



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
EASTERN NEW MEXICO
WATER UTILITY AUTHORITY
Independent Auditor's Report
And Financial Statements
For The Year Ended
June 30, 2014**

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
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STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
OFFICIAL ROSTER
As of June 30, 2014

Board of Directors

Board Member	Title	Title/Representing
Ms. Gayla Brumfield	Chairwoman	Clovis, NM
Ms. Sharon King	Vice-Chairwoman	Mayor of Portales, NM
Mr. Caleb Chandler	Secretary	Curry County, NM
Mr. Chris Bryant	Director	Commissioner of City of Clovis, NM
Mr. Juan Garza	Director	Commissioner of City of Clovis, NM
Mr. Matt Hunton	Director	City Commissioner of Portales, NM
Mr. Durward Dixon	Director	Town of Elida

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the general fund of the Eastern New Mexico Water Utility Authority (Authority), as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the financial statements of the Authority's budgetary comparison for the major debt service fund presented as supplementary information, as defined by the *Government Accounting Standards Board*, as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparison for the debt service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Management has omitted the Management Discussion and Analysis that the Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing 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 opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and budgetary comparisons. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedule, listed as "other supplementary information" in the table of contents, required by Section 2.2.2 NMAC, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedule listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC are the responsibility of management and were derived from and relate 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 the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and other schedule listed as "other supplemental information" in the table of contents required by 2.2.2 NMAC are 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 or report dated November 25, 2014 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 the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
November 25, 2014

STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of June 30, 2014

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,800,804
Receivables:	
Intergovernmental	<u>690,379</u>
Total current assets	<u>3,491,183</u>
Noncurrent assets	
Capital assets	24,280,841
Less: accumulated depreciation	<u>-</u>
Total noncurrent assets	<u>24,280,841</u>
Total assets	<u>\$ 27,772,024</u>
Liabilities	
Current liabilities	
Current portion of bonds and notes payable	\$ 170,240
Accounts payable	<u>1,206,029</u>
Total current liabilities	<u>1,376,269</u>
Noncurrent liabilities	
Bonds and notes payable	<u>2,277,502</u>
Total noncurrent liabilities	<u>2,277,502</u>
Total liabilities	<u>3,653,771</u>
Net Position	
Net investment in capital assets	21,833,099
Unrestricted	<u>2,285,154</u>
Total net position	<u>24,118,253</u>
Total liabilities and net position	<u>\$ 27,772,024</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, 2014**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Primary Government				
Public works	\$ (1,558,127)	407,889	10,802,030	9,651,792
Interest on long-term debt	(6,447)	-	-	(6,447)
<i>Total governmental activities</i>	<u>\$ (1,564,574)</u>	<u>407,889</u>	<u>10,802,030</u>	<u>9,645,345</u>
General Revenues:				
Membership dues			\$ 1,331,001	
Investment income			451	
Miscellaneous income			-	
Total general revenues and transfers			<u>1,331,452</u>	
Change in net position			10,976,797	
Beginning net position			<u>13,141,456</u>	
Ending net position			<u>\$ 24,118,253</u>	

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2014**

ASSETS	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Cash and cash equivalents	\$ 2,800,804	-	2,800,804
Receivables:			
Intergovernmental	670,872	-	670,871
Other receivables	-	-	-
Total assets	<u>\$ 3,471,676</u>	<u>-</u>	<u>3,471,675</u>
 LIABILITIES			
Total liabilities	\$ 1,206,029	-	1,206,029
 FUND BALANCE			
Unassigned	<u>2,265,646</u>	<u>-</u>	<u>2,265,646</u>
Total fund balance	<u>2,265,646</u>	<u>-</u>	<u>2,265,646</u>
 Total liabilities and fund balance	 <u>\$ 3,471,675</u>	 <u>-</u>	 <u>3,471,675</u>

Reconciliation Of The Governmental Funds Balance To Statement Of Net Position

Amounts reported for governmental activities in the statement of activities are different because:

Fund balances - total governmental funds	\$ 2,265,646
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	24,280,841
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Current bonds and notes payable	(170,240)
Bonds payable- long term	<u>(2,257,994)</u>
Net position of governmental activities	<u>\$ 24,118,253</u>

The accompanying notes are an integral part of 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, 2014**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Intergovernmental:			
Federal grants	\$ 1,799,800	-	1,799,800
State grants	9,410,119	-	9,410,119
Charges for services	-	-	-
Fines, forfeitures, and penalties	-	-	-
Licenses and fees	-	-	-
Investment income	451	-	451
Membership dues	1,331,001	-	1,331,001
Miscellaneous	-	-	-
Total revenues	<u>12,541,371</u>	<u>-</u>	<u>12,541,371</u>
Expenditures:			
Current:			
Public works	1,797,005	-	1,797,005
Capital outlay	11,978,199	-	11,978,199
Debt service:			
Principal	-	150,356	150,356
Interest	-	6,447	6,447
Total expenditures	<u>13,775,204</u>	<u>156,803</u>	<u>13,932,007</u>
Excess (deficiency) of revenues over expenditures	<u>(1,233,833)</u>	<u>(156,803)</u>	<u>(1,390,636)</u>
Other financing sources (uses)			
Transfers in/(out)	(156,803)	156,803	-
Proceeds from sale of capital asset	-	-	-
Proceeds from debt issuance	-	-	-
Total other financing sources (uses)	<u>(156,803)</u>	<u>156,803</u>	<u>-</u>
Net change in fund balance	(1,390,636)	-	(1,390,636)
Beginning fund balance	<u>3,656,282</u>	<u>-</u>	<u>3,656,282</u>
Ending fund balance	<u>\$ 2,265,646</u>	<u>-</u>	<u>\$ 2,265,646</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (1,390,636)
Governmental funds report capital outlays as expenditures. The statement of activities, capitalize the assets and depreciate them over their estimated lives:	
Capital expenditures recorded in capital outlay	12,217,077
The issuance of long-term debt (e.g. bonds, notes, capital 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.	
Issuance of long-term debt	-
Principal payments on bonds and notes payable	150,356
Rounding	-
Change in net position of governmental activities	<u>\$ 10,976,797</u>

The accompanying notes are an integral part of 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, 2014

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:	-	-	-	-
Intergovernmental:				
Federal and State grants	\$ 13,500,711	18,790,711	12,998,895	(5,791,816)
Charges for services	-	-	-	-
Investment income	300	300	451	151
Membership dues	1,331,000	1,331,000	1,331,000	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>14,832,011</u>	<u>20,122,011</u>	<u>14,330,346</u>	<u>(5,791,665)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	4,169,188	11,139,259	4,334,061	6,805,198
Capital outlay	11,370,508	9,485,063	8,235,414	1,249,649
Debt service:				
Principal	150,356	150,356	150,356	-
Interest	6,447	6,447	6,447	-
<i>Total expenditures</i>	<u>15,696,499</u>	<u>20,781,125</u>	<u>12,726,278</u>	<u>8,054,847</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(864,488)</u>	<u>(659,114)</u>	<u>1,604,068</u>	<u>(13,846,512)</u>
<i>Other financing sources (uses)</i>				
Transfers out	(156,803)	(156,803)	(156,803)	-
Proceeds from debt issuance	1,106,046	1,506,046	1,106,046	(400,000)
<i>Total other financing sources (uses)</i>	<u>949,243</u>	<u>1,349,243</u>	<u>949,243</u>	<u>(400,000)</u>
<i>Net change in fund balance</i>	84,755	690,129	2,553,311	(14,246,512)
<i>Fund balance - beginning of year</i>	<u>3,656,282</u>	<u>3,656,282</u>	<u>3,656,282</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ 3,741,037</u>	<u>4,346,411</u>	<u>6,209,593</u>	<u>(14,246,512)</u>
Net change in fund balance (GAAP)				\$ 2,553,311
Adjustments to revenue for applicable accruals and deferrals				(2,895,021)
Adjustments to expenditures for applicable accruals and payments				<u>(1,048,926)</u>
Net change in fund balance (non-GAAP budgetary basis)				<u>\$ (1,390,636)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

A. NATURE OF BUSINESS AND REPORTING ENTITY

The Eastern New Mexico Water Utility Authority (Authority) was created under statute as part of the Eastern New Mexico Water Utility Authority Act, section 73-27-1 to 19 NMSA 1978. 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.
- benefit the 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.

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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/Measurement Focus

The accounts of the Authority are organized on the 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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Authority’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the Authority accompanied by a total column. Fiduciary activities of the Authority are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Authority’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Authority are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated, if applicable.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The Authority has presented all major funds that met those qualifications. In addition, the Authority has presented certain funds, specifically the Debt Service Fund as major funds because the Authority believes the financial position and activities of these funds are significant to the Authority as a whole.

STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

The Authority reports the following major governmental funds:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- Debt Service Fund – The Debt Service Fund accounts for the Authority's accumulation of resources for the payment of governmental fund debt principal and interest payments.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The Authority's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are property tax, sales tax, intergovernmental revenues and other taxes.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 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.

Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

The Authority currently does not have any funds that meet the criteria to be Proprietary Funds.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a Statement of Net Position. The Authority's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The Authority currently does not have any funds that meet the criteria to be Fiduciary Funds.

3. Net Position/Fund Balance

Governmental Fund Financial Statements- In accordance with GASBS No. 54, the Authority classifies fund balances in the governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (Board of Directors). These commitments can only be overturned by a like action. Examples are Encumbrances of Construction and Service Contracts, and specific allocation of funds for particular future activities.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Directors for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Directors at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the Authority's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the Authority's policy to use committed resources first, then assigned, and then unassigned as needed.

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

The Authority does not have a formal minimum fund balance requirement.

Government-wide and Proprietary Fund Financial Statements- The Authority classifies net position in the government-wide and proprietary fund financial statements as follows:

Net Investment in Capital Assets includes the Authority's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Authority typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board of Directors has the authority to revisit or alter this designation.

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 is legislation that 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 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.

4. 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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EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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, 2014 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.

5. Cash and Cash Equivalents

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

6. Capital Assets and Depreciation—Government-Wide Financials

Capital assets, which include property, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the Authority during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

7. 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

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EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

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.

8. Encumbrances

Encumbrances are not used by this entity.

9. Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as: *Net Investment in Capital Assets, restricted and unrestricted*. *Net Investment in Capital Assets* is intended to reflect the portion of net position which is 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. Restricted net position reflects the portion of net position that has third party limitations on its use. *Unrestricted (Deficit) Net Position* represents the net position of the Authority that is not restricted for any project or other purpose.

10. 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.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no deferred outflows of resources during fiscal year 2014 on the government wide or fund financials.

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The Authority has no deferred inflows of resources during the fiscal year 2014 on the government wide or fund financials.

C. CASH AND INVESTMENTS POLICY

A summary of the Authority's cash and investments as of June 30, 2014 is as follows:

<u>Fund Type</u>	<u>Location</u>	<u>Account Type</u>	<u>Balance Per Depository</u>	<u>Reconciling Items</u>	<u>Balance Per Financial Statements</u>
General	New Mexico Bank & Trust	Demand-interest bearing	\$ 2,800,804	-	2,800,804
			\$ 2,800,804	-	2,800,804

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2014.

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Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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's deposit policy is to collateralize one half of the uninsured public money in each account. 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

As of June 30, 2014, the Authority's bank balance was exposed to custodial risk as follows:

Total amount of deposit in bank	\$	2,800,810
Less FDIC coverage		<u>(250,000)</u>
Total uninsured public funds	\$	2,550,810

50% Collateral Requirement

(Section 6-10-17 NMSA 1978) \$ 1,275,405

<u>Security</u>	<u>Cusip#</u>	<u>Pledge Value</u>
FHLB Guaranteed Loan	212613002	\$ <u>3,757,928</u>
Total collateral		<u>3,757,928</u>
Excess Collateralization		\$ <u>(1,207,118)</u>

<u>Total public funds</u>	<u>Amount</u>
Insured	\$ 250,000
Uninsured and collateralized	2,550,810
Uninsured and uncollateralized	-
Total	\$ <u>2,800,810</u>

D. RECEIVABLES

Receivables as of June 30, 2014 are as follows:

<u>Type</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Grants:			
Federal	\$ -	-	-
State	670,871	-	670,871
Other:			
Loan funds receivable	19,508	-	19,508
Total	\$ <u>690,379</u>	<u>-</u>	<u>690,379</u>

E. INTERFUND ACTIVITY

The Authority recorded interfund transfers to reflect transfers of cash in accordance with the budget. Transfers and payments within the Authority are substantially for the purpose of subsidizing operating functions and funding debt payments. All transfers made during the year were considered routine and were consistent with the general characteristics of the Authority's transfer policy. The composition of interfund transfers during the year ended June 30, 2014 is as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 156,803

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

F. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2014. Land and construction in progress are not subject to depreciation.

Primary Government

<i>Governmental Activities</i>	Balance 2013	Additions and Transfers In	Deletions and Transfers Out	Balance 2014
Capital assets not being depreciated:				
Land	\$ 270,000	-	-	270,000
Construction in progress	11,793,764	12,217,077	-	24,010,841
Total capital assets not being depreciated	<u>12,063,764</u>	<u>12,217,077</u>	<u>-</u>	<u>24,280,841</u>
 Total capital assets	 <u>12,063,764</u>	 <u>12,217,077</u>	 <u>-</u>	 <u>24,280,841</u>
 Total accumulated depreciation	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
Total capital assets net of depreciation	<u>\$ 12,063,764</u>	<u>12,217,077</u>	<u>-</u>	<u>24,280,841</u>

G. LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance	Additions	Retirements	Balance	Due Within One Year
Governmental Activities:					
NMFA Notes payable					
2009 ENMRWUA No 84-WTB	\$ 347,259	-	(22,747)	324,512	22,804
2009 ENMRWUA No 56-WTB	95,463	-	(6,259)	89,204	6,275
2010 ENMRWUA - WTB	727,740	-	(44,635)	683,105	44,747
Loan #4	377,616	-	(21,767)	355,849	21,821
Loan #5	261,647	-	(14,230)	247,417	14,265
Loan #6	394,422	-	(21,450)	372,972	21,504
Loan #7	374,443	-	(19,268)	355,175	19,316
Loan #8	-	-	-	19,508 *	19,508
long-term liabilities	<u>\$ 2,578,590</u>	<u>-</u>	<u>(150,356)</u>	<u>2,447,742</u>	<u>170,240</u>

The City of Clovis as fiscal agent for the Authority entered into two separate loan/grant agreements with the NM Finance Authority in September 2008 for the planning, design and engineering of a regional water supply project to provide potable water from Ute Reservoir on the Canadian River to the participating entities of the Authority for municipal and industrial purposes. The terms of the first agreement call for a grant from the NMFA for \$1,125,000 along with a loan totaling \$125,000. The terms of the second agreement call for a grant from the NMFA for \$1,817,120 along with a loan totaling \$454,280. The interest/administrative fee on both notes is 0.25%. Both notes mature on June 1, 2028. The note principal, interest, and administrative fees will be paid for with pledged revenues from the net utility revenues or the Authority's wastewater utility system. As of June 30, 2014, the remaining balance on these notes 2009 ENMRWUA No. 84 and 56 are shown above.

In March 2010, the City of Clovis entered into a loan/grant agreement with the NM Finance Authority for activity associated with the Authority. The terms of the agreement call for a grant from the NMFA Water Trust Board for \$3,620,662 along with a loan totaling \$905,166. The interest/administrative fee

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NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

on the note is 0.25% and the maturity date on the note is June 1, 2029. The note principal, interest, and administrative fees will be paid for with pledged revenues from the net utility revenues or the Authority's wastewater utility system. As of June 30, 2014, the remaining balance on note 2010 ENMRWUA WTB is shown above.

In December 2010, the City of Clovis entered into a loan/grant agreement with the NM Finance Authority for activity associated with the Authority. The terms of the agreement call for a grant from the NMFA Water Trust Board for \$3,982,500 along with a loan totaling \$442,500. The interest/administrative fee on the note is 0.25% and the maturity date on the note is June 1, 2030. The note principal, interest, and administrative fees will be paid for with pledged revenues from the net utility revenues or the Authority's wastewater utility system to bring the amount outstanding of the loan note # 4 as shown above.

During the year ended June 30, 2012, the Authority entered into a loan/grant agreement with the NM Finance Authority for the construction of a water treatment plant. The terms of the agreement call for a grant from the NMFA Water Trust Board for \$2,610,000 along with a loan totaling \$290,000. The interest/administrative fee on the note is 0.25% and the maturity date on the note is June 1, 2031. The note principal, interest, and administrative fees will be paid for with pledged revenues from the net utility revenues or the Authority's wastewater utility system. As of June 30, 2014, no amounts had been received related to this agreement, however the Authority has made payments to bring the outstanding amount of loan note #5 as shown above.

During the year ended June 30, 2012, the Authority entered into a loan/grant agreement with the NM Finance Authority for the construction of a water treatment plant. The terms of the agreement call for a grant from the NMFA Water Trust Board for \$3,934,467 along with a loan totaling \$437,163. The interest/administrative fee on the note is 0.25% and the maturity date on the note is June 1, 2031. The note principal, interest, and administrative fees will be paid for with pledged revenues from the net utility revenues or the Authority's wastewater utility system. As of June 30, 2014, no amounts had been received related to this agreement, however the Authority has made payment to bring the outstanding amount of loan note #6 as shown above.

During the year ended June 30, 2012, the Authority entered into a loan/grant agreement with the NM Finance Authority for the construction of a water treatment plant. The terms of the agreement call for a grant from the NMFA Water Trust Board for \$3,788,834 along with a loan totaling \$378,833. The interest/administrative fee on the note is 0.25% and the maturity date on the note is June 1, 2031. The note principal, interest, and administrative fees will be paid for with pledged revenues from the net utility revenues or the Authority's wastewater utility system. As of June 30, 2014, no amounts had been received related to this agreement, however the Authority has made payments to bring the outstanding amount of loan note #7 as shown above.

*A receivable in the amount of \$19,508 was created for the loan funds "earned" by the Authority that had not yet been transferred from the NMFA.

The annual requirements to amortize the combined NMFA notes outstanding at June 30, 2014, including interest payments are as follows:

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EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest & Admin Fees</u>	<u>Total Debt Service</u>
2015	170,240	7,093	177,333
2016	151,110	5,694	156,804
2017	151,488	5,316	156,804
2018	151,866	4,938	156,804
2019-2024	735,386	18,025	753,411
2025-2029	744,339	9,414	753,753
2030-2034	<u>343,313</u>	<u>1,371</u>	<u>344,684</u>
	<u>\$ 2,447,742</u>	<u>51,851</u>	<u>2,499,593</u>

H. COMPENSATED ABSENCES

As of June 30, 2014, the Authority had no employees and no compensated absences outstanding at year end.

I. 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, 2014 was \$1,331,001.

J. LEASE COMMITMENTS

The Authority had no operating leases as of June 30, 2014.

K. 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).

L. POST-EMPLOYMENT BENEFITS—STATE RETIREE HEALTH CARE PLAN

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

M. 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, 2014, the Authority did not have any probable risk of loss.

N. CONTINGENCIES

The Authority participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with

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EASTERN NEW MEXICO WATER UTILITY AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

grant program regulations, the Authority may be required to reimburse the grantor government. As of June 30, 2014, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Authority.

O. COMMITMENTS

As of June 30, 2014, the Authority has committed to the following portion of the Project as follows:

<u>Project</u>	<u>Contract Type</u>	<u>Contract Price</u>	<u>% of Completion</u>
Intake Structure	Construction	\$ 14,244,950	82%

P. EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Authority recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Authority's 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 financial statements are available to be issued. The Authority has evaluated subsequent events through November 25, 2014, which is the date the financial statements were available to be issued.

Long Term Project

The Eastern NM Rural Water System is a regional rural water supply project under development in east central New Mexico. The purpose of the project is to provide potable water to eight city and county member agencies for municipal, commercial and industrial use. The project will replace current groundwater supplies from the Ogallala formation of the High Plains Aquifer with a sustainable surface water source (Ute Reservoir). Ute Dam was constructed in 1959 creating Ute Reservoir to store water for these purposes. The project will put this underutilized infrastructure investment to beneficial use. The Project would pipe 16,450 acre-feet of water per year from Ute Reservoir to the eastern New Mexico municipalities of Clovis, Elida, Grady, Melrose, Portales, and Texico. Curry County, Roosevelt County, and Cannon Air Force Base are also participating in the Project. The present population of the Project service area is about 60,000 people.

STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
DEBT SERVICE FUND
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Expenditures:</i>				
Debt service:				
Principal	\$ 150,356	150,356	150,356	-
Interest	6,447	6,447	6,447	-
<i>Total expenditures</i>	<u>156,803</u>	<u>156,803</u>	<u>156,803</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(156,803)</u>	<u>(156,803)</u>	<u>(156,803)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	156,803	156,803	156,803	-
<i>Total other financing sources (uses)</i>	<u>156,803</u>	<u>156,803</u>	<u>156,803</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance (GAAP)			\$	-
Adjustments to revenue for applicable accruals and deferrals				-
Adjustments to expenditures for applicable accruals and payments				<u>-</u>
Net change in fund balance (non-GAAP budgetary basis)			\$	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

EASTERN NEW MEXICO WATER UTILITY AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING
For the Year Ended June 30, 2014

#	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	Eastern New Mexico Rural Water System Project	ENMRWA and USDOI 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

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Direct:			
U.S. Department of the Interior			
Eastern New Mexico Rural Water System Project	(1)	15-553	\$ 1,799,800
Total U.S. Department of the Interior			<u>1,799,800</u>
Total Expenditures of Federal Awards			<u>\$ 1,799,800</u>

(1) Denotes Major Program

Per the Financial Statements	1,799,800
Difference	-

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant expenditure activity for the financial statements of the organization. The schedule is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2014.

Note 3 - Sub-recipients

The organization provided no federal awards presented above to sub-recipients during the year.

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

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

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, each 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, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and the related budgetary comparison of the Authority presented as supplemental information, and have issued our report thereon dated November 25, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency: 2014-001.

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 25, 2014

INDEPENDENT AUDITOR'S 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

The Authority's Response to the Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, PC
Albuquerque, NM
November 25, 2014

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Eastern New Mexico Water Utility Authority's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2014. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Authority, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and

performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
November 25, 2014

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |

4. Identification of major programs:

CFDA Number	Federal Program
15.553	Eastern New Mexico Rural Water System Project

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Reference #</u>	<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding*</u>
PRIOR YEAR			
	None		
CURRENT YEAR			
2014-001	Improve Controls over Cash Assets	Current	B

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards
- G. Compliance with State Audit Rule

CURRENT YEAR FINDINGS

2014-001—IMPROVE CONTROLS OVER CASH ASSETS

Type of Finding-B

Statement of Condition

The bank reconciliation is not formally reviewed by anyone beyond the person performing the bank reconciliation.

Criteria

Cash assets are vulnerable due to availability and liquidity, therefore, adequate internal controls involve measures to prevent theft or other misuses of cash. A review of bank reconciliations by upper management and/or board members is an important control to identify errors or misappropriations in a timely manner.

Compliance with federal grant requirements requires an effective internal control structure.

Effect

Cash assets are at risk when there is not an independent, timely review of the bank reconciliation.

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2014**

Cause

The Authority was not aware of the need for an independent review.

Recommendation

The Authority should establish a process where there is an independent review by someone who does not perform the bank reconciliation nor have access to check stock.

Management Response

Finance Director is now reviewing and signing the bank reconciliation after it is prepared by the Budget Officer.

**STATE OF NEW MEXICO
EASTERN NEW MEXICO WATER UTILITY AUTHORITY
EXIT CONFERENCE
For The Year Ended June 30, 2014**

An exit conference was held in a closed session on November 25, 2014, at the Authority's Offices in Clovis, New Mexico. In attendance were the following:

Eastern New Mexico Water Utility Authority

Chris Bryant	Commissioner of City of Clovis, NM
Don Clifton	Budget Director
LeighAnn Melancon	Non-member, Budget Director, City of Clovis
Joe Thomas	Non-member, City Manager, City of Clovis

Hinkle + Landers, PC

Farley Vener, CPA, CFE	Managing Shareholder
Maclen Enriquez	Audit Manager
Geoff Mamerow	Audit Senior

FINANCIAL STATEMENTS

The financial statements of the Authority as of June 30, 2014, were substantially prepared by Hinkle + Landers, PC, however, the financial statements are the responsibility of management.