

STATE OF NEW MEXICO

**NEW MEXICO RENEWABLE ENERGY
TRANSMISSION AUTHORITY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011



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

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

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June 30, 2011

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STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Official Roster

June 30, 2011

GOVERNING BODY

Robert Busch	Chairman
Mark Valdes	Treasurer-Chair of Finance and Audit Committee
Jodi Porter	Secretary
Betty Rivera	Member
Steve Elliott	Member
Steven Moise	Member
Michael Emerson	Member

MANAGEMENT

Jeremy Turner	Executive Director
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"26 Years of Excellence"



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

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. 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.
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, 2011, 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, 2011, 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, 2011, 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 October 27, 2011 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 through 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.



October 27, 2011

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Management's Discussion and Analysis
(Unaudited)

June 30, 2011

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 \$118,679 during the fiscal year 2011.
- The Authority's total revenues were \$628,136 during fiscal year 2011.
- The total expenses incurred to conduct the Authority programs was \$509,457.

Authority Purpose and Highlights

The Authority was created in 2007 based on the Laws of 2007. The purpose of the New Mexico Renewable Energy Transmission Authority Act (Act) is to create a governmental instrumentality to finance or plan 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 2011.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2011

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, 2011, 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, 2011, 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 by \$550,000 of fees from the sale of \$50,000,000 conduit debt for the High Lonesome Mesa Transmission Project.

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
(Unaudited)

June 30, 2011

Analysis of Financial Position

Total Assets:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Cash and cash equivalents	\$ 898,256	\$ 865,078	\$ 33,178
Accounts receivable	77,174	-	77,174
Prepaid expenses	<u>2,675</u>	<u>1,800</u>	<u>875</u>
Total assets	<u>\$ 978,105</u>	<u>\$ 866,878</u>	<u>\$ 111,227</u>

Cash increased by \$33,178 from the previous year due to the Authority receiving \$550,000 in fee revenue during the fiscal year. Accounts receivable consist of the amount owed by GS Global Infrastructure Partners II (GSIP).

Total Liabilities:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Current liabilities	\$ 18,728	\$ 42,398	\$ (23,670)
Long term liabilities	<u>25,566</u>	<u>9,348</u>	<u>16,218</u>
Total liabilities	<u>\$ 44,294</u>	<u>\$ 51,746</u>	<u>\$ (7,452)</u>

Current liabilities decreased by \$23,670 due to the timing of payments of short term liabilities. The long-term liabilities increased by the amount of \$16,218 as most of the balance of compensated absences was classified as long-term liabilities.

Net Assets:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Restricted net assets	<u>\$ 933,811</u>	<u>\$ 815,132</u>	<u>\$ 118,679</u>
Total Net Assets	<u>\$ 933,811</u>	<u>\$ 815,132</u>	<u>\$ 118,679</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
(Unaudited)

June 30, 2011

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

Total expenses, revenues and change in net assets:

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Expenses			
Electronic transmission planning and development	\$ (509,457)	\$ (523,567)	\$ 14,110
Program revenue	550,000	45,000	505,000
Reimbursable expenses	77,174	-	77,174
Total program revenues (expenses)	<u>117,717</u>	<u>(478,567)</u>	<u>596,284</u>
General Revenues			
State appropriation	-	250,000	(250,000)
Appropriation other state agency	-	250,000	(250,000)
Interest on investments	962	1,026	(64)
Total general revenues	<u>962</u>	<u>501,026</u>	<u>(500,064)</u>
Change in Net Assets	<u>\$ 118,679</u>	<u>\$ 22,459</u>	<u>\$ 96,220</u>

Governmental-Type Activities

Total revenues were \$550,962 for the year ended June 30, 2011. The receivable from GSIP was not collected within 60 days after the fiscal year end and is recorded as deferred revenue in the general fund. The Authority's total expenditures for governmental-type activities during the fiscal year 2011 were \$495,639, which were \$16,950 lower than 2010.

Capital Assets and Debt Administration

The Authority had no long term debt or capital assets as of June 30, 2011. The Authority has \$25,566 in long term compensated absences liability.

Economic Factors and Next Year's Budgets and Rates

The Authority is working with GS Global Infrastructure Partners II (GSIP) to develop the Central New Mexico Collector Project. GSIP will reimburse the Authority for costs incurred with this project. This will be the primary revenue source in the 2012 fiscal year.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

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

June 30, 2011

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, 2011

	<u>2011</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 898,256
Accounts receivable	77,174
Prepaid expenses	<u>2,675</u>
Total current assets	<u>978,105</u>
Total assets	<u>\$ 978,105</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 15,728
Compensated absences	<u>3,000</u>
Total current liabilities	18,728
Long-term compensated absences	<u>25,566</u>
Total liabilities	<u>44,294</u>
NET ASSETS	
Restricted net assets	<u>933,811</u>
Total net assets	<u>933,811</u>
Total liabilities and net assets	<u>\$ 978,105</u>

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, 2011

	<u>Primary Government</u>
	<u>Governmental Activities</u>
EXPENSES	
Electronic transmission planning and development	\$ (509,457)
PROGRAM REVENUES	
Project Fees	550,000
Reimbursable expenses	<u>77,174</u>
Net program revenues (expenses)	<u>117,717</u>
GENERAL REVENUES	
State appropriation	-
Interest on investments	<u>962</u>
Total general revenues	<u>962</u>
Increase in net assets	<u>118,679</u>
Net assets, beginning of year	<u>815,132</u>
Net assets, end of year	<u><u>\$ 933,811</u></u>

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, 2011

	<u>General Fund</u>
ASSETS	
Assets	
Cash and cash equivalents	\$ 898,256
Accounts receivable	77,174
Prepaid expenses	<u>2,675</u>
Total assets	<u><u>\$ 978,105</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 15,728
Deferred revenue	<u>77,174</u>
Total liabilities	<u><u>92,902</u></u>
FUND BALANCE	
Non-spendable - prepaid expenses	2,675
Spendable - Reserved	<u>882,528</u>
Total fund balance	<u><u>885,203</u></u>
Total liabilities and fund balance	<u><u>\$ 978,105</u></u>

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, 2011

Fund Balance - governmental fund	\$ 885,203
Amounts reported for governmental activities in the statement of net assets is different because:	
Modified accrual deferred revenue in the government fund is revenue in the accrual statement of activities	77,174
Compensated absences recorded in the statement of net assets, not recorded in the governmental funds	<u>(28,566)</u>
Net assets of governmental activities	<u>\$ 933,811</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, 2011

REVENUES	
Program revenues	
Project fees	\$ 550,000
Interest income	962
	<hr/>
Total revenues	550,962
	<hr/>
EXPENDITURES	
Current	
Personal services and benefits	326,617
Contractual services	99,009
Other costs	70,013
	<hr/>
Total expenditures	495,639
	<hr/>
Excess of revenues over expenditures	55,323
	<hr/>
OTHER FINANCING SOURCES (USES)	
State appropriation	<hr/>
	<hr/>
Total other financing sources (uses)	-
	<hr/>
Net change in fund balance	55,323
	<hr/>
Fund balance, beginning of year	829,880
	<hr/>
Fund balance, ending	\$ 885,203
	<hr/> <hr/>

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, 2011

Net Change in Fund Balance - governmental fund	\$ 55,323
Amounts reported for governmental activities in the statement of activities is different because:	
Deferred revenue per modified accrual to full accrual revenue in the statement of activities	77,174
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>(13,818)</u>
Increase in Net Assets	<u>\$ 118,679</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, 2011

	General Fund Budgeted Amounts			Variance favorable (Unfavorable)
	Original	Final Adjusted	Actual	
REVENUES				
Project fees	\$ -	\$ 550,000	\$ 550,000	-
Interest on investments	1,700	1,700	962	(738)
 Total budgeted revenues	 1,700	 551,700	 <u>\$ 550,962</u>	 <u>\$ (738)</u>
 Cash balance carry forward	 563,200	 13,200		
Total revenues and budget fund balance	<u>\$ 564,900</u>	<u>\$ 564,900</u>		
EXPENDITURES				
Personnel services	\$ 350,500	\$ 350,500	\$ 326,617	\$ 23,883
Contractual services	124,500	124,500	99,009	25,491
Other costs	89,900	89,900	70,013	19,887
 Total budgeted expenditures	 <u>\$ 564,900</u>	 <u>\$ 564,900</u>	 <u>\$ 495,639</u>	 <u>\$ 69,261</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, 2011

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 officers as it deems necessary. Effective July 1, 2011, the State Investment Officer is no longer on the Authority's governing board.

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, 2011

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, 2011

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, 2011

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 project fees from the conduit bond sale in 2011. 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 restricted net assets as required by the enabling legislation. (Section 62-16A-1 NMSA 1978)

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 not receive any federal or state program revenues for the year ended June 30, 2011. Taxes and other items not properly included among program revenues are reported as general revenues. The Authority's policy is to use restricted resources first, then unrestricted resources as needed.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2011

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, 2011.

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. The accounts receivable balance at year end was not collected within the 60 days of the end of the fiscal year and accordingly is recorded as deferred revenue in the governmental fund financial statements. 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.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2011

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

The Authority adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the Authority's net assets. The effect on GASB 54 on the Authority fund balance is that the reserve for prepaid expenses is no longer presented but prepaid expenses are now part of non-spendable fund balance. There was no effect on total fund balance. Fund balance is showed by the most binding constraint which is restrict by an external resource or enabling legislation. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

Non-spendable. Amounts that cannot be spent because they are either (a) non-spendable from or contractually required to be maintained until expended for its restricted purpose.

Restricted. Amounts can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The Authority is a non reverting agency and the funds are restricted by its enabling legislation to carry out the provisions of the Authority. Accordingly, all of the spendable fund balance is restricted.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Committed. Amounts that can be used only for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority which is the Board of Directors.

Assigned. Amounts intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned. The residual classification for the Authority's general fund and includes all amounts not contained in the other classifications.

NOTE 2. BUDGET

The Authority prepares a budget for the General Fund. The budget is approved by the Board of Directors but is not required to be approved by the State Legislature. It 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.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with the Bank of America. The bank balance of \$899,406 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, 2011 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.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2011

NOTE 4. COMPENSATED ABSENCES (CONTINUED)

The changes in liabilities for compensated absences are as follows:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>	<u>Due within one Year</u>
General Fund	\$ 14,748	\$ 16,787	\$ (2,969)	\$ 28,566	\$ 3,000

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.

NOTE 6. GS GLOBAL INFRASTRUCTURE PARTNERS II

The Authority has a memorandum of understanding (MOU) with GS Global Infrastructure Partners II (GSIP) to develop the Central New Mexico Collector Project. \$77,174 of costs incurred with the project have been billed to GSIP in accordance with the agreement. This revenue is recorded as reimbursable expenses in the statement of activities and represents the account receivable balance in the statement of activities. The balance is deemed fully collectible by the Authority and no allowance for uncollectable accounts receivable has been recorded.

NOTE 7. CONDUIT DEBT OBLIGATIONS

The Authority has issued \$50,000,000 of bonds for the High Lonesome Mesa Transmission Project (High Mesa) on November 16, 2010. The bonds are secured by the repayment of the loan from High Mesa. The Authority or the State of New Mexico is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The conduit debt outstanding at June 30, 2011 was \$47,345,000.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2011

NOTE 8. COMMITMENTS

Lease

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 lease are \$19,953 in fiscal year 2012 and \$3,350 in fiscal year 2013.

NOTE 9. SUBSEQUENT EVENT

The Authority has evaluated subsequent events through October 27, 2011 which is the date the financial statements are issued and determined no subsequent event requires disclosure.

STATE OF NEW MEXICO
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Schedule of Deposits

Year Ended June 30, 2011

<u>Account</u>	<u>Type</u>	<u>Bank of America</u>
Operational	Demand	\$ 899,406
Reconciling items - outstanding checks		<u>(1,150)</u>
Reconciled balance		<u>\$ 898,256</u>

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

"26 Years of Excellence"



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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.
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, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 27, 2011. 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 is described in the accompanying findings and responses as item 11-01.

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.

October 27, 2011



STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2011

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, 2011

B. OTHER FINDINGS-FINANCIAL STATEMENT AUDIT

11-01 – Review of Vendors Invoices

Condition: In our sample of 25 disbursements, we noted the following discrepancies in the payment of goods and services for the Authority:

- There was one instance the Authority paid \$131 of gross receipts tax on computer equipment which the Authority is not required to pay as a governmental agency.
- There were two instances totaling \$192.50 that the hourly rate on invoices from a law firm did not agree to the rate schedule per the professional service agreement.

Criteria: The Authority's review of vendors invoices 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 sufficiently review the vendors invoices to ensure compliance with gross receipts tax rules or the professional service agreement.

Auditors' Recommendation: The self audit form needs to include specific steps for a detailed review of billing rates for legal services and when the Authority is required pay gross receipts taxes.

Management Response:

Management understands the Audit Findings, and will augment internal controls to avoid any future violations of Authority policy. Regarding the instance of \$131 paid in gross receipts tax, Authority staff was unaware of its tax exempt status. Attempts will be made to recover the \$131; but it is also understood that the vendor is not obligated to repay this amount.

Greater effort will be made to more thoroughly review and confirm hourly rates of legal staff providing legal services for the Authority, and ensuring that said rates are included in the firm's RFP.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2011

C. PRIOR YEAR AUDIT FINDINGS

	<u>Status</u>
09-01 Inadequate Supporting Documentation for Disbursements.	Resolved

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Exit Conference

June 30, 2011

OTHER DISCLOSURES

Exit Conference

An exit conference was held on November 29, 2011 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
Angela Gonzales-Rodarte	Assistant Director
Brian Reindl	Project Analyst

Barracough & Associates, P.C.

Douglas W. Fraser	Senior Audit Manager
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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.