

Eddy-Lea Energy Alliance, LLC

Financial Statements

June 30, 2015



AXIOM

*Certified Public Accountants
and Business Advisors LLC*

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BOARD OF DIRECTORS

June 30, 2015

Board Members

Monty Newman, Chair

John Heaton, Vice Chair

Sam Cobb, Secretary

Susan Crockett, Treasurer

INDEPENDENT AUDITOR'S REPORT

Mr. Tim Keller
New Mexico State Auditor
and
Board of Directors
Eddy Lea Energy Alliance, LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Eddy Lea Energy Alliance, LLC ("Alliance"), which comprises the balance sheet as of June 30, 2015 and the related statements of operations and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the budgetary comparison presented as supplementary information, as defined by Government Accounting Standards Board, for the year ended June 30, 2015, 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 misstatement, whether due to fraud or error.

Auditor's 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alliance as of June 30, 2015, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the year ended June 30, 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The Schedule of Vendors 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 assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the Alliance'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 Alliance's internal control over financial reporting and compliance.



Axiom CPAs
Albuquerque, New Mexico
December 15, 2015

EDDY-LEA ENERGY ALLIANCE, LLC
BALANCE SHEET
June 30, 2015

ASSETS

Current assets	
Cash and cash equivalents	\$ <u>88,205</u>
Total current assets	<u>88,205</u>
Property and equipment	
Land	<u>1,010,440</u>
Property and equipment, net	<u>1,010,440</u>
Total assets	\$ <u><u>1,098,645</u></u>

LIABILITIES AND MEMBERS EQUITY

Current liabilities	
Accounts payable	\$ <u>-</u>
Total liabilities	<u>-</u>
Members equity	
Members contributions	220,000
Members equity	<u>878,645</u>
Total members equity	<u>1,098,645</u>
Total liabilities and members equity	\$ <u><u>1,098,645</u></u>

See Notes to Financial Statements.

EDDY-LEA ENERGY ALLIANCE, LLC
STATEMENT OF OPERATIONS
June 30, 2015

Operating revenue	
Miscellaneous revenue	\$ 4,792
Operating revenue	<u>4,792</u>
Operating cost and expenses	
Legal and accounting	12,103
Insurance	2,635
Legal Publications	261
Total expenses	<u>14,999</u>
Net loss from operations	(10,207)
Members equity at beginning of year	1,098,852
Members contributions	<u>10,000</u>
Members equity at end of year	<u>\$ 1,098,645</u>

See Notes to Financial Statements.

EDDY-LEA ENERGY ALLIANCE, LLC
STATEMENT OF CASH FLOWS
June 30, 2015

Cash Flows from Operating Activities

Cash received from user charges	\$ 4,792
Cash payments to suppliers	<u>(15,298)</u>
Net cash used by operating activities	<u>(10,506)</u>

Cash Flows from Investing Activities

Cash received from Members	<u>10,000</u>
Net cash provided by investing activities	<u>10,000</u>
Net decrease in cash for year	(506)
Cash, beginning of year	<u>88,711</u>
Cash, end of year	<u><u>\$ 88,205</u></u>

Reconciliation of operating loss to net cash used by operating activities

Net loss from operations	\$ (10,207)
Adjustments to reconcile net loss to net cash used by operating activities:	
Change in operating assets and liabilities which provide (use) cash:	
Accounts Payable	<u>(299)</u>
Net cash used by operating activities	<u><u>\$ (10,506)</u></u>

See Notes to Financial Statements.

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – ORGANIZATION

Organization. Eddy-Lea Energy Alliance (the Alliance) was established on August 23, 2006 as a limited liability company. The Alliance operates under a joint powers agreement entered into by Lea County and Eddy County with the support of the City of Hobbs and the City of Carlsbad.

Nature of Operations. The purpose of the Company is to promote and assist energy-related economic development in Eddy and Lea County. The Company is primarily engaged in the investigation of development opportunities related to the real property the Company owns in Lea County located approximately mid-way between the Cities of Hobbs and Carlsbad. This property was initially acquired in response to opportunities related to the Global Nuclear Energy Partnership enacted by Congress but that program was discontinued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Alliance's significant accounting policies consistently applied in the presentation of the accompanying financial statements are as follows:

Basis of Accounting. The Alliance utilized the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

Cash and Cash Equivalents. Cash and cash equivalents include amounts on demand deposits, unrestricted short term investments with an original maturity of three months or less, money market funds and certificates of deposit

Cash Deposits. The fiscal agent of the Alliance (Lea County) maintains the Alliance's cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Alliance has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Advertising and Promotion Expenses. Sales and marketing costs are expensed during the year in which they are incurred. Sales and marketing expense for the year ended June 30, 2015 were \$261.

Use of Estimates. In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events. Subsequent events are events or transactions that occur after the balance sheet date but before the consolidated financial statements are issued or are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Company’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before consolidated financial statements are available to be issued.

Restricted Assets. Restricted assets are assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for use, it is the government’s policy to use the restricted resources firm, the unrestricted resources as they are needed.

Budget. The Company has adopted a budget for fiscal 2015. The budget is adopted on a modified accrual (GAAP) basis of accounting. The legal level of compliance is total expenditures.

NOTE 3 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2015 are as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets not being depreciated				
Land	<u>\$ 1,010,440</u>	<u>-</u>	<u>-</u>	<u>\$ 1,010,440</u>

NOTE 4 - RISK OF LOSS

The Alliance is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the contractor constructing the emergency center facility carries commercial insurance protecting the contractor and the Alliance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2015, the Alliance did not have any probable risks of loss.

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - SUBSEQUENT EVENTS

The Alliance has evaluated subsequent events through December 15, 2015 the date which the financial statements were available to be issued.

EDDY-LEA ENERGY ALLIANCE, LLC
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Fees	\$ 7,500	\$ 7,500	\$ 4,792	\$ (2,708)
<i>Total revenues</i>	<u>7,500</u>	<u>7,500</u>	<u>4,792</u>	<u>(2,708)</u>
<i>Expenditures:</i>				
Legal and Accounting	46,000	45,800	12,103	33,697
Insurance	2,500	2,700	2,635	65
Legal Publications	555	555	261	294
Travel	15,000	15,000	-	15,000
Miscellaneous Expense	4,000	4,000	-	4,000
<i>Total expenditures</i>	<u>68,055</u>	<u>68,055</u>	<u>14,999</u>	<u>53,056</u>
<i>Net Loss from Operations</i>	<u>\$ (60,555)</u>	<u>\$ -</u>	<u>\$ (10,207)</u>	<u>\$ (10,207)</u>

See Notes to Financial Statements.

EDDY-LEA ENERGY ALLIANCE, LLC
SCHEDULE OF VENDORS
For the Year Ended June 30, 2015

<i>RFB#/R FP#</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 <u>ALL</u> 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>
No procurements which exceeded the \$60,000 required reporting threshold								

Independent Auditor’s 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

Mr. Tim Keller
New Mexico State Auditor
Board of Directors
Eddy Lea Energy Alliance, LLC

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 Eddy Lea Energy Alliance, LLC (“Alliance”) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Alliance’s basic financial statements and the budgetary comparison of the Alliance presented as supplementary information and have issued our report thereon dated December 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Alliance’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 Alliance’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Alliance’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we

consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliances 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Axiom CPAs
Albuquerque, New Mexico
December 15, 2015

**EDDY-LEA ENERGY ALLIANCE, LLC
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

FINANCIAL STATEMENT FINDINGS

None

OTHER MATTERS REQUIRED TO BE COMMUNICATED

None

**EDDY-LEA ENERGY ALLIANCE, LLC
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2015**

Summary Schedule of Prior Audit Findings

None

EDDY-LEA ENERGY ALLIANCE, LLC
OTHER DISCLOSURES
June 30, 2015

Exit Conference

An exit conference was held on December 15, 2015 which was attended by the following:

Alliance

Monty Newman, ELEA Chairman
Chip Low, ELEA Fiscal Agent

Axiom

Chris Garner, Partner

Financial Statement Presentation

The financial statements were prepared from the original books and records of Eddy-Lea Energy Alliance as of June 30, 2015 by Axiom. However, the contents of the financial statements remain the responsibility of management.