



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

**Annual Financial Report**  
June 30, 2019

**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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 For the Year Ended June 30, 2019

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State of New Mexico  
**Eastern New Mexico Natural Gas Association, Inc.**  
Official Roster  
June 30, 2019

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**Board of Directors**

Barry Green	President
Kendell Buzard	Vice President
Alan West	Secretary
Aldolfo Lucero	Director
Colin Chandler	Director
Ernest Riley	Director
Ronny Fouts	Director
Scot Stinnett	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

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Independent Auditor's Report

Mr. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of the Eastern New Mexico Natural Gas Association

Mr. Colón 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, 2019, and the related notes to the financial statements, which collectively comprise Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2019, 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.

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 Information

Our audit was conducted for the purpose of forming opinions on the Association's financial statements that collectively comprise the Association's basic financial statements. The other schedule presented as other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedule presented as other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2019, on our consideration of Association's internal control over financial reporting and on our tests of it's 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 the Association's internal control over financial reporting and compliance.

*De'Aun Willoughby, CPA, PC*

December 10, 2019

State of New Mexico  
**Eastern New Mexico Natural Gas Association, Inc.**  
Statement of Net Position- Proprietary Fund  
June 30, 2019

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Assets	
Current Assets	
Cash on Hand	\$ 470
Cash in Banks	647,492
Accounts Receivable (Net of Allowance for Uncollectible Accounts)	29,825
Inventory	10,556
Total Current Assets	<u>688,343</u>
Non-current Assets	
Restricted Cash in Banks	61,175
Capital Assets	3,145,850
Less Accumulated Depreciation	<u>(2,003,662)</u>
Total Non-current Assets	<u>1,203,363</u>
Total Assets	<u>1,891,706</u>
Liabilities and Net Position	
Current Liabilities	
Accounts Payable	168,353
Accrued Salaries & Related Expenses	<u>2,576</u>
Total Current Liabilities	<u>170,929</u>
Noncurrent Liabilities	
Accrued Compensated Absences	7,498
Customer Deposits	61,175
Total Noncurrent Liabilities	<u>68,673</u>
Total Liabilities	<u>239,602</u>
Net Position	
Invested in Capital Assets	1,203,363
Unrestricted	<u>448,741</u>
Total Net Position	<u>\$ 1,652,104</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, 2019

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Operating Revenues	
Sales and Services	\$ 985,560
Cost of Goods Sold	<u>(300,492)</u>
	<u>685,068</u>
Operating Expenses	
Personnel Services	367,421
Depreciation	94,309
Taxes	55,022
Repairs	31,496
Insurance	21,371
Utilities	5,097
Fuel	11,654
Fees	10,950
Office	13,670
Board Expense	8,625
Professional Fees	8,038
Travel & Training	2,138
Other	<u>21,581</u>
	<u>651,372</u>
Operating Income	<u>33,696</u>
Nonoperating Revenues	
Local Grant	342,861
Gain on Disposition of Capital Asset	2,084
Miscellaneous	<u>4,754</u>
Total Nonoperating Revenues	<u>349,699</u>
Change in Net Position	383,395
Net Position at Beginning of Year	<u>1,268,709</u>
Net Position at End of Year	<u>\$ 1,652,104</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, 2019

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Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 1,345,169
Payments to Employees and Suppliers	(1,061,625)
Net Cash Provided by Operating Activities	<u>283,544</u>
Cash Flows from Capital and Related Financing Activities	
Acquisitions and Construction of Capital Assets	(597,290)
Gain on Disposition of Capital Asset	2,084
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(595,206)</u>
Cash Flows from Investing Activities	
Local Grant	342,861
Miscellaneous	4,754
Net Cash Provided by Investing Activities	<u>347,615</u>
Net Increase (Decrease) in Cash	35,953
Cash, Beginning of Year	<u>673,184</u>
Cash, End of Year	<u>\$ 709,137</u>
Reconciliation of Cash	
Cash on Hand	\$ 470
Cash in Banks	647,492
Restricted Cash in Banks	61,175
Total Cash	<u>\$ 709,137</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income	\$ 33,696
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	94,309
Change in Assets & Liabilities	
(Increase) Decrease in Accounts Receivable	(755)
(Increase) Decrease in Inventory	(384)
Increase (Decrease) in Accounts Payable	157,412
Increase (Decrease) in Accrued Salaries and Benefits	(808)
Increase (Decrease) in Compensated Absences	(4,351)
Increase (Decrease) in Customer Deposits	4,425
Net Cash Provided by Operating Activities	<u>\$ 283,544</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, 2019

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**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, 2019

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**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.

State of New Mexico  
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Notes to the Financial Statements  
June 30, 2019

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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 from 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 \$11,849, additions were \$12,573, vacation used \$16,925 leaving a liability of \$7,497.

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, 2019

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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	Type	Balance Per Bank 6/30/19	Reconciled Balance	Interest or Non-Interest Bearing
Revenue Account	Checking	\$ 296,437	\$ 242,522	Non-Interest
Business Account	Savings	57,646	57,646	Interest
Meter Deposit Account	Checking	60,519	60,294	Non-Interest
Total Deposited		414,602	\$ 360,462	
Less FDIC Coverage		(250,000)		
Uninsured Amount		164,602		
50% collateral requirement		82,301		
Pledged securities		550,822		
Over (Under) requirement		\$ 468,521		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged at Citizens Bank:

Description	CUSIP #	Market Value	Maturity Date	Location
GNR 2012-141 WP	38378GPN2	\$ 550,822	11/20/1941	TIB-Dallas, TX
		\$ 550,822		

**American Heritage Bank**

Name of Account	Type	Balance Per Bank 6/30/19	Reconciled Balance	Interest or Non-Interest Bearing
Repair & Replacement	Checking	\$ 101,085	\$ 101,085	Interest
Repair & Replacement-CD	Savings	62,512	62,512	Interest
ENMNGA	Savings	50,856	50,856	Interest
Total Deposited		214,453	\$ 214,453	
Less FDIC Coverage		(214,453)		
Uninsured Amount		\$ 0		

**NM Bank and Trust**

Name of Account	Type	Balance Per Bank 6/30/19	Reconciled Balance	Interest or Non-Interest Bearing
ENMNGA	Savings	\$ 133,752	\$ 133,752	Interest
Total Deposited		133,752	\$ 133,752	
Less FDIC Coverage		(133,752)		
Uninsured Amount		\$ 0		

State of New Mexico  
**Eastern New Mexico Natural Gas Association, Inc.**  
Notes to the Financial Statements  
June 30, 2019

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**Custodial Credit Risk-Deposits**

Depository Account	Bank Balance
Insured	\$ 598,205
Collateralized:	
Collateral held by the pledging bank in Association's name	164,602
Uninsured and uncollateralized	0
Total Deposits	\$ 762,807

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, 2019, none of the Association's bank balance of \$762,807 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, 2019, is as follows:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
<b>Business-Type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 27,223	\$ 0	\$ 0	\$ 27,223
Construction in Progress	0	522,121	0	522,121
Total Capital Assets not being Depreciated	27,223	522,121	0	549,344
Other Capital Assets				
Utility System:				
Gas Plant Acquisition	95,817	0	0	95,817
Improvements	259,810	0	0	259,810
Mains, Meters, Regulators	1,602,024	7,585	0	1,609,609
Equipment & Vehicles:				
Equipment	321,083	3,975	3,000	322,058
Transportation	199,859	69,709	32,645	236,923
Office	72,289	0	0	72,289
Total Capital Assets at Historical Cost	2,578,105	603,390	35,645	3,145,850
Accumulated Depreciation:				
Utility System:				
Gas Plant Acquisition	95,817	0	0	95,817
Improvements	136,712	7,413	0	144,125
Mains Meter Regulators	1,254,908	47,731	3,000	1,299,639
Equipment & Vehicles:				
Equipment	242,583	11,857	0	254,440
Transportation	147,926	24,609	26,547	145,988
Office	60,954	2,699	0	63,653
	1,938,900	94,309	29,547	2,003,662
Capital Assets, net	\$ 639,205	\$ 509,081	\$ 6,098	\$ 1,142,188

State of New Mexico  
**Eastern New Mexico Natural Gas Association, Inc.**  
Notes to the Financial Statements  
June 30, 2019

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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 2018, \$24,500 for employees 50 years of age and over and \$18,500 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, 2019, 2018, and 2017, were \$12,533, \$15,515, and \$18,398, respectively. Employee salary deferrals were \$12,023, \$24,832, and \$41,994, in fiscal year 2019, 2018, and 2017, respectively. There were no additional discretionary contributions for fiscal years of 2019, 2018, or 2017.

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, 2019.

**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 accrual (GAAP basis).
- 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 \$18,666. 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, 2019

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**Note H: Related Party Transactions**

The Board of Directors and employees of Association are recipients of natural gas service. Employees do not pay for the service portion of the natural gas used. The board members' 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. Other related party transactions include Scot Stinnett, board member and co-owner of DeBaca County News and Clovis Livestock Market News received payments totaling \$1,819. Alan West is a board member and owner of Fort Sumner Lumber Co, Inc. was paid \$1,705 for supplies. Barry Green dba CD2 Services is a board member and provides technological services to ENMNGA totaling \$2,259.

**Note I: Subsequent Events Review**

Subsequent events were evaluated through December 10, 2019, 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, 2019

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Gas Sales and Service	\$ 909,533	\$ 909,533	\$ 884,411	\$ (25,122)
Sale of Merchandise	45,000	45,000	59,046	14,046
Other Services	35,000	35,000	35,442	442
Fees	9,400	9,400	10,473	1,073
Local Grant	538,620	538,620	342,861	(195,759)
Interest Income	1,800	1,800	3,091	1,291
Sale of Capital Assets	0	0	8,182	8,182
Miscellaneous	800	800	1,663	863
Total Revenue	<u>1,540,153</u>	<u>1,540,153</u>	<u>1,345,169</u>	<u>(194,984)</u>
<b>Expenditures</b>				
Advertising	2,000	2,000	1,647	353
Board Expense	8,625	8,625	8,625	0
Capital Purchases	628,620	628,620	451,708	176,912
Cost of Natural Gas Sold	346,811	346,811	303,012	43,799
Fees	22,850	22,850	10,754	12,096
Fuel	17,000	17,000	11,617	5,383
Gross Receipts Tax	56,000	56,000	52,605	3,395
Insurance	25,000	25,000	21,371	3,629
Office	10,000	10,000	13,806	(3,806)
Payroll Expenses	304,956	304,956	289,549	15,407
Payroll Taxes	24,329	24,329	22,674	1,655
Retirement Benefits	16,441	16,441	12,534	3,907
Health Insurance Benefits	47,000	47,000	45,534	1,466
Employee Drug Testing	0	0	2,090	(2,090)
Postage	5,700	5,700	4,429	1,271
Professional Fees	8,599	8,599	8,038	561
Repairs	19,500	19,500	10,477	9,023
System Maintenance	19,000	19,000	16,849	2,151
Supplies	5,000	5,000	3,249	1,751
Telephone	7,075	7,075	7,015	60
Training	1,000	1,000	936	64
Travel	1,350	1,350	1,172	178
Uniforms	7,800	7,800	4,432	3,368
Utilities	5,900	5,900	5,093	807
Total Expenditures	<u>1,590,556</u>	<u>1,590,556</u>	<u>1,309,216</u>	<u>281,340</u>
Excess (Deficiency) of Revenues Over Expenditures	(50,403)	(50,403)	35,953	86,356
Cash Balance Beginning of Year	<u>673,184</u>	<u>673,184</u>	<u>673,184</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 622,781</u>	<u>\$ 622,781</u>	<u>\$ 709,137</u>	<u>\$ 86,356</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, 2019

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Reconciliation of Budgetary Basis to GAAP Basis

Excess (Deficiency) of Revenues Over Expenditures-Cash Basis	\$	35,953
Depreciation		(94,309)
Capital Outlay		597,290
Net Change in Accounts Receivable		755
Net Change in Inventory		384
Net Change in Accounts Payable		(157,412)
Net Change in Accrued Salaries and Benefits		808
Net Change in Accrued Compensated Absences		4,351
Net Change in Customer Deposits		(4,425)
Change in Net Position-GAAP Basis	\$	<u>383,395</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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(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. Brian S. Colón  
State Auditor of the State of New Mexico  
Board Members of the Eastern New Mexico Natural Gas Association

Mr. Colón 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, 2019, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements and have issued our report thereon dated December 10, 2019.

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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Responses; 2019-001.

#### 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'Aun Willoughby, CPA, PC*

December 10, 2019

State of New Mexico  
**Eastern New Mexico Natural Gas Association, Inc.**  
Schedule of Findings and Responses  
June 30, 2019

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**Prior Year Audit Findings**

	<u>Status</u>
<b>2016-002 Certified Chief Procurement Officers</b>	Resolved

**Current Year Audit Findings**

**Summary of Audit Results**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	N/A
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	N/A
Noncompliance material to financial:	N/A

**2019-001 DFA Report - Other Non-compliance**

As of June 30, 2019 the reconciled bank balance was \$709,137.15. The quarterly report balance submitted to DFA was \$707,936.89, a difference of \$1,200.26.

**Criteria**

6-3A-9 (B) NMSA 1978 Quarterly reporting - Quarterly reports shall compare actual performance for the report period with targeted performance and shall be filed with the division and committee within thirty days of the end of a reporting period.

**Cause**

It was a mistake in entering the information into the spreadsheet submitted to DFA.

**Effect**

The information reported to DFA was inaccurate which could possibly lead to poor management and oversight decisions about the finances of the District.

**Recommendation**

We recommend the District submit correct reports to DFA.

**Response**

We will correct this issue immediately and a second review will prevent this error from happening again.

**Responsible Party**

The Secretary/Bookkeeper

**Timeline**

December 31, 2019

**Financial Statement Preparation**

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

**Exit Conference**

An exit conference was held on December 10, 2019. Those present were Barry Green-Board President, George Sena-Manager, Pae Vinson-Clerk and De'Aun Willoughby, CPA.