



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER  
UTILITY AUTHORITY  
Independent Auditors' Report  
And Financial Statements  
For The Year Ended June 30, 2011



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**EASTERN NEW MEXICO WATER UTILITY AUTHORITY**

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**EASTERN NEW MEXICO WATER UTILITY AUTHORITY**

**Official Roster**

**As of June 30, 2011**

**Board of Directors**

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<b>Board Member</b>	<b>Title</b>	<b>Title/Representing</b>
Ms. Gayle Brumfield	Chairwoman	Mayor of Clovis, NM
Ms. Sharon King	Vice-Chairwoman	Mayor of Portales, NM
Mr. Caleb Chandler	Secretary	Commissioner of Curry County, NM
Mr. Randy Crowder	Director	Commissioner of City of Clovis, NM
Mr. Juan Garza	Director	Commissioner of City of Clovis, NM
Mr. Tom Howell	Director	City Manager of Portales, NM
Mr. Lewis Cooper	Director	Texico, NM



**INDEPENDENT AUDITORS' REPORT**

Governing Board of  
Eastern New Mexico Water Utility Authority  
and  
Mr. Hector Balderas, New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund and the budgetary comparison of the General Fund of the State of New Mexico Eastern New Mexico Water Utility Authority (Authority) as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements, as listed in the Table of Contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 major fund of the Authority at June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison of the general fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Authority has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The additional schedule listed as "supplementary information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements,

and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.  
November 29, 2011

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
As of June 30, 2011**

<b>ASSETS</b>	<b><u>Governmental Activities</u></b>
<b>Current Assets</b>	
Cash	\$ 1,000,097
Total current assets	<u>1,000,097</u>
Capital assets, net	<u>-</u>
Total assets	<u><u>\$ 1,000,097</u></u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$ -
Total current liabilities	<u>-</u>
<b>Non-current liabilities</b>	
Compensated absences payable - expected to be paid after one year	<u>-</u>
Total liabilities	<u>-</u>
<b>NET ASSETS (DEFICIT)</b>	
Restricted for:	
Federal grant expenses	-
Unrestricted	1,000,097
Invested in capital assets	<u>-</u>
Total net assets	<u>1,000,097</u>
Total liabilities and net assets	<u><u>\$ 1,000,097</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2011**

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets for Governmental Activities</u>
<b>Functions/Programs</b>			
Governmental activities:			
Public works	\$ -	-	-
<b>General revenues</b>			
Membership dues			1,000,002
Interest income			<u>95</u>
Total general revenue			<u><u>1,000,097</u></u>
<b>General revenues</b>			
Change in net assets			<u>1,000,097</u>
Net assets, beginning			<u>-</u>
Net assets, ending			<u><u>\$ 1,000,097</u></u>

The accompanying notes are integral to these financial statements



**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
As of June 30, 2011**

<b>ASSETS</b>	<b>General Fund</b>
Cash	\$ <u>1,000,097</u>
Total assets	\$ <u><u>1,000,097</u></u>
 <b>LIABILITIES</b>	
Accounts payable	\$ <u>          -</u>
Total liabilities	<u>          -</u>
 <b>FUND BALANCE</b>	
Unassigned	<u>1,000,097</u>
Total fund balance	<u>1,000,097</u>
Total liabilities and fund balance	\$ <u><u>1,000,097</u></u>

**Reconciliation of the Governmental Fund Balance To The Statement of Net Assets**

Total fund balance governmental funds	\$	1,000,097
Capital assets (net of depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the funds		-
Long-term debt reported as accrued compensated absences is not due and payable in the current period and, therefore, are not reported in the funds		<u>          -</u>
Net assets of governmental activities	\$	<u><u>1,000,097</u></u>

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE-GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011**

	<b>General Fund</b>
<b>REVENUES</b>	
Membership Dues	\$ 1,000,002
Interest Income	95
Federal operating grants	-
State operating grants	-
Total revenues	1,000,097
<b>EXPENDITURES</b>	
<b>Current</b>	
General government	-
Public works	-
<b>Debt service</b>	
Principal	-
Interest	-
Total expenditures	-
Net change in fund balance	1,000,097
Fund balance, beginning	-
Fund balance, ending	\$ 1,000,097

**Reconciliation Of The Statement Of Revenues, Expenditures, And Changes In Fund  
Balances Of Governmental Funds To The Statement Of Activities**

Net change fund balance in governmental funds	\$ 1,000,097
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	-
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
(Increase) decrease in compensated absences	-
Change in net assets - governmental activities	\$ 1,000,097

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<b>REVENUES</b>				
Membership Dues	\$ 1,000,000	1,000,000	1,000,002	2
Interest Income	-	-	95	95
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
Total revenues	1,000,000	1,000,000	1,000,097	97
<b>EXPENDITURES</b>				
<b>Current</b>		-	-	-
General government	-	-	-	-
Public works	-			
<b>Debt service</b>				
Principal	-			
Interest	-	-	-	-
Total expenditures	-	-	-	-
Net change in fund balance	1,000,000	1,000,000	1,000,097	97
Fund balance, beginning	-	-	-	-
Fund balance, ending	\$ 1,000,000	1,000,000	1,000,097	97
Net change in fund balance (Non-GAAP budget basis)			\$ 1,000,097	
Adjustments to revenue for modified accrual presentation			-	
Adjustments to expenditures for modified accrued presentation			-	
Net change in fund balance (modified-GAAP budgetary basis)			\$ 1,000,097	

The accompanying notes are integral to these financial statements

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**A. NATURE OF BUSINESS AND REPORTING ENTITY**

The Eastern New Mexico Water Utility Authority (Authority) was originally established under a joint power's agreement dated October 13, 1987 and the City of Clovis took over as the fiscal agent in fiscal year 2003. House Bill 15, established the Authority as a special district effective on July 1, 2010.

The Authority was created to:

- develop and construct a water delivery system based on a funding formula whereby up to seventy-five percent of the overall capital cost of the system is to be paid for by the federal government, fifteen percent is to be paid for by the state of New Mexico and ten percent is to be paid for by the local governments that have the power to appoint members to the board of the Authority; and,
- deliver water to the local governments with the boundaries of the Authority which will not compete with local governments for rights to deliver water to ultimate end-users.
- seven members of the eastern New Mexico rural water authority, including:

Curry County	City of Texico	Town of Elida
City of Clovis	Town of Melrose	Village of Grady
City of Portales		

The board of the Authority shall consist of seven members, each of whom shall reside within the boundaries of the authority

The Authority is legally separate and fiscally independent of other state organizations, has decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In evaluating how to define the Authority, 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 GAAP and GASB Statement 14.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the election of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the Authority and is generally available to its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibility. Based on the application of these criteria, there are no component units included in the reporting entity.

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EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of Presentation—Fund Accounting**

The accounting system is organized and operated on a fund basis. A “fund” is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

**2. Basis of Accounting**

**Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. This government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the period.

Neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

Net assets should be reported as restricted when constraints placed on net assets use is either externally imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as needed.

For its government-wide activities, the Authority has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

**Net Assets Restricted by Enabling Legislation—Government-Wide Financials**

The government-wide statement of net assets reports no restricted net assets. If there were restricted net assets they should be reviewed for consideration of being restricted by enabling legislation. The enabling legislation has been determined to be legally enforceable.

Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal

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For The Year Ended June 30, 2011**

enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.

**Capital Assets and Depreciation—Government-Wide Financials**

In this initial period, the Authority does not carry any capital assets. In future periods, the Authority is expected to carry capital assets and their policy is as follows:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date they are donated. The Authority capitalized capital expenditures for payments over \$5,000. If construction is financed, interest during construction is capitalized. The Authority records assets (such as, furniture & equipment including software, building & improvements, and land) purchased at cost or, if contributed, at fair market value at date of donation. The Authority's policy is to capitalize and depreciate computer software developed for internal use in compliance with GASB 34 Paragraph 19.

For net asset purposes, capital assets will be depreciated using straight line over the estimated useful life of the asset. Although depreciation is not funded, it must be considered in order to properly reflect the results of operations and the replacement of the equipment and furniture. Currently, there are no capital assets recorded and therefore there is also no debt relating to capital assets as well.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable will be determined in future period as needed.

**Net Assets**

The government-wide financial statements utilize a net asset presentation. Net Assets are categorized as investment in capital assets (net of related debt), restricted and unrestricted.

**Invested in Capital Assets** (net of related debt) - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. The Authority did not have any net assets invested in capital assets nor any related debt during the year ended June 30, 2011.

**Unrestricted Net Assets** - represent the net assets of the Authority at June 30, 2011. The total of \$1,000,097 consists of fees collected from members of the Authority and accrued interest income.

**Fund Financial Statements**

Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund (currently there is only one fund) is presented in a separate column and all of the governmental funds are considered major.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the

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Authority's actual experience conforms to the budget plan. Since the governmental fund statements are presented on a different focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the government-wide presentation.

**Revenue Recognition**

In applying the "susceptible to accrual concept" under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). This would include reimbursements from state and federally funded projects, which are expected in future period. These type of reimbursements will be accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, which was also adopted as of its creation by the Authority, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met, resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is based on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. It is expected that the Authority will have these type of expenditures in future periods.

The governmental fund types for financial statement purposes follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource interments are recognized in the accounting period in which they become susceptible to accrual; then they become both measurable and available to finance expenditures of the fiscal period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues from expected grants received in future period s will be restricted for specific uses will be recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred. Expenditures that in future periods may be incurred, will be charged, to federal programs and will be recorded utilizing the cost principles prescribed or permitted by the various funding sources.

**Fund Accounting**

The accounts of the Authority are organized on a basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. The Authority only has one fund which is a governmental fund and is identified as the General Fund.

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EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

**GASB Statement 54**

In February 2009, the GASB issued Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. GASB 54 also clarifies governmental fund type definitions.

The fund balance amounts for governmental funds included in this report have been reclassified in accordance with GASB 54. As a result, in the governmental fund financial statements, fund balances previously reported as reserved and unreserved are now reported according to a hierarchy of classifications established in GASB 54, which are based on the extent to which the Authority is bound to honor constraints on the specific purpose for which amounts in that fund can be spent.

GASB 54 fund balance classifications include:

**Nonspendable**—amounts cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact;

**Restricted**—amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation;

**Committed**—amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (Board of Directors);

**Assigned**—constrained by the Authority's intent to be used for specific purpose; and

**Unassigned**—the residual classification for remaining amounts after all other classifications have been considered.

**Budgets—Stewardship, Compliance and Accountability**

The Authority's fiscal year is the twelve-month period beginning July 1 and ending June 30. Prior to June 1 the Budget Director submits to management a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund. Next the budget is submitted (1) to the New Mexico Department of Finance and Administration for review and approval; and (2) to the Board of Directors for review and enactment of a resolution legally adopting the budget. Once approved, the Board of Directors may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Additionally, the New Mexico Department of Finance and Administration must approve any amendments to the budget.

The appropriated budgets are prepared on a Non-GAAP cash basis at the detailed line item level. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. Expenditures may not exceed appropriations at the fund



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level. All budget revisions at this level are subject to final review and approval by the Board of Directors. Revisions to the budget can be made throughout the year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund.

The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on the individual budgetary statement.

### **Governmental Funds**

**General Fund**—The general operating fund of the Authority is used to account for all financial resources except those required to be accounted for in another fund.

### **Reservations of Fund Balances**

Reservations of fund balances on the Governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures.

### **Spending Policy**

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the Authority's policy to spend committed resources first.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments.

### **Encumbrances**

Encumbrances are not used by this entity.

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EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**Membership Dues**

Membership dues consist of annual assessments of member organizations. Membership dues are determined by a formula established by the Authority based on membership level.

**Program Revenues**

Program revenues are made up of fees received from members of the Authority and in the future, grants and contracts are expected to be received to meet the operational or capital requirements of the particular program of the organization.

**Receivables**

The Authority currently has no receivables, but in subsequent periods receivables are expected to consist of amounts due from federal, and other state governments. No allowance for doubtful accounts has been established.

**C. CASH AND INVESTMENTS POLICY**

In accordance with Section 6-10-17, NMSA, 1978 Compilation, deposits of public money are required to be collateralized. Pledged collateral is required in amounts in an aggregated equal to one half of the amount of public money in each account. Securities, which are obligations of the United States, State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions are accepted as security at market value. No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC), or the National Credit Union Administration.

Deposits (cash or cash equivalents) are carried at cost, which approximates market value. FDIC advisory opinion 94-24 states that public funds are entitled to \$100,000 insurance for time or savings deposits (including bank money market accounts) and \$100,000 for demand deposits deposited within the state in compliance with 12 CFR Subsection 330.15. The US Congress has temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor for demand deposits and savings accounts. Deposit insurance coverage for public unit accounts will vary until January 1, 2013. For the period from December 31, 2010 through December 31, 2012 accounts held by an official custodian for a government unit is insured as follows: up to \$250,000 for the combined total of all time and savings deposits, and unlimited coverage for noninterest-bearing transactions (demand deposit) accounts. For more information, visit [www.fdic.gov](http://www.fdic.gov).

Custodial credit risk is the risk that in the event of a bank failure, the Authority deposits may not be returned to it. The Authority's deposit policy is to collateralize one half of the uninsured public money in each account. As of June 30, 2011, the Authority's bank balance was exposed to custodial risk as follows:

Uninsured and uncollateralized	\$	-
Uninsured and collateral held by pledging banks trust department not in the Authority's name	\$	750,097

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**CASH BALANCES**

The Authority's bank balances were collateralized in compliance with the State of New Mexico's state statute as follows:

Total amount of deposit in bank	\$	1,000,097
Less FDIC coverage		<u>(250,000)</u>
Total uninsured public funds		<u>750,097</u>

**50% Collateral Requirement**

FDIC Coverage  
(Section 6-10-17 NMSA 1978) 375,049

<u>Security</u>	<u>Cusip#</u>	<u>Pledge Value</u>
FHLB Guaranteed Loan	470658001 \$	<u>915,344</u>
Excess Collateralization		<u><u>540,296</u></u>

Cash accounts of the Authority at June 30, 2011:

<u>Fund Type</u>	<u>Location</u>	<u>Account Type</u>	<u>Balance Per Depository</u>	<u>Outstanding Deposits</u>	<u>Outstanding (Checks)</u>	<u>Balance Per Financial Statements</u>
General	Bank of America	Demand	1,000,097	-	-	1,000,097
			\$ 1,000,097	-	-	1,000,097

**D. RECEIVABLES**

The Authority has no receivables as of June 30, 2011.

**E. CAPITAL ASSETS**

The Authority has no capital assets and also no depreciation expense for the year ended June 30, 2011.

**F. RELATED PARTY TRANSACTIONS**

The by-laws of Authority require the composition of the Board of Directors to represent member governments. As a result, many members of the Board of Directors are employed by, or serve in an elected capacity for, member governments. Due to the nature of the Authority, Board members have a significant interest in the Authority transactions related to its mission and the services it furnishes to their respective governments. Total membership dues paid by the member governments to the Authority for the fiscal year ended June 30, 2011 was \$1,000,002.

**G. COMPENSATED ABSENCES**

As of June 30, 2011, the Authority had no employees and no amount compensated absences outstanding at year end.

**H. LEASE COMMITMENTS**

The Authority had no operating leases as of June 30, 2011.

**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011**

**I. PERA PENSION PLAN**

The Authority had no employees and is not participating in the public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978).

**J. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN**

**Plan Description.** The Authority had no employees and is not participating in the New Mexico Retiree Health Care Fund.

**K. 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 and natural disasters for which the Authority carries commercial insurance. Settled claims have not exceeded this commercial coverage in the past year. 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, 2011, the Authority did not have any probable risk of loss.

**L. SUBSEQUENT EVENTS**

As per agreement with the creation of the Authority, the City of Clovis has transferred funds held by the City's administration collectively described as the Eastern New Mexico Rural Water Authority ("ENMRWA") fund identified in the City's June 30, 2011 audit report. These funds transferred over on July 1, 2011. Please refer to the City of Clovis June 30, 2011 audit report for the amounts and description of these funds, which can be obtained by contacting the administrative offices of the City of Clovis at 321 Connelly Clovis, NM 88102 or calling (575) 763-9630.

**EASTERN NEW MEXICO WATER UTILITY AUTHORITY**  
**SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING**  
**For the Year Ended June 30, 2011**

Joint Powers #	Agreement	Participants	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to Agency	Amount contributed by the Authority during current fiscal year	Audit Responsibility	Fiscal agent and responsible reporting entity
1	Creation of the Eastern New Mexico Water Utility Authority	Clovis, Portales, Texico, Melrose, Elida, Grady, Curry County, Roosevelt County	The Authority	To Plan, finance, develop and operate the Eastern New Mexico Rural Water System Project.	12/07/05 to Perpetuity	N/A	\$ -	The Authority	The Authority
2	Eastern New Mexico Rural Water System Project	ENMRWA and USDOJ Bureau of Reclamation	The Authority	To Plan, finance, develop and operate the Eastern New Mexico Rural Water System Project.	1/20/2011 to 12/31/25	Federal funding 75% = 327,000,000 The Authority-25%= 99,000,000	\$ -	The Authority	The Authority



**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***

Governing Board of  
Eastern New Mexico Water Utility Authority  
and  
Mr. Hector Balderas, New Mexico State Auditor

We have audited the financial statements of the governmental activities, the major fund, and the budgetary comparison of the general fund of the Eastern New Mexico Water Utility Authority (Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be deficiencies material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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.

November 29, 2011

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS, continued**

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This report is intended solely for the information and use of management, others within the Authority, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

*Hinkle & Landers, P.C.*

Hinkle + Landers, PC  
November 29, 2011

**STATE OF NEW MEXICO  
 EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
 SCHEDULE OF FINDINGS AND RESPONSES  
 For The Year Ended June 30, 2011**

**SUMMARY OF FINDINGS AND RESPONSES**

<u>Reference</u>	<u>Findings</u>	<u>Status of Prior Year Findings</u>	<u>Financial Statement Finding</u>	<u>State Auditor Finding</u>
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Prior year - None

Current year - None



**STATE OF NEW MEXICO  
EASTERN NEW MEXICO WATER UTILITY AUTHORITY  
EXIT CONFERENCE  
For The Year Ended June 30, 2011**

An exit conference was held in a closed session on November 29, 2011, at the Authority's Offices in Clovis, New Mexico. In attendance were the following:

**Eastern New Mexico Water Utility Authority**

Gayle Brumfield	Chairwoman
Don Clifton	Budget Director

**Hinkle + Landers, PC**

Farley Vener, CPA, CFE	Independent Auditor
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**FINANCIAL STATEMENTS**

The financial statements of the Authority as of June 30, 2011, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.