

**STATE OF NEW MEXICO**

**NEW MEXICO RENEWABLE ENERGY  
TRANSMISSION AUTHORITY**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2010**



*Barraclough & Associates, P.C.*  
Certified Public Accountants & Consultants

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Table of Contents

June 30, 2010

	<u>Exhibit / Schedule</u>	<u>Page</u>
Official Roster		1
Independent Auditors' Report		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4-8
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	9
Statement of Activities	A-2	10
Fund Financial Statements:		
Balance Sheet - Governmental Fund – General Fund	B-1	11
Reconciliation of the Balance Sheet to the Statement of Net Assets	B-2	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund – General Fund	B-3	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Fund to the Statement of Activities	B-4	14
Statement of Revenues, Expenditures Budget and Actual- General Fund	B-5	15
NOTES TO THE FINANCIAL STATEMENTS		16-23
SUPPLEMENTAL INFORMATION		
Schedule of Deposits		24
COMPLIANCE SECTION		
Report on Internal Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		25-26
SCHEDULE OF FINDINGS AND RESPONSES		27-30
EXIT CONFERENCE		31

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Official Roster

June 30, 2010

GOVERNING BODY

Robert Busch	Chairman
Mark Valdes	Treasurer-Chair of Finance and Audit Committee
Randy Mitchell	Chair of Transmission Corridor Committee
Jim Noel	Secretary
Betty Rivera	Member
Randy Mitchell	Member
Steven Moise	Member
Laura Sanchez, Esq.	Member
Michael Emerson	Member

MANAGEMENT

Jeremy Turner	Executive Director
---------------	--------------------

"25 Years of Excellence"



*Barracough & Associates, P.C.*  
Certified Public Accountants & Consultants

1422 Paseo de Peralta  
Post Office Box 1847  
Santa Fe, New Mexico 87504  
(505) 983-3387  
(505) 988-2505 FAX  
(800) 983-1040 Toll Free  
[ba@barracough.com](mailto:ba@barracough.com)

**Principals**  
John E. Barracough, Jr., C.P.A.  
Annette V. Hayden, C.P.A.  
Sandra M. Shell, C.P.A./A.B.V., C.V.A.  
Joseph A. Sinceros, C.P.A.

**Managers**  
Douglas W. Fraser, C.P.A.  
Laura Parker, C.P.A.  
Rick W. Reynolds, C.P.A.  
Katherine M. Rowe, C.P.A.  
Tracy Ann Stoddart, C.P.A.  
Rhonda G. Williams, C.P.A.

## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas  
New Mexico State Auditor  
and  
New Mexico Renewable Energy Transmission Authority

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison of the general fund of the New Mexico Renewable Energy Transmission Authority (the Authority), as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the New Mexico Renewable Energy Transmission Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in the financial position of only that portion of the financial reporting entity of the State of New Mexico that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2010, and the respective changes in the financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority, as of June 30, 2010, and the respective changes in financial position and its respective budgetary comparison of the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis on pages 4 thru 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements and budgetary comparison. The supplementary schedule as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 18, 2010

# STATE OF NEW MEXICO

## New Mexico Renewable Energy Transmission Authority

### Management's Discussion and Analysis

June 30, 2010

The New Mexico Renewable Energy Transmission Authority's (Authority) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the Authority's financial activity, identify changes in the Authority's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the transmittal letter at the front of this report and the Authority's financial statements and notes which follow this section.

#### Financial Highlights

- The Authority's government-wide net assets increased by \$64,941 during the fiscal year 2010.
- The Authority's total revenues were \$546,026 during fiscal year 2010.
- The total expenses incurred to conduct the Authority programs was \$523,567.

#### Authority Purpose and Highlights

The Authority was created in 2007 based on the Laws of 2007. This is the second year of operations for the Authority. The purpose of the New Mexico Renewable Energy Transmission Authority Act (Act) is to create a governmental instrumentality to finance or plan the acquisition, maintenance and operation of certain electric transmission facilities and storage facilities within the State of New Mexico. The financing or acquisition of an eligible project would be accomplished through the issuance of renewable energy transmission revenue bonds or other debt instruments.

#### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report all of the assets, liabilities, revenues, expenses, and gains and losses of the government. Fiduciary activities whose resources are not available to finance the government's programs are excluded from the government-wide statements. There were no fiduciary activities in fiscal year 2010.

## STATE OF NEW MEXICO

### New Mexico Renewable Energy Transmission Authority

#### Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2010

#### Government-wide Financial Statements (Continued)

GASB 34 requires that infrastructure assets (roads, bridges, traffic signals, etc.) be valued and reported within the Governmental column of the Government-wide Statements. Additionally, the government must elect to either depreciate these assets over their estimated useful life or develop a system of asset management designed to maintain the service delivery potential. The Authority does not own any interest in any infrastructure assets nor any other capital assets as of June 30, 2010, and, therefore, is not required to implement this portion of GASB 34.

The government-wide financial statements of the Authority consist of governmental activities (General Fund) of the Authority, established pursuant to NMSA 1978, Section 62-16A-13.

#### Fund Financial Statements

The fund financial statements consist of the general fund's governmental fund statements that focus on information about the major funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

#### Governmental Fund Types

As of June 30, 2010, the Authority only had one fund, the General Fund. The General Fund is the general operating fund for the Authority and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is funded primarily through appropriations from the State of New Mexico General Fund and from the New Mexico Department of Energy, Minerals and Natural Resources Department.

#### Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) should provide an objective and easily readable analysis of the Authority's financial activities based on currently known facts, decisions or conditions. It should provide an analysis of the Authority's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities.

#### Notes to the Financial Statements

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

#### Budgetary Comparisons

The Authority does not have any legally adopted budgets by the state legislature but does have a budget approved by its board of directors and, therefore, does present the budget to actual statement. The Authority was in compliance with its budget.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2010

**Analysis of Financial Position**

Total Assets:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Cash and cash equivalents	\$ 865,078	\$ 800,136	\$ 64,942
Prepaid expenses	<u>1,800</u>	<u>1,800</u>	<u>-</u>
Total assets	<u>\$ 866,878</u>	<u>\$ 801,936</u>	<u>\$ 64,942</u>

Cash increased by \$64,942 from the previous year due to revenues exceeding expenditures by \$22,489 and the net amount of the Authority's accounts payable and payroll-related liabilities increased by \$42,483 during the fiscal year.

Total Liabilities:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Current liabilities	\$ 42,398	\$ 9,263	\$ 33,135
Long term liabilities	<u>9,348</u>	<u>-</u>	<u>9,348</u>
Total liabilities	<u>\$ 51,746</u>	<u>\$ 9,263</u>	<u>\$ 42,483</u>

Current liabilities increased by \$33,135 mainly due to the salary accrual of \$26,464. The long-term liabilities increased by the entire amount of the current year's long-term portion of the compensated absences because liability was classified as a current liability.

Net Assets:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Unrestricted net assets	<u>\$ 815,132</u>	<u>\$ 792,673</u>	<u>\$ 22,459</u>
Total Net Assets	<u>\$ 815,132</u>	<u>\$ 792,673</u>	<u>\$ 22,459</u>

The change in the net assets is due to the current year excess of revenues compared to expenses.



STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2010

**Analysis of Authority's Overall Financial Position and Result of Operations**

Total expenses, revenues and change in net assets:

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Expenses			
Electronic transmission planning and development	\$ (523,567)	\$ (588,084)	\$ 64,517
Program revenue	<u>45,000</u>	<u>-</u>	<u>45,000</u>
Total program (expenses) revenues	(478,567)	(588,084)	109,517
General Revenues			
State appropriation	250,000	250,000	-
Appropriation other state agency	250,000	-	250,000
Interest on investments	<u>1,026</u>	<u>4,084</u>	<u>(3,058)</u>
Total general revenues	<u>501,026</u>	<u>254,084</u>	<u>246,942</u>
Change in Net Assets	<u>\$ 22,459</u>	<u>\$ (334,000)</u>	<u>\$ 356,459</u>

**Governmental-Type Activities**

Total appropriations were \$500,000 for the year ended June 30, 2010. The Authority's total expenditures for governmental-type activities during the fiscal year 2010 were \$523,867, which were \$64,517 lower than 2009.

**Capital Assets and Debt Administration**

The Authority had no long term debt or capital assets as of June 30, 2010. The Authority has \$9,348 in long term compensated absences liability.

**Economic Factors and Next Year's Budgets and Rates**

On November 16, 2010 the Authority sold \$50 million of the New Mexico Renewable Energy Transmission Authority for the High Lonesome Mesa LLC transmission project secured by the loan agreement. The debt is only payable from the loan repayment and will be accounted for as conduit debt. The Authority received \$550,000 as a fee.

In fiscal year 2011, the Authority moved to a new location that rent was lower. Operational costs were budgeted at \$564,900. The 2011 budget was developed based on the assumption there would be no 2011 appropriation.

**STATE OF NEW MEXICO**

**New Mexico Renewable Energy Transmission Authority**

**Management's Discussion and Analysis (Continued)**

**For the Year Ended June 30, 2010**

**Contacting the Authority's Financial Management**

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Jeremy Turner, Executive Director  
New Mexico Renewable Energy Transmission Authority (RETA)  
1516 Paseo de Peralta  
Santa Fe, NM 87501

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit A-1

Statement of Net Assets

June 30, 2010

	2010
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 865,078
Prepaid expenses	1,800
Total current assets	866,878
Total assets	\$ 866,878
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 10,534
Accrued salaries	26,464
Compensated absences	5,400
Total current liabilities	42,398
Long-term compensated absences	9,348
Total liabilities	51,746
<b>NET ASSETS</b>	
Unrestricted net assets	815,132
Total net assets	815,132
Total liabilities and net assets	\$ 866,878

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

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit A-2

Statement of Activities

Year Ended June 30, 2010

	Primary Government
	Governmental Activities
<b>EXPENSES</b>	
Electronic transmission planning and development	\$ (523,567)
Program revenue - Federal revenue	45,000
	(478,567)
<b>GENERAL REVENUES</b>	
State appropriation	250,000
Appropriation from other state agency	250,000
Interest on investments	1,026
	501,026
Total general revenues	501,026
Increase in net assets	22,459
Net assets, beginning of year	792,673
Net assets, end of year	\$ 815,132

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

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit B-1

Balance Sheet - Governmental Fund

General Fund

June 30, 2010

	<u>General Fund</u>
<b>ASSETS</b>	
Assets	
Cash and cash equivalents	\$ 865,078
Prepaid expenses	<u>1,800</u>
<b>Total assets</b>	<b><u>\$ 866,878</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts payable	\$ 10,534
Accrued salaries	<u>26,464</u>
<b>Total liabilities</b>	<b><u>36,998</u></b>
 <b>FUND BALANCES</b>	
Reserved for:	
Prepaid expenses	1,800
Unreserved	
Unreserved	<u>828,080</u>
<b>Total fund balance</b>	<b><u>829,880</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 866,878</u></b>

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

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit B-2

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2010

Fund Balance - governmental fund	\$ 829,880
Amounts reported for governmental activities in the statement of net assets is different because:	
Compensated absences recorded in the statement of net assets, not recorded in the governmental funds	<u>14,748</u>
Net assets of governmental activities	<u>\$ 815,132</u>

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

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit B-3

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund

General Fund

Year Ended June 30, 2010

<b>REVENUES</b>	
Program revenues	
Federal revenues	\$ 45,000
Interest income	<u>1,026</u>
Total revenues	<u>46,026</u>
 <b>EXPENDITURES</b>	
Current	
Personal services and benefits	301,666
Contractual services	138,127
Other costs	<u>72,796</u>
Total expenditures	<u>512,589</u>
Excess (deficiency) of revenues over expenditures	<u>(466,563)</u>
 <b>OTHER FINANCING SOURCES (USES)</b>	
State appropriation	250,000
Appropriation from other state agency	<u>250,000</u>
Total other financing sources (uses)	<u>500,000</u>
Net change in fund balance	33,437
Fund balance, beginning of year	<u>796,443</u>
Fund balance, ending	<u>\$ 829,880</u>

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

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit B-4

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Fund to the Statement of Activities

Year Ended June 30, 2010

Net Change in Fund Balance - governmental fund	\$ 33,437
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	-
(Increase) in accrued compensated absences	<u>(10,978)</u>
Increase in Net Assets	<u>\$ 22,459</u>

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



STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit B-5

Statement of Revenues, Expenditures Budget and Actual - General Fund

Year Ended June 30, 2010

	General Fund Budgeted Amounts			Variance favorable (Unfavorable)
	Original	Adjusted	Actual	
<b>REVENUES</b>				
State appropriations	\$ 500,000	\$ 500,000	\$ 500,000	\$ -
Interest on investments	-	-	1,026	1,026
Federal revenue	-	-	45,000	45,000
Total budgeted revenues	500,000	500,000	<u>\$ 546,026</u>	<u>\$ 46,026</u>
Cash balance carry forward	<u>65,500</u>	<u>65,500</u>		
Total revenues and budget fund balance	<u>\$ 565,500</u>	<u>\$ 565,500</u>		
<b>EXPENDITURES</b>				
Personnel services	\$ 341,600	\$ 341,600	\$ 301,666	\$ 39,934
Contractual services	144,000	144,000	138,127	5,873
Other costs	<u>79,900</u>	<u>79,900</u>	<u>72,796</u>	<u>7,104</u>
Total budgeted expenditures	<u>\$ 565,500</u>	<u>\$ 565,500</u>	<u>\$ 512,589</u>	<u>\$ 52,911</u>

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

# STATE OF NEW MEXICO

## New Mexico Renewable Energy Transmission Authority

### Notes to Financial Statements

June 30, 2010

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to agencies of the government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the committee on accounting procedures issued on, before and after November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance. The more significant of the Authority's accounting principles are described below.

##### *A. Financial Reporting Entity*

The Laws of 2007, Chapter 62, created the New Mexico Renewable Energy Transmission Authority (Authority). The purpose of the New Mexico Renewable Energy Transmission Authority Act (Act) is to create a quasi-governmental entity to finance or plan the acquisition, maintenance and operation of certain electric transmission and storage facilities with the State of New Mexico. The financing or acquisition of the eligible projects would be accomplished through the issuance of renewable energy transmission revenue bonds and other debt instruments.

The Authority's governing body is composed of seven voting members and one ex-officio non-voting member. The Governor, with the advice and consent of the Senate, appoints three members. The State Investment Officer and the State Treasurer, or their designees, are ex-officio members of the Authority with voting privileges. One member is appointed by the Speaker of the House of Representatives and serves at the pleasure of the Speaker of the House. One member is appointed by the President Pro Tempore of the Senate and serves at the pleasure of the President Pro Tempore. The Secretary of Energy, Minerals and Natural Resources serves as an ex-officio non-voting member to the Authority. The Governor shall designate an appointed member of the Authority to serve as chair, and the Authority may elect annually such other offices as it deems necessary.

The Authority is not subject to the supervision or control of any other board, bureau, department or agency of the state, except as specifically provided in the Act. The Act specifically excludes the Authority from the definition of "state agency" or "instrumentality" in any other law of the state, unless specifically referred to in the law. The Authority employees are not covered by any state retirement or post retirement benefit plans.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. *Financial Reporting Entity (Continued)*

The Act created the Renewable Energy Transmission Bonding Fund, which shall consist of revenues received by the Authority from operating or leasing eligible facilities, fees and service charges collected and, if the Authority has provided financing or eligible facilities, money from payments of principal and interest on loans. Money in the Renewable Energy Transmission Bonding Fund is pledged for the payment of principal and interest on all bonds issued pursuant to the Act. Bonds issued pursuant to the Act shall be payable solely from the Renewable Energy Transmission Bonding Fund or, with the approval of the bondholders, such other special funds as may be provided by law. These bonds do not create an obligation or indebtedness of the state within the meaning of any constitutional provision. No bond has been issued thus this fund has no activity.

The Act established the Renewable Energy Transmission Authority Operation Fund within the State Treasury. However, due to the State's current accounting system, the Department of Finance Administration (*DFA*) and the State Treasurer have agreed to establish RETA's Operational Fund outside the State Treasury but under the control mechanisms that apply to state funds. This fund consists of money appropriated and transferred to the fund. Earnings from investment of the fund shall be credited to the fund. Money in the fund is appropriated to the Authority for the purpose of carrying out the provisions of the Act. Any unexpended or unencumbered balance remaining in the fund at the end of a fiscal year shall not revert to the general fund of the state.

The Authority is a quasi-governmental entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39. The Authority is a governmental entity because it was established by statute; its relationship with other governmental entities; the governmental composition of the Authority's governing board; sources of operational revenue and its ability to issue tax-exempt debt.

The financial reporting entity as defined by GASB No. 39 consists of the primary government, organizations for which the primary government is financially accountable 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". The Authority is, however, presented as a component unit of the State of New Mexico.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*A. Financial Reporting Entity (Continued)*

The New Mexico Renewable Energy Transmission Authority is a component unit of the primary government, the State of New Mexico. These financial statements present the financial position and changes in financial position of that portion of the governmental activities, each major fund, and aggregate remaining fund information of the State that is attributable to the transactions of the Authority.

Based upon the application of the criteria in GASB No. 14 and No. 39, the Authority had no component units as of June 30, 2010

*B. Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority. There is no effect from interfund activity that needs elimination because the Authority has only one fund. The Authority's governmental activities are supported by appropriations from the State of New Mexico. The Authority has no business-type activities.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt obligations. The Authority's net assets are only comprised of unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, which is electronic transmission planning and development. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The Authority did receive \$45,000 of federal program revenues for the year ended June 30, 2010. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Authority's appropriations general fund from the New Mexico Department of Energy, Minerals and Natural Resources are shown as general revenues.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*B. Government-wide and fund financial statements (continued)*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Authority did not have any funds classified as proprietary or fiduciary for the year ended June 30, 2010.

*C. Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider are met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual* basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Authority reports the following major governmental fund:

The General Fund is the Authority's operating fund. It is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in some other fund. The general fund is a non-reverting fund as stipulated in Section 62-16A-1 NMSA, 1978 and is not part of the state wide accounting system. The general fund is funded primarily through appropriations from the State of New Mexico General Fund or an appropriation from the Energy, Minerals and Natural Resources Department.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. Assets, Liabilities and Net Assets or Fund Equity*

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Prepaid Expenses

Prepaid expenses consist of the rental deposit for the current lease of the building that houses the Authority's operations.

Capital Assets

The Authority has no capital assets that meet the \$5,000 requirement to capitalize.

Compensated Absences

Annual leave and other compensated absences with similar characteristics are accrued as a liability as benefits are earned by employees if: the employees' right to receive compensation is attributable to services already rendered; and it is probable that the employer will compensate employees for benefits through paid time off or some other means, such as cash payments at termination or retirement.

Fund Equity

In the fund financial statements, governmental fund report reservations of fund balance representing the amount that is not available for appropriation and designations of fund balance which represents amounts that management has budgeted for expenditures in excess of anticipated revenues.

**NOTE 2. BUDGET**

The Authority prepares a budget for the General Fund. The budget is approved by the Board of Directors but not required to be approved by the State Legislature and is used as a measuring mechanism to gauge the Authority's progress. The budget is not legally binding, but is presented to inform the reader of the financial statements. The level of budgetary control is at the fund level.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on deposit with the Bank of America. The bank balance of \$886,194 is in excess of FDIC coverage provided by federal agencies, therefore the Authority is required to ensure Bank of America provides collateral equal to 102% of the uninsured amount. The State Treasurer's Office ensures that the Authority's General Fund is covered by the State Treasurer's Collateralization Policy. As such, the General Fund is covered by the provision in the State Fiscal Agency Contract entered into between the Bank of America and the State Board of Finance. That contract specifies that the State Fiscal Agent must identify total state monies on deposit on a monthly basis in order that the State Board of Finance may require adjustment of collateralization levels of State money as necessary to comply with the State law requirements. The Authority received documentation that the General Fund is therefore covered by these collateralization requirements at June 30, 2010 and there is no uninsured balance at the Bank of America account.

**NOTE 4. COMPENSATED ABSENCES**

Employees accumulate annual leave at a rate of 15 days per year through the end of the tenth year of service. Upon the eleventh year, employees will accrue 20 days per year every year after the tenth. A maximum of 240 hours of annual leave may be carried forward after the pay period beginning in December and ending in January. When employees terminate, they are compensated at their current hourly rate for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours.

The changes in liabilities for compensated absences are as follows:

	June 30, 2009	Additions	Deletions	June 30, 2010	Due within one Year
General Fund	\$ 3,770	\$ 16,367	\$ 5,389	\$ 14,748	\$ 5,400

**NOTE 5. RISK MANAGEMENT**

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been passed which allow RMD to insure, self-insure or use a combination of both. Risk management expenditures for the Office are accounted for in the general fund. Any claims are processed through RMD. There are no pending or known threatened legal proceedings involving material matters to which the Authority is a party.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

**NOTE 6 APPROPRIATIONS**

The Authority received the following appropriations to fund operations during the 2010 fiscal year:

Laws of 2009, Chapter 124, State General Fund	\$ 250,000
Laws of 2009, Chapter 124, Appropriations New Mexico Energy, Minerals and Natural Resources Department	<u>250,000</u>
	<u>\$ 500,000</u>

Both appropriations are not reverting to the funding source.

**NOTE 7. MEMORANDUM OF UNDERSTANDING**

The Authority has a memorandum of understanding (MOU) with the New Mexico Finance Authority (NMFA) to provide accounting services to the New Mexico Renewable Energy Transmission Authority (Authority) for the fiscal year ended June 30, 2010. NMFA has not charged the Authority for their services during the 2010 fiscal year.

**NOTE 8. COMMITMENTS**

Lease

The Authority has a lease agreement for office space that expired August 31, 2010 for \$1,800 a month. In September 2010 the Authority moved to a new location under a lease agreement for \$1,600 a month that expires on August 31, 2012. Future lease payments under the new lease are \$16,000 in fiscal year 2011 and \$19,953 in fiscal year 2012 and \$3,350 in fiscal year 2013.

**NOTE 9. SUBSEQUENT PRONOUNCEMENTS**

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for the Authority's 2010 fiscal year financial statements. This statement had no impact on the financial statements for the year.

The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are



STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2010

**NOTE 9. SUBSEQUENT PRONOUNCEMENTS (CONTINUED)**

classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The Authority is analyzing the effect that this standard will have on the financial statements.

**NOTE 10. SUBSEQUENT EVENT**

The Authority has evaluated subsequent events through November 18, 2010 which is the date the financial statements are issued and determined the following subsequent event requires disclosure:

The Authority sold \$50,000,000 of bonds for the High Lonesome Mesa LLC (High Mesa) transmission project on November 16, 2010. The bonds are secured by the repayment of the loan from High Mesa and is not a liability of the Authority or the State of New Mexico. It will be accounted for as conduit debt in the 2011 fiscal year financial statements.

The Authority has not received a 2011 fiscal year appropriation. The Authority has sufficient cash and fund balance to continue operations for the 2011 fiscal year. It will also receive \$550,000 in fees from the bond issue that occur during the 2011 fiscal year.

STATE OF NEW MEXICO  
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Schedule of Deposits

Year Ended June 30, 2010

<u>Account</u>	<u>Type</u>	<u>Bank of America</u>
Operational	Demand	\$ 886,194
Reconciling items - outstanding checks		<u>21,116</u>
Reconciled balance		<u>\$ 865,078</u>

See Footnote 3 to the financial statements for collateral information on this account.

"25 Years of Excellence"



*Barraclough & Associates, P.C.*  
Certified Public Accountants & Consultants

1422 Paseo de Peralta  
Post Office Box 1847  
Santa Fe, New Mexico 87504  
(505) 983-3387  
(505) 988-2505 FAX  
(800) 983-1040 Toll Free  
[ba@barraclough.com](mailto:ba@barraclough.com)

**Principals**  
John E. Barraclough, Jr., C.P.A.  
Annette V. Hayden, C.P.A.  
Sandra M. Shell, C.P.A./A.B.V., C.V.A.  
Joseph A. Sisneros, C.P.A.

**Managers**  
Douglas W. Fraser, C.P.A.  
Laura Parker, C.P.A.  
Rick W. Reynolds, C.P.A.  
Katherine M. Rowe, C.P.A.  
Tracy Ann Stoddart, C.P.A.  
Rhonda G. Williams, C.P.A.

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*

Hector H. Balderas  
New Mexico State Auditor  
and  
New Mexico Renewable Energy Transmission Authority

We have audited the accompanying financial statements of the governmental activities of the general fund of the New Mexico Renewable Energy Transmission Authority (the Authority), as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Mexico Renewable Energy Transmission Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses, as defined above. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above.

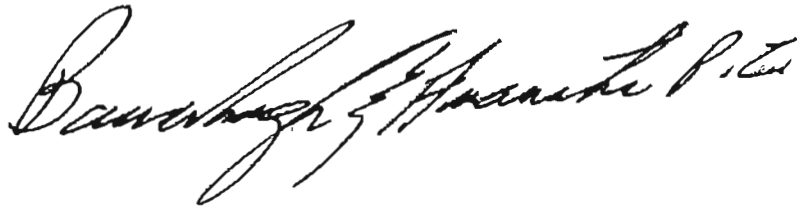
Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Mexico Renewable Energy Transmission Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not the 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*.

We noted a matter that is required to be reported under *Government Auditing Standards* January 2007 Revision Paragraph 5.14 and 5.16 and Section 12-6-5, NMSA 1978 which are described in the accompanying findings and responses as item 09-01.

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit their response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Authority Board of Directors, management, the Office of the State Auditor, the New Mexico Legislature and its committees, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.



November 18, 2010

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2010

**A. SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |                                                                                  |             |
|----------------------------------------------------------------------------------|-------------|
| 1. Type of auditors' report issued                                               | Unqualified |
| 2. Internal control over financial reporting:                                    |             |
| a. Material weakness identified?                                                 | No          |
| b. Significant deficiencies identified not considered to be material weaknesses? | No          |
| c. Noncompliance material to the basic financial statements noted?               | No          |

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2010

**B. FINDINGS-FINANCIAL STATEMENT AUDIT**

**09-01 – Lack of Compliance With Authority’s Policies and Procedures Over Disbursements**

*Condition:* In our sample of 24 disbursements made during the 2010 fiscal year, we noted the following discrepancies in the payment of goods and services for the Authority:

- There were two instances noted that board members were paid mileage based on the IRS guidelines instead of the Per Diem Act as required by State law. The overpayment totaled \$352.80.
- There was one instance that the vendor did not provide supporting documentation as required in the contract for \$1,119 of travel expense which was included in the invoice amount.
- There was one instance of a \$45,000 check that had only one signature instead of two signatures to comply with the Authority’s policy requiring two signatures on checks of more than \$25,000.

*Criteria:* The Authority’s policies and procedures over disbursements must be followed to maintain sound financial management and good accounting practices.

*Effect:* Disbursements were not in compliance with the Authority’s policies and procedures.

*Cause:* The Authority did not follow its own policies and procedures and did not have controls in place to ensure compliance.

*Auditors’ Recommendation:* We recommend the Authority’s policies and procedures be followed. The Authority should use a self audit form to ensure all required documents of the procurement process including if quotes for services under \$50,000 are required and supporting documentation of disbursements has been obtained. In addition, the payment of the IRS mileage rate instead of the Per Diem Act amount appears to have occurred in all Board mileage reimbursement transactions.

The Authority needs to develop a separate mileage reimbursement form with the correct per diem rate for the Board members to use instead of the Authority’s employee reimbursement form. The Authority should request reimbursement of overpayment of mileage from the applicable Board members.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2010

09-01 – Lack of Compliance With Authority’s Policies and Procedures Over Disbursements  
(Continued)

*Auditors' Recommendation (Continued):*

The legislation to establish the Authority is not specific as to if all state laws regarding the normal operations at a state agency apply. We recommend the Authority request an Attorney General Opinion to clarify what state laws or regulations apply when the legislation establishing the Authority is not specific if it applies or not.

*Management's Response:*

Management understands the audit findings and will implement internal procedures to ensure no future violation of policy. The Board members who received overpayments are no longer part of the Board; therefore, it is unlikely that reimbursements will be received.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2010

C. PRIOR YEAR AUDIT FINDINGS

	<u>Status</u>
09-01 Inadequate Supporting Documentation for Disbursements.	Partially resolved and reported in 09-01
09-02 Failure to Authorize Purchases	Partially resolved and reported in 09-01
09-03 Incomplete Personnel Files	Resolved
09-04 Lack of Entity-Wide Contracts	Resolved



STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Exit Conference

June 30, 2010

OTHER DISCLOSURES

Exit Conference

An exit conference was held on December 14, 2010 to discuss the current report. Those individuals in attendance were as follows:

New Mexico Renewable Energy Transmission Authority

Mark Valdes	Audit and Finance Committee
Jeremy Turner	Executive Director
Joan Munsell	Administrative Manager

Barracough & Associates, P.C.

Douglas W. Fraser	Senior Audit Manager
-------------------	----------------------

The financial statements were prepared by Barracough & Associates, P.C. with assistance provided by the Authority's personnel. The Authority is responsible for the fair presentation of the financial statements.

