

**STATE OF NEW MEXICO**  
**EASTERN NEW MEXICO NATURAL GAS**  
**ASSOCIATION, INC.**

*Audit Report*

For the Year Ended June 30, 2008

**RONNY FOUTS**  
*CERTIFIED PUBLIC ACCOUNTANT*  
Melrose, New Mexico

STATE OF NEW MEXICO  
Eastern New Mexico Natural Gas Association, Inc.

**Official Roster**  
For the year ended June 30, 2008

BOARD OF DIRECTORS

Darrell Bostwick .....President  
James Whitecotton ..... Vice-President  
Alan C. West..... Secretary  
Marshall Scot Stinnett..... Director  
Aldolfo Lucero ..... Director  
Ernest Riley..... Director  
Tuck N. Monk..... Director  
Colin Chandler ..... Director  
Kendell Buzard ..... Director

ADMINISTRATION

George Sena ..... Association Manager  
Les Miller..... Office Manager

STATE OF NEW MEXICO  
Eastern New Mexico Natural Gas Association, Inc.

**Table of Contents**  
June 30, 2008

	Page
INTRODUCTORY SECTION	
Official Roster.....	i
Table of Contents.....	ii
FINANCIAL SECTION	
Independent Auditor's Report.....	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	3
Statement of Revenues, Expenses, and Changes in Net Assets.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-14
Statement of Revenues, Expenditures, and Changes in Cash Balance – Budget (Budgetary Basis) and Actual.....	15
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.....	16-17
Schedule of Findings and Questioned Costs.....	18
Exit Conference.....	19

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**INDEPENDENT AUDITOR'S REPORT**

Hector Balderas, State Auditor  
And the Board Members  
Eastern New Mexico Natural Gas Association, Inc.  
Fort Sumner, New Mexico

We have audited the accompanying basic financial statements of the business-type activities of the Eastern New Mexico Natural Gas Association, Inc. (ENMNGA), as of and for the year ended June 30, 2008, which collectively comprise the ENMNGA.'s basic financial statements as listed in the table of contents. We have also audited the budget comparisons presented as supplementary information in the accompanying financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Association'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 statements 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 business-type activities of the ENMNGA, as of June 30, 2008, and the respective changes in financial position thereof and its cash flows for the year then ended in conformity 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 respective budgetary comparison of ENMNGA for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 28, 2009, on our consideration of ENMNGA.'s internal control over financial reporting and 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 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.

For the year ended June 30, 2008, ENMNGA has not presented the 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.

Ronny Fouts, CPA  
Melrose, New Mexico  
July 28, 2009

STATE OF NEW MEXICO  
 EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
 Statement of Net Assets  
 June 30, 2008

Assets	
Current Assets	
Cash on Hand	\$ 235
Cash in Banks	176,540
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	65,147
Miscellaneous Receivable	372,779
Inventory	64,828
Prepaid Expenses	2,429
Total Current Assets	<u>681,958</u>
Non-current Assets	
Restricted Cash in Banks	32,470
Capital Assets	
Utility System	1,597,078
Less Accumulated Depreciation	(1,322,732)
Equipment and Vehicles	404,509
Less Accumulated Depreciation	<u>(322,050)</u>
Total Non-current Assets	<u>389,275</u>
Total Assets	<u>\$ 1,071,233</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ -
Accrued Salaries & Related Expenses	-
Accrued Compensated Absences	11,905
Total Current Liabilities	<u>11,905</u>
Non-current Liabilities	
Customer Deposits	31,446
Total Non-current Liabilities	<u>31,446</u>
Total Liabilities	<u>43,351</u>
Net Assets	
Invested in Capital Assets	356,805
Unrestricted	<u>671,077</u>
Total Net Assets	<u>\$ 1,027,882</u>

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

STATE OF NEW MEXICO  
 EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
 Statement of Revenues, Expenses, and Changes in Net Assets  
 For the Year Ended June 30, 2008

Operating Revenues	
Sales and Services	\$ 1,092,288
Cost of Sales	<u>(675,042)</u>
	<u>417,246</u>
Operating Expenses	
Personal Services	263,785
Advertising	1,158
Automotive	25,726
Professional Fees	12,597
Insurance	19,954
Office	5,944
Depreciation	43,994
Supplies and Maintenance	22,133
Utilities	9,426
Other	250
	<u>404,967</u>
Operating Income (Loss)	12,279
Nonoperating Revenues	
Other Income	59,302
Grant	275,000
Interest Income	6,764
Total Nonoperating revenues	<u>341,066</u>
Changes in Net assets	353,345
Net Assets at Beginning of Year	<u>674,537</u>
Net Assets at End of Year	<u>\$ 1,027,882</u>

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

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Statement of Cash Flows  
For the Year Ended June 30, 2008

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 1,002,927
Payments to Employees and Suppliers	(1,036,893)
Net Cash Provided by Operating Activities	<u>(33,966)</u>
Cash Flows from Capital & Related Financing Activities	
Other Income	59,302
Grant	27,998
Acquisitions and Construction of Capital Assets	(107,825)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(20,525)</u>
Cash Flows from Investing Activities	
Interest Income	6,764
Net Cash Provided by Investing Activities	<u>6,764</u>
Net Increase (Decrease) in Cash	(47,727)
Cash, July 1, 2007	<u>256,972</u>
Cash, June 30, 2008	<u>\$ 209,245</u>

Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 12,279
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	43,994
Changes in Assets & Liabilities	
(Increase) Decrease in Accounts Receivable	(30,590)
(Increase) Decrease in Other Receivables	(58,771)
(Increase) Decrease in Inventory	-
(Increase) Decrease in Prepaid Expenses	(833)
Increase (Decrease) in Accounts Payable	-
Increase (Decrease) in Accrued Salaries	(2,988)
Increase (Decrease) in Customer Deposits	2,947
Increase (Decrease) in Compensated Absences	(4)
Net Cash Provided by Operating Activities	<u>\$ (33,966)</u>

Reconciliation of total cash and cash equivalents:	
Current Assets - Cash and cash equivalents	\$ 176,775
Restricted Assets - Cash and cash equivalents	32,470
Total Cash and Cash Equivalents	<u>\$ 209,245</u>



STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Eastern New Mexico Natural Gas Association, Inc. (ENMNG) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. ENMNG applies all of these except those that conflict with or contradict GASB pronouncements to its business-type activities.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- Financial statements prepared using full-accrual accounting for all the ENMNG’s activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2008.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* – an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the ENMNG.

**Financial Reporting Entity**

Eastern New Mexico Natural Gas Association, Inc. (ENMNG), was formed as a result of Chapter 309 of the New Mexico Session Law of 1963, which allows two or more communities to join together for the purpose of forming an association to furnish natural gas to the community members. Eastern New Mexico Natural Gas Association, Inc. was formed and is composed of the Fort Sumner, Melrose, and Floyd communities. The Association was incorporated under the Corporation Act of the State of New Mexico on March 25, 1965, with a nonprofit incorporated certificate being issued on the 17<sup>th</sup> of August 1967, by the New Mexico State Corporation Commission.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the ENMNG is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the ENMNG may, without approval or consent of another governmental entity,

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

determine or modify its own budget, levy its own taxes or set rates or charges and issue-bonded debt.

The ENMNG has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected ENMNG members are financially accountable. There are no other primary governments with which the ENMNG Board Members are financially accountable. There are no other primary governments with which the ENMNG has a significant relationship.

ENMNG is engaged in business-type activity only.

**Basis of Presentation**

ENMNG is engaged in business-type activity only. The financial statements (the statement of net assets, statement of revenues, expenses and changes in net assets and the statement of cash flows) report information on all of the activities of the ENMNG.

**Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

The revenues susceptible to accrual are charges for service and interest income.

**Budgetary Control**

An operating budget is adopted each fiscal year and is approved by the Board of Directors and the New Mexico Department of Finance and Administration. The budget is prepared on the cash basis, which is not consistent with generally accepted accounting principles. The Board of Directors is authorized to transfer budgetary amounts between the items within the fund; however, any revision that alters the total expenditures must be approved by the New Mexico Department of Finance and Administration. In conjunction with this, they can overspend line items, but it is a violation of state statute to over-expend a fund total.

**Cash and Cash Equivalents**

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

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

The ENMNG is authorized under the provisions of Chapter 6, Article 10, Paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the ENMNG may be invested in:

- Bonds or negotiable securities of the United States, the state or any county, municipality or ENMNG which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- Securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by full faith and credit of the United States government or agencies guaranteed by the United States government.
- In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Inventory

The inventories held by the ENMNG are recorded at cost, with cost being determined on the first-in, first-out basis.

Prepaid Items

Prepaid balances are for payments made by the ENMNG in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include amounts due from customers for sales and service. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits. Receivables of \$65,147 are net of \$8,138 allowance for uncollectible accounts. The miscellaneous receivable represents overpaid gas purchases from the supplier. The Association has to designate the amount of gas that will be purchased. The Association has to pay for the designated gas even if not purchased until needed.

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the financial statements. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the ENMNG as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight-line depreciation is used based on the following estimated useful lives:

Buildings and Improvements	20-50 years
Equipment, Vehicles, Information Technology Equipment, Software	3-15 years

Compensated Absences

The Association permits employees to accumulate a limited amount of unused vacation time, which must be taken or forfeited within employee's anniversary year following the employment anniversary year in which the annual leave was earned.

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

**2. CASH**

The Association is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized.

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

Citizens Bank	Balance per Bank 6/30/08	Reconciled Balance	Type
Name of Account:			
Revenue Account	\$ 118,159	\$ 32,495	*Checking-NIB
Meter Deposit Account	32,967	31,470	*Checking-NIB
Contractors License	1,008	1,000	*Checking-Int
Repair & Replacement-CD	50,000	50,000	Savings
Total Deposited	<u>202,134</u>	<u>\$ 114,965</u>	
Less: FDIC Coverage	<u>(202,134)</u>		
Uninsured amount	-		
50% collateral requirement	-		*NIB-Non-Interest Bearing
Pledged Securities	100,000		*Int-Interest Bearing
Over (Under) requirement	<u>\$ 100,000</u>		

The following securities are pledged at Citizens Bank:

Description	CUSIP #	Market/Par Value	Maturity Date	Location
GNMA II ARM PL#080727	36225CZ3	\$ 100,000	8/20/1933	Texas Ind. Bank
		<u>\$ 100,000</u>		

New Mexico Bank & Trust	Balance per Bank 6/30/08	Reconciled Balance	Type
Name of Account:			
Repair & Replacement-	\$ 5,156	\$ 5,156	Checking-Int
Total Deposited	<u>5,156</u>	<u>\$ 5,156</u>	
Less: FDIC Coverage	<u>(5,156)</u>		
Uninsured amount	<u>\$ -</u>		

American Heritage Bank	Balance per Bank 6/30/08	Reconciled Balance	Type
Name of Account:			
Repair & Replacement-	\$ 1,327	\$ 1,327	Checking-Int
Repair & Replacement-CD	87,562	87,562	Checking-Int
Total Deposited	<u>88,889</u>	<u>\$ 88,889</u>	
Less: FDIC Coverage	<u>(88,889)</u>		
Uninsured amount	<u>\$ -</u>		

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

<b>Custodial Credit Risk-Deposits</b>	
Depository Account	Bank Balance
Insured	\$ 296,179
Collateralized:	
Collateral held by the pledging bank in Association's name	-
Uninsured and uncollateralized	-
Total Deposits	<u>\$ 296,179</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008, none of the Association's bank balance of \$296,179 was exposed to custodial credit risk.

**3. CAPITAL ASSETS**

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

	Balance per Prior Year	Additions	Retirements	Balance at End of Year
<b>Business-Type Activities:</b>				
Capital Assets not being depreciated:				
Land	\$ 27,223	\$ -	\$ -	\$ 27,223
Total capital assets not being depreciated	27,223	-	-	27,223
<b>Other Capital Assets</b>				
Utility System:				
Gas Plant Acquisition	95,817	-	-	95,817
Improvements	249,454	-	-	249,454
Mains, Meters, Regulators	1,183,100	41,483	-	1,224,583
Equipment and Vehicles:				
Equipment	143,906	5,346	-	149,252
Transportation Equipment	124,734	26,100	-	150,834
Communication	17,953	1,245	-	19,198
Office	51,575	33,651	-	85,226
Total Capital Assets at Historical Cost	1,893,762	107,825	-	2,001,587
Less accumulated depreciation for:				
Utility System:				
Gas Plant Acquisition	95,817	-	-	95,817
Improvements	82,733	5,964	-	88,697
Mains, Meters, Regulators	1,119,297	18,921	-	1,138,218
Equipment and Vehicles:				
Equipment	140,267	3,410	-	143,677
Transportation Equipment	104,114	9,109	-	113,223
Communication	7,686	2,317	-	10,003
Office	50,874	4,273	-	55,147
	1,600,788	43,994	-	1,644,782
Capital Assets, net	\$ 292,974	\$ 63,831	\$ -	\$ 356,805

**4. RESTRICTED CASH**

Restricted cash is money set aside equal to the balance of customer deposits.

**5. PENSION PLAN**

The Eastern New Mexico Natural Gas Association, Inc. maintains a 401K for its employees with Aetna Life and Annuity Co. The plan covers all non-probationary employees after one-half year service with the Association. All employees that participate in the plan must contribute 4% of their compensation, but may contribute up to 9% and the association must contribute 6% of all participating employees' compensation. The contributions to the 401K for the fiscal year ending June 30, 2008 were \$11,441.

STATE OF NEW MEXICO  
 EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
 Notes to Financial Statements  
 June 30, 2008

**6. PREPAID EXPENSE**

Prepaid expense consists of unexpired insurance premiums.

**7. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS**

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to
- Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are as follows:

Receivable Adjustments	41,267
Inventory Adjustments	-
Other Income	<u>275,000</u>
 Total Revenues GAAP Basis	 <u><u>\$ 758,312</u></u>
 Expenditures	
Actual Amounts (Budgetary Basis)	\$ 440,700
Adjustments:	
Depreciation	43,994
Capital Purchases	(78,849)
Compensated Absences	(4)
Accrued salaries	(2,988)
Restricted assets and customer deposits	2,947
Prepaid Expenses	<u>(833)</u>
	 <u><u>\$ 404,967</u></u>

**8. RISK MANAGEMENT**

Commercial insurance covers all losses. There have been no significant reductions in insurance coverage. Settlement amount have not exceeded insurance coverage for the current year of the three prior years. There are no claim liabilities at year-end.



STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Notes to Financial Statements  
June 30, 2008

**9. SURETY BONDS**

The Directors and certain employees of ENMNG are covered by a surety bond as required by Section 12-6-7, NMSA 1978, Compliance and State Auditor's Rule 89-1.

**10. RELATED PARTY TRANSACTIONS**

The Board of Directors and employees of ENMNG are recipients of natural gas service. These transactions are correctly considered arm's length transactions since these related parties are subject to the same installation, invoicing, payment expectations, and late payment procedures as all ENMNG customers.

STATE OF NEW MEXICO  
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION  
Schedule of Revenues, Expenditures, and Changes  
in Cash Balance - Budget and Actual (Ncn-GAAP)  
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Gas Sales & Service	\$ 1,004,000	\$ 1,004,000	\$ 874,537	\$ (129,463)
Sale of Merchandise	75,000	75,000	101,581	26,581
Other Services	56,000	56,000	54,905	(1,095)
Cost of Gas Sold	(667,000)	(667,000)	(599,160)	67,840
Cost of Merchandise Sold	(54,300)	(54,300)	(75,884)	(21,584)
Legislative Grant	275,000	275,000	-	(275,000)
Interest Income	-	-	6,764	6,764
Other Income	5,000	5,000	59,302	54,302
<b>Total Revenues</b>	<b>693,700</b>	<b>693,700</b>	<b>422,045</b>	<b>(271,655)</b>
Expenditures:				
Advertising	2,000	2,000	1,158	842
Automotive	25,000	25,000	25,726	(726)
Board	4,300	4,300	4,712	(412)
Collection costs	300	300	-	300
Equipment	5,400	5,400	2,452	2,948
Insurance	22,500	22,500	19,954	2,546
Misc. Travel & Meals	100	100	249	(149)
Office	4,200	4,200	2,116	2,084
Payroll	236,700	236,700	218,078	18,622
Payroll taxes	18,320	18,320	16,857	1,463
Payroll benefits	50,080	50,080	28,750	21,330
Postage	4,000	4,000	3,829	171
Professional fees	10,500	10,500	7,886	2,614
Repair & replacement	17,700	17,700	14,198	3,502
Supplies	4,000	4,000	5,483	(1,483)
Telephone	5,700	5,700	5,434	266
Utilities	3,900	3,900	3,992	(92)
Capital Outlay	382,494	382,494	79,826	302,668
<b>Total Expenditures</b>	<b>797,194</b>	<b>797,194</b>	<b>440,700</b>	<b>356,494</b>
Excess (deficiency) of revenues over expenditures	(103,494)	(103,494)	(18,655)	84,839
Other Financing Sources (Uses)				
Transfers In	230,581	230,581	-	230,581
Transfers Out	(145,000)	(145,000)	-	(145,000)
Revenues and Other Financing Sources Over (Under) Expenditures & Other Uses	(17,913)	(17,913)	(18,655)	(742)
Cash Balance at beginning of year	227,900	227,900	227,900	-
Cash balance at end of year	\$ 209,987	\$ 209,987	\$ 209,245	\$ (742)

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

**RONNY FOUTS**  
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**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***

Hector Balderas, State Auditor  
Eastern New Mexico Natural Gas Association Inc. and  
Board Members  
Fort Sumner, New Mexico

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and the combining and individual funds presented as supplemental information of the agency as of and for the year ended June 30, 2008, and have issued our report thereon dated July 28, 2009. 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 Eastern New Mexico Natural Gas Association Inc.'s (ENMNGA) internal control over financial reporting as a basis for designing our auditing procedures 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 agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the ENMNGA's financial statements that is more than inconsequential will not be prevented or detected by the ENMNGA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern New Mexico Natural Gas Association Inc. 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 one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of findings and responses as finding 08-01.

The association's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the association's response and, accordingly, we express no opinion on it.

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



Ronny Fouts, CPA  
Melrose, New Mexico  
July 28, 2009

STATE OF NEW MEXICO  
Eastern New Mexico Natural Gas Association, Inc.

**Schedule of Findings and Recommendations**  
For the Year Ended June 30, 2008

SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unqualified opinion on the financial statements of Eastern New Mexico Natural Gas Association Inc.
2. No instances of noncompliance material to the financial statements of Eastern New Mexico Natural Gas Association Inc. were disclosed during the audit.
3. The District did not expend \$500,000 in federal awards, and was therefore not subject to OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

None

FINDINGS – FINANCIAL STATEMENT AUDIT

Late Audit Report 08-01

Condition

The audit report was filed after the due date.

Criteria

According to the New Mexico State Auditor Rule 2.2.2.9 the audit report due date for this agency is December 1.

Cause

The CPA had a loss of personnel which caused a hardship in completing the audit and therefore has caused the report to be late. The association also lost the head bookkeeper in October and the replacement had trouble producing all the records necessary to complete the audit.

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

The association and auditor will be more diligent to file it in the future.

Response

The audit will be filed timely in the future.

FINANCIAL STATEMENT PREPARATION

The financial statements were prepared by Ronny Fouts, CPA with substantial assistance from District personnel.

STATE OF NEW MEXICO  
Eastern New Mexico Natural Gas Association, Inc.

**Exit Conference**  
For the Year Ended June 30, 2008

EXIT CONFERENCE

The contents of this report were discussed with George Sena, Association Manager, Les Miller, Office Manager, Darrell Bostwick, President and Ronny Fouts, CPA on August 31, 2009.

Ronny Fouts, CPA  
Melrose, New Mexico  
July 28, 2009