

RIO GRANDE NATURAL GAS ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 2012

RIO GRANDE NATURAL GAS ASSOCIATION

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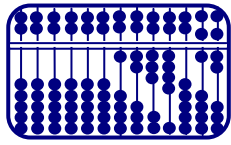
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RIO GRANDE NATURAL GAS ASSOCIATION
June 30, 2012

BOARD OF DIRECTORS

The Board of Directors for the year-ended June 30, 2012, none of whom are employed by the City of Las Cruces or the Village of Hatch is:

Mr. Andrew Nuñez	President
Mr. David Sment	Vice-President
Mr. Thomas Halsell	Secretary
Mr. Judd Nordyke	Board Member
Mr. Robert E. Torres	Board Member



MARCUS,
FAIRALL,
BRISTOL + CO., P.L.L.C.

Independent Auditors' Report

Mr. Hector Balderas, State Auditor of New Mexico and
The Board of Directors of Rio Grande Natural Gas Association

We have audited the accompanying basic financial statements of the Rio Grande Natural Gas Association (the "Association") as of and for the year-ended June 30, 2012. We have also audited the schedule of revenue, expense and changes in net assets—budget and actual for the year then-ended as listed in the table of contents. These financial statements and schedules are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements and schedules 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rio Grande Natural Gas Association's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 previously present fairly, in all material respects, the financial position of the Rio Grande Natural Gas Association as of June 30, 2012 and the 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 addition, in our opinion, the supplementary schedules referred to above present fairly, in all material respects, the respective budgetary comparison of the Association for the year-ended June 30, 2012, 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 May 6, 2013 on our consideration of Rio Grande Natural Gas 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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.



Marcus, Fairall, Bristol + Co., PLLC

May 6, 2013

RIO GRANDE NATURAL GAS ASSOCIATION
Management's Discussion and Analysis
For the Year-Ended June 30, 2012

Overview of the Financial Statements

This annual report consists of four parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.
4. Supplementary information—schedule of revenues and expenses—budget and actual.

The financial statements are presented using proprietary fund accounting and, therefore, record revenues when earned and expenses when incurred.

The statement of net assets presents the Association's assets and liabilities at fiscal year-end. The term "net assets" refers to the difference between total assets and total liabilities. It is an indicator of the Association's current financial condition.

The statement of revenues, expenses and changes in net assets provides the results of the Association's revenue and expense activity. All changes in net assets are reported when the underlying event giving rise to the change occurs regardless of related cash flows.

The statement of cash flows provides information about the Association's sources and uses of cash throughout the fiscal year. This statement classifies sources and uses of cash into separate categories: operating, investing, capital and noncapital. The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of supplementary schedules, including a comparison of actual and budgetary expenses.

RIO GRANDE NATURAL GAS ASSOCIATION
Management's Discussion and Analysis
For the Year-Ended June 30, 2012

Financial Analysis of Rio Grande Natural Gas Association

Net Assets – The Association's net assets decreased to \$60,638 in fiscal year 2012 from \$10,201,238 in fiscal year 2011. Table 1 summarizes net assets:

Table 1
Net Assets as of June 30,

	2012	2011
Current assets	\$ 60,638	\$ 10,207,661
Total assets	60,638	10,207,661
 Liabilities		
Current liabilities	-	6,423
Total liabilities	-	6,423
 Net assets		
Unrestricted	60,638	10,201,238
Total net assets	60,638	10,201,238
 Total liabilities and net assets	\$ 60,638	\$ 10,207,661

During the fiscal year 2012, the Association distributed \$9,975,889 in cash to the Village of Hatch. This was in accordance with a resolution by the Board of Directors.

RIO GRANDE NATURAL GAS ASSOCIATION
Management's Discussion and Analysis
For the Year-Ended June 30, 2012

Changes in Net Assets – Total operating expenses and investment income for the year-ended June 30, 2012.

Table 2
Changes in Net Assets
For the Year-Ended June 30,

	2012	2011
Operating revenues	\$ 40,659	\$ 6,729,329
Operating expenses	119,426	6,352,259
Operating income (loss)	(78,767)	377,070
Non-operating revenues (expenses)		
Investment income	11,087	13,136
Interest expense	-	(32,248)
Contributions from developers	-	55,046
Refunded of insurance premium	16,150	-
Transfer of assets	(9,985,889)	4,052,909
Allowance for doubtful accounts	(103,181)	-
Loss on sale of assets	-	769,430
Total operating revenues (expenses)	(10,061,833)	4,858,273
Change in net assets	10,140,600	(4,409,375)
Net assets - beginning of year	10,201,238	14,610,613
Net assets - end of year	\$ 60,638	\$ 10,201,238

RIO GRANDE NATURAL GAS ASSOCIATION
Management's Discussion and Analysis
For the Year-Ended June 30, 2012

For the year-ended June 30, 2012, the Association's net assets for the year-ending June 30, 2012 was \$10,140,600 compared to \$4,409,375 in 2011. Operating revenues were lower due to the dissolution process of the Organization. Operating cost and expenses were higher because of the dissolution process. The Board of Directors authorized the write off of the accounts receivable as of July 1, 2011. All collections were to be considered as bad debt receivables in the amount of \$103,181 due to the fact that they were unable to determine whether or not any of the amounts receivable could be collected. The Board of Directors made the decision to distribute \$9,985,889 cash to the Village of Hatch.

Budget information – The Board of Directors approved the actual budget and when necessary, revision to the budget. Rio Grande Natural Gas Association makes every effort to ensure that expenditures are monitored closely. Table 3 summarizes the variance between the budgeted and actual expenses for the year June 30, 2012.

Table 3

	<u>Budgeted Amounts</u>			Favorable (Unfavorable) Difference
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Bad debt recoveries	\$ 83,000	\$ 83,000	\$ 40,659	\$ (42,341)
Investment income	-	-	11,087	11,087
Other	-	-	16,150	16,150
Total Revenue	<u>83,000</u>	<u>83,000</u>	<u>67,896</u>	<u>(15,104)</u>
Expenses				
Operations	<u>83,000</u>	<u>83,000</u>	<u>119,420</u>	<u>(28,016)</u>
Net change in net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (51,524)</u>	<u>-</u>

Contacting the Financial Management

The financial report is designed to provide the community and others with a general overview of Rio Grande Natural Gas Association's finances. Questions about this report or requests for additional information may be addressed to the Board Chair at:

Rio Grande Natural Gas Association Board
c/o Village of Hatch
PO Box 220
Hatch, New Mexico 87937

FINANCIAL STATEMENTS

RIO GRANDE NATURAL GAS ASSOCIATION
Statements of Net Assets
June 30, 2012

Cash and cash equivalents	\$ 52,210
Due from City of Las Cruces	<u>8,428</u>
Total assets	<u><u>60,638</u></u>
Current liabilities:	
Accounts payable	-
Accrued salaries and related expenses	<u>-</u>
Total current liabilities	-
Unrestricted	<u>60,638</u>
Net assets:	
Total liabilities and net assets	<u><u>\$ 60,638</u></u>

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

RIO GRANDE NATURAL GAS ASSOCIATION
Statement of Revenues, Expenses and Changes in Net Assets
For the Year-Ended June 30, 2012

Operating revenues		
Bad debt recoveries	\$ 40,659	
Insurance premium refund	16,150	
Interest income	11,087	
Total operating revenues	<u> </u>	67,896
Operating expenditures		
Bad debt expense	103,181	
Fiscal agent service	28,507	
Personnel expenses	11,171	
Telephone	628	
Collection agency	399	
Postage	1,610	
Supplies	70	
Returned checks	168	
Legal fees	8,092	
Service charges	128	
Taxes - New Mexico	1,282	
Village of Hatch services	12,000	
Board stipends	32,321	
Customer refunds	1,199	
Audit	13,360	
Other	81	
Insurance	8,410	
Total operating expenditures	<u> </u>	<u>222,607</u>
Operating income		(154,711)
Nonoperating revenues (expenses)		
Distribution to Village of Hatch	<u>(9,985,889)</u>	
Total nonoperating revenues (expenses)		<u>(9,985,889)</u>
Income (loss) before contributions and transfers		(10,140,600)
Transfers		<u>-</u>
Change in net assets		(10,140,600)
Total net assets - beginning		<u>10,201,238</u>
Total net assets - ending		<u><u>\$ 60,638</u></u>

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

RIO GRANDE NATURAL GAS ASSOCIATION
Statement of Cash Flows
For the Year-Ended June 30, 2012

Cash flow from operating activities	
Cash received from customers	\$ 40,659
Cash paid for personnel expenditures	(11,171)
Cash paid to vendors	<u>(114,696)</u>
Net cash provided by operating activities	(85,208)
 Cash flows from investing activities	
Interest income	11,087
Refund of insurance premiums	<u>16,150</u>
Net cash provided by investing activities	27,237
 Cash flows from capital and financing activities	
Cash distribution to Village of Hatch	<u>(9,985,889)</u>
Net cash provided by capital and related activities	(9,985,889)
 Net (decrease) in cash and cash equivalents	(10,043,860)
 Cash and cash equivalents - beginning of year	<u>10,096,070</u>
 Cash and cash equivalents - ending of year	<u><u>\$ 52,210</u></u>

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

RIO GRANDE NATURAL GAS ASSOCIATION
Statement of Cash Flows
For the Year-Ended June 30, 2012

Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (154,711)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Cash from investment activities	(27,237)
Provision for uncollectable accounts	111,591
Changes in assets and liabilities	
(Increase) decrease in receivables	18,428
Increase (decrease) in accounts payable	(1,715)
Increase (decrease) in accrued salaries and related expenses	<u>(4,708)</u>
Net cash provided by operations	<u><u>\$ (85,208)</u></u>

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

NOTES TO FINANCIAL STATEMENT

RIO GRANDE NATURAL GAS ASSOCIATION

Notes to Financial Statements

June 30, 2012

Note 1 Summary of Significant Accounting Policies

A. Nature of Operations

The Rio Grande Natural Gas Association (the “Association” or “RGNGA”) was formed as a community gas association to service customers located in Doña Ana County, New Mexico that are primarily located outside the City of Las Cruces, New Mexico. The Association was formed in 1969 in accordance with the provisions of Sections 3-28-1 through 3-28-22 of the New Mexico State Statute and organized as a nonprofit corporation owned by the City of Las Cruces (the “City”) and the Village of Hatch (the “Village”). According to its charter, the life of the Association was 100 years and upon dissolution, the assets of the Association belonged to the City and the Village. The Association was governed by a board of directors appointed by the governing bodies of the City and the Village. The Association is a governmental organization, as the board of directors consists of members appointed by governmental entities. The Association does not have any component units.

Effective July 6, 2010, the governing bodies of the Village of Hatch and the City of Las Cruces adopted resolutions reorganizing the Association. The Village remained the active member and has 100% ownership interest in the Association and is solely entitled to appoint all members of the new board of directors. The new board has the sole power to act on behalf of the Association, with no further involvement by the City. The City remains a member to meet the statutory requirements of NMSA 1978, Section 3-28-1 (1993), but has no economic interest in the Association. The City continued to provide certain services to the reorganized Association in accordance with a Cooperative Services Agreement until April 1, 2011 and continued to serve as fiscal agent through June 30, 2011.

The reorganized Association’s Board of Directors signed a resolution on August 24, 2010, approving an agreement to sell capital assets that were not transferred to the City to Zia Natural Gas Company, a division of Natural Gas Processing Co., a Wyoming corporation operating as a regulated public utility in New Mexico. The sale was approved, not subject to appeals, by the New Mexico Public Regulation Commission (PRC) on March 19, 2011.

B. Fiscal Agent

The City of Las Cruces served as the fiscal agent for the Association effective June 30, 2011. As fiscal agent, the City of Las Cruces established funds to control and manage money for a particular purpose, or in order to demonstrate that it is meeting legal responsibilities for the use of certain monies.

RIO GRANDE NATURAL GAS ASSOCIATION

Notes to Financial Statements

June 30, 2012

Note 1 Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

For financial reporting purposes, the Association is a special-purpose government engaged only in business-type activities. Accordingly, the Association's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary fund accounting distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from transactions associated with the principal activity of the Association. Nonoperating revenues and expenses result from ancillary activities. The Association uses restricted assets before committing the unrestricted assets.

D. Cash and Cash Equivalents

The City retained the operating cash while the Village of Hatch received the proceeds of the sale as previously described. All cash of the Village is fully insured or collateralized. Amounts are immediately available to the Association and are therefore considered cash equivalents.

E. Accounts Receivable

Accounts receivable are amounts that have arisen in the ordinary course of business. Management declared an allowance for doubtful accounts in the amount of \$103,181. It was determined that a reliable estimate of collection could not be made.

F. Net Assets

Unrestricted net assets are net resources available for use at the discretion of the board. Restricted resources are used before unrestricted resources when expenses are incurred for purposes for which both restricted and unrestricted net assets are available. A distribution of \$9,985,889 of net assets was paid to the Village of Hatch in December 2011 that was authorized by the Board of Directors.

G. Budgets

The Association's budget was non-GAAP prepared on a cash basis using an estimate of anticipated revenues and expenditures. New Mexico State law prohibits expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by the Association's board; however, State of New Mexico Department of Finance and Administration approval must be obtained on budget increases and budget transfers between funds.

RIO GRANDE NATURAL GAS ASSOCIATION

Notes to Financial Statements

June 30, 2012

Note 1 Summary of Significant Accounting Policies (continued)

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Budgetary Information

Annual budgets of the Association are prepared prior to June 1 and must be approved by the local Board of Directors and the New Mexico Department of Finance and Administration. Once the budget has been formally approved by the Board of Directors and the Department of Finance and Administration, they must also approve any amendments. Line items within the budget may be over expended; however, it is not legally permissible to over expend any budget in total.

The accompanying Statement of Revenue, Expenditures and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of legally accepted budget with actual data on a budgetary basis.

The following is a reconciliation budgetary basis amounts and the financial statement on the Modified GAAP basis.

Excess (deficiency) of expenditures (uses over revenues (modified GAAP basis	\$ (154,711)
Adjustments	
To revenues for allowance for doubtful accounts	<u>103,181</u>
Excess (deficiency) of (uses) expenditures over revenues	<u>\$ 51,510</u>

Note 3 Cash and Cash Equivalents

Cash and cash equivalents consist of the following at June 30, 2012:

Wells Fargo Bank \$52,510

Bank Balance of Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2012, the City's deposits, totaling \$52,210 was insured by FDIC.

RIO GRANDE NATURAL GAS ASSOCIATION

Notes to Financial Statements

June 30, 2012

Note 4 Risk Management

The Association has not purchased a commercial insurance policy for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to worker; and natural disasters. Insurance settlements have not exceeded insurance coverage in any of the past three years.

Note 5 Contingent Liabilities

There were no contingent liabilities known for the fiscal year-ended June 30, 2012.

SUPPLEMENTARY INFORMATION

RIO GRANDE NATURAL GAS ASSOCIATION
Statement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Basis) and Actual (Cash Basis)

	For the Year-Ended June 30, 2012			
	Original	Final	Actual	Favorable (Unfavorable) Difference
Revenues:				
Bad debt recoveries	83,000	83,000	40,659	(42,341)
Insurance premium return	-	-	16,150	16,150
Interest income	-	-	11,087	11,087
Total revenues	83,000	83,000	67,896	(15,104)
Expenditures:				
Personnel expenses	20,000	20,000	11,171	8,829
Fiscal agent service	20,000	20,000	28,507	(8,507)
Telephone	-	-	628	(628)
Collection agency	-	-	399	(399)
Postage	-	-	1,610	(1,610)
Supplies	-	-	70	(70)
Returned checks	-	-	168	(168)
Legal fees	-	-	8,092	(8,092)
Service charges	-	-	128	(128)
Taxes - New Mexico	-	-	1,282	(1,282)
Village of Hatch	12,000	12,000	12,000	-
Board stipends	28,000	28,000	32,321	(4,321)
Customer refunds	-	-	1,199	(1,199)
Audit	-	-	13,360	(13,360)
Other	3,000	3,000	81	2,919
Insurance	-	-	8,410	(8,410)
Total expenditures	\$ 83,000	\$ 83,000	\$ 119,426	\$ (28,016)
Change in net assets			(51,530)	
Difference between Non-GAAP and Modified GAAP				
Distribution to Village of Hatch	9,985,889			
Allowance for doubtful accounts	103,181			
Net change in fund balance		10,089,070		
Fund balance - beginning of year		10,201,238		
Fund balance - end of year		\$ 60,638		

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

RIO GRANDE NATURAL GAS ASSOCIATION

Schedule of Deposit Accounts

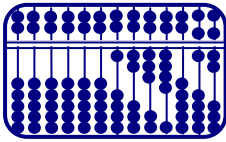
For the Year-Ended June 30, 2012

The Village of Hatch served as the fiscal agent of Rio Grande Natural Gas Association. The following is a schedule of depositories:

<u>Wells Fargo</u>	<u>Type</u>	<u>Amount per Bank</u>	<u>Plus DIT</u>	<u>Loss o/s Checks</u>	<u>Balance per Bank</u>
Operating	Check	\$ 54,329	\$ -	\$ 2,119	\$ 52,210

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

COMPLIANCE SECTION



MARCUS,
FAIRALL,
BRISTOL + CO., P.L.L.C.

**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 H. Balderas
New Mexico State Auditor
The Board of Directors
Rio Grande Natural Gas Association

We have audited the financial statements of the business-type activities and the budgetary comparisons of the business-type activities of the Rio Grande Natural Gas Association as of the year-ended June 30, 2012, and have issued our report thereon dated May 6, 2013. 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 Rio Grande Natural Gas Association is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Rio Grande Natural Gas Association'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 Rio Grande Natural Gas Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Rio Grande Natural Gas Association'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 Rio Grande Natural Gas Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we did identify significant deficiencies in internal control over financial reporting as reflected in 12-01 and 12-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rio Grande Natural Gas Association'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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Rio Grande Natural Gas Association, the State Auditor, the New Mexico Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Marcus, Fairall, Bristol + Co. PLLC
Marcus, Fairall, Bristol + Co., PLLC

May 6, 2013

RIO GRANDE NATURAL GAS ASSOCIATION

Schedule of Findings and Responses

For the Year-Ended June 30, 2012

Prior Year Findings

No findings.

Current Year Reportable Findings and Responses Financial Finding

Finding 12-01 Audit Report Submission to the New Mexico State Auditor – Significant Deficiency

Condition

The audit report was not completed and forwarded to the New Mexico State Auditor in a timely manner. The report was delivered on May 17, 2013.

Criteria

Per SAO 2.2.2.9 (A) (1) (d) the New Mexico State audit report contract calls for this audit report to be delivered by December 1, 2012.

Cause

Information from the previous custodian after the sale of the assets was not available in a timely manner.

Effect

Violation of the State Auditor Rule. Audited financial information is not available to complete the dissolution of the Association.

Recommendation

Complete the transactions necessary to dissolve the Association and make a final report to the New Mexico State Auditor's Office.

Response

The Association is in the process of dissolving in June 2013. The final report will be filed immediately after the dissolution.

Finding 12-02 Legal Compliance with Budget – Significant Deficiency

Condition

The Association authorized budget expenditures were exceeded by actual expenditures. The Association violated State Statutes by exceeding budget within the general fund.

Total budgeted expenditures \$83,000. Actual expenditures \$119,426 not adequately monitored actual vs. budget expenditures.

Criteria

Section 6.6.6 of the New Mexico State Statutes restricts all official and government authorization from approved claims in excess of the approved budget.

Effect

Non-compliance with New Mexico Statutes could subject officials and employees to penalties and fines required by State Statutes.

RIO GRANDE NATURAL GAS ASSOCIATION
Schedule of Findings and Responses
For the Year-Ended June 30, 2012

Finding 12-02 Legal Compliance with Budget (continued) – Significant Deficiency

Cause

Management failed to monitor the expenses and compare them to the budget.

Recommendation

Prepare and monitor a reasonable budget to dissolve the Association.

Response

RGNGA will be dissolved in March 2013 and will be under approved budget for 2012-2013 for \$50,000. The estimated expenditure for this year is \$14,861.44.

RIO GRANDE NATURAL GAS ASSOCIATION
Exit Conference and Financial Statement Preparation
For the Year-Ended June 30, 2012

EXIT CONFERENCE

As exit conference was held on February 25, 2013, with Jack Fairall, CPA of Marcus, Fairall, Bristol + Co., PLLC with the following Rio Grande Natural Gas Association officials:

Robert E. Torres, Director

Jim Schoonover, Staff Member

COMPILATION OF FINANCIAL STATEMENTS

The financial statements presented in this report were compiled by the auditor, Marcus, Fairall, Bristol + Co., PLLC. However, the contents remain the responsibility of Village of Hatch. The individuals responsible for the accounting and reporting function possess the skills and knowledge to apply generally accepted accounting principles in recording Rio Grande Natural Gas Association's financial transactions or preparing its financial statements.

RIO GRANDE NATURAL GAS ASSOCIATION
Passed Journal Entries
June 30, 2012

There are no passed journal entries.