

EDDY-LEA ENERGY ALLIANCE, LLC
AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2019

EDDY-LEA ENERGY ALLIANCE, LLC
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JUNE 30, 2019

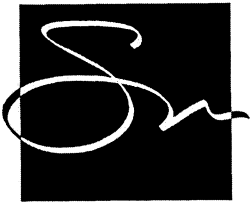
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**EDDY-LEA ENERGY ALLIANCE, LLC
OFFICIAL ROSTER
JUNE 30, 2019**

BOARD OF DIRECTORS

Sam Cobb	Chair
John Heaton	Vice-Chair
Susan Crockett	Secretary
Jack Volpato	Treasurer
Jonathan Serna	Director
Mike Gallagher	Director
Jason Shirley	Director
Finn Smith	Director

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Brian Colon, New Mexico State Auditor, and
Board of Directors of
Eddy-Lea Energy Alliance, LLC
Lovington, New Mexico

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of Eddy-Lea Energy Alliance, LLC (the Alliance), as of and for the year ended June 30, 2019, which comprise the Alliance's basic financial statements as listed in the table of contents and the related notes to the financial statements

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 audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Eddy-Lea Energy Alliance, LLC as of June 30, 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Management has elected to omit the management's discussion and analysis (MD&A). Accounting principles generally accepted in the United States of America require that the MD&A 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.

Our opinions on the basic financial statements is not affected by this omitted information.

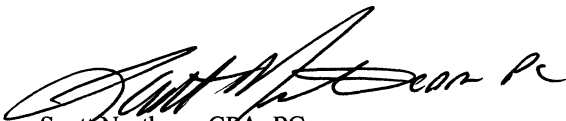
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alliance's basic financial statements. The Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) 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 Revenues and Expenses-Budget and Actual (Non-GAAP Basis) 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 September 18, 2019, on our consideration of Eddy-Lea Energy Alliance, LLC'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 Eddy-Lea Energy Alliance, LLC's internal control over financial reporting and compliance.



Scott Northam, CPA, PC
Ruidoso, New Mexico
September 18, 2019

EDDY-LEA ENERGY ALLIANCE, LLC
STATEMENT OF NET POSITION
JUNE 30, 2019

ASSETS

Cash and Cash Equivalents	\$ 131,432
Land held for Sale	<u>1,010,440</u>
TOTAL ASSETS	<u>\$ 1,141,872</u>

LIABILITIES AND NET POSITION

LIABILITIES

Accounts Payable	<u>\$ 5,628</u>
TOTAL LIABILITIES	<u>5,628</u>

NET POSITION

Unrestricted	<u>1,136,244</u>
TOTAL NET POSITION	<u>\$ 1,141,872</u>

EDDY-LEA ENERGY ALLIANCE, LLC
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019

	Total
OPERATING REVENUES	
Rental Income	\$ 11,260
City Contributions	50,000
County Contributions	25,000
Miscellaneous Income	171
	86,431
Total Operating Revenue	86,431
OPERATING EXPENSES	
Office Supplies	-
Travel and Per Diem	-
Maintenance	-
Advertising	1,030
Professional and Liability Insurance	2,772
Legal Fees	740
Professional Fees and Contracts	54,585
	59,127
CHANGE IN NET POSITION	27,304
BEGINNING NET POSITION	1,108,940
ENDING NET POSITION	\$ 1,136,244

EDDY-LEA ENERGY ALLIANCE, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received From Rental	\$ 11,260
Cash Received From Members	75,000
Other Cash Receipts	171
Cash Payments to Suppliers	<u>(53,499)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>32,932</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	32,932
BEGINNING CASH AND CASH EQUIVALENTS	<u>98,500</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 131,432</u></u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:	
Change in Net Position	\$ 27,304
Adjustment to Reconcile Changes in Net Position to Cash Provided by Operating Activities:	
Accounts Payable	<u>5,628</u>
Net Cash Provided by Operating Activities	<u><u>\$ 32,932</u></u>

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Eddy-Lea Energy Alliance, LLC (Alliance) was established on August 23, 2006 as a limited liability company. The Alliance operates under a joint powers agreement entered into by the Lea County and Eddy County, with the support of the cities of Hobbs and Carlsbad, and is operated under an amended 2013 Joint Powers Agreement filed with the DFA on January 16, 2014, which supercedes the original JPA dated November 7, 2006.

The purpose of the Alliance is to promote and assist energy-related economic development in Eddy and Lea County. The Alliance is primarily engaged in the investigation of development opportunities related to the real property the Alliance owns in Lea County approximately midway between the cities of Hobbs and Carlsbad, New Mexico. This property was initially acquired in response to opportunities related to the International Framework for Nuclear Energy Cooperation (formerly Global Nuclear Energy Partnership) enacted by Congress in 2007 under the guidance of the Department of Energy, but that program was discontinued in June 2009. The Alliance has determined that its economic development mission would be best served by selling its real property to a private company.

Basis of Accounting - The financial statements of the Alliance have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles, and accordingly reflect all significant receivables, payables, and other liabilities.

Reporting Entity - In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based upon the application of these criteria, there are no potential component units included in the Alliance's reporting entity, nor is the Alliance a component unit of another governmental agency.

Income Tax Status - The Alliance operates as a special-purpose governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Alliance considers all unrestricted highly liquid investments to be cash equivalents.

Use of Restricted Cash - When the Alliance incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever the assets have to be returned if not used.

Assets Held for Sale - Real property held for sale consist of 960 acres of raw land located in Southeastern New Mexico and is reported at historical cost.

Advertising - The Alliance's policy is to expense advertising costs as the costs are incurred.

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Restricted and Unrestricted Revenue – Grants or contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted assets are reclassified to unrestricted assets and reported in the statement of activities as assets released from restrictions. The Alliance currently does not report any temporarily or permanently restricted revenues or net assets.

Pensions and Other Post-Employment Benefits - The Alliance utilizes Lea County employees to handle its operations. These employees are reported as County employees to the New Mexico Public Employees Retirement Association, the New Mexico Retiree Health Care Authority and to the federal and state taxing agencies. Therefore, the Alliance does not directly participate in the retirement plans and is not required to implement the following GASB statements:

- GASB Statement No. 68 - Financial Reporting for Pension Plans - An Amendment to GASB Statement 27
- GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date
- GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

Accrued Vacation - Accrued vacation for Authority employees is reported at the County level, and therefore, no vacation accrual is recorded in the Authority's financial statements.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgetary Compliance - The annual budget is adopted based on the cash basis of accounting. Annual budgets of the Alliance are prepared prior to June 1 and must be approved by resolution of the Board and submitted for approval by the State of New Mexico. Once the budget has been formally approved, any amendments must also be approved by the Board and the State.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis. The legal level of budgetary control is the fund level.

Risk Management - The Alliance 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. The Alliance has obtained insurance through various underwriters to insure against these potential losses. The premiums are not directly related to claims filed. As of June 30, 2019, the Alliance did not have any probable risks of loss.

GASB 77 Tax Abatement Disclosure - The Alliance is not a property-taxing entity and therefore is not required to implement GASB 77.

Subsequent Events – GASB 56 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - In accordance with FDIC, time deposits, savings deposits and interest bearing NOW deposits held at each financial institution will be insured up to \$250,000 in aggregate at each financial institution. The Alliance's cash balances were maintained in trust by the County of Lea, State of New Mexico (the County). The Alliance's cash deposits are pooled with cash balances of other funds maintained by the County and are reported as Agency Funds in the County's audited financial statements. The County has signature Alliance over the Alliance's revenues and expenditures and acts as the Alliance's fiscal agent. The Alliance's deposits are collectively collateralized by the County's depository institutions and therefore, the Alliance is not subject to custodial credit risk at June 30, 2019 or any time during the respective fiscal years.

NOTE C – MEMBER EQUITY

Exhibit A of the 2013 agreement noted the initial percentage interest of the members' were to start at 25% each. Section 1.22 of the agreement allows adjustments to the members' percentage interest as long as the the sum of the aggregate is 100%. Section 4.1 requires the members to make equal contributions to the Alliance, however Section 4.6 of the Agreement allows for the members' percentage interest be recalculated in the event that one or more of the members do not make the financial contribution in accordance with the agreement. Any deficiency of a member in making contributions may not be cured and the corresponding adjustment in the respective percentage interest be made except with the consent of the remaining members.

Below discloses the respective member's equity investment in the Alliance since the 2013 fiscal year.

	<u>Eddy County</u>	<u>Lea County</u>	<u>City of Carlsbad</u>	<u>City of Hobbs</u>	<u>Total</u>
Members Equity - 06/30/2013	\$ 270,282	\$ 270,282	\$ 270,282	\$ 270,282	\$ 1,081,126
Net Loss from Operations - 06/30/2014	(3,069)	(3,069)	(3,069)	(3,069)	(12,274)
Member Contributions - 06/30/2014	-	10,000	10,000	10,000	30,000
Net Loss from Operations - 06/30/2015	(2,552)	(2,552)	(2,552)	(2,552)	(10,207)
Member Contributions - 06/30/2015	10,000	-	-	-	10,000
Net Loss from Operations - 06/30/2016	(8,311)	(8,311)	(8,311)	(8,311)	(33,244)
Member Contributions - 06/30/2016	-	-	-	-	-
Net Income from Operations - 06/30/2017	10,278	10,278	10,278	10,278	41,110
Member Contributions - 06/30/2017	-	-	-	-	-
Net Income from Operations - 06/30/2018	607	607	607	607	2,429
Member Contributions - 06/30/2018	-	-	-	-	-
Net Income from Operations - 06/30/2019	6,826	6,826	6,826	6,826	27,304
Member Contributions - 06/30/2019	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>25,000</u>	<u>75,000</u>
Member Equity - 06/30/2019	<u>\$ 309,061</u>	<u>\$ 284,061</u>	<u>\$ 309,061</u>	<u>\$ 309,061</u>	<u>\$ 1,211,244</u>
Membership Equity % - 06/30/2019	<u>25.52%</u>	<u>23.45%</u>	<u>25.52%</u>	<u>25.52%</u>	<u>100.00%</u>

EDDY-LEA ENERGY ALLIANCE, LLC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE D – LAND PURCHASE OPTION

In December of 2016 the Alliance entered into a land purchase option agreement to sell its 960 acres of land to a prospective third party purchaser corporation which deals in energy and nuclear fuel and waste management. The selling price of the land will be determined on the appraised value of the land or the purchase price of the land, whichever is greater, at the time the option is exercised. The option is valid for up to thirteen years and the third party has agreed to pay an annual amount to maintain the purchase option. The option has approximately ten years remaining.

Contingency - The Alliance has determined to sell the property no less than the fair market value or the purchase price of the land, whichever is greater, contingent upon the third party fulfilling their requirements. The agreement shall not be effective until the third party has satisfied criteria outlined in the purchase option; the third party must secure a license from the Nuclear Regulatory Commission and provide evidence of a revenue model that would support the project funding, indicating that the third party has legal right and wherewithal to enter into the proposed licensed business.

The third party is currently in the public comment period of the application to the Nuclear Regulatory Commission. There is not a reasonably determinable timeline for the Nuclear Regulatory Commission to receive, review or decide on the third party's license application. If the third party purchases the property prior to licensing, and should the Nuclear Regulatory Commission ultimately decline to grant licensure, the Alliance has the option to repurchase the property from the third party at the purchase price initially paid by the third party.

SUPPLEMENTARY INFORMATION

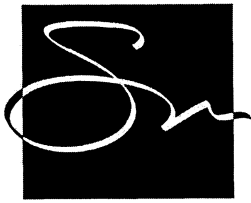
EDDY-LEA ENERGY ALLIANCE, LLC
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Rental Income	\$ 11,260	\$ 11,260	\$ 11,260	\$ -
City Contributions	50,000	50,000	50,000	-
County Contributions	50,000	50,000	25,000	(25,000)
Miscellaneous Income	-	-	171	171
Total Operating Revenues	<u>111,260</u>	<u>111,260</u>	<u>86,431</u>	<u>(24,829)</u>
OPERATING EXPENSES				
Office Supplies	1,000	1,000	-	1,000
Travel and Per Diem	20,000	20,000	-	20,000
Maintenance	1,000	1,000	-	1,000
Advertising	3,000	3,000	1,030	1,970
Professional and Liability Insurance	3,000	3,000	2,772	228
Legal Fees	20,000	20,000	-	20,000
Professional Fees	67,000	67,000	49,697	17,303
Total Operating Expenses	<u>115,000</u>	<u>115,000</u>	<u>53,499</u>	<u>61,501</u>
Change in Net Position	(3,740)	(3,740)	32,932	<u>\$ 36,672</u>
Beginning Cash Balance	<u>98,500</u>	<u>98,500</u>	<u>98,500</u>	
Ending Cash Balance	<u>\$ 94,760</u>	<u>\$ 94,760</u>	<u>\$ 131,432</u>	

Reconciliation to GAAP Basis

Change in Net Position - Budget Basis	\$ 32,932
Adjustments from Budget to GAAP Basis:	
Change in:	
Accounts Payable	<u>(5,628)</u>
Change in Net Position - GAAP Basis	<u>\$ 27,304</u>

INTERNAL CONTROL AND COMPLIANCE



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

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*

Brian Colon, New Mexico State Auditor, and
Board of Directors of
Eddy-Lea Energy Alliance, LLC
Lovington, New Mexico

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 basic financial statements of the business-type activities and related budgetary comparison presented as supplemental information of Eddy-Lea Energy Alliance, LLC (the Alliance), as of and for the year ended June 30, 2019, and have issued our report thereon dated September 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eddy-Lea Energy Alliance, LLC'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.

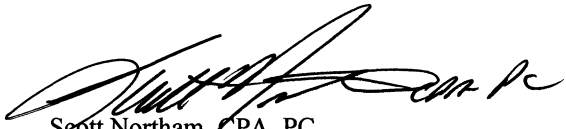
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance'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 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 Alliance'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 Alliance's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott Northam, CPA, PC
Ruidoso, New Mexico
September 18, 2019

**EDDY-LEA ENERGY ALLIANCE, LLC
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

SUMMARY OF AUDITOR RESULTS:

Financial Statements:

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

FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

NONE

EDDY-LEA ENERGY ALLIANCE, LLC
EXIT CONFERENCE
JUNE 30, 2019

An entrance conference was conducted on September 17, 2019 with Alliance Representatives. The contents of this report were discussed with the Eddy-Lea Energy Alliance, LLC representatives on September 18, 2019. The following individuals were present for the conference:

Eddy-Lea Energy Alliance, LLC

Scott Northam, CPA, PC

John Heaton – Vice-Chair
Chip Low – Lea County Finance Director

Scott Northam, CPA

The agreed-upon procedures, compiled financial statements and budgetary comparisons of the Eddy-Lea Energy Alliance, LLC were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Alliance.

Although standards strongly emphasize the Alliance prepare its own financial statements, the consensus between Alliance management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Alliance designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Alliance reviewed, approved, and accepted responsibility for the accompanying compiled financial statements and related notes, supplemental budgetary comparisons, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.