



State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
(A Non-profit Corporation)
Fort Sumner, New Mexico

Annual Financial Report
June 30, 2017

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



State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
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State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
Official Roster
June 30, 2017

Board of Directors

Barry Green	President
Kendell Buzard	Vice President
Alan West	Secretary
Aldolfo Lucero	Director
Colin Chandler	Director
Ernest Riley	Director
Marshall Scot Stinnett	Director
Tuck N. Monk	Director
Yantie Love	Director

Administration

George Sena	Association Manager
Pae Vison	Clerk/Secretary

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(855) 253-4313

Independent Auditor's Report

Mr. Timothy Keller
State Auditor of the State of New Mexico
Board Members of the Eastern New Mexico Natural Gas Association

Mr. Keller and Members of the Board

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activity of the Eastern New Mexico Natural Gas Association, Inc., a non-profit corporation (Association), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Association's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying financial statements as of and for the year ended June 30, 2017, 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 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activity of Eastern New Mexico Natural Gas Association as of June 30, 2017, and the respective changes in financial position and its cash flows, 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 respective budgetary comparison 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's Discussion and Analysis which is required 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2017, on our consideration of Association'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 or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Association's internal control over financial reporting and compliance.

De'Ann Willoughby, CPA PC

November 29, 2017

State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
Statement of Net Position- Proprietary Fund
June 30, 2017

Assets	
Current Assets	
Cash on Hand	\$ 470
Cash in Banks	537,513
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	45,569
Inventory	12,132
Total Current Assets	<u>595,684</u>
Non-current Assets	
Restricted Cash in Banks	56,300
Capital Assets	2,629,668
Less Accumulated Depreciation	<u>(1,952,215)</u>
Total Non-current Assets	<u>733,753</u>
Total Assets	<u>1,329,437</u>
Liabilities and Net Position	
Current Liabilities	
Accounts Payable	24,468
Accrued Salaries & Related Expenses	<u>2,677</u>
Total Current Liabilities	<u>27,145</u>
Non-current Liabilities	
Accrued Compensated Absences	11,115
Customer Deposits	56,300
Total Non-current Liabilities	<u>67,415</u>
Total Liabilities	<u>94,560</u>
Net Position	
Invested in Capital Assets	733,753
Unrestricted	<u>501,124</u>
Total Net Position	<u>\$ 1,234,877</u>

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

State of New Mexico

Eastern New Mexico Natural Gas Association, Inc.

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund

For the Year Ended June 30, 2017

Operating Revenues	
Sales and Services	\$ 1,008,851
Cost of Goods Sold	<u>(330,062)</u>
	<u>678,789</u>
Operating Expenses	
Personnel Services	422,115
Depreciation	92,171
Taxes	53,093
Repairs	34,533
Insurance	19,220
Fees	15,250
Fuel	12,413
Office	16,906
Utilities	10,852
Board Expense	7,800
Professional Fees	6,399
Supplies	8,776
Uniforms	7,883
Other	<u>3,693</u>
	<u>711,104</u>
Operating Income	<u>(32,315)</u>
Nonoperating Revenues	
Miscellaneous	<u>4,762</u>
Total Nonoperating Revenues	<u>4,762</u>
Change in Net Position	(27,553)
Net Position at Beginning of Year	<u>1,262,430</u>
Net Position at End of Year	<u>\$ 1,234,877</u>

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

State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
Statement of Cash Flows Proprietary Fund
For the Year Ended June 30, 2017

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 1,006,955
Payments to Employees and Suppliers	<u>(942,724)</u>
Net Cash Provided by Operating Activities	<u>64,231</u>
Cash Flows from Capital and Related Financing Activities	
Acquisitions and Construction of Capital Assets	<u>(18,710)</u>
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(18,710)</u>
Cash Flows from Investing Activities	
Miscellaneous	<u>4,762</u>
Net Cash Provided by Investing Activities	<u>4,762</u>
Net Increase (Decrease) in Cash	50,283
Cash, Beginning of Year	<u>544,000</u>
Cash, End of Year	<u>\$ 594,283</u>
Reconciliation of Cash	
Cash on Hand	\$ 470
Cash in Banks	537,513
Restricted Cash in Banks	<u>56,300</u>
Total Cash	<u>594,283</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income	(32,315)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	92,171
Change in Assets & Liabilities	
(Increase) Decrease in Accounts Receivable	(9,809)
(Increase) Decrease in Inventory	496
Increase (Decrease) in Accounts Payable	10,179
Increase (Decrease) in Accrued Salaries and Benefits	18
Increase (Decrease) in Compensated Absences	341
Increase (Decrease) in Customer Deposits	<u>3,150</u>
Net Cash Provided by Operating Activities	<u>\$ 64,231</u>

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

State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
Notes to the Financial Statements
June 30, 2017

Note A: Summary of Significant Accounting Policies

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

Financial Reporting Entity

Eastern New Mexico Natural Gas Association was organized pursuant to Chapter 3, Article 23, NMSA, 1978, which provides that two or more municipalities, by joint or concurring resolution, may form an association for the purpose of acquiring a natural gas supply system. The Association was organized by the municipalities of Fort Sumner, Melrose, and Floyd, New Mexico. The Association was incorporated as a non-profit corporation pursuant to the laws of the State of New Mexico on February 19, 1965.

Each of the originating municipalities appoints three members to the governing Board of Directors to serve a term of three years. The municipalities do not have an equity interest in the Association as no capital stock was issued upon incorporation.

The accompanying financial statements present the Association as a business type activity, stand-alone, special purpose government. None of the individual members of the municipalities who organized the Association appoint a majority of its Board and none of the individual municipalities are able to impose their will on the organization. The Board of Directors has the power to make and alter bylaws or rules and regulations for the management and operation of the work of the Association and the control and conduct of its business and affairs, including the ability to approve its own budget and issue debt, without the approval of the organizing municipalities. The Board of Directors may, at its discretion, allocate any net profit after all obligations, to the organizing municipalities. The Board has not elected to distribute any profits in recent years. Although the Association does not receive direct financial assistance from the organizing municipalities and they have no obligation to provide direct financial assistance, the organizers may provide such assistance at their discretion; however, Association does not impose a financial burden on these governments. Finally, the nature and significance of the relationship of Association is such that it would not cause the organizing governments financial statements to be misleading or incomplete by not including the financial statements of the Association.

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

State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
Notes to the Financial Statements
June 30, 2017

Basis of Presentation

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

Business-type activities are financed only by fees charged to customers that defines operating revenue. Operating expenses are defined as costs of providing services and products to customers. Capital, and related financing activities, noncapital financing activities, or investment activities are normally not reported as operating income or expenses. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

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 position and the operating statements present increases (revenues) and decreases (expenses) in net total position. The statement of cash flows provides information about how the Association finances and meets the cash flow needs of proprietary activity.

Revenues, expenses, gains, losses, assets, deferred outflows of resources resulting from exchange and non-exchange like transactions are recognized when the exchange takes place. Association had no deferred inflows or outflows of resources for the current year.

Cash and Cash Equivalents

The Association'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 Association 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 Association may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or Association 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.

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(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.

Accounts Receivables

Accounts receivables are reported net of advance payments received from customers. Advance payments include amounts received in excess of billings on a monthly budget payment plan and New Mexico department of Human Services Low Income Home Energy Assistance Program. Management has determined that unbilled receivables, service provided after the last billing date and the end of the reporting year, are not material. As the Association's year end occurs in the summer during low gas usage, and as the unbilled service is typically approximately the same as the beginning and end of the year, management's practice is not to record the unbilled service. Allowance for uncollectible accounts is provided based on historical charge-offs of uncollectible accounts.

Inventory

The inventories held by the Association 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 Association 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.

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 Association 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

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Compensated Absences

The Association permits employees to accumulate a maximum of twenty days unused vacation time which must be taken or forfeited within the employee's anniversary year following the employment year in which the annual leave was earned. The employees are paid for accrued vacation time when terminated of employment. Association employees accrue one sick day per calendar month. Employees may be paid half of accumulated sick leave over one hundred and twenty days. The beginning balance of the liability was \$10,774, additions were \$16,090 vacation used \$15,749 leaving a liability of \$11,115.

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.

Net Position

Net position represent the difference between assets and liabilities. Net position 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 position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

Restricted Assets

Restricted assets include customer deposits held for security of sales of natural gas. Assets are reported as restricted when:

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.

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.

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June 30, 2017

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Association's financial statements include the allowance for uncollectible accounts, the current portion of accrued compensated absences, and the useful lives of capital assets.

Note B: Deposits and Investments

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

Citizens Bank

Name of Account	Balance Per Bank 6/30/17	Reconciled Balance	Type
Revenue Account	\$ 143,675	\$ 138,659	Checking
Business Account	56,880	56,880	Savings
Meter Deposit Account	56,564	54,862	Checking
Total Deposited	257,119	\$ 250,401	
Less: FDIC Coverage	(257,119)		
Uninsured Amount	\$ 0		

American Heritage Bank

Name of Account	Balance Per Bank 6/30/17	Reconciled Balance	Type
Repair & Replacement	\$ 100,099	100,099	Checking
Repair & Replacement-CD	61,800	61,800	Savings
ENMNGA	50,275	50,275	Savings
Total Deposited	212,174	\$ 212,174	
Less: FDIC Coverage	(212,174)		
Uninsured Amount	\$ 0		

NM Bank and Trust

Name of Account	Balance Per Bank 6/30/17	Reconciled Balance	Type
ENMNGA	\$ 131,238	131,238	Savings
Total Deposited	131,238	131,238	
Less: FDIC Coverage	(131,238)		
Uninsured Amount	\$ 0		

Custodial Credit Risk-Deposits

Depository Account	Bank Balance
Insured	\$ 600,531
Collateralized:	
Collateral held by the pledging bank in Association's name	0
Uninsured and uncollateralized	0
Total Deposits	\$ 600,531

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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, 2017, none of the Association's bank balance of \$600,561 was exposed to custodial credit risk.

The restricted cash is the customer meter deposits that are held to secure payment of gas services.

Note C: Capital Assets

Capital Assets Balances and Activity for the Year Ended June 30, 2017, is as follows:

	Balance 6/30/16	Additions	Deletions	Balance 6/30/17
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	259,810		0	259,810
Mains, Meters, Regulators	1,653,167	18,710	0	1,671,877
Equipment & Vehicles:				
Equipment	339,416	0	0	339,416
Transportation	160,549			160,549
Office	85,425	0	10,449	74,976
Total Capital Assets at Historical Cost	\$ 2,621,407	\$ 18,710	\$ 10,449	\$ 2,629,668
Accumulated Depreciation:				
Utility System:				
Gas Plant Acquisition	\$ 95,817	\$ 0	\$ 0	\$ 95,817
Improvements	121,886	7,413	0	129,299
Mains Meter Regulators	1,240,032	46,135	0	1,286,167
Equipment & Vehicles:				
Equipment	228,938	15,815	0	244,753
Transportation	113,875	16,024	0	129,899
Office	69,945	6,784	10,449	66,280
	1,870,493	92,171	10,449	1,952,215
Capital Assets, net	\$ 750,914	\$ (73,461)	\$ 0	\$ 677,453

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Eastern New Mexico Natural Gas Association, Inc.
Notes to the Financial Statements
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Note D: Defined Contribution Retirement Plan

Substantially all full time employees participate in the Association Pension Trust, a defined contribution plan, complying with Section 401(k) of the Internal Revenue Code. The Association does not participate in the statewide PERA plan.

The plan adopted by the Board of Directors was last amended on January 1, 2013. The plan provides for elective salary deferrals of employees, up to the maximum as provided by law (for 2016, \$24,000 for employees 50 years of age and over and \$18,000 for employees under 50 years of age). Employee deferrals are matched by the employer up to a maximum of 6% of compensation. The employer may also make additional discretionary contributions to the plan.

The Association's contributions in the plan for fiscal years ending June 30, 2017, 2016, and 2015, were \$18,398, \$17,560, and \$19,363, respectively. Employee salary deferrals were \$41,994, \$38,126, and \$32,204 in fiscal year 2017, 2016, and 2015, respectively. There were no additional discretionary contributions for fiscal years of 2017, 2016, or 2015.

Vesting of employer non-elective matching contributions is over a six year graded plan. Participants become fully vested upon death or total disability. Forfeitures of non-vested benefits of terminated employees are used to reduce employer matching contributions.

Note E: Prepaid Expense

Prepaid expense consists of unexpired insurance premiums. The Association does not have any material prepaid insurance premium as of June 30, 2017.

Note F: 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 G: Risk Management

The Association is exposed to various risk of loss related to torts, theft, damage to assets, errors and omissions, and employee injury among others. The Association insures these losses through insurance with the New Mexico Self-Insurer's Fund for workers compensation, general liability and property coverage. Contributions to the fund for the current year amounted to \$16,250. Premiums to members are based on claim experience and status of the pool. The Association also has insurance for other risks from other carriers for employee dishonesty bond, director liability, and employment practices

For the last three years, the Association has not filed any claims for which the settlement amount exceeded the insurance coverage. There have been no significant reductions in major risk categories or insurance coverage during the past year.

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Notes to the Financial Statements
June 30, 2017

Note H: Related Party Transactions

The Board of Directors and employees of Association 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 Association customers.

Note I: Subsequent Events Review

Subsequent events were evaluated through November 29, 2017, the issue date of these financial statements.

State of New Mexico

Eastern New Mexico Natural Gas Association, Inc.

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

For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gas Sales and Service	\$ 909,533	\$ 909,533	\$ 805,222	\$ (104,311)
Sale of Merchandise	80,000	80,000	133,398	53,398
Other Services	45,000	45,000	50,503	5,503
Fees	8,600	8,600	13,070	4,470
Miscellaneous	9,800	9,800	4,762	(5,038)
Total Revenue	<u>1,052,933</u>	<u>1,052,933</u>	<u>1,006,955</u>	<u>(45,978)</u>
Expenditures				
Advertising	2,050	2,050	2,005	45
Board Expense	11,700	11,700	7,800	3,900
Capital Purchases	20,000	20,000	18,710	1,290
Cost of Natural Gas Sold	358,050	358,050	327,636	30,414
Fees	17,300	17,300	15,229	2,071
Fuel	17,000	17,000	12,269	4,731
Insurance	25,000	25,000	19,220	5,780
Office	26,500	26,500	11,150	15,350
Payroll Expenses	312,385	312,385	306,635	5,750
Payroll Taxes	25,898	25,898	24,034	1,864
Retirement Benefits	18,743	18,743	18,398	345
Health Insurance Benefits	73,000	73,000	72,633	367
Postage	5,700	5,700	5,319	381
Professional Fees	7,500	7,500	6,399	1,101
Repairs	37,500	37,500	34,424	3,076
Supplies	6,000	6,000	3,175	2,825
Taxes	56,000	56,000	51,402	4,598
Telephone	6,600	6,600	5,789	811
Training	1,000	1,000	909	91
Travel	1,000	1,000	693	307
Uniforms	7,800	7,800	7,858	(58)
Utilities	5,900	5,900	4,985	915
Total Expenditures	<u>1,042,626</u>	<u>1,042,626</u>	<u>956,672</u>	<u>85,954</u>
Excess (Deficiency) of Revenues Over Expenditures	10,307	10,307	50,283	39,976
Cash Balance Beginning of Year	<u>544,000</u>	<u>544,000</u>	<u>544,000</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 554,307</u>	<u>\$ 554,307</u>	<u>\$ 594,283</u>	<u>\$ 39,976</u>

State of New Mexico

Eastern New Mexico Natural Gas Association, Inc.

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

For the Year Ended June 30, 2017

Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	50,283
Depreciation		(92,171)
Capital Outlay		18,710
Net Change in Accounts Receivable		9,809
Net Change in Inventory		(496)
Net Change in Accounts Payable		(10,179)
Net Change in Accrued Salaries and Benefits		(18)
Net Change in Accrued Compensated Absences		(341)
Net Change in Customer Deposits		(3,150)
Change in Net Position-GAAP Basis	\$	<u>(27,553)</u>

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



De'Aun Willoughby CPA, PC

Certified Public Accountant

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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*

Mr. Timothy Keller
State Auditor of the State of New Mexico
Board Members of the Eastern New Mexico Natural Gas Association

Mr. Keller and Members of the Board

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 business-type activity of Eastern New Mexico Natural Gas Association (Association) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and the related budgetary comparison presented as supplemental information, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the Association'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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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 are less severe than a material weakness, yet important enough to merit attention by those charged with governance. However, material weaknesses may exist that have not been identified.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of it's 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 and which is described in the accompanying Schedule of Findings and Responses; 2016-002.

The Association's Responses to Findings

The Association's responses to the finding identified in our audit as described in the accompanying schedule of findings and responses. Responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

De'Ann Willoughby, CPA PC

November 29, 2017

State of New Mexico
Eastern New Mexico Natural Gas Association, Inc.
Schedule of Findings and Responses
June 30, 2017

Prior Year Audit Findings

	<u>Status</u>
2015-002 Outstanding Check Policy	Resolved
2016-001 Payroll	Resolved
2016-002 Certified Chief Procurement Officers	Repeated

Current Year Audit Findings

2016-002 Certified Chief Procurement Officers-Non-Compliance Condition

The Association has no certified CPO as of June 30, 2017.

The clerk has made progress resolving this finding.

Criteria

NMAC 1.4.1.94 (D) - Chief procurement officer duties, responsibilities and obligations. On and after July 1, 2015, only certified chief procurement officers may: (1) make determinations, including determinations regarding exemptions, pursuant to the Procurement Code; (2) issue purchase orders and authorize small purchases pursuant to the Procurement Code; and (3) approve procurement pursuant to the Procurement Code; (4) provided that, persons using procurement cards may continue to issue purchase orders and authorize small purchases.

Cause

The Association did not know that they needed to have a CPO registered with the New Mexico General Services Department.

Effect

The purpose of the training was to improve the procurement process through gained knowledge. Issuing purchase orders by someone other than the CPO negates the purpose of the training.

Recommendation

The web site should be updated to reflect the current CPO and the CPO should be issue the purchase orders.

Response

The clerk received CPO certificate on September 7, 2017. On November 17, 2017 the clerk tried to register with New Mexico General Services Department but the system would not let her. She is in contact with the New Mexico General Services Department to get this resolved so she can get registered.

The clerk is responsible for this finding and expects it to be resolved soon.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 29, 2017. Those present were Scot Stinnet-Board Director, George Sena-Manager, Pae Vinson-Clerk and De'Aun Willoughby, CPA.