

STATE OF NEW MEXICO

**NEW MEXICO RENEWABLE ENERGY
TRANSMISSION AUTHORITY**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015



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

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

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June 30, 2015

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STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Official Roster

June 30, 2015

GOVERNING BODY

Robert Busch	Chairman
Tim Eichenburg	Treasurer
Steve Elliott	Secretary
Louise Martinez	Member
Jonathan Elms	Member
Robert Apodaca	Member
Brian Moore	Member

MANAGEMENT

Jeremy Turner	Executive Director
Angela Gonzales-Rodarte	Assistant Director

"30 Years of Excellence"



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

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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.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers

Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor
and The Board of Directors
New Mexico Renewable Energy Transmission Authority

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparisons for the general fund of the New Mexico Renewable Energy Transmission Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Modified Opinion

As discussed in Note 11, the Authority has determined to cease operations effective August 31, 2015. The accompanying June 30, 2015 financial statements have been prepared accruing for termination benefits due to the employees in accordance with GASB Statement Number 147, *Accounting for Termination Benefits*, but the accompanying financial statements have not been prepared on a liquidation basis and do not include any adjustments that would result from the liquidation of the Authority. Our opinion is modified to this matter.

Opinions

In our opinion, except for any adjustments due to Authority's plan to cease operations and to record any liquidation basis of accounting adjustment on August 31, 2015, 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, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of New Mexico Renewable Energy Transmission Authority (Authority) are intended to present the net position and the changes in net position of only that portion of the governmental activities, the major fund and the budgetary comparison statement for the general fund that are attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the net position of the State of New Mexico as of June 30, 2015, and the changes in its net position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtain during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements, the general fund financial statement, and the budgetary comparison. The additional schedule listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Supplemental Information

The Supplemental Schedule of Vendor Information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements, but required by the State Audit Rule. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurances on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2015 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 do not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Barraclough & Associates, P.C.
Santa Fe, New Mexico
August 27, 2015

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Management's Discussion and Analysis (Unaudited)

June 30, 2015

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 and the Authority's financial statements and notes which follow this section.

Financial Highlights

- The Authority's government-wide net position decreased by \$88,999 during the fiscal year 2015.
- The Authority's total revenues were \$379,993 during fiscal year 2015, which includes a \$350,000 special appropriation.
- The total expenses incurred to conduct the Authority programs was \$439,053.

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 position 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 2015.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

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

June 30, 2015

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, 2015, 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, 2015, 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. In 2015, the only revenue source was from Clean Line Energy Partners, LLC total reimbursable expenses of \$29,939.

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)
(Unaudited)

June 30, 2015

Analysis of Financial Position

Total Assets:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Cash and cash equivalents	\$ 239,324	\$ 213,400	\$ 25,924
Accounts receivable	19,676	17,794	1,882
Prepaid expenses	<u>1,500</u>	<u>2,675</u>	<u>(1,175)</u>
Total assets	<u>\$ 260,500</u>	<u>\$ 233,869</u>	<u>\$ 26,631</u>

Cash increased by \$25,924 from the previous year to ensure there is sufficient cash to pay all liabilities and operational cost to August 31, 2015. Accounts receivable consist of the amount owed by Clean Line Energy Partners, LLC for 2015, which was collected after June 30, 2015.

Total Liabilities:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Current liabilities	\$ 156,118	\$ 14,884	\$ 141,234
Long term liabilities	<u>-</u>	<u>25,604</u>	<u>(25,604)</u>
Total liabilities	<u>\$ 156,118</u>	<u>\$ 40,488</u>	<u>\$ 115,630</u>

Current liabilities increased by \$141,234 due to the timing of payments of short term liabilities and the expected amount of accrued vacation expense to be paid out as the Authority will cease operations effective August 31, 2015. The long-term liabilities decreased by the amount of \$25,604 as the balance of compensated absences was classified as part of short-term liabilities.

Net Position:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Restricted net position	<u>\$ 104,382</u>	<u>\$ 193,381</u>	<u>\$ (88,999)</u>
Total Net Position	<u>\$ 104,382</u>	<u>\$ 193,381</u>	<u>\$ (88,999)</u>

The change in the net position is due to the current year deficiency of revenues compared to expenses.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

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

June 30, 2015

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

Total expenses, revenues and change in net position:

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Expenses			
Electronic transmission planning and development	\$ (468,992)	\$ (358,521)	\$ (110,471)
Reimbursable expenses	29,939	43,645	(13,706)
Total program revenues (expenses)	<u>(439,053)</u>	<u>(314,876)</u>	<u>(124,177)</u>
General Revenues			
State appropriation	350,000	250,000	100,000
Interest on investments	54	125	(71)
Total general revenues	<u>350,054</u>	<u>250,125</u>	<u>99,929</u>
Change in Net Position	<u>\$ (88,999)</u>	<u>\$ (64,751)</u>	<u>\$ (24,248)</u>

Governmental-Type Activities

The Authority received a \$350,000 special appropriation for the year ended June 30, 2015. The Authority's total expenditures for governmental-type activities during the fiscal year 2015 were \$509,004, which were greater than 2014 due to accrual of termination benefits.

Capital Assets and Debt Administration

The Authority had no long term debt or capital assets greater than \$5,000 as of June 30, 2015.

Economic Factors and Next Year's Budgets and Rates

The Authority did not receive a State appropriation for the 2016 fiscal year. Based on the remaining cash and other assets, the Authority would not have sufficient assets to fund future operations.

Effective August 31, 2015, the Authority will cease operations and turnover the remaining cash to the New Mexico Department of Finance and office equipment and furniture to the New Mexico General Services Department. See footnote 11.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

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

June 30, 2015

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 communication to the Authority after August 31, 2015, please contact:

Sutin Thayer Brown
317 Paseo de Peralta
Santa Fe, NM 87501

STATE OF NEW MEXICO
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Exhibit A-1

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 239,324
Accounts receivable	19,676
Prepaid expenses	<u>1,500</u>
Total current assets	<u>260,500</u>
Total assets	<u><u>\$ 260,500</u></u>
LIABILITIES AND NET POSITION	
CURRENT LIABILITIES	
Accounts payable	\$ 318
Compensated absences and termination benefits	<u>155,800</u>
Total current liabilities	156,118
Long-term compensated absences	<u>-</u>
Total liabilities	<u>156,118</u>
NET POSITION	
Restricted net assets	<u>104,382</u>
Total net position	<u>104,382</u>
Total liabilities and net position	<u><u>\$ 260,500</u></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, 2015

	<u>Governmental Activities</u>
EXPENSES	
Electronic transmission planning and development	\$ (468,992)
PROGRAM REVENUES	
Reimbursable expenses	<u>29,939</u>
Net program revenues (expenses)	<u>(439,053)</u>
GENERAL REVENUES	
State appropriation	350,000
Interest on investments	<u>54</u>
Total general revenues	<u>350,054</u>
Decrease in net position	(88,999)
Net position, beginning of year	<u>193,381</u>
Net position, end of year	<u><u>\$ 104,382</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, 2015

	<u>General Fund</u>
ASSETS	
Assets	
Cash and cash equivalents	\$ 239,324
Accounts receivable	19,676
Prepaid expenses	<u>1,500</u>
Total assets	<u><u>\$ 260,500</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 318
Compensated absences and termination benefits	<u>155,800</u>
Total liabilities	<u>156,118</u>
FUND BALANCE	
Non-spendable - prepaid expenses	1,500
Spendable - Restricted	<u>102,882</u>
Total fund balance	<u>104,382</u>
Total liabilities and fund balance	<u><u>\$ 260,500</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 Position

June 30, 2015

Fund Balance - governmental fund	\$ 104,382
Amounts reported for governmental activities in the statement of net position is different because:	<u> </u>
Net position of governmental activities	<u><u>\$ 104,382</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-3

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

General Fund

Year Ended June 30, 2015

REVENUES	
Program revenues	
Reimbursable expenses	\$ 29,939
Interest income	54
	<u> </u>
Total revenues	<u>29,993</u>
 EXPENDITURES	
Current	
Personal services and termination and benefits	432,407
Contractual services	35,361
Other costs	41,236
	<u> </u>
Total expenditures	<u>509,004</u>
Excess of expenditure over revenues	<u>(479,011)</u>
 OTHER FINANCING SOURCES (USES)	
State appropriation	<u>350,000</u>
Total other financing sources (uses)	<u>350,000</u>
Net change in fund balance	(129,011)
Fund balance, beginning of year	<u>233,393</u>
Fund balance, ending	<u><u>\$ 104,382</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-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, 2015

Net Change in Fund Balance - governmental fund	\$ (129,011)
Amounts reported for governmental activities in the statement of activities is different because:	
Accrued compensated absences reported in the statement of activities from the prior year were reported as expenditures in governmental funds for 2015.	40,012
(Decrease) in Net Position	<u>\$ (88,999)</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, 2015

	General Fund Budgeted Amounts			Variance favorable (Unfavorable)
	Original	Final Adjusted	Actual	
REVENUES				
General Fund Appropriation	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Reimbursable expenses	-	-	29,939	29,939
Interest on investments	200	200	54	(146)
Total budgeted revenues	350,200	350,200	\$ 379,993	\$ 29,793
Cash balance carry forward	20,443	20,443		
Total revenues and budget fund balance	\$ 370,643	\$ 370,643		
EXPENDITURES				
Personnel services	\$ 279,681	\$ 279,681	\$ 276,607	\$ 3,074
Contractual services	44,210	44,210	35,361	8,849
Other costs	46,752	46,752	41,236	5,516
Total budgeted expenditures	\$ 370,643	\$ 370,643	\$ 353,204	\$ 17,439
Net excess of budgeted revenues over budgeted expenditures			26,789	
Accrued termination benefits and accrued compensated absences that were recorded as an audit entry.			(155,800)	
Net change in fund balance.			\$ (129,011)	

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, 2015

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.

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 six voting members and one ex-officio non-voting member. The Governor, with the advice and consent of the Senate, appoints three members. The State Treasurer, or its 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.

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. Accordingly, GASB Number 68, *Accounting and Financial Reporting for Pensions*, is not applicable for the Authority.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2015

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, 2015

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, No. 39 and No. 61, the Authority had no component units as of June 30, 2015.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position 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 earned on the conduit bond sale in 2011 and a special appropriation. The Authority has no business-type activities.

The Statement of Net Position 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 Position, the governmental activities column is reported on a full accrual, economic resource basis, which recognized all long-term assets, deferred inflows and receivables as well as deferred outflows and long-term debt obligations. There were no deferred inflows or outflows for the year ended June 30, 2105. The Authority's net positions 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 revenues for the year ended June 30, 2015. The Authority received a \$350,000 special appropriation for the 2015 fiscal year. All funds were expended and there is no reversion back to the State General Fund. 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, 2015

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, 2015.

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 2015 accounts receivable balance at year end was collected within the 60 days of the end of the 2015 fiscal year and accordingly is recorded as revenue in the governmental fund financial statements. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, since the Authority had decided to close its operations effective August 31, 2015, compensated absences and terminated benefits have been accrued for in the governmental fund and in the government-wide financial statement in accordance with GASB Statement Number 47, *Accounting for Termination Benefits*.

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, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position 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.

Net Position

The government-wide Fund Financial Statements utilize a net position presentation. Net positions are categorized as investment in capital assets, restricted and unrestricted. Net position is defined by GAAP as the residual of all assets, liabilities, deferred outflows of resources and deferred inflows of resources. There were no deferred inflows or deferred outflows for the year.

Net Investment in Capital Assets – is intended to reflect the portion of net position which are associated with non-liquid, capital assets.

Restricted Net Assets – are liquid assets (generated from revenues and not bond proceeds), which have third-party (statutory, or granting agency) limitation on their use.

Unrestricted Net Assets – represent unrestricted liquid assets.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Equity (Continued)

Fund Equity

The Authority follows GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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. Fund balance is showed by the most binding constraint which is restricted 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 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.

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.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on deposit with Bank of America. The bank balance is not in excess of FDIC coverage provided by federal agencies. If the bank balance exceeds FDIC coverage, the Authority is required to ensure Bank of America provides collateral equal to 50% of the uninsured amount. The State Treasurer's Office ensures that the Authority's General Fund's bank account is covered by the State Treasurer's Collateralization Policy. Accordingly the State Treasurer requires the depository financial institution provide collateral 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, 2015. The State Treasurer issues separate financial statements, which disclose the collateral pledge to secure these deposits, the categories of risk involved and the market value of the collateral.

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 unless an exception to policy is approved to carryforward more than the 240 hours.

The changes in liabilities for compensated absences are as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015	Due within one Year
General Fund	\$ 40,012	\$ 14,840	\$ 8,477	\$ 46,375	\$ 46,375

The current liability portion of compensated absences is based on all compensated absences have been paid shortly after year end with current available resources.

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, 2015

NOTE 6. CLEAN LINE ENERGY PARTNERS, LLC

The Authority had a lease agreement with Clean Line Energy Partners, LLC to develop the Central New Mexico Collector Project. \$29,939 of current year costs incurred with the project have been billed 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 since the accounts receivable balance of \$19,676 was collected after year end. Accordingly, no allowance for uncollectable accounts receivable has been recorded.

NOTE 7. SPECIAL APPROPRIATION

The Authority received a \$350,000 special appropriation from the State General Fund for the 2015 fiscal year. The appropriation requires any unspent amounts to revert back to the State General Fund. All of the appropriation was spent during the fiscal year.

NOTE 8. CONDUIT DEBT OBLIGATIONS

The Authority 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, 2015 was \$33,195,000.

NOTE 9. COMMITMENTS

Lease

The Authority leases its premises under a lease agreement expires on August 31, 2015. Total lease expense for the year ended June 30, 2015 was approximately \$18,000. Future lease payments for three months under the lease are approximately \$4,600 in fiscal year 2016.

The Authority leases a copier under a five year agreement starting June 13, 2014. Lease expenses under this agreement were approximately \$2,500 for the year ended June 30, 2015. During July 2015, the Authority terminated its lease agreement for \$11,138 and the copier is an asset of the Authority. The copier with all remaining furniture and equipment will be given to the New Mexico General Services Department in August 2015.

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Notes to Financial Statements (Continued)

June 30, 2015

NOTE 10. SIGNIFICANT VENDOR CONTRACTS

The Authority did not enter into any contracts greater than \$60,000 during the fiscal year.

NOTE 11. SUBSEQUENT EVENT

The Authority has evaluated subsequent events through August 27, 2015 which is the date the financial statements are issued and determined the following subsequent events require disclosure.

The Authority did not receive a State appropriation for the 2016 fiscal year. Based on the remaining cash and other assets, the Authority would not have sufficient assets to fund future operations.

The Authority will cease operations on August 31, 2015.

The cash activity since June 30, 2015 is as follows:

June 30, 2015 cash balance	\$ 239,324
Deposit of accounts receivable and interest income	6,639
Payments of accrued termination benefits, accrued vacation and July operating expenses	<u>(132,927)</u>
July 31, 2015 cash balance	113,036
Deposit of accounts receivable and interest income	13,817
Payments of August operating expenses	(22,442)
Estimate of accrued termination benefits, accrued vacation and other costs to be paid.	<u>(66,911)</u>
Estimate of ending August 31, 2015 cash balance	<u><u>\$ 37,500</u></u>

The Authority plans to obtain a cashier's check for the remaining cash balance at August 31, 2015 payable to the New Mexico Department of Finance. The office furniture and equipment is being transferred to the New Mexico General Services Department. Other Authority records will be given to the New Mexico Commission of Public Records.

STATE OF NEW MEXICO
NEW MEXICO RENEWABLE ENERGY TRANSMISSION AUTHORITY

Schedule of Cash Account

June 30, 2015

<u>Account</u>	<u>Type</u>	<u>Bank of America</u>
Operational	Interest - Bearing	\$ 241,691
Reconciling items - outstanding checks		<u>(2,367)</u>
Reconciled balance		<u>\$ 239,324</u>

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

NM Juvenile Public Safety Advisory Board
 SUPPLEMENTAL SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT) (unaudited)
 For the Year Ended June 30, 2015

Prepared by Agency Staff Name :Angela Gonzales-Rodarte Title: Asst. Director Date: 8/27/15

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
NONE								

"30 Years of Excellence"



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Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Rhonda G. Williams, C.P.A.
Katherine M. Rowe, C.P.A.

Managers

Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, 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*

Timothy Keller
New Mexico State Auditor
and The Board of Directors
New Mexico Renewable Energy Transmission Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budget comparison for the general fund for the New Mexico Renewable Energy Transmission Authority (Authority), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

Purpose of this Report

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



Barraclough & Associates, P.C.
Santa Fe, New Mexico
August 27, 2015

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Schedule of Findings and Responses

June 30, 2015

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|----------|
| 1. Type of auditors' report issued | Modified |
| 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 |

B. CURRENT YEAR AUDIT FINDINGS – NONE

C. PRIOR YEAR AUDIT FINDINGS - NONE

STATE OF NEW MEXICO

New Mexico Renewable Energy Transmission Authority

Exit Conference

June 30, 2015

OTHER DISCLOSURES

Exit Conference

An exit conference was held on August 27, 2015 to discuss the current report. Those individuals in attendance were as follows:

New Mexico Renewable Energy Transmission Authority

Robert Busch	Chairman of the Board of Directors
Angela Gonzales-Rodarte	Assistant Director

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.

