

**NEW MEXICO PUBLIC REGULATION
COMMISSION**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023



PATTILLO, BROWN & HILL, LLP

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

NEW MEXICO PUBLIC REGULATION COMMISSION
YEAR ENDED JUNE 30, 2023

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NEW MEXICO PUBLIC REGULATION COMMISSION

OFFICIAL ROSTER

AS OF JUNE 30, 2023

Commissioners

Gabriel Aguilera	Commissioner
James Ellison	Commissioner
Patrick O'Connell	Commissioner

New Mexico Public Regulation Commission Leadership

Cholla Khoury	Chief of Staff
Miranda Mascareñas	ASD Director/Chief Financial Officer
Rene Kepler	HR Manager
Ed Rilkoﬀ	Utilities Director
Jesse C. Montoya	Transportation Director/Railroad Manager
Bradford Borman	Legal Division Director
Scott Cameron	General Counsel
Anthony Medeiros	Chief Hearing Examiner

Independent Auditor's Report

To Board of Directors
New Mexico Public Regulation Commission
Santa Fe, New Mexico
and
Joseph M. Maestas, P.E.
New Mexico State Auditor

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund, and major special revenue funds of the New Mexico Public Regulation Commission ("the Commission"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2023, and the changes in financial position and the respective budgetary comparison for the general fund and special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the Commission's financial statements are intended to present the financial position and changes in financial position attributable to the Commission's transactions. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2023, 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about The Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *the management’s discussion and analysis* on pages 6 – 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 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 combining and individual fund financial statements, and supporting schedules, as listed in the table of contents, are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the other supplementary 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 other supplementary schedules required by 2.2.2 NMAC as noted in 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures and other supplementary schedules required by 2.2.2 NMAC as noted in 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 24, 2023, 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 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.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
October 24, 2023

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

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, 2023. 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.

Overview of 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 includes the combining fund financial statements.

This MD&A is 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 Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities, which are similar to those used by private sector companies. The Statement of Net Position combines and consolidates into one statement governmental funds'

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

current financial resources (short-term available resources) with capital assets and long-term liabilities.

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

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

Fund Financial Statements

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

The governmental Major Fund Financial Statements are presented on a sources and uses of liquid resource basis. This is the manner in which the Commission's annual 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 a 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

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

presented. The budgetary comparison schedules present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows, and balances, stated on the government’s budgetary basis.

As required by the Office of the State Auditor under 2.2.2 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.

SUMMARY OF GOVERNMENT-WIDE STATEMENT OF NET POSITION

Description	June 30, 2023	June 30, 2022	Change
ASSETS			
Government activities			
Current and other assets	\$ 2,613,660	3,036,203	(422,543)
Subscriptions Right of Use Assets, net	86,219	-	86,219
Right to Use Assets, net	1,979,645	2,231,015	(251,370)
Capital Assets, net	362,398	399,373	(36,975)
Total assets	\$ 5,041,922	5,666,591	(624,669)
LIABILITIES			
Current liabilities	\$ 872,130	935,768	(63,638)
Long-term liabilities	2,340,383	2,497,204	(156,821)
Total liabilities	3,212,513	3,432,972	(220,459)
Deferred inflows of resources	385,494	359,624	25,870
NET POSITION			
Net investment in capital assets	347,136	391,687	(44,551)
Restricted for special projects	1,828,994	2,105,458	(276,464)
Unrestricted	(732,215)	(623,150)	(109,065)
Total net position	1,443,915	1,873,995	(430,080)
Total liabilities, deferred inflows, and net position	\$ 5,041,922	5,666,591	(624,669)

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

Discussion of Statement of Net Position

Deducting total liabilities, deferred inflows, and outflows from total assets derive the net position. The overall net position decreased by \$430,080 versus fiscal year 2022. The overall decrease was primarily due to a decrease in cash from 2022 to 2023.

Current assets consist of interest in the State General Fund Investment Pool of \$2,228,166 and assets due from federal grants in the amount of \$385,494.

The Commission reports balances in three categories of net position; (1) net investment in capital assets, (2) restricted, and (3) unrestricted.

The Net Invested in Capital Assets balance decreased \$44,551 due to limited activity related to capital assets.

Restricted net position balance decreased by \$276,494 due to a decreased fund balance in the Pipeline Safety Fund.

Revenue earned by nonmajor funds in FY23 decreased from the prior fiscal year due to a decrease in fees collected in the Reproduction Fund. There was \$33,095 of Fee and Interest Revenue in the Transportation Network Company Fund (43150), and \$11,269 of Fee Revenue in the Reproduction Fund (47700).

The Unrestricted net position increased \$109,065 primarily due to the implementation of GASB 96.

Capital Asset Administration

The Commission has recorded subscription right-of-use assets as a result of implementing GASB 96. The subscription right of use assets consists of a subscription for an E-docket system with a present value of \$114,959 less amortization of \$28,740. The lease right of use assets consist of the building lease and equipment lease with a present value of \$2,461,855 less \$482,210 in accumulated amortization. Capital assets of \$362,398 is due to the \$1,214,837 in governmental capital assets less \$852,439 in accumulated depreciation.

Liabilities

Current liabilities of \$872,130 consist primarily of accounts payable of \$154,824 and accrued payroll of \$224,119. The portion of compensated absence liabilities due in the current year is \$218,202, the portion of lease liabilities due in the current year is \$246,569, and the portion of the subscription liability due in the current year is \$28,416.

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

Long-Term Debt

The Commission has no long-term debt outstanding other than the noncurrent portion of compensated absences of \$534,242, the noncurrent lease liability of \$1,747,392 and the noncurrent subscription liability of \$58,749 as of June 30, 2023.

Deferred Inflows of Resources

The Commission received at year-end unavailable federal revenues of \$385,494.

SUMMARY OF STATEMENT OF ACTIVITIES

Description	June 30, 2023	June 30, 2022	Change
Program revenue	\$ 2,273,521	2,311,426	(37,905)
Program expenses	(13,562,346)	(11,549,983)	(2,012,363)
Net changes	<u>(11,288,825)</u>	<u>(9,238,557)</u>	<u>(2,050,268)</u>
General revenues:			
Interest income	3,095	241	2,854
Loss on disposal of assets	-	(25,725)	25,725
General Fund Appropriations	11,100,000	10,163,300	936,700
Transfers	(77,109)	(5,483,279)	5,406,170
Reversion	(167,241)	(840,606)	673,365
Total general revenue and transfers	<u>10,858,745</u>	<u>3,813,931</u>	<u>7,044,814</u>
Change in net position	(430,080)	(5,424,626)	4,994,546
Net position, beginning of year	<u>1,873,995</u>	<u>7,298,621</u>	<u>(5,424,626)</u>
Net position, end of year	<u>\$ 1,443,915</u>	<u>1,873,995</u>	<u>(430,080)</u>

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

Discussion of Statement of Activities

This statement shows the components that, in the aggregate, decreased the Commission's net position by \$430,080 during the year. Program revenue decreased by \$37,905 from the prior year due to the decrease in fees collected from Pipeline Safety. Program expenses increased by \$2,012,363 from the prior year, primarily due to the increase in expenditures related to personal services. In FY23, \$167,241 was reverted from the General Fund (55000) due to vacancy savings in P611. Fund Balance in the Pipeline Safety Fund decreased by \$879,059 compared to FY22.

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 \$1,849,223, for a net decrease over the prior fiscal period of \$339,990. This is primarily due to the decreased fees collected from Pipeline Safety.

The Operating Fund (55000) is the Commission's operating fund where all operational expenses reside. The Operating Fund revenues increased by \$23,971 due to increased Federal Revenues realized, General Fund Appropriations increased by \$936,700 and Intra-Agency Transfers decreased by \$120,892. Expenditures increased \$1,935,744 compared to FY22.

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 2023 were \$398,585. The other financing uses are amounts transferred to the General Fund (55000) to fund the operations of the Commission for the fiscal year was \$1,225,330.

The Community Solar Fund (68430) is a fund that collects revenue pursuant to the Community Solar Act. This fund was created in FY23. Revenues realized in fiscal year 2023 were \$893,193. Expenditures realized in fiscal year 2023 were \$166,667.

Non-major Governmental Funds at the NMPRC Transportation Network Company Fund (43150) and the Reproduction Fee Fund (47700). 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.

General Fund Highlights

The Commission has continued to prioritize efficient management of operations while handling an increase in complex caseloads and high vacancy rates. The FY23 operating budget had a total

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

revenue of \$13,430,763. The Commission had \$13,420,548 in total expenditures in FY23. Of which, \$11,114,892 was in personal services and employee benefits (200 category), \$540,483 was in contractual services (300 category), and \$1,765,173 was in other expenses (400 category). Personal Services and Employee Benefits accounts for 82.8 percent of the FY23 total expenditures.

For FY23, \$167,241 was reverted to the State General Fund from the Operating Fund (55000).

Currently Known Facts

The Commission continues to experience an increase in the number of utility case filings that are more complex and technical in nature due to the new regulatory demands of the Federal Energy Regulation Commission (FERC), North American Electric Reliability Corporation (NERC), Environmental Protection Agency (EPA) and legislatively mandated utility cases such as renewable/energy efficiency programs, grid modernization efforts and the Community Solar Act, which passed in the 2021 Legislative Session. The Community Solar Act provides for the development and operation of community solar facilities within the service territory of investor-owned electric utilities or rural electric cooperatives on an opt-in basis. InClima Inc. was awarded a multi-year (FY23-FY25) professional service contract. The contract will be funded from community solar fees deposited into the Community Solar Fees Fund (68430).

A constitutional amendment was adopted by the New Mexico Legislature and approved by state voters in 2020 to change the makeup of the PRC from a five-member elected body to a three-member governor-appointed commission beginning on January 1, 2023.

The new Commission and Office of Chief of Staff believes agency success depends on prioritizing the hiring of technical advisory staff within the Policy and Regulation program (P-611) to provide additional expertise to the Commission in the areas of economics, engineering, legal and other areas critical to the Commission in carrying out the increasingly complex mission.

The Commission is both the governing body for the PRC as well as a policy and regulatory body. The Commission's duties include setting rates, creating policy that implements statutory mandates and policy goals, and enforcing rules and regulations governing regulated entities. A principal function of the Commission is to adjudicate cases involving regulated entities. The NMPRC's priorities and objectives going forward will be set by the new Commission.

In FY23, 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. The

STATE OF NEW MEXICO PUBLIC REGULATION COMMISSION
Management Discussion and Analysis
June 30, 2023

Policy and Regulation Program (P611) filed 116% written documents by staff (testimonies, reports, rulemaking comments, and affidavits) compared to the total number of docketed cases in a fiscal year. Consumer Relations Division (P611) obtained \$94,000 of credits and refunds for New Mexico consumers through complaint resolution. The Transportation Division (P611) performed 434 of total carrier inspections (household goods, bus, taxi, ambulance, tow, and rail) performed by staff to the total number of regulated carriers in a fiscal year.

The Pipeline Safety Bureau (P612) conducted 15,800 pipeline safety inspections, excavation damage prevention and investigation hours performed by the pipeline safety bureau in fiscal year 2023. Total intrastate pipeline operator inspections performed by staff versus the total number of regulated pipeline operators was 65% in the Pipeline Safety Bureau (P612).

Requests for Information

This financial report is designed to provide a general overview of the Commission's finances and to demonstrate the Commission's accountability for the funds it receives. If you have questions about this report or need additional information, contact:

New Mexico Public Regulation Commission
P. O. Box 1269
Santa Fe, New Mexico, 87504
1-888-427-5772

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
STATEMENT OF NET POSITION
June 30, 2023**

	<u>Governmental Activities</u>
ASSETS	
<i>Current:</i>	
Investment in State General Fund Investment Pool	\$ 2,228,166
Due from Federal Government	385,494
<i>Total current assets</i>	<u>2,613,660</u>
<i>Noncurrent assets:</i>	
Subscriptions Right of Use Assets, net of accumulated amortization	86,219
Right of Use Assets, net of accumulated amortization	1,979,645
Capital assets, net of accumulated depreciation	362,398
<i>Total noncurrent assets</i>	<u>2,428,262</u>
 <i>Total assets</i>	 \$ <u><u>5,041,922</u></u>
LIABILITIES	
<i>Current liabilities:</i>	
Accounts payable	\$ 154,824
Accrued Payroll and Other Liabilities	224,119
Compensated Absences Payable, Due Within One Year	218,202
Subscription Liability, Due Within One Year	28,416
Lease Liability, Due Within One Year	246,569
<i>Total current liabilities</i>	<u>872,130</u>
<i>Noncurrent liabilities:</i>	
Compensated Absences Payable	534,242
Contingent liability (See Note 10)	-
Subscription Liability	58,749
Lease Liability	1,747,392
<i>Total noncurrent liabilities</i>	<u>2,340,383</u>
 <i>Total liabilities</i>	 <u>3,212,513</u>
 <i>Deferred Inflow of Resources</i>	
Unavailable Revenues	385,494
NET POSITION	
Net Investment in Capital Assets, Restricted	347,136 1,828,994
Unrestricted	(732,215)
 <i>Total net position</i>	 <u>1,443,915</u>
 <i>Total liabilities and net position</i>	 \$ <u><u>5,041,922</u></u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Policy and Regulation</u>	<u>Public Safety</u>	<u>Program Support</u>	<u>Total Government Activities</u>
Expenses				
Program Expenses	\$ 7,736,766	1,637,152	3,772,550	13,146,468
Interest on Debt	2,261	-	15,703	17,964
Depreciation and Amortization	280,110	48,180	69,624	397,914
<i>Total Expenses</i>	<u>8,019,137</u>	<u>1,685,332</u>	<u>3,857,877</u>	<u>13,562,346</u>
Program Revenues				
Charges for Services	923,193	398,585	11,269	1,333,047
Operating Grants and Contributions	-	940,474	-	940,474
<i>Total Program Revenues</i>	<u>923,193</u>	<u>1,339,059</u>	<u>11,269</u>	<u>2,273,521</u>
Net Program Revenue (Expense)	<u>(7,095,944)</u>	<u>(346,273)</u>	<u>(3,846,608)</u>	<u>(11,288,825)</u>
General Revenues				
				3,095
				11,100,000
				(167,241)
				(77,109)
				<u>10,858,745</u>
				(430,080)
				<u>1,873,995</u>
				<u>\$ 1,443,915</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Public Reg Comm Operating Fund 55000	Pipeline Safety Fund 37700	Community Solar Fees Fund 68430	Non Major Funds	Total Governmental Funds
ASSETS					
<i>Current:</i>					
Investment in State General Fund Investment Pool	\$ 378,943	934,031	726,526	188,666	2,228,166
Due from Federal Government	385,494	-	-	-	385,494
<i>Total current assets</i>	<u>\$ 764,437</u>	<u>934,031</u>	<u>726,526</u>	<u>188,666</u>	<u>2,613,660</u>
LIABILITIES AND FUND BALANCE					
<i>Current liabilities:</i>					
Accounts payable	\$ 154,824	-	-	-	154,824
Accrued Payroll	224,119	-	-	-	224,119
<i>Total current liabilities</i>	<u>378,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,943</u>
<i>Deferred Inflows of Resources</i>					
Unavailable Revenues	385,494	-	-	-	385,494
FUND BALANCE (DEFICIT)					
Nonspendable	-	-	-	-	-
Restricted	-	934,031	726,526	168,437	1,828,994
Assigned	-	-	-	-	-
Unassigned	-	-	-	20,229	20,229
<i>Total fund balance (deficit)</i>	<u>-</u>	<u>934,031</u>	<u>726,526</u>	<u>188,666</u>	<u>1,849,223</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 764,437</u>	<u>934,031</u>	<u>726,526</u>	<u>188,666</u>	<u>2,613,660</u>

STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

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

Fund balances - total governmental funds	\$ 1,849,223
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	362,398
Right of Use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,979,645
Subscriptions Right of Use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	86,219
Leases for the right to use assets with terms greater than one year are reported in governmental activities as the present value of future lease payments and as debt service payments in the fund financial statements	(1,993,961)
Subscriptions for the right to use assets with terms greater than one year are reported in governmental activities as the present value of future subscription payments in the fund financial statements	(87,165)
Long-term and other liabilities at year-end consist of: Compensated absences	<u>(752,444)</u>
Net Position of Governmental Activities (Statement of Net Position)	<u>\$ 1,443,915</u>

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Public Reg Comm Operating Fund 55000	Pipeline Safety Fund 37700	Community Solar Fees Fund 68430	Non Major Funds	Total Governmental Funds
<i>Revenues:</i>					
Licenses and fees	\$ -	398,585	893,193	41,269	1,333,047
Interest Income	-	-	-	3,095	3,095
Federal Grant Revenue	940,474	-	-	-	940,474
Miscellaneous Revenue	-	-	-	-	-
Total revenues	940,474	398,585	893,193	44,364	2,276,616
<i>Expenditures:</i>					
Current					
Personal Services	11,114,892	-	-	-	11,114,892
Contractual Services	540,483	-	166,667	-	707,150
Other Costs	1,278,886	-	-	-	1,278,886
Capital outlay	195,788	-	-	-	195,788
Debt service					
Principal	272,535	-	-	-	272,535
Interest	17,964	-	-	-	17,964
Total expenditures	13,420,548	-	166,667	-	13,587,215
<i>Excess (deficiency) of revenues over expenditures</i>	(12,480,074)	398,585	726,526	44,364	(11,310,599)
<i>Other financing sources (uses):</i>					
General Fund Appropriation	11,100,000	-	-	-	11,100,000
Transfer to NMGSD (See Note 16)	-	(52,314)	-	(24,795)	(77,109)
Other Financing Sources-SBITA Proceeds	114,959	-	-	-	114,959
Reversions FY2023	(167,241)	-	-	-	(167,241)
Transfers in	1,275,330	-	-	-	1,275,330
Transfers out	-	(1,225,330)	-	(50,000)	(1,275,330)
Total other financing sources (uses)	12,323,048	(1,277,644)	-	(74,795)	10,970,609
Net change in fund balances	(157,026)	(879,059)	726,526	(30,431)	(339,990)
Fund balances - beginning of year	157,026	1,813,090	-	219,097	2,189,213
Fund balances - end of year	\$ -	934,031	726,526	188,666	1,849,223

See Notes to Financial Statements.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

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

Net change in fund balances - total governmental funds	\$ (339,990)
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Amounts reported for governmental activities in the Statement of Activities are different because:

In the Statement of Activities, certain operating expenses - compensated absences (sick and annual leave) - are measured by the amounts earned during the year.

In the Governmental Funds, however, expenditures for these items are measured by the amounts of financial resources used (essentially, the amount actually paid).

The net increase in the liabilities for the year was:	(45,539)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures	195,788
Depreciation expense	(117,804)
Amortization Expense	(280,110)

Repayment of Lease principal is an expenditure in the Governmental Funds, but it reduces long-term liabilities in the Statement of Net Position.

Principal payments on Leases	244,740
Principal Payments on SBITA	27,794
Recognition of SBITA liability	<u>(114,959)</u>

Change in net position	\$ <u><u>(430,080)</u></u>
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See Notes to Financial Statements.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
PUBLIC REG COMM OPERATING FUND- 55000
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Licenses and Fees	\$ -	-	-	-
Federal Grant Revenue	949,800	994,600	940,474	(54,126)
Miscellaneous Revenue	-	-	-	-
General Fund Appropriation	11,100,000	11,100,000	11,100,000	-
Other Financing Sources	1,773,300	1,773,300	1,390,289	(383,011)
<i>Total revenues</i>	<u>13,823,100</u>	<u>13,867,900</u>	<u>13,430,763</u>	<u>(437,137)</u>
Expenditures				
Current				
Personal Services	11,449,600	11,544,400	11,114,892	429,508
Contractual Services	837,500	637,500	540,483	97,017
Other Costs	1,536,000	1,686,000	1,765,173	(79,173)
Other Financing Uses	-	-	-	-
<i>Total expenditures</i>	<u>13,823,100</u>	<u>13,867,900</u>	<u>13,420,548</u>	<u>447,352</u>
Transfers In/(Out)	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>10,215</u>	<u>(884,489)</u>
Net changes in fund balances	\$ <u>-</u>	\$ <u>-</u>	<u>10,215</u>	<u>10,215</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			-	
Reversion to State General Fund (FY2023)			(167,241)	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(157,026)</u>	

Special and Specific Appropriations

Title	Period	Approved Budget	Prior Years	Current Year	Unexpended
(1) Furniture	FY2022	150,000	-	150,000	-
(2) NM Solar Act	FY2022	100,000	92,975	-	7,025

(1) Under Laws of 2022, Chapter 54, Section 5, Item 56, one hundred fifty thousand (\$150,000) is appropriated for the State general fund for expenditure in fiscal years 2022 through 2023 to purchase furniture for the Bokum building.

(2) Grant from the Board of Finance for one hundred thousand (\$100,000) to implement the Community Solar Act.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
PIPELINE SAFETY FUND - 37700
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Licenses and Fees	\$ -	-	398,585	398,585
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>398,585</u>	<u>398,585</u>
Expenditures				
Current				
Personal Services	-	-	-	-
Contractual Services	-	-	-	-
Other Costs	-	-	-	-
Other Financing Uses	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to NMGSD (See Note 16)	-	-	52,314	(52,314)
Transfers In/(Out)	-	-	1,225,330	(1,225,330)
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(879,059)</u>	<u>1,623,915</u>
Net changes in fund balances	\$ <u>-</u>	<u>-</u>	<u>(879,059)</u>	<u>(879,059)</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			\$ <u>(879,059)</u>	

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
COMMUNITY SOLAR FEES - 68430
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES-BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Licenses and Fees	\$ -	222,223	893,193	670,970
<i>Total revenues</i>	<u>-</u>	<u>222,223</u>	<u>893,193</u>	<u>670,970</u>
Expenditures				
Current				
Personal Services	-	-	-	-
Contractual Services	-	227,108	166,667	60,441
Other Costs	-	-	-	-
Other Financing Uses	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>227,108</u>	<u>166,667</u>	<u>60,441</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(4,885)</u>	<u>726,526</u>	<u>731,411</u>
Net changes in fund balances	\$ <u>-</u>	<u>(4,885)</u>	<u>726,526</u>	<u>731,411</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues			-	
Adjustments to expenditures			-	
Net Change in Fund Balances (GAAP Basis)			\$ <u>726,526</u>	

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The New Mexico Public Regulation Commission (“the Commission”) was created by Article XI, Section 1 of the Constitution of New Mexico, and the Public Regulation Commission Apportionment Act, NMSA 1978, Section 8-7-1 and is composed of three commissioners appointed by the governor with the consent of the Senate as provided in that article. The Legislature set forth the Commission’s general powers and duties in NMSA 1978, Section 8-8-4.

The Commission regulates utilities, telecommunications, and motor carrier industries to ensure fair and reasonable rates and assure reasonable and adequate services to the public as provided by law. The Commission promotes public safety through the offices of the pipeline safety bureau and transportation division.

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 public safety program aims to provide services and resources to the appropriate entities to enhance their ability to protect the public from pipeline hazards and other risks as assigned to the public regulation commission.

Program Support (P613)

Program support aims to provide administrative support and direction to ensure consistency, compliance, financial integrity, and fulfillment of the agency's mission.

Financial 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:

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.”

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

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.

Basic Financial Statements

The basic financial statements include both government-wide (based on the Commission as a whole) and fund financial statements. 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 resources 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 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.

Fund Accounting

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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Governmental Funds

General Fund (SHARE Fund 55000) – The General Fund is the general operating fund of the Commission. It accounts for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenues Funds account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The Commission's major special revenue funds are described below:

Pipeline Safety Fund (SHARE Fund 37700)- This fund consists of fees collected pursuant to Chapter 70-3-21 NMSA 1978, appropriations, gifts, grants, donations, and earnings from investment in 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.

Community Solar fees Fund (SHARE Fund 68430) – This fund accounts for fees collected pursuant to the Community Solar Act under Laws 2021, Ch 34 Section 7 (62-16B-7 NMSA 1978). Funds collected shall be used to cover a portion of the administrative costs of the Commission in carrying out the community solar program. This fund is non-reverting.

Adoption of GASBS 96, Subscription- Based Information Technology Arrangements (SBITA)

During fiscal year 2023, the Public Regulation Commission adopted GASBS 96, subscription-based information technology arrangements. Under the standard, Entities will now be required to recognize substantially all long-term subscription-based information technology arrangements on the statement of net position as both a right-to-use subscription asset and a subscription liability. In addition, Entities will be required to recognize a subscription receivable and a deferred inflow of resources. The new standard also requires subscription-based information technology arrangements to be evaluated for the identification of subscription and non-subscription components in a contract. The subscription-based information technology arrangements have been recorded at the present value of subscription payments expected to be made during the subscription term, using the facts and circumstances available at July 1, 2023. The adoption of this standard had no impact on net position. There are short-term subscription-based information technology arrangements with

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of GASBS 96, Subscription- Based Information Technology Arrangements (SBITA) (continued)

a maximum possible term of 12 months that are explicitly excluded from GASBS 96. In implementing the standard, the Commission developed a policy and threshold to apply to the leases applicable to GASBS 96.

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, 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 means collectible within the current period or soon enough thereafter (60 days) to be used to pay liabilities of the current period.

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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data

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 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 of next year's budget. A reconciliation of budgetary basis to GAAP basis will be necessary if any accounts payable at the fiscal year end are not paid by the statutory deadline. The Commission has not included such reconciliation for the fiscal year 2023, 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 excerpt 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.
- 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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgetary Data (continued)

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.

Budgeted line-item classification may be amended upon approval from the State Budget Division.

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.

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 the fiscal year-end represent an excess of modified accrual basis expenditures over cash reimbursements received to date.

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 that significantly extend an asset’s useful life are capitalized.

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

	Years
Buildings and improvements	25-50
Land improvements	15-20
Machinery and equipment	5-20
Motor vehicles and motorized equipment	5-15

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease Right-to-Use Assets

The Commission has recorded intangible right-to-use lease assets of \$5,000 or more as a result of implementing GASB 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability. Lease assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. The Commission uses the DFA’s incremental borrowing rate of .5% for lease terms less than five years, .75% for lease terms between five to ten years, and 1.75% for lease terms greater than ten years.

Subscription Right-to-Use Assets

The Commission has recorded subscription right-to-use lease assets of \$5,000 or more as a result of implementing GASB 96. The subscription assets are initially measured at an amount equal to the initial measurement of the related subscription liability. Subscription assets are amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the subscription term. The Commission used the incremental borrowing rate of 2.21% determined by the subscription agreement and management assumptions.

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.

Accrued Sick Leave. Employees accrue 4.00 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 only once per fiscal year on either the payday immediately following the first full pay period in January or the first full pay period in July. However, the sick leave will be paid at 50% of the employee’s regular hourly wage.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (continued)

At retirement, employees may receive 50% payment for up to 120 hours (400 hours for exempt employees) of accumulated sick leave over 600 hours. Therefore, the only sick leave which has been accrued represents the hours earned at June 30, 2023, over 600. Expenditures for accumulated sick pay for hours under 600 will be recognized as employees take such absences.

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 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, 2023.

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 will not be recognized as an inflow of resources (revenue) until that time. The Commission did report \$385,494 in deferred inflows related to federal funding incurred but not received.

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. 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.

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

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

1. 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.
2. 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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position restricted by enabling legislation at June 30, 2023, is as follows:

Fund	Description	Enabling Legislation	Restricted Fund Balance
37700	Pipeline Safety	70-3-21 NMSA 1978	934,031
68430	Community Solar Fee	62-16B-7 NMSA 1978	726,526
43150	Transportation Network	67-7-19 NMSA 1978	168,437
Total – All government funds			\$ 1,828,994

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.

Fund Balance

The Commission classifies fund balances into spendable and non-spendable classifications in the governmental fund financial statements. 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, 2023. 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. Fund balances at year-end totaling \$1,828,994 are restricted by enabling legislation, as stated above.

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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance

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 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 expenditure is incurred for purposes for which either restricted, committed, or unassigned fund balances are available.

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.

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. In fiscal year 2023 the Commission reverted \$167,241 back the State General Fund.

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. Some employees are making contributions to a Deferred Compensation Plan. Neither the Commission nor the State of New Mexico makes 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.

Post-Employment Benefits

The State of New Mexico follows the requirements of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which improves accounting and financial reporting by state and local governments for other post-employment benefits that are not pensions.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Employment Benefits (continued)

As part of the primary government of the State of New Mexico, the Commission 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 the 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 at the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Comprehensive Financial Report (ACFR) of the State of New Mexico.

Information concerning the net liability, benefits expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico ACFR for the year ended June 30, 2023, 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.

Pension Plan

The State of New Mexico follows the requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which improves accounting and financial reporting by state and local governments for pensions.

As part of the primary government of the State of New Mexico, the Commission 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 the 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 Annual Comprehensive Financial Report (ACFR) 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 ACFR for the year ended June 30, 2023 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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2 – INTEREST IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Commission’s cash to 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, 2023.

The balances in the State General Fund Investment Pool (SGFIP) at year-end agree to the State Treasurer balances as follows:

Governmental Funds:	Balance
General Fund (55000)	\$ 378,943
Pipeline Safety Fund (37700)	934,031
Community Solar Fees (68430)	726,526
Transportation Network Fund (43150)	168,437
Reproduction Fund (47700)	20,229
Total SGFIP	\$ 2,228,166

NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 CAPITAL ASSETS

Capital asset activity, including right-to-use assets, for the year ended June 30th was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Depreciable Assets:				
Vehicles	\$ 739,961	-	(132,707)	607,254
Machinery and Equipment	<u>526,754</u>	<u>80,829</u>	<u>-</u>	<u>607,583</u>
Total Depreciable Assets	1,266,715	80,829	(132,707)	1,214,837
Less: Accumulated Depreciation				
Vehicles	(551,087)	(35,726)	132,707	(454,106)
Machinery and Equipment	<u>(316,255)</u>	<u>(82,078)</u>	<u>-</u>	<u>(398,333)</u>
Total Accumulated Depreciation	<u>(867,342)</u>	<u>(117,804)</u>	<u>132,707</u>	<u>(852,439)</u>
Depreciable Assets, net	<u>399,373</u>	<u>(36,975)</u>	<u>-</u>	<u>362,398</u>
Lease Right-to-Use Assets:				
Building Lease	2,443,067	-	-	2,443,067
Equipment Lease	<u>18,788</u>	<u>-</u>	<u>-</u>	<u>18,788</u>
Total Right-to-Use Assets	2,461,855	-	-	2,461,855
Less: Accumulated Amortization				
Building Lease	(225,830)	(246,360)	-	(472,190)
Equipment Lease	<u>(5,010)</u>	<u>(5,010)</u>	<u>-</u>	<u>(10,020)</u>
Total Accumulated Amortization	<u>(230,840)</u>	<u>(251,370)</u>	<u>-</u>	<u>(482,210)</u>
Right-to-Use Assets, net	<u>2,231,015</u>	<u>(251,370)</u>	<u>-</u>	<u>1,979,645</u>
Subscription Right-to-Use Assets:				
Software	<u>-</u>	<u>114,959</u>	<u>-</u>	<u>114,959</u>
Total Subscription Right-to-Use Assets	-	114,959	-	114,959
Less: Accumulated Amortization				
Software	<u>-</u>	<u>(28,740)</u>	<u>-</u>	<u>(28,740)</u>
Total Accumulated Amortization	<u>-</u>	<u>(28,740)</u>	<u>-</u>	<u>(28,740)</u>
Subscription Right-to-Use Assets, net	<u>-</u>	<u>86,219</u>	<u>-</u>	<u>86,219</u>
Capital Assets, net	<u>\$ 2,630,388</u>	<u>(202,126)</u>	<u>-</u>	<u>2,428,262</u>

The Commission recorded depreciation and amortization expenses of \$117,804 for Capital Assets, \$251,370 for Lease Right to Use Assets, and \$28,740 for Subscription Right to Use Assets.

NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 LEASES

In 2021, the Commission signed a ten-year lease with a monthly payment of \$21,296 for an office building with two 5-year options to extend for a total of ten years. At this time, the Commission does not believe it would exercise the lease option. The lease term does not contain an annual escalation clause. Under GASB Statement No. 87, the Commission has calculated the present value of the right-to-use asset of \$2,443,067 using the discount rate of .75% and an annual amortization expense of \$246,360. The lease liability for the office building at year-end is \$1,984,930.

The Commission also has two copiers qualified under the State threshold for GASB Statement No. 87 treatment. The copiers have the original lease terms of forty-eight (48) months with monthly payments of \$412 and options to purchase at the end of the lease terms. The Commission is not planning to exercise these options. The lease term does not contain an annual escalation clause. The Commission has calculated the present value of the right-to-use asset of \$18,788 using the discount rate of .50% and an annual amortization expense of \$5,010. The lease liability for the equipment at year-end is \$9,031.

The future minimum lease payments for the office building and the equipment are as follows:

June 30	Principal	Interest	Total
2024	246,570	13,930	260,500
2025	247,588	12,087	259,675
2026	245,305	10,247	255,552
2027	247,151	8,401	255,552
2028	249,011	6,541	255,552
Thereafter	758,336	8,321	766,657
Total	\$ 1,993,961	\$ 59,527	\$ 2,053,488

NOTE 5 SUBSCRIPTION BASED- INFORMATION TECHNOLOGY ARRANGEMENTS LIABILITY

In 2022, the Commission signed a 5-year subscription based-information technology arrangement with a monthly payment of \$2,500 for a E-docket subscription with no option to extend. Under GASB Statement No. 96, the Commission has calculated the present value of the right-to-use asset of \$114,949 using the discount rate of 2.21% and an annual amortization expense of \$28,740. The lease liability for the subscription based-information technology arrangement at year-end is \$87,165.

The future minimum subscription based-information technology arrangement payments for the Software are as follows:

June 30	Principal	Interest	Total
2024	28,416	1,584	30,000
2025	29,050	950	30,000
2026	29,699	301	30,000
Total	\$ 87,165	\$ 2,835	\$ 90,000

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 6 COMPENSATED ABSENCES

The following represents changes in compensated absences for the year ended June 30, 2023:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One year
Compensated absences	\$706,905	\$682,600	\$(637,061)	\$752,444	\$218,202

NOTE 7 DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at year-end consist of unavailable federal funds of \$385,494.

NOTE 8 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; 2) retirees defined by the 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 post-employment 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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

**NOTE 8 POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(continued)**

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.

The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. 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, 2023, 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, 2023, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, as 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 year ended June 30, 2023, was \$158,431, which equal the required contributions for each year.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 9 PENSION PLAN – PUBLIC EMPLOYEE RETIREMENT ASSOCIATION PLAN

Plan Description

Substantially all of the New Mexico Public Regulation 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, 33 Plaza La Prensa, Santa Fe, NM 87507. The report is also available on PERA's website at <https://www.nmpera.org>.

Funding Policy

Plan members are required to contribute 10.92% of their gross salary. The Commission is required to contribute 19.24% of the gross covered salary. 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 year ending June 30, 2023, was \$1,483,654, which equals the amount of the required contributions for each fiscal year.

NOTE 10 CONTINGENCIES

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 likely covered by the Risk Management Division of the General Services Department.

On September 13, 2023, the Commission received notice that a jury had awarded a plaintiff damages of \$400,800 for lost wages and \$250,000 for emotional distress. The verdict was issued into judgement on October 3, 2023. The Commission believes the emotional distress damages will be covered by the Risk Management Division of the State of New Mexico General Services Department. The Commission is pursuing post judgement remedies and appeal options and therefore is unable at this time to identify the actual amount of damages.

NOTE 11 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.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 12 SUBSEQUENT EVENTS

Management had evaluated events through October 24, 2023, which is when the financial statements were available to be issued, and determined that there were no items to disclose or accrue at June 30, 2023.

NOTE 13 CONFLICT OF INTEREST

The Public Regulation Commission maintains a Conflict of Interest Policy which applies to all the executive staff, management, and staff employees. The Policy requires each person to whom the policy applies to complete a disclosure statement which identifies a business or financial interest of that person which is planning to engage in a business transaction with the Public Regulation Commission or has engaged in a business transaction with the Public Regulation Commission.

NOTE 14 RECENT ACCOUNTING PRONOUNCEMENTS

In March 2020, GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, to be implemented for fiscal years beginning after June 15, 2022. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital assets, for a period of time in exchange or exchange-like transactions. The implementation of this Statement had no effect on the Commission's financial statements.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for periods beginning after June 15, 2022. GASB No. 96 defines a SBITA (subscription-based information technology arrangements); establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; provides that capitalization criteria for outlays other than subscription payment including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The Commission implemented this statement and recorded all necessary adjustments to properly record subscription right-of-use assets and subscription liabilities.

In April 2022, the GASB issued Statement No. 99, Omnibus 2022, with multiple effective dates as follows; (1) extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 24, as amended, and terminology updates related to Statement 53 and 63 are effective upon issuance. (2) The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (3) The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The implementation of this Statement had no effect on the Commission's financial statements.

**NEW MEXICO PUBLIC REGULATION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 15 NEW ACCOUNTING STANDARD

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2023.

GASB Statement No. 100, Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62

GASB Statement No. 101, Compensated Absences

The Commission will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The Commission believes that the above listed new GASB pronouncements will not have a significant financial impact to the Commission or in issuing its financial statements.

NOTE 16 TRANSFERS TO NMGSD

In fiscal year 2023 \$77,109 was transferred to NM GSD. This transfers was appropriated by the Laws of 2023, Chapter 210, Section 6, items 15,16, and 17 to assist in NMGSD Solvency issue in the Employee Health Benefits Fund.

SUPPLEMENTARY INFORMATION (SI)

**NEW MEXICO PUBLIC REGULATION COMMISSION
NON MAJOR SPECIAL REVENUE FUNDS DESCRIPTIONS
JUNE 30, 2023**

NON MAJOR SPECIAL REVENUE FUNDS

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.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Transportation Network Company Fund 43150	Reproduction Fund 47700	Total Governmental Funds
ASSETS			
<i>Current:</i>			
Investment in State General Fund Investment Pool	\$ 168,437	20,229	188,666
Due from Federal Government	-	-	-
<i>Total current assets</i>	<u>\$ 168,437</u>	<u>20,229</u>	<u>188,666</u>
LIABILITIES AND FUND BALANCE			
<i>Current liabilities:</i>			
Accounts payable	\$ -	-	-
Accrued Payroll	-	-	-
<i>Total current liabilities</i>	-	-	-
<i>Deferred Inflows of Resources</i>			
Unavailable Revenues	-	-	-
FUND BALANCE (DEFICIT)			
Restricted	168,437	-	168,437
Unassigned	-	20,229	20,229
<i>Total fund balance (deficit)</i>	<u>168,437</u>	<u>20,229</u>	<u>188,666</u>
<i>Total liabilities, deferred inflows, and fund balance (deficit)</i>	<u>\$ 168,437</u>	<u>20,229</u>	<u>188,666</u>

See Notes to Financial Statements.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Transportation Network Company Fund 43150	Reproduction Fund 47700	Total Governmental Funds
<i>Revenues:</i>			
Licenses and fees	\$ 30,000	11,269	41,269
Interest Income	3,095	-	3,095
Federal Grant Revenue	-	-	-
Miscellaneous Revenue	-	-	-
Total revenues	33,095	11,269	44,364
<i>Expenditures:</i>			
Current			
Personal Services	-	-	-
Contractual Services	-	-	-
Other Costs	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	33,095	11,269	44,364
<i>Other financing sources (uses):</i>			
General Fund Appropriation	-	-	-
Transfer to NMGSD (See Note 16)	-	(24,795)	(24,795)
Reversion FY2023	-	-	-
Transfers in	-	-	-
Transfers out	-	(50,000)	(50,000)
Total other financing sources (uses)	-	(74,795)	(74,795)
Net change in fund balances	33,095	(63,526)	(30,431)
Fund balances (deficit)- beginning of year	135,342	83,755	219,097
Fund balances (deficit) - end of year	\$ 168,437	20,229	188,666

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
SCHEDULE OF OPERATING TRANSFERS
FOR THE YEAR ENDED JUNE 30, 2023**

	SHARE FUND	TITLE	TRANSFER	
			IN	OUT
General Fund (55000)				
(1)	85300	Department of Finance and Administration (34101)	\$ 10,494,000	-
(2)	62000	Department of Finance and Administration (34100)	606,000	-
(3)	85300	Department of Finance and Administration (34101)	-	167,241
(4)	75200	General Services Department (35000)	-	76,403
(4)	56100	General Services Department (35000)	-	705
		Total governmental funds	\$ 11,100,000	244,349
<u>Intra-Agency Transfers</u>				
(1)	55000	General Fund	\$ 1,275,330	-
(1)	37700	Pipeline Safety Fee	-	1,225,330
(1)	47700	Reproduction Fee	-	50,000
		Total intra-agency funds	\$ 1,275,330	1,275,330

- (1) General Fund Appropriations - Laws of 2023, Chapter 210, Section 4.
- (2) Compensation Appropriation - Laws 2023, 1st Session, Chapter 210, Section 8.
- (3) Reversion to the State General Fund.
- (4) Transfers funds to GSD per Laws of 2023, Chapter 210, Section 6, Items 15, 16 and 17.

**STATE OF NEW MEXICO
NEW MEXICO PUBLIC REGULATION COMMISSION
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Assistance Listing No.</u>	<u>Grant Number or Passthrough Entity Number</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation			
Pipeline Safety Program			
Pipeline Safety - State Base Grant - NG - 22	20.700*	693JK32230029PGSB	\$ 407,460
Pipeline Safety - State Base Grant - HL - 22	20.700*	693JK32230008PLSB	31,648
Pipeline Safety - State Base Grant - NG - 23	20.700*		339,159
Pipeline Safety - State Base Grant - HL - 23	20.700*		46,968
	Total Pipeline Safety Program		<u>825,235</u>
 PHMSA Pipeline Safety - One Call - 23	 20.721	 693JK32240019PSOC	 46,770
 State Damage Prevention Program - 22	 20.720	 693JK32140014PDP	 26,458
State Damage Prevention Program - 23	20.720	693JK32240014PSDP	94,973
 Total U.S. Department of Transportation			 \$ <u>993,436</u>

*- Denoted Major Program tested

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, 2023. 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 modified 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.

INDEPENDENT AUDITORS' 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*

To Joseph M. Maestas, P.E.
New Mexico State Auditor

Board of Directors
New Mexico Public Regulation Commission
Santa Fe, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the budgetary comparison of the general fund and major special revenue funds of the New Mexico Public Regulation Commission ("the Commission") as of and for the year ended June 30, 2023, 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 24, 2023.

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) as a basis for designing 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
October 24, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To Joseph M. Maestas, P.E.
New Mexico State Auditor
and
To the Board of Directors of
New Mexico Public Regulation Commission
Santa Fe, New Mexico

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 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, 2023. The Commission’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission’s compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Pattillo, Brown & Hill, LLP

Pattillo, Brown, & Hill, L.L.P.
Albuquerque, New Mexico
October 24, 2023

**STATE OF NEW MEXICO
 NEW MEXICO PUBLIC REGULATION COMMISSION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2023**

SECTION I: SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | | | | | | |
|--|--------------------------------|-----------------|---------------|--------------------------------|--------|--|--|
| 1. Internal control over major programs: | | | | | | | |
| a. Material weaknesses identified? | None Noted | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted | | | | | | |
| 2. Type of auditors' report issued on compliance for major programs | Unmodified | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516{a)? | None Noted | | | | | | |
| 4. Identification of major programs: | | | | | | | |
| <table border="0"> <tr> <td style="text-align: center;">Assistance Listing</td> <td style="text-align: center;">Federal Program</td> </tr> <tr> <td style="text-align: center;"><u>Number</u></td> <td style="text-align: center;"><u>Pipeline Safety Program</u></td> </tr> <tr> <td style="text-align: center;">20.700</td> <td></td> </tr> </table> | Assistance Listing | Federal Program | <u>Number</u> | <u>Pipeline Safety Program</u> | 20.700 | | |
| Assistance Listing | Federal Program | | | | | | |
| <u>Number</u> | <u>Pipeline Safety Program</u> | | | | | | |
| 20.700 | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | | | |

SECTION II: PRIOR YEAR AUDIT FINDINGS

2022-001 Gas Card Receipts- Resolved and not repeated

SECTION III: FINANCIAL STATEMENT FINDINGS

None noted.

SECTION IV: SECTION 12-6-5 NMSA 1978 FINDINGS

None noted.

SECTION V: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

**NEW MEXICO PUBLIC REGULATION COMMISSION
EXIT CONFERENCE
JUNE 30, 2023**

EXIT CONFERENCE

The contents of this report were discussed in the exit conference held on October 24, 2023, with the following in attendance:

Representing the New Mexico Public Regulation Commission:

Patrick O'Connell	Commissioner
Cholla Khoury	Chief of Staff
Miranda Mascareñas	ASD Director/Chief Financial Officer
Lori Narvaiz	Budget and Finance Manager

Representing Pattillo, Brown & Hill, L.L.P.:

Chris Garner, CPA	Partner
Heather Lucero	Supervisor

The financial statements were prepared with the assistance of Pattillo, Brown & Hill, L.L.P. from the books and records of the New Mexico Public Regulation Commission.