



STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
FORT SUMNER, NEW MEXICO

ANNUAL FINANCIAL REPORT
June 30, 2012

De'Aun Willoughby CPA, PC
Certified Public Accountant
Clovis, New Mexico



STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
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STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Official Roster
June 30, 2012

BOARD OF DIRECTORS

Darrel Bostwick	President
James Whitecotton	Vice President
Alan 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
Pae Vison	Bookkeeper

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Eastern New Mexico Natural Gas Association

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the business-type activities of the Eastern New Mexico Natural Gas Association (ENMNG), as of and for the year ended June 30, 2012, as listed in the table of contents. We have also audited the budget comparison presented as supplementary information in the financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the ENMNG's management. Our responsibility is to express an opinion 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 with standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the business-type activities of the ENMNG as of June 30, 2012, and the respective changes in its financial position and its cash flows 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 a report dated September 17, 2012 on our consideration of the ENMNG'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.

The ENMNG's management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying budget comparison is not a required part of the financial statements. The additional schedule listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Aun Willoughby CPA PC

September 17, 2012

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Statement of Net Assets Proprietary Funds
June 30, 2012

Assets	
Current Assets	
Cash on Hand	\$ 470
Cash in Banks	412,967
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	17,205
Inventory	28,799
Total Current Assets	<u>459,441</u>
Non-current Assets	
Restricted Cash in Banks	44,372
Capital Assets	2,516,176
Less Accumulated Depreciation	<u>(1,705,866)</u>
Total Non-current Assets	<u>854,682</u>
Total Assets	<u>1,314,123</u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	29,358
Accrued Salaries & Related Expenses	<u>2,274</u>
Total Current Liabilities	<u>31,632</u>
Non-current Liabilities	
Accrued Compensated Absences	20,777
Customer Deposits	<u>43,350</u>
Total Non-current Liabilities	<u>64,127</u>
Total Liabilities	<u>95,759</u>
Net Assets	
Invested in Capital Assets	854,682
Unrestricted	<u>363,682</u>
Total Net Assets	<u>\$ 1,218,364</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

EASTERN NEW MEXICO NATURAL GAS ASSOCIATION

Statement of Revenues, Expenses, and Changes in Net Assets Proprietary Funds

For the Year Ended June 30, 2012

Operating Revenues	
Sales and Services	\$ 931,640
Cost of Goods Sold	<u>(403,492)</u>
	<u>528,148</u>
Operating Expenses	
Personnel Services	339,113
Professional Fees	6,549
Other Fees	13,780
Fuel	25,669
Insurance	20,253
Office	12,411
Depreciation	40,718
Supplies and Maintenance	30,710
Taxes	53,970
Utilities	11,148
Other	7,863
	<u>562,184</u>
Operating Income	<u>(34,036)</u>
Nonoperating Revenues	
Interest Income	<u>2,144</u>
Total Nonoperating Revenues	<u>2,144</u>
Change in Net Assets	(31,892)
Net Assets at Beginning of Year	<u>1,250,256</u>
Net Assets at End of Year	<u>\$ 1,218,364</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Statement of Cash Flows Proprietary Funds
For the Year Ended June 30, 2012

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 968,955
Payments to Employees and Suppliers	<u>(897,707)</u>
Net Cash Provided by Operating Activities	<u>71,248</u>
Cash Flows from Capital & Related Financing Activities	
Acquisitions and Construction of Capital Assets	<u>(35,665)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(35,665)</u>
Cash Flows from Investing Activities	
Interest Income	<u>2,144</u>
Net Cash Provided by Investing Activities	<u>2,144</u>
Net Increase (Decrease) in Cash	37,727
Cash, July 1, 2011	<u>420,082</u>
Cash, June 30, 2012	<u>\$ 457,809</u>
Reconciliation of Cash	
Cash on Hand	470
Cash in Banks	412,967
Restricted Cash in Banks	<u>44,372</u>
Total Cash	<u>457,809</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income	(34,036)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	40,718
Change in Assets & Liabilities	
(Increase) Decrease in Accounts Receivable	30,321
(Increase) Decrease in Inventory	11,886
Increase (Decrease) in Accounts Payable	7,701
Increase (Decrease) in Compensated Absences	9,808
Increase (Decrease) in Customer Deposits	<u>4,850</u>
Net Cash Provided by Operating Activities	<u>\$ 71,248</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Notes to the Financial Statements
June 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Eastern New Mexico Natural Gas Association (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. The more significant of the ENMNG's accounting policies are described below.

Financial Reporting Entity

Eastern New Mexico Natural Gas Association (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 17th 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 the approval or consent of another governmental entity, 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.

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.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets.

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.

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Notes to the Financial Statements
June 30, 2012

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. New Mexico's legal level of budgetary control is at the fund level.

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.

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 :

(a) 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

(b) 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 the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) 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.

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Notes to the Financial Statements
June 30, 2012

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.

Capital Assets

Capital assets, which includes 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:

Infrastructure	30 Years
Buildings	50 Years
Building Improvements	20 Years
Vehicles, Equipment	3-15 Years
Information Technology Equipment and 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 the employees 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.

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 NATURAL GAS ASSOCIATION
Notes to the Financial Statements
June 30, 2012

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.

Restricted Net Assets

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net assets use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

NOTE B: DEPOSITS AND INVESTMENTS

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

Citizens Bank

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	Type
Revenue Account	\$ 102,917	\$ 102,678	Non-interest
Business Account	152,984	152,984	Interest
Meter Deposit Account	44,425	43,350	Non-interest
Contractors License	1,022	1,022	Interest
	<u>301,348</u>	<u>\$ 300,034</u>	
Less: FDIC Coverage	(250,000)		
Uninsured Amount	51,348		
50% collateral requirement	25,674		
Pledged securities	146,065		
Over (Under) requirement	<u>\$ 120,391</u>		

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
GNMA II Pool #8072	36225CZ3	146,065	8/20/33	TIB, Dallas, TX

American Heritage Bank

<u>Name of Account</u>	Balance Per Bank 6/30/12	Reconciled Balance	Type
Repair & Replacement	\$ 97,294	97,294	Non-interest
Repair & Replacement-CD	60,011	60,011	Interest
Total Deposited	157,305	<u>\$ 157,305</u>	
Less: FDIC Coverage	(157,305)		
Uninsured Amount	<u>\$ 0</u>		

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Notes to the Financial Statements
June 30, 2012

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 458,653
Collateralized:	
Collateral held by the pledging bank in Association's name	0
Uninsured and uncollateralized	0
Total Deposits	\$ 458,653

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, 2012, none of the ENMNG's bank balance of \$458,653 was exposed to custodial credit risk.

NOTE C: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2012, is as follows:

	Balance 6/30/11	Additions	Deletions	Balance 6/30/12
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 27,223	\$ 0	\$ 0	\$ 27,223
Total Capital Assets not being Depreciated	27,223	0	0	27,223
Other Capital Assets				
Utility System:				
Gas Plant Acquisition	95,817	0	0	95,817
Improvements	249,454	0	0	249,454
Mains, Meters, Regulators	1,603,560	5,464	0	1,609,024
Equipment & Vehicles:				
Equipment	302,772	0	0	302,772
Transportation	143,047	29,301	(20,885)	151,463
Office	79,523	900	0	80,423
Total Capital Assets at Historical Cost	\$ 2,501,396	\$ 35,665	\$ (20,885)	\$ 2,516,176
Accumulated Depreciation:				
Utility System:				
Gas Plant Acquisition	\$ 95,817	\$ 0	\$ 0	\$ 95,817
Improvements	105,962	5,486	0	111,448
Mains Meter Regulators	1,164,416	11,629	0	1,176,045
Equipment & Vehicles:				
Equipment	169,027	11,174	0	180,201
Transportation	105,908	7,601	(20,885)	92,624
Office	44,904	4,827	0	49,731
	1,686,034	40,717	(20,885)	1,705,866
Capital Assets, net	\$ 815,362	\$ (5,052)	\$ 0	\$ 810,310

NOTE D: RESTRICTED CASH

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

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Notes to the Financial Statements
June 30, 2012

NOTE E: 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 Associations contribution's to the 401K for the fiscal year ending June 30, 2012, 2011 and 2010 were \$13,648, \$12,313, and \$13,968.

The plan administrator provides the Plan when an employee begins to participate and provides an annual statement to each employee with contributions, earnings and values.

NOTE F: PREPAID EXPENSE

Prepaid expense consists of unexpired insurance premiums.

NOTE G: 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:

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

NOTE H: 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.

NOTE I: 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.

NOTE J: 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 ASSOCIATIONStatement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Sales & Service	\$ 780,500	\$ 780,500	\$ 544,622	\$ (235,878)
Sale of Merchandise	65,000	65,000	176,967	111,967
Other Services	38,000	38,000	74,083	36,083
Fees	150,300	150,300	168,708	18,408
Interest Income	3,500	3,500	2,144	(1,356)
Miscellaneous	650	36,376	2,431	(33,945)
Total Revenue	<u>1,037,950</u>	<u>1,073,676</u>	<u>968,955</u>	<u>(104,721)</u>
Expenditures				
Advertising	1,000	2,000	1,705	295
Board Expense	9,000	9,000	6,425	2,575
Capital Purchases	5,000	42,726	35,665	7,061
Cost of Gas Sold	493,000	481,925	387,078	94,847
Fees	13,650	13,675	13,780	(105)
Fuel	22,500	27,822	26,137	1,685
Insurance	23,500	23,500	20,253	3,247
Office	9,000	9,000	7,421	1,579
Payroll Expenses	269,805	269,805	256,701	13,104
Payroll Taxes & Benefits	93,585	71,562	63,687	7,875
Postage	4,000	4,500	4,455	45
Professional Fees	7,500	7,500	6,549	951
Repairs	20,000	25,000	23,508	1,492
Supplies	5,500	9,000	6,901	2,099
Taxes	42,000	55,000	54,480	520
Telephone	4,500	5,250	5,021	229
Training	800	800	520	280
Travel	750	750	730	20
Uniforms	4,500	5,700	5,675	25
Utilities	4,500	4,500	4,537	(37)
Total Expenditures	<u>1,034,090</u>	<u>1,069,015</u>	<u>931,228</u>	<u>137,787</u>
Excess (Deficiency) of Revenues Over Expenditures	3,860	4,661	37,727	33,066
Cash Balance Beginning of Year	<u>420,082</u>	<u>420,082</u>	<u>420,082</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 423,942</u>	<u>\$ 424,743</u>	<u>\$ 457,809</u>	<u>\$ 33,066</u>

STATE OF NEW MEXICO

EASTERN NEW MEXICO NATURAL GAS ASSOCIATION

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2012

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	37,727
Depreciation		(40,718)
Capital Outlay		35,665
Net change in Accounts Receivable		(30,321)
Net change in Inventory		(11,886)
Net change in Accounts Payable		(7,701)
Net change in Accrued Compensated Absences		(9,808)
Net change in Customer Deposits		(4,850)
Change in Net Assets-GAAP Basis	\$	<u><u>(31,892)</u></u>

The notes to the financial statements are an integral part of this statement.



De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(855) 253-4313

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance with *Government Auditing Standards*

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Eastern New Mexico Natural Gas Association

Mr. Balderas and Members of the Board

We have audited the basic financial statements of the business-type activities and the budget comparison of the Eastern New Mexico Natural Gas Association (ENMNG) as of and for the year ended June 30, 2012 and have issued our report thereon dated September 17, 2012. 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

Management of ENMNG is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered ENMNGA's 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 ENMNGA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ENMNGA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of ENMNGA's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ENMNG'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 Standard*.

This report is intended solely for the information and use of the administration, the board members, the New Mexico Department of Finance and Administration, the State Auditor, the New Mexico State Legislature and its committees, and is not intended to be and should not be used by anyone other than these specified parties.

 CPA PC

September 17, 2012

STATE OF NEW MEXICO
EASTERN NEW MEXICO NATURAL GAS ASSOCIATION
Findings and Comments
June 30, 2012

Prior Year Audit Findings

	<u>Status</u>
09-3 Preparation of Financial Statements	Resolved
10-1 Expenditures Over Budget	Resolved

Current Year Audit Findings

None

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby, CPA.

Exit Conference

An exit conference was held on September 17, 2012. Those present were Darrel Bostwick, Board President, George Sena, Manager, Pae Vinson, Bookkeeper and Secretary, and De'Aun Willoughby, CPA.