefighters Retirement Fund is set forth in Chapter 10-11A-2, NMSA 1978. Any volunteer non-salaried firefighter who is listed as an active member on the rolls of a fire department and who meets certain age and service credit requirements set forth in the statute is eligible for membership in the Volunteer Firefighters' Retirement Fund. Benefits are available at age 55 or older to any member having served as a volunteer fire fighter for a minimum of 10 years. Benefits are \$125 per month, as of July 1, 2013, with at least 10 but less than 25 years of service or \$250 per month with 25 or more years of service. Benefits for post-retirement surviving spouse annuities are also available. Members of the Volunteer Firefighters' Retirement Fund do not make individual contributions to the plan. State statutes require that the State Treasurer transfer \$750,000 during the fiscal year from the Fire Protection Fund (#57800) to the Volunteer Firefighters Retirement Fund.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

15. Post-Employment Benefits

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2019 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501 .

16. Deferred Compensation

The State of New Mexico offers state, local government, and school district employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees and those local government and school district employees whose employers have elected participation in the plan, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. There are employees that are making contributions to a Deferred Compensation Plan. Neither the Commission or the State of New Mexico make any contributions to the Deferred Compensation Plan. All contributions withheld from participants by the Commission have been paid to the New Mexico Public Employees Retirement Association, which administers the plan.

17. 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.

B. INTEREST IN STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Commission’s cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Commission consist of an interest in the General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

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 a 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, 2019.

At June 30, 2019, the Commission had the following interest in the State General Fund Investment Pool:

	Book Balance	State Treasurer Balance
General Fund (55000)	\$ 1,118,545	\$ 1,118,545
Special Revenue Funds:		
Firefighters Use Fee Fund (09300)	718,679	718,679
Fire Safer Cigarette and Fire Protection (10890)	848,919	848,919
SFMO Inspections Fund (20750)	14,144	14,144
Pipeline Safety Fund (37700)	1,638,099	1,638,099
Transportation Network Fund (43150)	72,319	72,319
Reproduction Fund (47700)	117,107	117,107
Pipeline Fees Fund (50500)	10,906	10,906
Firefighters Survivors Fund (56400)	252,114	252,114
Fire Protection Grant Fund (56900)	15,801	15,801
Fire Protection Fund (57800)	1,986,573	1,986,573
Title Insurance Fund (86000)	269	269
Total SGFIP	<u>\$ 6,793,475</u>	<u>\$ 6,793,475</u>

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Notes to the Financial Statements For the year ended June 30, 2019

B. DUE TO AND DUE FROM 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.

	<u>Due To</u>	<u>Due From</u>
General Fund (55000)	\$ 29,178	\$ -0-
Reproduction Fund (47700)	-0-	29,178

C. DUE FROM OTHER STATE AGENCIES.

Due from other state agencies at year-end of \$20,563,537 consists of the amount due from the Office of the Superintendent of Insurance (BU #44000), Insurance Suspense Fund (11820) for the fire insurance tax.

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance</u> <u>6/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
Land Improvements	\$ 901,172	\$ -0-	\$ -0-	\$ 901,172
Building and Improvements	2,259,987	-0-	-0-	2,259,987
Machinery and Equipment	4,258,363	29,813	(248,079)	4,040,097
Total	<u>7,419,522</u>	<u>29,813</u>	<u>(248,079)</u>	<u>7,201,256</u>
Less: Accumulated Depreciation				
Land Improvements	894,239	513	-0-	894,752
Building and Improvements	1,232,621	48,824	-0-	1,281,445
Machinery and Equipment	3,360,872	224,089	(242,209)	3,342,752
Total Accumulated Depreciation	<u>5,487,732</u>	<u>273,426</u>	<u>(242,209)</u>	<u>5,518,949</u>
Capital Assets, Net	<u>\$1,931,790</u>	<u>\$(243,613)</u>	<u>\$ (5,870)</u>	<u>\$1,682,307</u>

Included in the current year deletions were a fire engine and vehicles totaling \$248,079 that were removed from the capital assets listing. The Commission recorded depreciation expense of \$273,426 for the year ended June 30, 2019.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Notes to the Financial Statements For the year ended June 30, 2019

E. DUE TO STATE GENERAL FUND

Due to State general fund at year-end consists of the following:

General Fund (55000)	\$ 234,940
Fire Protection Grant Fund (56900)	15,801
Pipeline Fees Fund (50500)	10,906
Fire Protection Fund (57800)	22,462,279
Total	<u>\$ 22,723,926</u>

F. OTHER LIABILITIES

Other liabilities of \$252,147 consist of stale-dated warrants of \$33 and undistributed liabilities for the firefighters' survivors fund of \$252,114.

G. COMPENSATED ABSENCES

The amount recorded as a long-term liability in the government-wide statements for compensated absences consisted of accrued annual leave and accrued sick leave as follows:

	Balance 2018	Additions	Deletions	Balance 2019	Due in one year
Annual	\$ 454,883	\$354,370	\$ (378,246)	\$ 431,007	\$ 283,496
Sick	18,719	279,498	(283,383)	14,834	1,440
Compensatory	67,495	94,478	(85,049)	76,924	76,924
Total	<u>\$ 541,097</u>	<u>\$728,346</u>	<u>\$ (746,678)</u>	<u>\$ 522,765</u>	<u>\$ 361,860</u>

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.

H. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources of \$1,576,429 consist of pipeline assessments paid in advance from utility companies of \$1,207,471 and unavailable federal funds of \$368,958.

I. POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

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

Funding Policy

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

I. POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

The employer, employee and retiree contributions are required to be remitted to the RHCA monthly. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2019, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary and each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the Legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Commission's contributions to the RHCA for the years ended June 30, 2019, 2018, and 2017 were \$143,941, \$138,808, and \$149,869

J. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION

Plan Description

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

J. PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION (CONTINUED)

Funding Policy

The contribution requirements of plan members and the Commission are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Commission’s contributions to PERA for the fiscal years ending June 30, 2019, 2018, and 2017 were \$1,222,802, \$1,179,173, and \$1,272,925, respectively, which equal the amount of the required contributions for each fiscal year.

K. OPERATING LEASES

The Commission has certain leases for copying, printing, and mailing machines, which can be terminated with no penalty to the Commission if the Legislature does not appropriate funding to the Commission. Minimum future rental payments under operating leases having remaining terms in excess of one year as of June 30, 2019, for each of the next five years and in the aggregate, are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2020	22,448
June 30, 2021	12,771
June 30, 2022	875
Thereafter	-0-
Total	<u>\$ 36,094</u>

Operating lease expense for the fiscal year ended June 30, 2019, was \$56,739.

L. CONTINGENT LIABILITIES

The Commission is a defendant in various lawsuits regarding regulatory matters and current 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 effect on the financial condition of the Commission since they are covered by the risk management.

M. RISK MANAGEMENT

The Commission is insured through the Risk Management Division of the General Services Department. In general, Risk Management Division responds to suits against the State and state agencies, manages funds to provide unemployment compensation, tort liability insurance, workers’ compensation, and general and property insurance, and attempts to reduce the number of suits against the State and state agencies through the risk management process.

N. SUBSEQUENT EVENTS

Management has evaluated events between the date of the financial statements and October 29, 2019, the earliest date the financial statements have been available for release. The 2019 New Mexico Legislature granted a 4% salary increase to all State of New Mexico employees in good standing. This increase was effective for the first full pay period in fiscal year 2020.

SUPPLEMENTARY INFORMATION

NONMAJOR SPECIAL REVENUE FUNDS

Firefighters Use Fee Fund (SHARE #09300)

This fund accounts for fees paid by non-state firefighters that are used for the firefighter training academy under Laws 2001, Ch 80, Section 1 (8-8-9.1 NMSA 1978). Funds can be budgeted for emergency maintenance expenses that may arise with live fire-training courses provided at this facility. This fund is non-reverting.

Fire Safer Cigarette and Fire Protection Fund (SHARE #10890)

This fund accounts for revenue and fees paid under Laws 2009, Ch 265, Section 9 (57-2B-9 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.

SFMO Inspections Fund (SHARE #20750)

This fund is used to track reimbursements from the Public Schools Facilities Authority for public school inspections under Section J of 22-24-4, NMSA 1978. This fund is non-reverting.

Transportation Network Company Fund (SHARE #43150)

This fund accounts for fees collected pursuant to the Transportation Network Company Services Act under Laws 2016, Ch 80, Section 19 (65-7-19 NMSA 1978). Funds may be used for the Commission to carry out its duties pursuant to the provisions of the Transportation Network Company Services Act. This fund is non-reverting.

Reproduction Fee Fund (SHARE #47700)

This fund accounts for the revenue and related expenses of providing copying services to other state agencies, the general public, and other divisions within the Public Regulation Commission. This fund is non-reverting.

Pipeline Fees Fund (SHARE #50500)

This fund accounts 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.

Firefighters' Survivors Fund (SHARE #56400)

This fund is created for the purpose of paying death benefits pursuant to the Firefighters' Survivors Supplemental Benefits Act under Laws 2007, Ch 149, Section 4 (10-11B-4 NMSA 1978).

Title Insurance Fund (SHARE #86000)

This fund was a leftover from the Office of Superintendent of Insurance that has a small balance, but no activities during the year.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Combining Balance Sheet - All Nonmajor Funds
June 30, 2019**

	Firefighters Use Fee 09300	Fire Safer Cigarette and Fire Protection 10890	SFMO Inspections 20750	Transportation Network 43150
Assets				
Interest in SGFIP	\$ 718,679	\$ 848,919	\$ 14,144	\$ 72,319
Due from Other Funds	-	-	-	-
Due from Other State Agencies	-	-	-	-
Due from Federal Agencies	-	-	-	-
Prepaid Expenses	-	-	-	-
Total Assets	\$ 718,679	\$ 848,919	\$ 14,144	\$ 72,319
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Accrued Payroll	-	-	-	-
Due to Other Funds	-	-	-	-
Due to State General Fund	-	-	-	-
Other Liabilities	-	-	-	-
Total Liabilities	-	-	-	-
Deferred Inflows of Resources				
Unavailable Revenues	-	-	-	-
Fund Balance				
Restricted	718,679	848,919	14,144	72,319
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	718,679	848,919	14,144	72,319
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 718,679	\$ 848,919	\$ 14,144	\$ 72,319

See Independent Auditor's Report.

Reproduction 47700	Pipeline Fees 50500	Firefighters' Survivors 56400	Title Insurance Fund 86000	Total
\$ 117,107	\$ 10,906	\$ 252,114	\$ 269	\$ 2,034,457
29,178	-	-	-	29,178
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 146,285</u>	<u>\$ 10,906</u>	<u>\$ 252,114</u>	<u>\$ 269</u>	<u>\$ 2,063,635</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	269	269
-	-	-	-	-
-	10,906	-	-	10,906
-	-	252,114	-	252,114
<u>-</u>	<u>10,906</u>	<u>252,114</u>	<u>269</u>	<u>263,289</u>
-	-	-	-	-
-	-	-	-	1,654,061
50,000	-	-	-	50,000
96,285	-	-	-	96,285
<u>146,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800,346</u>
<u>\$ 146,285</u>	<u>\$ 10,906</u>	<u>\$ 252,114</u>	<u>\$ 269</u>	<u>\$ 2,063,635</u>

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Combining Statement of Revenue, Expenditures and Changes in Fund
Balance - All
For the Year Ended June 30, 2019**

	Firefighters Use Fee 09300	Fire Safer Cigarette and Fire Protection 10890	SFMO Inspections 20750	Transportation Network 43150
Revenues				
Fire Insurance Tax	\$ -	\$ -	\$ -	\$ -
Licenses and Fees	86,395	201,000	9,697	20,000
Interest Income	-	-	-	1,847
Federal Grant Revenue	-	-	-	-
Miscellaneous Revenue	-	-	-	-
Total Revenue	86,395	201,000	9,697	21,847
Expenditures				
Current:				
Personal Services	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues over Expenditures	86,395	201,000	9,697	21,847
Other Financing Sources (Uses)				
General Fund Appropriation	-	-	-	-
Other Financing Sources	-	-	-	-
Intra-Agency Transfers	-	-	(25,000)	-
Reversions FY2019	-	-	-	-
Total Other Financing Sources (Uses)	-	-	(25,000)	-
Net Change in Fund Balance	86,395	201,000	(15,303)	21,847
Fund Balance, Beginning	632,284	647,919	29,447	50,472
Fund Balance, Ending	\$ 718,679	\$ 848,919	\$ 14,144	\$ 72,319

See Independent Auditor's Report.

Reproduction 47700	Pipeline Fees 50500	Firefighters' Survivors 56400	Title Insurance Fund 86000	Total
\$ -	\$ -	\$ -	\$ -	\$ -
14,260	-	-	-	331,352
-	-	-	-	1,847
-	-	-	-	-
-	-	-	-	-
<u>14,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>333,199</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
14,260	-	-	-	333,199
-	-	-	-	-
-	-	-	-	-
(20,822)	-	-	-	(45,822)
-	-	-	-	-
<u>(20,822)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,822)</u>
(6,562)	-	-	-	287,377
<u>152,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,512,969</u>
<u>\$ 146,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,800,346</u>

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Schedule of Operating Transfers
For the Year Ended June 30, 2019**

	SHARE FUND	TITLE	TRANSFER	
			IN	OUT
General Fund (55000)				
(1)	85300	Department of Finance and Administration (34101)	\$ 7,261,800	\$ -
(2)	62000	Department of Finance and Administration (34100)	99,800	-
(3)	85301	Department of Finance and Administration (34101)	198,900	-
(4)	85300	Department of Finance and Administration (34101)	-	289,940
Fire Protection Fund (57800)				
(4)	85300	Department of Finance and Administration (34101)	-	22,462,279
Fire Protection Grant Fund (56900)				
(4)	85300	Department of Finance and Administration (34101)	-	1,550
Total governmental funds			<u>\$ 7,560,500</u>	<u>\$ 22,753,769</u>
<u>Intra-Agency Transfers</u>				
(1), (5)	55000	General Fund	\$ 6,774,540	\$ 29,178
(1)	56900	Fire Protection Grant	9,060,600	
(1)	20750	SFMO Inspections	-	25,000
(1)	37700	Pipeline Safety	-	1,081,100
(1)	47700	Reproduction Fund	-	50,000
(1)	57800	Fire Protection Fund	-	14,679,040
(5)	47700	Reproduction Fund	29,178	-
Total intra-agency funds			<u>\$ 15,864,318</u>	<u>\$ 15,864,318</u>
(1)	General Fund Appropriations - Laws of 2018, Chapter 73, Section 4.			
(2)	Compensation Appropriations - Laws of 2018, Chapter 73, Section 8.			
(3)	Special Appropriations - Laws of 2019, Chapter 271, Section 5.			
(4)	Fiscal Year 2019 Reversions.			
(5)	Revert FY2019 unexpended amounts from the general fund to the restricted funds.			

See Independent Auditor's Report.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Schedule of Joint Powers Agreements
For the Year Ended June 30, 2019**

Government	Local Contributions	Description
City of Artesia	\$ 7,000	Support regional response hazmat team
City of Albuquerque	7,000	Support regional response hazmat team
City of Carlsbad	7,000	Support regional response hazmat team
City of Hobbs	7,000	Support regional response hazmat team
City of Las Vegas	6,000	Support regional response hazmat team
City of Raton	7,000	Support regional response hazmat team
City of Roswell	7,000	Support regional response hazmat team
City of Santa Fe	7,000	Support regional response hazmat team
City of Vaughn	5,000	Support regional response hazmat team
Chaves County	11,000	Support regional response hazmat team
Colfax County	7,000	Support regional response hazmat team
Eddy County	5,000	Support regional response hazmat team
San Miguel County	7,000	Support regional response hazmat team
Santa Fe County	15,000	Support regional response hazmat team
Torrance County	7,000	Support regional response hazmat team
	\$ 112,000	

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.

See Independent Auditor's Report.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019**

Federal Grantor/ Pass-Through Grantor/Program Title	CFDA Number	Grant Number or Passthrough Entity Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation				
Railroad Safety State Participation	20.301	FR-SPP-0005-17	\$ -	\$ 6,822
Pipeline Safety Program State Base Grant	20.700	693JK31830030PSBG	-	279,304
Pipeline Safety Program State Base Grant	20.700	693JK31830008PSBL	-	34,803
Pipeline Safety Program State Base Grant	20.700	693JK31930029PGSB	-	273,086
Pipeline Safety Program State Base Grant	20.700	693JK31930008PLSB	-	38,872
Total Pipeline Safety Program			-	626,065
State Damage Prevention Program	20.720	693JK31840021PSDP	-	57,000
Total U.S. Department of Transportation			-	689,887
U.S. Department of Energy				
Pass-through Programs:				
State of New Mexico, Energy, Minerals and Natural Resources Department:				
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant: States and Tribal Concerns, Proposed Solutions	81.106	DE-EM0004167	112,000	220,566
Total Expenditures of Federal Awards			<u>\$ 112,000</u>	<u>\$ 910,453</u>

Note >1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Commission under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Commission, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Commission.

Note >2 Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note >3 Indirect Cost Rate

The Commission has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditor's Report.

OTHER REPORTS

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. Brian S Colón, 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 aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the State of New Mexico, Public Regulation Commission (Commission) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 25 2019.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the schedule of findings and questioned costs as items 2018-004, 2019-001, 2019-004 and 2019-005 that we consider to be significant deficiencies.

Compliance and Other Matters

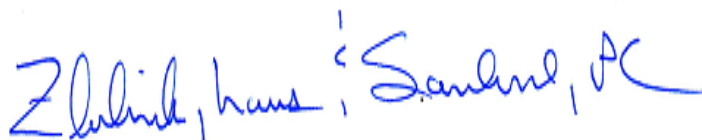
As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and by Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 2019-001 to 2019-003.

The Commission's Response to the 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 of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.



Zlotnick, Laws & Sandoval, P.C.

October 25, 2019

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by The Uniform Guidance

Public Regulation Commissioners
State of New Mexico Public Regulation Commission
and
Mr. Brian S Colón, 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 *OMB 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, 2019. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

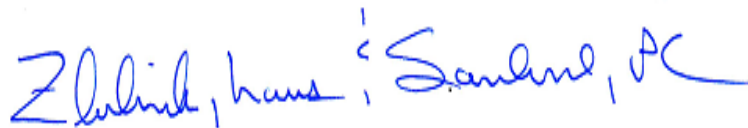
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal

control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-004, 2019-004, and 2019-005 to be significant deficiencies.

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

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Zlotnick, Laws & Sandoval, P.C.
October 25, 2019

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I – Summary of Auditor’s Result

	<u>Yes</u>	<u>No</u>
<u>Financial Statements</u>		
Type of auditor’s report issued:	<u>Unmodified Opinion</u>	
Internal control over financial reporting:		
Material weakness(es) identified?		X
Significant deficiency(ies) identified?		X
Noncompliance material to the financial statements noted?		X
 <u>Federal Awards</u>		
Type of auditors’ report issued on compliance for major programs:	<u>Unmodified Opinion</u>	
 Audit findings under 2 CFR 200.516(a):		
A. Internal Control over major programs:		
material weakness(es) identified?		X
Significant deficiency(ies) identified	X	
B. Material noncompliance with federal statutes?		X
C. Known questioned costs greater than \$25,000 for a major program?		X
D. Known questioned costs greater than \$25,000 not audited as a major program?		X
E. Known or likely fraud affecting a federal award?		X
F. Significant instances of abuse over major programs?		X
G. Modified auditor’s report?		X
H. Summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding?		X

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.700	Pipeline Safety Program State Base Grant

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019**

Section I – Summary of Auditor’s Result

No.	Title	Status of Prior Year Findings	Significant Deficiency	Material Weakness	Other Non- compliance	Other Matters	Federal Awards Finding
Prior Year Findings:							
2017-001	Accounting Over Revenue and Receipts	Resolved					
2017-002	Non-Major Grant Revenue Billings	Resolved					
2018-001	Payroll Deductions	Resolved					
2018-002	Public Money Act	Resolved					
2018-003	Schedule of Expenditures of Federal Awards	Resolved					
2018-004	Subrecipients	Repeated	X				X
Current Year Findings:							
2019-001	Capital Asset Dispositions		X		X		
2019-002	Refunds of Travel Advances					X	
2019-003	Payroll Reconciliations					X	
2019-004	Grant Tracking		X				X
2019-005	Cost Principles		X				X

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCY

2019-001 - Capital Asset Dispositions

Condition:

During the physical inventory count, the Commission removed \$248,079 in machinery and equipment from the capital assets listing, consisting of a fire engine and eight vehicles with net value of \$5,870. These assets could not be located. The Commission suspects that these assets were disposed of in prior years, but the dispositions were not previously reflected in the financial reports nor the capital assets listing.

Criteria:

Under the State Audit Rule, 2.2.2.10 (U) NMAC, the Commission is required to provide written notification to the State Auditor's Office within thirty days before any disposition of property.

Effect:

Capital assets may have gone missing without the knowledge of management, or the prior years' physical inventory counts were inadequate to ensure the existence of all assets in the capital listing.

Cause:

The Commission does not have records of these dispositions and may not have notified the consulting firm that manages its capital assets inventory about the dispositions.

Recommendation:

The Commission needs to comply with the State Auditor Rule, as stated above, for all capital asset dispositions in the future.

Views of Responsible Officials:

In past practice, ASD did not verify that the beginning balances of the FY19 Fixed Asset report from contractor Duff and Phelps were accurate and tied to the ending balance of the FY18 Fixed Asset Reports. This leads to the possibility of error in disposed items not properly accounted for in the financial statements or in the capital assets listings.

To proactively prevent the reoccurrence of this audit finding, ASD will be filling a GL Analyst Position. This position will be responsible for performing timely monthly reconciliations and general ledger entries throughout the year as is required by DFA's MAPs. Budget availability currently exists in the 200 category in P613 to advertise the GL Analyst position. Monthly reconciliations

Section II – Financial Statement Findings

will be performed once that position is filled in December. A Fiscal Year to Date true up reconciliation will also be performed.

The GL Analyst will verify beginning capital asset balances provided by Duff and Phelps tie to the prior year ending balances. The GL Analyst will also perform a separate Fixed Asset physical inventory at year end to verify the accuracy of the inventory count process performed by Staff. Fixed Asset reports will be tied to the current fleet listing of the agency fleet listing utilizing the standard count function in excel upon the disposition or acquisition of any Fixed Assets meeting the \$5K threshold in the accounting month of the disposition/acquisition, rather than waiting for year end. The Fixed Assets will be reconciled to the agency fleet listing on a monthly basis by the GL Analyst.

Notifications to GSD for Fixed Asset acquisitions and to OSA and GSD for dispositions will be performed 30 days prior to the event and will be part of the GL Analyst's reconciliation process. ASD Financial staff will be cross-trained on the reconciliation process. ASD may investigate using Share's Fixed Assets module to track and account for Fixed Assets and their depreciation.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section II – Financial Statement Findings

OTHER MATTERS

2019-002 – Refunds of Travel Advances

Condition:

We tested sixty deposit days totaling \$4,748,055.87 and found four instances totaling \$809.64 where employees' refund for travel advances for trip cancellations were posted to the expenditure accounts instead of the travel advance account in SHARE (Financial Accounting System). We also noticed that the travel advance accounts have grown from \$4,236.77 in the fiscal year ending 2018 to \$11,004.09, a 159.73% increase at year-end.

Criteria:

The financial policy (FIN 2.5) in the Model of Accounting Practices (MAP) requires State agencies to accurately record cash receipts in SHARE, and FIN 16.9 requires monthly reconciliation between the subsidiary systems and SHARE.

Effect:

The travel advance account in SHARE may be overstated.

Cause:

Refunds for travel advances were posted to the wrong account, causing the increase to the advances account that has not been reconciled on a monthly basis.

Recommendation:

The Commission needs to reconcile the travel advance and all account balances to the subsidiary system on a monthly basis to ensure accurate financial reporting.

Views of Responsible Officials:

The filling of the GL Analyst Position described above will mean that the 80% prepaid travel advance GL 17900 will be reconciled on a monthly basis. Going forward, Accounts Payable and Payment Voucher Approvers will verify the prepaid GL is used on 80% prepaid travel instead of using the travel expenditure code. ASD Financial staff will be cross-trained on the reconciliation process.

In addition, in July of 2019 (FY20), the Agency opened up use to the Procurement (P-Card) to purchase lodging, flights, and registrations on behalf of employees with authorized travel on state business. The Agency's policy is that employees are not eligible to request the 80% advance when their lodging, flight or registration is purchased on their behalf with the Agency P-Card. This will lead to a sharp decrease in 80% travel advance transactions overall.

Section II – Financial Statement Findings

OTHER MATTER

2019-003 - Payroll Reconciliations

Condition:

The Commission has not consistently performed payroll reconciliations between SHARE and HCM (human capital management); as a result, variances in payroll liability accounts between SHARE and HCM totaled \$16,483.29 at year-end.

Criteria:

FIN 16.9 in MAP requires State agencies to perform monthly reconciliation between the subsidiary system and SHARE.

Effect:

Payroll liabilities at year-end in SHARE might be overstated by \$16,483.29.

Cause:

The former budget analyst was performing the payroll reconciliations, but there was no one to oversee whether the reconciliations were performed for every pay period.

Recommendation:

The Commission needs to reconcile the differences in payroll liability accounts between SHARE and HCM. The Commission also needs to perform payroll reconciliations for every pay period between SHARE and HCM and make adjustments as needed.

Views of Responsible Officials:

The filling of the GL Analyst Position described above will mean that the GL and HCM Payroll reconciliations will be performed after each pay period. ASD Budget & Finance Director and ASD Director will verify accuracy of payroll reconciliations performed by the GL Analyst. ASD Financial staff will be cross-trained on the reconciliation process, so that there will be available Staff to perform this function in the event of the GL Analyst being on leave.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section III – Federal Awards Findings

SIGNIFICANT DEFICIENCY

2018-004 Subrecipient Notification

CFDA #81.106 - Transport of Transuranic Wastes to the Waste Isolation Pilot Plant:

States and Tribal Concerns, Proposed Solutions

Pass-through: New Mexico Energy, Minerals and Natural Resources Department

Pass-through # DE-EM0004167

Award Year: 7/2/2018 – 6/30/2019

Condition:

The Commission receives a pass-through federal grant from the New Mexico Energy, Minerals, and Natural Resources Department (NMEMNRD) for the Waste Isolation Pilot Plant (WIPP) program activities. The Commission then awards a portion of the funding to the fire districts within the counties or municipalities along the WIPP route using joint power agreements (JPAs). The fire districts meet the criteria of subrecipients. The Commission did not revise the JPAs to provide information regarding Federal awards, pass-through entity, and CFDA number. This program will be managed by NMEMNRD in the fiscal year beginning July 1, 2019.

Criteria:

Under the Uniform Guidance Section 200.331, all pass-through entities must provide to the subrecipients the required information that includes CFDA number, the name of the Federal award agency and pass-through entity, and indicate the Federal award be used in accordance with Federal statutes, regulations and the terms and conditions of Federal awards.

Effect:

The WIPP grant pass-through to the counties and municipalities may not have been audited under the Uniform Guidance since the relevant information was not provided.

Cause:

The JPAs signed by the counties and municipalities did not identify the Federal award and the CFDA number.

Recommendation:

The Commission should notify subrecipients that the awards are federally funded and provide them with the CFDA number, the name of the Federal award, the pass-through entity, and compliance under the Uniform Guidance, 2 CFR Part 200.

Section III – Federal Awards Findings

Views of Responsible Officials and Corrective Action:

Although the WIPP Program is no longer active at the Agency, ASD will comply with JPA information disclosure requirements in the event there are future engagements of this nature.

Section III – Federal Awards Findings

SIGNIFICANT DEFICIENCY

2019-004 – Grant Tracking

Condition:

The Commission received a Railroad Safety State Participation grant (CFDA #20.301) and have been keeping track of the grant activities in the past under the department code #1340000000; however, the amounts expended during the year consisting of ten vouchers totaling \$6,822 were charged to various department codes. As a result, the amount reflected in the Schedule of Expenditures of Federal Awards (SEFA) does not agree to SHARE totals.

For the pipeline safety program, CFDA # 20.700, and the state damage prevention grant, CFDA # 20.720, the Commission uses department codes to keep track of these grant activities; however, not all charges posted under these departments are allowable costs. The Commission uses complex spreadsheets to reconcile between allowable federal costs and non-federal costs.

Criteria:

Under the Uniform Guidance Section 200.62, internal control over compliance requirements for federal awards, the Commission should have controls in place to ensure transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and federal reports.

Effect:

One of the federal programs was not reconciled to SHARE, and it required complex reconciliations between SHARE and SEFA report.

Cause:

The Commission did not follow its internal control procedures to ensure all grant activities are coded correctly.

Recommendation:

The Commission uses department codes to keep track of its federal awards. Using department codes are not effective when federal awards have different grant periods. The SHARE accounting system has a grant module that is capable of tracking grant award, grant period, payroll, and expenditure allocations. All allowable costs should be processed through the grant module. The Commission should consult with the Department of Finance and Administration about implementing the grant module in SHARE.

Section III – Federal Awards Findings

Views of Responsible Officials and Corrective Action:

For FY20 and going forward, the agency will utilize the Grants module offered in the Share Accounting Software. ASD will submit a request for Share access to the Grants module this month. ASD will coordinate with Agency Staff from the Railroad Safety and Pipeline Safety Bureaus to make sure all Federal program revenue and expenditures are properly accounted for in Share.

The Agency's new Finance Budget & Finance Director has direct experience utilizing the Grants module at other State Agencies. The Agency ASD Director will take the online training course offered the Share Grants module this month, so he will be cross trained to help assist with oversight of the transactions recorded within the module. Once Staff is trained, the Grants module will be utilized at the PRC for January 1st with appropriate internal controls and approval and oversight processes in place. ASD Financial staff will be cross-trained on the reconciliation process.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2019

Section III – Federal Awards Findings

SIGNIFICANT DEFICIENCY

2019-005 – Cost Principles

CFDA # 20.700 - Pipeline Safety Program State Base Grant

Grant # 693JK31830030PSBG & 693JK31830008PSBL

Award Period: 1/1/2018 – 12/31/2018

Condition:

The SEFA report stated that the schedule was prepared on an accrual basis of accounting; however, the federal reimbursement report, SF-270, indicated that it was prepared on a cash basis. We examined fifty (50) out of one hundred sixty-five (165) vouchers totaling \$90,355.79 and found three vouchers paid in January 2018, for expenditures incurred in 2017 totaling \$255.98. We noticed that the payroll and benefits were properly accrued at year-end, but the voucher payments were not.

Criteria:

Under the Uniform Guidance Section 200.34, the expenditures may be reported on a cash or accrual basis, as long as the methodology is disclosed and consistently applied.

Effect:

The Commission did not apply the accrual method of accounting when processing payment vouchers for expenditures incurred in December.

Cause:

The Commission accrued vouchers processed for the State fiscal year; however, since the pipeline grants operate on a calendar year, expenditures incurred in December but paid in the following months were not accrued accordingly.

Recommendation:

The Commission uses department codes to keep track of its federal awards. Using department codes are not effective when federal awards have different grant periods. The SHARE accounting system has a grant module that is capable of tracking grant award, grant period, payroll, and expenditure allocations. All allowable costs should be processed through the grant module.

The Commission should consult with the Department of Finance and Administration about implementing the grant module in SHARE.

Section III – Federal Awards Findings

Views of Responsible Officials and Corrective Action:

The Agency will utilize the Grants module so that allowable costs are processed and tie to Federal Awards. The accrual method of accounting will be utilized as needed by the Grant. Expenditures incurred in December but paid in following months will be accrued in December.

An exit conference was held in a closed session on October 29, 2019. In attendance were the following:

Representing the State of New Mexico Public Regulation Commission:

Theresa Becenti-Aguilar, Chair
Jason Montoya, Interim Chief of Staff
Jim Williamson, ASD Director/CFO
Annette Reynolds, Budget and Finance Director
Donald Martinez, ASD - Financial Coordinator

Representing Zlotnick, Laws & Sandoval, P.C.:

Richard Sandoval, CPA
Ban Trinh, CPA

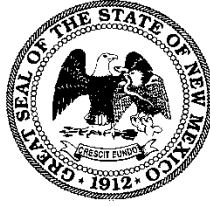
Financial Statements

The accompanying financial statements of the Commission have been prepared by Zlotnick, Laws & Sandoval, P.C., the Commission's independent public auditors; however, the financial statements are the responsibility of management. Management has taken full responsibility for the financial statements.

NEW MEXICO PUBLIC REGULATION COMMISSION

COMMISSIONERS

DISTRICT 1 CYNTHIA B. HALL
DISTRICT 2 JEFFERSON L. BYRD
DISTRICT 3 VALERIE ESPINOZA, VICE CHAIR
DISTRICT 4 THERESA BECENTI-AGUILAR, CHAIR
DISTRICT 5 STEPHEN FISCHMANN



P.O. Box 1269
1120 Paseo de Peralta
Santa Fe, NM 87504-1269

INTERIM CHIEF OF STAFF
Jason N. Montoya, P.E.

Please find the Corrective Action Plan to the FY19 Audit Findings below:

2019-001 - Capital Asset Dispositions

In past practice, ASD did not verify that the beginning balances of the FY19 Fixed Asset report from contractor Duff and Phelps were accurate and tied to the ending balance of the FY18 Fixed Asset Reports. This leads to the possibility of error in disposed items not properly accounted for in the financial statements or in the capital assets listings.

To proactively prevent the reoccurrence of this audit finding, ASD will be filling a GL Analyst Position. This position will be responsible for performing timely monthly reconciliations and general ledger entries throughout the year as is required by DFA's MAPs. Budget availability currently exists in the 200 category in P613 to advertise the GL Analyst position. Monthly reconciliations will be performed once that position is filled in December. A Fiscal Year to Date true up reconciliation will also be performed.

The GL Analyst will verify beginning capital asset balances provided by Duff and Phelps tie to the prior year ending balances. The GL Analyst will also perform a separate Fixed Asset physical inventory at year end to verify the accuracy of the inventory count process performed by Staff.

Fixed Asset reports will be tied to the current fleet listing of the agency fleet listing utilizing the standard count function in excel upon the disposition or acquisition of any Fixed Assets meeting the \$5K threshold in the accounting month of the disposition/acquisition, rather than waiting for year end. The Fixed Assets will be reconciled to the agency fleet listing on a monthly basis by the GL Analyst.

Notifications to GSD for Fixed Asset acquisitions and to OSA and GSD for dispositions will be performed 30 days prior to the event and will be part of the GL Analyst's reconciliation process. ASD Financial staff will be cross-trained on the reconciliation process.

ASD may investigate using Share's Fixed Assets module to track and account for Fixed Assets and their depreciation.

2019-002 – Refunds of Travel Advances

The filling of the GL Analyst Position described above will mean that the 80% prepaid travel advance GL 17900 will be reconciled on a monthly basis. Going forward, Accounts Payable and Payment Voucher Approvers will verify the prepaid GL is used on 80% prepaid travel instead of using the travel expenditure code. ASD Financial staff will be cross-trained on the reconciliation process.

In addition, in July of 2019 (FY20), the Agency opened up use to the Procurement (P-Card) to purchase lodging, flights, and registrations on behalf of employees with authorized travel on state business. The Agency's policy is that employees are not eligible to request the 80% advance when their lodging, flight or registration is purchased on their behalf with the Agency P-Card. This will lead to a sharp decrease in 80% travel advance transactions overall.

2019-003 - Payroll Reconciliations

The filling of the GL Analyst Position described above will mean that the GL and HCM Payroll reconciliations will be performed after each pay period. ASD Budget & Finance Director and ASD Director will verify accuracy of payroll reconciliations performed by the GL Analyst. ASD Financial staff will be cross-trained on the reconciliation process, so that there will be available Staff to perform this function in the event of the GL Analyst being on leave.

2018-004 Subrecipient Notification (Revised and Repeated)

Although the WIPP Program is no longer active at the Agency, ASD will comply with JPA information disclosure requirements in the event there are future engagements of this nature.

2019-004 – Grant Tracking

For FY20 and going forward, the agency will utilize the Grants module offered in the Share Accounting Software. ASD will submit a request for Share access to the Grants module this month. ASD will coordinate with Agency Staff from the Railroad Safety and Pipeline Safety Bureaus to make sure all Federal program revenue and expenditures are properly accounted for in Share.

The Agency's new Finance Budget & Finance Director has direct experience utilizing the Grants module at other State Agencies. The Agency ASD Director will take the online training course offered the Share Grants module this month, so he will be cross trained to help assist with oversight of the transactions recorded within the module. Once Staff is trained, the Grants module will be utilized at the PRC for January 1st with appropriate internal controls and approval and oversight processes in place. ASD Financial staff will be cross-trained on the reconciliation process.

2019-005 – Cost Principles

The Agency will utilize the Grants module so that allowable costs are processed and tie to Federal Awards. The accrual method of accounting will be utilized as needed by the Grant. Expenditures incurred in December but paid in following months will be accrued in December.

Regards,



Jim Williamson

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