



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS

New Mexico Renewable Energy Transmission Authority

Financial Statements
and
Independent Auditors' Report

June 30, 2022

New Mexico Renewable Energy Transmission Authority

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New Mexico Renewable Energy Transmission Authority

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**New Mexico Renewable Energy
Transmission Authority
Official Roster
June 30, 2022**

Governing Body

Robert Busch	Chairman
Douglas Howe	Treasurer
Heather Benavidez, Designee for Tim Eichenberg, NM State Treasurer	Member
Jeremy Lewis	Member
Noah B. Long	Member
Phoebe Suina	Member
Louise Martinez, Designee for Sarah Cottrell Propst, Secretary Energy, Minerals and Natural Resources	Member

Management

Fernando Martinez, Executive Director
Ginny Selvin, Financial Director

Independent Auditors' Report

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and The Board of Directors
New Mexico Renewable Energy Transmission Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the New Mexico Renewable Energy Transmission Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Authority as of June 30, 2022, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Required Supplementary Information

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 obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of cash account is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 schedule of cash account is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2022, 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 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.

SJT Group LLC

Albuquerque, New Mexico
October 18, 2022

New Mexico Renewable Energy Transmission Authority

Management's Discussion and Analysis For the Year Ended June 30, 2022

The New Mexico Renewable Energy Transmission Authority's (the "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 funding issues or concerns.

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 increased by \$13.1 million during the fiscal year ended June 30, 2022, compared to a decrease of \$114,000 for the fiscal year ended June 30, 2021. The increase in net position was primarily a result of the Western Spirit Transmission Project reaching commercial operation and being acquired by the Public Service Company of New Mexico, which entitled the Authority to receive project development fees totaling \$16.5 million, payable in fifteen equal annual installments of \$1.1 million beginning in fiscal year 2022. This zero-interest project development note receivable has been discounted in the accompanying financial statements using a 3% imputed interest rate over fifteen years.
- ♦ The Authority's total program revenues were \$12.8 million, interagency transfers were \$100,000, and interest income was \$187,000 and primarily represents interest income amortization on the zero-interest project development note receivable. Total expenses of the Authority in fiscal years 2022 and 2021 were \$1.1 million and \$715,000, respectively.

The Authority's Purpose and Highlights

The Authority was created in 2007 based on the Laws of 2007, Chapter 62. The purpose of the New Mexico Renewable Energy Transmission Authority Act (the "Act") is to create a governmental instrumentality to finance or plan electricity transmission and storage facilities within the State of New Mexico of which at least 30% of the energy comes from renewable sources. The financing of an eligible project would be accomplished through the issuance of renewable energy transmission revenue bonds or other debt instruments.

Overview of the Financial Report

The Authority's financial statements are comprised of three components: 1) *Management's Discussion and Analysis* (this section), 2) the *Basic Financial Statements*, and 3) *Compliance Section*. The basic financial statements include two kinds of statements (Authority-wide financial statements and fund financial statements) that present different views of the Authority.

**New Mexico Renewable Energy
Transmission Authority
Management’s Discussion and Analysis
For the Year Ended June 30, 2022**

The first two statements, the statement of net position and the statement of activities, are *Authority-wide financial statements* that provide both long-term and short-term information about the Authority’s overall financial status. *Fund financial statements* report the Authority’s operations in more detail than the Authority-wide statements by providing information about the Authority’s most significant funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The financial statements are followed by a *Compliance Section* that presents the Authority’s schedule of findings and responses and a schedule presenting the current year status of prior year audit findings (if any).

Authority-wide Financial Statements

The statement of net position and the statement of activities report information about the Authority as a whole. All of the Authority’s planning, development and administration activities are reported as governmental activities. These activities are financed primarily through developer contributions, project development revenue, and general fund appropriations. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority’s net position and changes in net position. You can think of the Authority’s net position, the difference between assets and liabilities, as one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as influences from other state or federal agencies, should be considered in addition to net position in measuring the Authority’s financial health.

Fund Financial Statements

The fund financial statements provide detailed information about the Authority’s only governmental fund, the general fund – not the Authority as a whole.

Governmental funds focus on how cash and other financial assets flow in and out, with the balances that are left at year-end available for future spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Consequently, the governmental fund financial statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority’s programs. Because this information does not encompass the additional long-term focus of the Authority-wide financial statements, we provide additional information at the bottom of the governmental fund financial statements that explains the relationship (or differences) between the amounts reported in the statement of net position and the statement of activities and the governmental fund financial statements.

**New Mexico Renewable Energy
Transmission Authority
Management’s Discussion and Analysis
For the Year Ended June 30, 2022**

Budgetary comparison schedules, or the Statement of Revenue and Expenditures - Budget and Actual (on the Authority’s budgetary basis), reports the original approved budget, final approved budget, and actual results presented on a budgetary basis of accounting for the Authority’s governmental funds. A separate column is presented to report variances between the final approved budget and actual amounts.

Budgetary Comparison

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 general fund budget to actual statement. The Authority’s approved budget totaled \$1,351,500 and represents an increase of \$495,300 when compared to the approved budget for fiscal year 2021, which is mainly caused by the receipt of project development revenue in 2022 where none was received in 2021. Actual budgetary basis expenditures in 2022 totaled \$1,077,818, representing a negative variance of \$19,018.

Analysis of Financial Position

Total Assets:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Cash	\$ 865,778	\$ 254,586	\$ 611,192
Restricted cash	62,253	61,435	818
Local Government Investment Pool	126,147	125,978	169
Prepaid expenses	3,372	500	2,872
Project development receivable, net	12,425,680	-	12,425,680
Capital assets, net	<u>63,108</u>	<u>-</u>	<u>63,108</u>
Total assets	<u>\$13,546,338</u>	<u>\$ 442,499</u>	<u>\$13,103,839</u>

Cash increased by \$611,192 to \$865,778 as a result of receiving its annual project development note receivable installment payment from Pattern New Mexico Wind in the amount of \$1.1 million. The zero-interest bearing project development note receivable of \$12.4 million has been discounted using an imputed interest rate of 3% over 15 years. The note receivable represents the remaining amount owed to the Authority from Pattern New Mexico Wind as a result of the successful completion and subsequent sale of the Western Spirit Transmission Line project. The remaining receivable amount will be paid in fourteen equal annual installments of \$1.1 million. There were no project development note receivables as of June 30, 2021. Capital assets totaled \$63,108, net of accumulated amortization, and represents the Authority’s building lease.

**New Mexico Renewable Energy
Transmission Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Total Liabilities:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Accounts payable	\$ 37,795	\$ 23,643	\$ 14,152
Unearned lease revenue	62,253	116,278	(54,025)
Compensated absences	30,024	16,067	13,957
Lease payable	<u>63,108</u>	<u>-</u>	<u>63,108</u>
Total liabilities	<u>\$ 193,180</u>	<u>\$ 155,988</u>	<u>\$ 37,192</u>

The Authority's current liabilities at June 30, 2022 are made up of accounts payable of \$37,795, unearned lease revenue, which represents unspent forwardly funded developer contributions, of \$62,253, and leave earned by employees but not yet paid (compensated absences) of \$30,024. Long-term liabilities consist of a building lease payable of \$63,108 as of June 30, 2022.

Net Position:

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Restricted for program activities	<u>\$13,353,158</u>	<u>\$ 286,511</u>	<u>\$13,066,647</u>
Total Net Position	<u>\$13,353,158</u>	<u>\$ 286,511</u>	<u>\$13,066,647</u>

During fiscal year 2022, net position increased \$13.1 million primarily as a result of the Western Spirit Transmission Project reaching commercial operation and being acquired by the Public Service Company of New Mexico, as discussed on the previous page.

Analysis of the Results of Operations

Total Expenses, Revenues and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Expenses and Program Revenues			
Electricity transmission planning and development	\$ (1,125,118)	\$ (714,856)	\$ (410,262)
Developer contributions	565,196	350,000	215,196
Project development	<u>13,339,295</u>	<u>-</u>	<u>13,339,295</u>
Total program revenues (expenses)	<u>12,779,373</u>	<u>(364,856)</u>	<u>13,144,229</u>
General Revenues			
Transfers from the State of New Mexico	100,000	250,000	(150,000)
Interest income	<u>187,274</u>	<u>1,204</u>	<u>186,070</u>
Total general revenues	<u>287,274</u>	<u>251,204</u>	<u>36,070</u>
Change in Net Position	<u>\$ 13,066,647</u>	<u>\$ (113,652)</u>	<u>\$ 13,180,299</u>

**New Mexico Renewable Energy
Transmission Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2022**

Governmental-Type Activities

The Authority received \$100,000 under House Bill 2 for operational expenses. The Authority's total expenditures for governmental-type activities during the fiscal year ended 2022 were \$1.1 million, which was \$410,262 more than 2021 primarily due to an increase in personnel and contractual services expenditures.

Developer contributions increased \$215,196 from the prior year to \$565,196 for the year ended June 30, 2022. Project development revenue, net of the unamortized net present value discount was \$13.3 million and relates to the development and subsequent sale of the Western Spirit Transmission Line. There were no project development revenues during the fiscal year ended June 30, 2021.

Capital Assets

Capital assets consist solely of a building lease, net of accumulated amortization, of \$63,108. Additional information on the Authority's building lease can be found in the notes to the financial statements.

Economic Factors and Next Year's Budget

RETA has budgeted to receive revenue of \$1,650,000 from its development partners. Given its cash and investments on hand at the beginning of the 2023 fiscal year, and funding expected during the year, the Authority anticipates having sufficient cash to fund operations through 2023 and well beyond.

An MOU or Lease Agreement has been entered into with each developer, which provides that the developers will financially support the Authority by a direct contribution of funds or by reimbursing the Authority for expenses incurred, including staff labor and overhead, legal expenses for the projects, and services contracted for on their behalf. Contributions and lease payments received from these developers are available for any Authority activity. Advance lease payments are earmarked for specific projects.

Contacting the Authority's Financial Management

This financial report is designed to provide citizens, taxpayers, partners, legislators, 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 questions about this report or need additional financial information, contact the Authority at the following address:

Fernando Martinez, Executive Director
1400 S. St. Francis Dr., Suite C
Santa Fe, NM 87505
P: (505) 699-0599

Basic Financial Statements

**New Mexico Renewable Energy
Transmission Authority**
Statement of Net Position
June 30, 2022

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 865,778
Restricted cash	62,253
Interest in New Mexico Local Government Investment Pool	126,147
Prepaid expenses	3,372
Project development receivable, net	<u>1,100,000</u>
Total current assets	<u>2,157,550</u>
Noncurrent assets	
Project development receivable, noncurrent	11,325,680
Right to use asset - building lease, net	<u>63,108</u>
Total noncurrent assets	<u>11,388,788</u>
Total assets	<u>13,546,338</u>
Liabilities	
Current liabilities	
Accounts payable	37,795
Unearned lease revenue	62,253
Compensated absences	<u>30,024</u>
Total current liabilities	130,072
Noncurrent liabilities	
Due within one year	37,881
Due in more than one year	<u>25,227</u>
Total liabilities	<u>193,180</u>
Net Position	
Restricted for program activities	<u>13,353,158</u>
Total net position	<u>\$ 13,353,158</u>

The accompanying notes are an integral part of these financial statements.

**New Mexico Renewable Energy
Transmission Authority**
Statement of Activities
For the Year Ended June 30, 2022

	Governmental Activities
Expenses	
Electricity transmission planning and development	\$ (1,125,118)
Program Revenues	
Developer contributions	565,196
Project development	13,339,295
Excess (deficiency) of revenues over expenses	12,779,373
General Revenues	
Transfer from the State of New Mexico	100,000
Interest income	187,274
Total general revenues	287,274
Change in net position	13,066,647
Net position, beginning of year	286,511
Net position, end of year	\$ 13,353,158

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

**New Mexico Renewable Energy
Transmission Authority
Balance Sheet—Governmental Fund
June 30, 2022**

	General Fund
Assets	
Cash	\$ 865,778
Restricted cash	62,253
Interest in New Mexico Local Government Investment Pool	126,147
Prepaid expenses	3,372
Project development receivable, net	12,425,680
Total assets	\$ 13,483,230
Liabilities	
Accounts payable	\$ 37,795
Unearned lease revenue	62,253
Total liabilities	100,048
Deferred Inflow of Resources	
Unavailable revenue - project development receivable, net	12,425,680
Fund balance	
Restricted for program activities	954,130
Nonspendable	3,372
Total fund balance	957,502
Total liabilities, deferred inflow, and fund balance	\$ 13,483,230

The accompanying notes are an integral part of these financial statements.

**New Mexico Renewable Energy
Transmission Authority**
**Reconciliation of Governmental Fund Balance Sheet to the
Statement of Net Position**
June 30, 2022

Fund balance - governmental fund		\$ 957,502
Amounts reported for governmental activities in the statement of net position are different because:		
Unavailable revenue is not available to pay for current-period expenditures and, therefore, is reported as a deferred inflow of resources - unavailable revenue in the funds.		12,425,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds - building lease		63,108
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In the current period, these amounts are:		
Building lease payable		(63,108)
Compensated absences		(30,024)
		(93,132)
Net position - governmental activities		<u>\$ 13,353,158</u>

The accompanying notes are an integral part of these financial statements.

**New Mexico Renewable Energy
Transmission Authority**
Statement of Revenues, Expenditures and Change in Fund Balance—
Governmental Fund
For the Year Ended June 30, 2022

	<u>General Fund</u>
Revenues	
Project development	\$ 1,100,000
Developer contributions	565,196
Interest income	889
Total revenue	<u>1,666,085</u>
Expenditures	
Current	
Contractual services	532,788
Personnel	456,292
Office	37,594
Telephone and internet	24,381
Insurance	14,047
Rent and utilities	6,145
Other	5,437
Travel and meetings	1,134
Capital outlay - building lease	94,662
Debt service - building lease	
Principal	31,554
Interest	1,789
Total expenditures	<u>1,205,823</u>
Excess of revenues over expenditures	<u>460,262</u>
Other Financing Sources	
Transfers from the State of New Mexico	100,000
Lease proceeds	94,662
Total other financing sources	<u>194,662</u>
Net change in fund balance	654,924
Fund balance, beginning of year	302,578
Fund balance, end of year	<u><u>\$ 957,502</u></u>

The accompanying notes are an integral part of these financial statements.

**New Mexico Renewable Energy
Transmission Authority**
**Reconciliation of Governmental Fund Statement of Revenue, Expenditures
and Change in Fund Balance to the Statement of Activities**
For the Year Ended June 30, 2022

Net change in fund balance - governmental fund	\$ 654,924
Amounts reported for governmental activities in the statement of activities are different because :	
Capital outlays are reported in governmental funds as expenditures, however, in the statement of activities, the cost of assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	94,662
Amortization expense	(31,554)
Unavailable revenues in the statement of activities that do not provide current financial resources are not reported in the funds - unavailable revenue in the funds, net of discount	12,425,680
The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	(63,108)
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 the governmental fund - change in compensated absences	<u>(13,957)</u>
Change in net position - governmental activities	<u><u>\$ 13,066,647</u></u>

The accompanying notes are an integral part of these financial statements.

**New Mexico Renewable Energy
Transmission Authority**
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) – General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Project development	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -
Developer contributions	550,000	150,000	565,196	415,196
Transfers from the State of New Mexico	100,000	100,000	100,000	-
Interest income	1,500	1,500	889	(611)
Total budgeted revenues	1,751,500	1,351,500	1,766,085	414,585
Cash balance carry forward	441,999	441,999		
Total revenues and budgeted fund balance	\$ 2,193,499	\$ 1,793,499		
Expenditures				
Contractual services	\$ 517,100	\$ 517,100	\$ 532,788	\$ (15,688)
Personnel services and benefits	443,500	443,500	456,292	(12,792)
Other costs	98,200	98,200	88,738	9,462
Total budgeted expenditures	\$ 1,058,800	\$ 1,058,800	1,077,818	\$ (19,018)
Unbudgeted revenues (expenses)				
Capital outlay - building lease			(94,662)	
Debt service - building lease principal and interest			(33,343)	
Lease proceeds			94,662	
Net change in fund balance			\$ 654,924	

The accompanying notes are an integral part of these financial statements.

**New Mexico Renewable Energy
Transmission Authority**
Notes to the Financial Statements
June 30, 2022

1) History and Organization

This summary of significant accounting policies of the New Mexico Renewable Energy Transmission Authority (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 GASB pronouncements.

Financial Reporting Entity

The Laws of 2007, Chapter 62, created the Authority. The purpose of the New Mexico Renewable Energy Transmission Authority Act (the “Act”) is to create a quasi-governmental entity to finance or plan the acquisition, maintenance and operation of certain electricity transmission and storage facilities within the State of New Mexico. The financing of the eligible projects may 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 designee, is a member 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. Authority employees are not covered by any state retirement or post-retirement benefit plans. Accordingly, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are not applicable to the Authority's financial statements.

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

1) History and Organization – 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 of 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.

The Act also established the Renewable Energy Transmission Authority Operations Fund. This fund consists of money appropriated, earned, and deposited 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 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 Statement 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 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 the 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 Statements No. 14, No. 39 and No. 61, the Authority had no component units as of June 30, 2022.

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

2) Summary of Significant Accounting Policies

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 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 developer contributions and cash carried forward from the prior year as well as transfers received from the State. 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 recognizes 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, 2022. The Authority's net position is comprised of restricted net position 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 electricity transmission planning and development. Program revenues include 1) charges to partners 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, 2022.

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.

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, 2022.

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

2) Summary of Significant Accounting Policies – continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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 a 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.

Assets, Liabilities and Net Position or Fund Equity

Deposits and Investments

The Authority considers cash and cash equivalents to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority participates in the State Treasurer Local Government Investment Pool (LGIP). This pool is regulated by state law. Investment in the pool is reported at carrying amount, which reasonably estimates fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

Accounts Receivable

All receivables, including project development receivables, are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2022, all receivables are considered to be 100% collectible.

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

2) Summary of Significant Accounting Policies – continued

Capital Assets

According to Section 12-6-10 NMSA 1978, capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

At June 30, 2022, the Authority's capital assets consist of the unamortized portion of its building lease which is being amortized over the remaining life of the lease.

Compensated Absences

Qualified employees are entitled to accumulate vacation leave according to a graduated leave schedule of 120 to 160 hours per year, depending upon the length of service and the employees hire date. The maximum number of vacation hours which may be carried over from one calendar year to the next is 240 hours. Upon separation from Authority employment or retirement, payout will be made for accrued and unused vacation hours.

Regular full and part-time employees accrue sick leave benefits. For full-time employees regularly working at least 36 hour per week, the accrual rate is 8 hours for each calendar month of employment. For part-time employees, the accrual rate is pro-rated at 4 hours per month for employees regularly working 20 to 25 hours per week and 6 hours per month for employees regularly working 26 to 35 hours per week. There is no cap on the accrual of sick leave hours and upon separation from Authority employment the Authority will pay 25 percent of the employees hourly wages for accrued unused sick leave.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investments 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 at June 30, 2022.

- Net Investment in Capital Assets – Consist of capital assets, net of accumulated depreciation and reduced by debt that is attributed to the acquisition, construction or improvement of those assets.
- Restricted Net Position – Restricted net position results from constraints placed on the use of net position when externally imposed by creditors, grantors, laws or regulations, or imposed by law through enabling legislation.

**New Mexico Renewable Energy
Transmission Authority**
Notes to the Financial Statements
June 30, 2022

2) Summary of Significant Accounting Policies – continued

- Unrestricted Net Position – Unrestricted net position consists of net position that does not meet the definition of the two preceding categories.

Fund Balance

The Authority follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balance is reported 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 in a non-spendable form or are 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 Authority's 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.

3) **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.

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

4) Deposits and Investments

Deposits consist of cash on deposit with New Mexico Bank & Trust (NMB&T). Deposits may be made to the extent that they are insured by an agency of the United States or are collateralized as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2022, \$250,000 of the Authority’s bank balance of \$940,830 was insured by the Federal Deposit Insurance Corporation while the remainder was fully insured under an Insured Cash Sweep agreement with NMB&T.

Investments. The Authority invests in the New MexiGROW Local Government Investment Pool (LGIP) in an effort to distribute their interest-bearing accounts among various entities. The LGIP investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer, who is also an Authority board member, is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. Funds are available for withdrawal with 24 hours notice.

The Authority’s investments at June 30, 2022, were as follows:

Investments	Rated	Weighted Average Maturity (R)	Weighted Average Maturity (F)	Fair Market Value
Local Government Investment Pool	*AAAm	49	89	\$ 126,147

**Based off Standard & Poor's rating*

Interest Rate Risk – Investments. The Authority’s policy related to interest rate risk with investments is to comply with the State as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA).

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

4) Deposits and Investments – continued

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the Authority. The investments in the LGIP represents 100% of the investment portfolio. The Authority’s policy related to concentration of credit risk is to comply with the State statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

GASB Statement No. 72 requires investments to be presented at fair value. This statement provides the framework for measuring fair value and provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted, quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Authority’s investment of \$126,147 in the LGIP are valued using Level 1 inputs as of June 30, 2022.

5) **Project Development Receivable**

Project development receivable consists of a receivable due from Pattern New Mexico Wind for services provided by the Authority related to the completion of the Western Spirit Transmission line project and subsequent sale of the project to Public Service Company of New Mexico. Terms call for 15 equal annual installments of \$1,100,000 with no stated interest rate.

**New Mexico Renewable Energy
Transmission Authority**
Notes to the Financial Statements
June 30, 2022

5) Project Development Receivable – continued

An analysis of the project development receivable for the year ended June 30, 2022, follows:

<u>Receivable</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Project development	\$ -	\$ 16,500,000	\$ 1,100,000	\$ 15,400,000
Less unamortized discount based on imputed interest rate of 3% over 14 years				(2,974,320)
Project development receivable, net				<u>\$ 12,425,680</u>

6) **Right to Use Asset**

The Authority has recorded a right to use lease asset as a result of implementing GASB 87. The right to use asset is initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term of the asset.

Right to use asset activity for the year ended June 30, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Right to use asset being amortized</i>				
Leased building	\$ -	\$ 94,662	\$ -	\$ 94,662
Total right to use asset being amortized	<u>-</u>	<u>94,662</u>	<u>-</u>	<u>94,662</u>
<i>Less accumulated amortization for</i>				
Leased building	<u>-</u>	<u>31,554</u>	<u>-</u>	<u>31,554</u>
Total accumulated amortization	<u>-</u>	<u>31,554</u>	<u>-</u>	<u>31,554</u>
Total right to use asset being amortized, net	<u>\$ -</u>	<u>\$ 63,108</u>	<u>\$ -</u>	<u>\$ 63,108</u>

**New Mexico Renewable Energy
Transmission Authority**
Notes to the Financial Statements
June 30, 2022

7) Lease

The Authority has entered into an agreement to lease office space. The lease agreement, which qualifies as a lease under GASB 87, has been recorded at the net present value of the future minimum lease payments as of the date of lease inception.

The lease agreement was executed on September 1, 2021, to lease a building and requires twelve payments of \$3,195 through August 1, 2022, twelve payments of \$3,291 through August 1, 2023, and six payments of \$3,390 through February 1, 2024. There are no variable components of the lease agreement. The lease liability is measured at the Authority's incremental borrowing rate of 3%. As a result of the lease, the Authority has recorded a right to use asset with a net book value of \$63,108 at June 30, 2022.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

June 30,	Principal	Interest	Total
2023	\$ 37,881	\$ 1,419	\$ 39,300
2024	25,227	302	25,529
	\$ 63,108	\$ 1,721	\$ 64,829

8) Long-Term Liabilities

Changes in the Authority's long-term liabilities for the year ended June 30, 2022, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<i>Governmental activities</i>					
Building lease liability	\$ -	\$ 94,662	\$ (31,554)	\$ 63,108	\$ 37,881
Compensated absences	16,067	13,957	-	30,024	30,024
Total long-term liabilities	\$ 16,067	\$ 108,619	\$ (31,554)	\$ 93,132	\$ 67,905

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

9) Risk Management

The Authority is exposed to various risks of loss 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 Authority are accounted for in the general fund. Any claims are processed through RMD. There is no pending or known threatened legal proceedings involving material matters to which the Authority is a party. The Authority maintains Directors and Officers insurance.

10) Developer Revenue

On July 26, 2017, the Authority entered into an MOU with SunZia Transmission, LLC, for a renewable energy transmission project proposed by SunZia. On March 15, 2021, the Authority entered into a Development, Acquisition, Lease, and Sub-Easement Agreement for the renewable energy transmission project proposed by SunZia, under which it receives payments from SunZia Transmission, LLC during the development phase of the project. See Note 13.

In May 2020, the Authority entered into an Amended and Restated Lease, a Master Lease, and a Letter Agreement with Western Spirit Transmission LLC (see Note 12), which governed the roles and responsibilities between the Authority and Western Spirit Transmission LLC with respect to Western Spirit. Construction on the Western Spirit Project was completed in 2021, and the whole project was sold to Public Service Company of New Mexico in December 2021. Under the terms of the Lease and an unrelated Letter Agreement, the Authority received \$1,100,000 from Pattern New Mexico Wind and will continue to receive this amount annually through 2035.

Future principal and interest payments under this agreement, discounted to the net present value using a discount rate of 3%, are as shown on the following page:

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

10) Developer Revenue – continued

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 727,230	\$ 372,770	\$ 1,100,000
2024	749,046	350,954	1,100,000
2025	771,518	328,482	1,100,000
2026	794,663	305,337	1,100,000
2027	818,503	281,497	1,100,000
2028-2032	4,475,912	1,024,088	5,500,000
2033-2035	4,088,808	311,192	4,400,000
	<u>\$ 12,425,680</u>	<u>\$ 2,974,320</u>	<u>\$ 15,400,000</u>

On May 1, 2020, the Authority entered into an MOU with Lucky Corridor, LLC and Mora Line, LLC for the Mora Line Renewable Energy Transmission Project. In January 2022, the Authority entered into a Development, Acquisition, Lease and Sub-Easement Agreement with Lucky Corridor, LLC. Under the terms of the agreement, the Authority received and recognized contribution revenue of \$173,172. Additionally, the Authority received \$46,121 that is classified as unearned lease revenue on the accompanying statement of net position/balance sheet.

On February 5, 2021, the Authority entered into an MOU with Invenergy Wind Development North America, LLC for the Northern New Mexico Transmission Project. The Authority earned \$150,000 under this MOU during the year ended June 30, 2022.

11) **Interagency Transfers**

The Authority received the following transfer from the State during the year ended June 30, 2022:

<u>Transferring Agency (Business Unit Code)</u>	<u>Reference</u>	<u>Transfer Amount</u>
Department of Finance and Administration (34100)	House Bill 2, Section 4	<u>\$ 100,000</u>
		<u>\$ 100,000</u>

During fiscal year 2022, the transfer received from the State represented special appropriations as shown on the following page:

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

11) Interagency Transfers – continued

- Legislative appropriation of \$100,000 for operating expenses. The Authority expended all of this appropriation during fiscal year 2022 and no encumbrances were outstanding at June 30, 2022, related to this appropriation.

12) **Build Transfer Agreement**

On May 1, 2019, Public Service Company of New Mexico (PNM), as buyer, and the Authority and Western Spirit Transmission LLC (Western Spirit), as sellers, entered into a Build Transfer Agreement (BTA) through which the Authority and Western Spirit agree to build and then sell the Western Spirit Transmission Project (Project) to PNM. The Project achieved commercial operation, and the BTA closed in late 2021. The Authority receives no monetary consideration through the BTA.

In addition to the BTA, three documents, the Amended and Restated Lease Agreement, the Master Lease Agreement, and the Letter Agreement (as amended), define the responsibilities, rights, and obligations of the Authority and Western Spirit during the development, construction, and commercial operation phases of the Project.

When PNM acquired the Project, the Amended and Restated Lease Agreement and the Master Lease Agreement terminated. The Letter Agreement (as amended), which is between the Authority and Pattern New Mexico Wind, an affiliate of Western Spirit, is the agreement through which the Authority will receive annual payments, as disclosed at Note 5, and engineering and consulting services now that the Project reached commercial operation and the BTA closed. No engineering or consulting services were received during the year ended June 30, 2022.

12) **Development, Acquisition, Lease and Sub-Easement Agreement**

On March 15, 2021, the New Mexico Renewable Energy Transmission Authority (“Authority”) and the SunZia Transmission, LLC (“SunZia”) entered into a Development, Acquisition, Lease and Sub-Easement Agreement (“SunZia Lease”). The SunZia Lease is very similar to the agreement between the Authority and Western Spirit Transmission LLC. The Lease defines the responsibilities, rights, and obligations of the Authority and SunZia during the development, construction, and commercial operation phases of the SunZia Southwest Transmission Project (“Project”).

The Project consists of two single-circuit 500kV transmission lines and several new substations between central New Mexico and central Arizona. The Project will cover approximately 515 miles from Lincoln County, NM to Pinal County, AZ.

**New Mexico Renewable Energy
Transmission Authority
Notes to the Financial Statements
June 30, 2022**

13) Developer, Acquisition, Lease and Sub-Easement Agreement – continued

Once constructed, the Project will be able to transport up to 4,500, MW of renewable energy to customers and markets across the southwestern United States. The Lease, which covers only the New Mexico portion of the Project, provides the processes through which the Authority and SunZia make various development decisions and perform various development tasks. It also governs the ownership, possession, and use of the land and improvements constituting the Project. Once the first line of the Project reaches commercial operation, the Authority will receive annual lease payments. During the development and construction phases, the Authority will receive advanced payments, which are for the purpose of funding the Authority's development expenses for the Project. The advanced payments are estimated based upon the Authority's direct labor costs (including reasonable overhead and operational charges) and the actual cost of third-party consultants and lawyers. With the exception of Eminent Domain Expenses, SunZia will receive a credit for its advanced payments against its annual lease payments (up to 50% per year), once those become due.

Amounts received from SunZia for development expenses during the year ended June 30, 2022, totaled \$158,000. These amounts are recorded as unearned lease revenue in the financial statements when initially received and as developer contributions when funds are expended and the revenue recognition criteria has been met. As per the agreement, SunZia will receive credits on future lease payments for amounts remitted to the Authority for project expenses. Amounts unexpended at year end represent cash restrictions for the Authority. At June 30, 2022, unexpended advances from SunZia totaled \$16,132 and, accordingly are reported as restricted cash and unearned lease revenue on the accompanying statement of net position/balance sheet as of June 30, 2022.

Supplementary Information

**New Mexico Renewable Energy
Transmission Authority**
Schedule of Cash Account
June 30, 2022

<u>New Mexico Bank & Trust</u>	<u>Type</u>	<u>New Mexico Bank & Trust</u>
Operational	Interest bearing	\$ 940,830
Reconciling item - outstanding checks		<u>(12,799)</u>
Reconciled balance		<u>\$ 928,031</u>
As reported in the financial statements:		
Cash		\$ 865,278
Restricted cash		62,253
Petty cash		<u>500</u>
		<u>\$ 928,031</u>

Compliance Section

Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance
And Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Honorable Brian S. Colón, Esq.
New Mexico State Auditor
and The Board of Directors
New Mexico Renewable Energy Transmission Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the budgetary comparison for the general fund of the New Mexico Renewable Energy Transmission Authority (the "Authority") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 18, 2022.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

SJT Group LLC

Albuquerque, New Mexico
October 18, 2022

**New Mexico Renewable Energy
Transmission Authority
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022**

Section I – Status of Prior Year Audit Findings

There were no prior year findings.

**New Mexico Renewable Energy
Transmission Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2022**

Section II — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
Other findings required to be reported under Section 12-6-5 NMSA 1978?	No

**New Mexico Renewable Energy
Transmission Authority**
Exit Conference
June 30, 2022

The financial statements presented in this report were prepared by the auditors, SJT Group, LLC.

The content of this report was discussed at an exit conference held on October 18, 2022, with the following in attendance:

New Mexico Renewable Energy Transmission Authority

Robert E. Busch, Board Chairman, Chair, Audit Committee

Heather Benavidez, Designee for Board Member State Treasurer Tim Eichenberg

Louise Martinez, Designee for Board Member Secretary Sarah Cotrell Propst, EMNRD

Fernando Martinez, Executive Director

Ginny Selvin, Financial Director

Lynn Mostoller, General Counsel

SJT Group, LLC

Armando Sanchez, CPA, Managing Principal

We appreciate the many courtesies and assistance extended to us by management of the New Mexico Renewable Energy Transmission Authority.