

**LEA COUNTY COMMUNICATIONS AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**YEARS ENDED JUNE 30, 2020 AND 2019**

## **INTRODUCTORY SECTION**

**LEA COUNTY COMMUNICATIONS AUTHORITY  
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JUNE 30, 2020 AND 2019**

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**LEA COUNTY COMMUNICATIONS AUTHORITY  
OFFICIAL ROSTER  
JUNE 30, 2020 AND 2019**

**BOARD OF DIRECTORS**

<b>Name</b>	<b>Title</b>	<b>Representing</b>
Michael Gallagher	Chairman	Lea County
Corey Helton	Vice - Chair	Lea County
Lorenzo Velasquez	Secretary	Lea County
Michael Walker	Director	Lea County
John Ortolano	Director	City of Hobbs
Kevin Shearer	Director	City of Hobbs
Manny Gomez	Director	City of Hobbs

## **FINANCIAL SECTION**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Brian Colón, New Mexico State Auditor, and  
Board of Directors of  
Lea County Communications Authority  
Lovington, New Mexico

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the business-type activities of Lea County Communications Authority (the Authority), as of and for the years ended June 30, 2020 and 2019, which comprise the Authority's basic financial statements as listed in the table of contents and the related notes to the financial statements.

### **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 misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 opinions.

## Opinions

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of Lea County Communications Authority as of June 30, 2020 and 2019, and the respective changes in financial position and its cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplemental Information*

Management has elected to omit the management's discussion and analysis (MD&A). Accounting principles generally accepted in the United States of America require that the MD&A be 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.

Our opinions on the basic financial statements is not affected by this omitted information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Schedules of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedules of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) are the responsibility of management and was derived from and relates 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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) 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 September 4, 2020 on our consideration of the Authority'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 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 Authority's internal control over financial reporting and compliance.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
September 4, 2020

**LEA COUNTY COMMUNICATIONS AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 789,642	\$ 748,046
Members Receivable		
County	449,984	374,239
City	<u>365,756</u>	<u>402,123</u>
<b>TOTAL CURRENT ASSETS</b>	<u>1,605,382</u>	<u>1,524,408</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	<u>9,176,078</u>	<u>9,325,067</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>9,176,078</u>	<u>9,325,067</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,781,460</u></u>	<u><u>\$ 10,849,475</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 9,293	\$ 12,127
Accrued Payroll and Liabilities	72,646	34,475
Due to Lea County	<u>1,089,754</u>	<u>1,089,754</u>
<b>TOTAL LIABILITIES</b>	<u>1,171,693</u>	<u>1,136,356</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	9,176,078	9,325,067
Unrestricted	<u>433,689</u>	<u>388,052</u>
<b>TOTAL NET POSITION</b>	<u>9,609,767</u>	<u>9,713,119</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 10,781,460</u></u>	<u><u>\$ 10,849,475</u></u>



**LEA COUNTY COMMUNICATIONS AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUES</b>		
Member Contributions		
Lea County	\$ 1,884,645	\$ 1,702,999
City Contributions		
City of Hobbs	1,844,587	1,669,162
City of Lovington	4,100	35,174
City of Eunice	12,547	17,949
City of Jal	5,170	3,863
Town of Tatum	8,077	13,192
New Mexico Junior College	-	4,071
E911 Inkind Grant Contributions	834,696	247,527
E911 Grant	-	1,500
Other Income	6,135	1,634
	<b>4,599,957</b>	<b>3,697,071</b>
<b>OPERATING EXPENSES</b>		
Wages and Salaries	1,585,029	1,514,445
Payroll Taxes	119,561	114,442
Retirement and OPEB Retiree Health Care	217,288	214,276
Other Employee Benefits	338,807	316,691
Auto and Travel	5,934	7,428
Office and Administrative Expense	26,599	30,738
Professional and Contracted Services	248,513	557,466
Software License	6,200	188,056
Training and Employee Development	13,309	18,294
Insurance	30,211	22,814
Leases and Rentals	54,164	49,300
Repairs and Maintenance	185,800	114,588
Occupancy	174,033	163,775
Inkind E911 Grant Expenses	834,696	247,527
Minor Equipment	22,729	9,550
Depreciation and Amortization	840,436	746,674
	<b>4,703,309</b>	<b>4,316,064</b>
<b>CHANGE IN NET POSITION</b>	<b>(103,352)</b>	<b>(618,993)</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>9,713,119</b>	<b>10,332,112</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 9,609,767</b>	<b>\$ 9,713,119</b>

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

**LEA COUNTY COMMUNICATIONS AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 4,560,579	\$ 3,587,359
Payments to and on Behalf of Employees	(2,222,514)	(2,165,478)
Payments to Suppliers and Contractors	<u>(1,605,022)</u>	<u>(1,425,170)</u>
Net Cash Provided by Operating Activities	<u>733,043</u>	<u>(3,289)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Asset Purchases	<u>(691,447)</u>	<u>(99,867)</u>
Net Cash Used by Investing Activities	<u>(691,447)</u>	<u>(99,867)</u>
<b>NET CHANGE IN CASH</b>	41,596	(103,156)
<b>CASH AT BEGINNING OF YEAR</b>	<u>748,046</u>	<u>851,202</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 789,642</u></u>	<u><u>\$ 748,046</u></u>
 <b>Reconciliation of Change in Net Position to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Change in Net Position	\$ (103,352)	(618,993)
<b>Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities</b>		
Depreciation	840,436	746,674
<b>Changes in</b>		
Members Receivable - County	(75,745)	(37,149)
Members Receivable - City	36,367	(73,315)
Grant Receivable	-	752
Accounts Payable	(2,834)	(15,634)
Accrued Payroll Liabilities	<u>38,171</u>	<u>(5,624)</u>
Cash Provided by Operating Activities	<u><u>\$ 733,043</u></u>	<u><u>\$ (3,289)</u></u>
 <b>Supplemental Non-cash disclosures</b>		
Telephone line expense paid by State Dept. of Information Technology	<u><u>\$ 834,696</u></u>	<u><u>\$ 247,527</u></u>

**LEA COUNTY COMMUNICATIONS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Lea County Communications Authority (the Authority) was established on January 4, 2010 under a joint powers agreement entered into by and between the Lea County and the City of Hobbs. It was the desire of the parties to form a communications authority in order to collectively address the immediate and future safety, health and welfare needs of the citizens of the Lea County metropolitan area. The joint powers agreement established Lea County as the fiscal agent of the Authority. A revised joint powers agreement dated April 28, 2016 included the municipalities of Lovington, Jal, Eunice and Tatum into the Authority.

**Reporting Entity** – In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity.

**Income Taxes** - The Authority operates as a special-purpose governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Financial Statement Presentation, Basis of Accounting, and Measurement Focus**

**Fund Accounting** - The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for using the accrual basis of accounting, with a set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, deferred inflows and deferred outflows of resources, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all net position (i.e., total assets and deferred outflows less total liabilities and deferred inflows) are segregated into net investment in capital assets, restricted, and unrestricted components. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Presentation** - Certain prior year amounts may have been reclassified in order to present comparatively with the current reporting period classifications.

**LEA COUNTY COMMUNICATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Deposits** - For purposes of the statement of cash flows, the Authority'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.

**Use of Restricted Assets** - Restricted assets are assets which have third-party limitation on their use. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Receivables** - Substantially all of the Authority's outstanding receivables are due from its members for the reimbursement of expenses incurred by the Authority.

**Allowance for Doubtful Accounts** - It is the opinion of management that an allowance for doubtful accounts was not necessary as of June 30, 2020 and 2019, respectively, because the members are fiscally responsible for the continued operation of the Authority.

**Property and Equipment** - The Authority's policy is to capitalize all expenditures for furniture, equipment and software in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Expenditures related to routine repairs and maintenance are expensed in the current period.

Assets acquired under capital leases are amortized over the life of the respective leases or the service lives of the assets using the straight-line method and the amortization is included with depreciation expense. Renovations to the buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest paid on loans for construction purposes is capitalized until the asset becomes available for use and amortized over the life of the related asset. Land owned by the Authority is always capitalized.

Assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Leasehold Improvements	40
Site Improvements	20-40
Office and Maintenance Equipment	5-7
Vehicles	5

**Analysis of Impairments** - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the years ended June 30, 2020 or 2019, respectively.

**Net Position** - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation and any debt the Authority has against the assets. Restricted net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments, with any remaining balance reported as unrestricted net position.

**GASB 77 Tax Abatement Disclosure** - The Authority is not a property-taxing entity and therefore is not required to implement GASB 77.

**LEA COUNTY COMMUNICATIONS AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Operating and Non-Operating Revenues** - Revenues are classified as operating or non-operating according to the following criteria:

*Operating revenue* - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

*Non-operating revenues* - include activities which have the characteristics of non-exchange transactions, such as operating transfers.

**Operating and Non-Operating Expenses** - Expenses are classified as operating or non-operating according to the following criteria:

*Operating expenses* - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Authority capital assets.

*Non-operating expenses* - include activities that have the characteristics of non-exchange transactions, such as operating transfers to the fiscal agent, that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

**Pensions and Other Post-Employment Benefits** - The Authority utilizes Lea County employees to handle operations from which the Authority incurs the payroll and related benefits expense and reimburses the County for remitting the related expenses to the various state and federal agencies. These employees are reported as County employees to the New Mexico Public Employees Retirement Association, the New Mexico Retiree Health Care Authority and to the federal and state taxing agencies. Therefore, the Authority does not directly participate in the retirement plans and is not required to implement the following GASB statements:

- GASB Statement No. 68 - Financial Reporting for Pension Plans – An Amendment to GASB Statement 27
- GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date
- GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

**Accrued Vacation** - Accrued vacation for Authority employees is reported at the County level, and therefore, no vacation accrual is recorded in the Authority's financial statements.

**Budgetary Compliance** - The annual budget is adopted based on the cash basis of accounting. Annual budgets of the Authority are prepared prior to June 1 and must be approved by resolution of the Board and submitted for approval by the State of New Mexico. The Board of Directors of the Authority consider several economic and non-economic factors when setting the fiscal year budget. Once the budget has been formally approved, any amendments must also be approved by the Board and the State.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis. The legal level of budgetary control is the fund level.

**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.

**LEA COUNTY COMMUNICATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Risk Management** - The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters to protect the contractor and the Authority. Settled claims have not exceeded this commercial coverage in any preceding years.

**Subsequent Events** - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

The Authority's cash balances were maintained in trust by Lea County, State of New Mexico (the County). The Authority's cash deposits are pooled with cash balances of other funds maintained by the County and are reported as Agency Funds in the County's audited financial statements. The County has signature authority over the Authority's revenues and expenditures and acts as the Authority's fiscal agent. The Authority's deposits are collectively collateralized by the County's depository institutions and therefore, the Authority is not subject to custodial credit risk at June 30, 2020 and 2019, or any time during the respective fiscal years.

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2020 and 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions and Transfers	Balance June 30, 2019	Additions	Deletions and Transfers	Balance June 30, 2019
<b>Non-Depreciable Assets</b>							
Land	\$ 96,191	\$ -	\$ -	\$ 96,191	\$ -	\$ -	\$ 96,191
Construction in Progress	936,464	-	(936,464)	-	-	-	-
<b>Total Non-Depreciable Assets</b>	<u>1,032,655</u>	<u>-</u>	<u>(936,464)</u>	<u>96,191</u>	<u>-</u>	<u>-</u>	<u>96,191</u>
<b>Depreciable Assets</b>							
Buildings	4,989,373	-	-	4,989,373	-	-	4,989,373
Vehicles	24,543	39,500	-	64,043	-	-	64,043
Other Improvements	9,795	-	-	9,795	-	-	9,795
Equipment and Furniture	7,468,052	60,367	936,464	8,464,883	691,447	-	9,156,330
<b>Total Depreciable Assets</b>	<u>12,491,763</u>	<u>99,867</u>	<u>936,464</u>	<u>13,528,094</u>	<u>691,447</u>	<u>-</u>	<u>14,219,541</u>
<b>Total Capital Assets</b>	<u>13,524,418</u>	<u>99,867</u>	<u>-</u>	<u>13,624,285</u>	<u>691,447</u>	<u>-</u>	<u>14,315,732</u>
<b>Less Accumulated Depreciation</b>							
Buildings	(554,495)	(89,809)	-	(644,304)	(89,809)	-	(731,113)
Vehicles	(12,885)	(10,109)	-	(22,994)	(10,109)	-	(33,103)
Other Improvements	(816)	(979)	-	(1,795)	(979)	-	(2,774)
Equipment and Furniture	(2,984,348)	(645,777)	-	(3,630,125)	(739,539)	-	(4,369,664)
<b>Total Accumulated Depreciation</b>	<u>(3,552,544)</u>	<u>(746,674)</u>	<u>-</u>	<u>(4,299,218)</u>	<u>(840,436)</u>	<u>-</u>	<u>(5,136,654)</u>
<b>Capital Assets, Net</b>	<u>\$ 9,971,874</u>	<u>\$ (646,807)</u>	<u>\$ -</u>	<u>\$ 9,325,067</u>	<u>\$ (148,989)</u>	<u>\$ -</u>	<u>\$ 9,179,078</u>

Depreciation and amortization expense for the 2020 and 2019 fiscal years was \$840,436 and \$746,674, respectively.

**LEA COUNTY COMMUNICATIONS AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**NOTE D – MEMBERS RECEIVABLE AND PAYABLE**

**Members Receivable** - The Authority is reimbursed by the member governmental entities for operational expenditures Based upon the revised joint powers agreement between the members and the Authority, the member governmental entities reimburse the Authority in the following percentages:

<b>Authority Member</b>	<b>Percent</b>
Lea County	37%
City of Hobbs	37
City of Lovington	17
City of Eunice	3
City of Jal	3
Town of Tatum	<u>3</u>
	<u>100%</u>

Receivables at year end from the member agencies are follows:

<b>Authority Member</b>	<b>2020</b>	<b>2019</b>
Lea County	\$ 449,984	\$ 374,239
City of Hobbs	353,897	362,671
City of Lovington	1,697	29,899
City of Eunice	5,169	3,478
City of Jal	3,043	3,863
Town of Tatum	<u>1,950</u>	<u>2,212</u>
Due from Members	<u>\$ 815,740</u>	<u>\$ 776,362</u>

**Due to Lea County** - Lea County advanced the Authority for infrastructural improvement capital outlay expenses and the Authority's allocated portion of liability insurance expense. The Authority expects to reimburse the County as funds become available.

	<b>Fiscal Year</b>	<b>Amount</b>
Capital Outlay	2015	\$ 546,178
Capital Outlay	2016	500,000
Insurance Premium	2016	21,287
Insurance Premium	2017	<u>22,289</u>
Due to Lea County		<u>\$ 1,089,754</u>

**NOTE E – MEMORANDUMS OF UNDERSTANDING**

During August 2011, the Authority entered into a Memorandum of Understanding (MOU) with Regional Emergency Dispatch Authority (REDA) for REDA to provide back-up assistance for the Authority in the event of any unexpected malfunctions of the Authority's system. The initial term of the MOU ended June 30, 2012 and is renewable for additional one-year terms through written options exercised by both parties. There are no costs associated with this MOU.

During September 2013, the Authority entered into a MOU with URENCO, USA to coordinate emergency plans and procedures for assistance during construction, operation, and decommissioning phases of URENCO, USA facilities in Lea County. The agreement is renewed annually. Either party may terminate the agreement with a ninety-day written notice to the other party. There are no costs associated with the MOU.

## **SUPPLEMENTAL INFORMATION**



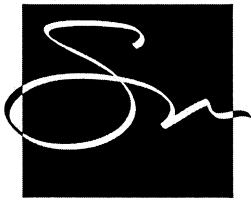
**LEA COUNTY COMMUNICATIONS AUTHORITY  
SCHEDULE OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
County Contributions	\$ 2,018,036	\$ 2,018,036	\$ 1,808,899	\$ (209,137)
City Contributions	2,047,252	2,047,252	1,910,848	(136,404)
Other Income	-	-	6,136	6,136
<b>Total Revenues</b>	<u>4,065,288</u>	<u>4,065,288</u>	<u>3,725,883</u>	<u>(339,405)</u>
<b>EXPENDITURES</b>				
Wages and Salaries	1,599,352	1,599,352	1,585,029	14,323
Payroll Taxes	122,427	122,427	119,561	2,866
Retirement and OPEB Retiree Health Care	244,525	244,525	217,288	27,237
Other Employee Benefits	407,893	407,893	300,636	107,257
Auto and Travel	20,000	20,000	5,934	14,066
Office and Administrative Expense	30,500	30,500	29,433	1,067
Professional and Contracted Services	265,591	265,591	248,513	17,078
Software License	150,000	150,000	6,200	143,800
Training and Employee Development	30,000	30,000	13,309	16,691
Insurance	32,000	32,000	30,211	1,789
Leases and Rentals	54,000	54,000	54,164	(164)
Repairs and Maintenance	231,000	231,000	185,800	45,200
Occupancy	212,000	212,000	174,033	37,967
Capital Outlay	666,000	666,000	714,176	(48,176)
<b>Total Operating Expenses</b>	<u>4,065,288</u>	<u>4,065,288</u>	<u>3,684,287</u>	<u>381,001</u>
<b>Change in Net Position</b>	-	-	41,596	<u>\$ 41,596</u>
Beginning Cash Balance	<u>748,046</u>	<u>748,046</u>	<u>748,046</u>	
<b>Ending Cash Balance</b>	<u>\$ 748,046</u>	<u>\$ 748,046</u>	<u>\$ 789,642</u>	
<b>Change in Net Position - Budget Basis</b>			41,596	
<b>Reconciliation to GAAP Basis</b>				
Depreciation			(840,436)	
Members Receivable - County			75,745	
Members Receivable - City			(36,367)	
Accounts Payable			2,834	
Accrued Payroll Liabilities			(38,171)	
Capital Outlay			691,447	
<b>Change in Net Position - GAAP Basis</b>			<u>\$ (103,352)</u>	

**LEA COUNTY COMMUNICATIONS AUTHORITY  
SCHEDULE OF REVENUES, EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
County Contributions	\$ 1,834,361	\$ 1,834,361	\$ 1,665,849	\$ (168,512)
City Contributions	1,877,274	1,877,274	1,670,848	(206,426)
Other Income	-	-	4,634	4,634
<b>Total Revenues</b>	<u>3,711,635</u>	<u>3,711,635</u>	<u>3,341,331</u>	<u>(370,304)</u>
<b>EXPENDITURES</b>				
Wages and Salaries	1,561,458	1,561,458	1,490,852	70,606
Payroll Taxes	114,920	114,920	112,637	2,283
Retirement and OPEB Retiree Health Care	228,509	228,509	211,433	17,076
Other Employee Benefits	384,647	384,647	367,689	16,958
Auto and Travel	20,000	20,000	7,428	12,572
Office and Administrative Expense	29,000	29,000	30,738	(1,738)
Professional and Contracted Services	592,560	592,560	557,466	35,094
Software License	200,000	200,000	188,056	11,944
Training and Employee Development	25,256	25,256	18,294	6,962
Insurance	32,000	32,000	22,814	9,186
Leases and Rentals	54,000	54,000	49,300	4,700
Repairs and Maintenance	164,285	164,285	114,588	49,697
Occupancy	185,000	185,000	163,775	21,225
Capital Outlay	120,000	120,000	109,417	10,583
<b>Total Operating Expenses</b>	<u>3,711,635</u>	<u>3,711,635</u>	<u>3,444,487</u>	<u>267,148</u>
<b>Change in Net Position</b>	-	-	(103,156)	<u>\$ (103,156)</u>
Beginning Cash Balance	<u>851,202</u>	<u>851,202</u>	<u>851,202</u>	
<b>Ending Cash Balance</b>	<u>\$ 851,202</u>	<u>\$ 851,202</u>	<u>\$ 748,046</u>	
<b>Change in Net Position - Budget Basis</b>			\$ (103,156)	
<b>Reconciliation to GAAP Basis</b>				
Depreciation			(746,674)	
Members Receivable - County			37,149	
Members Receivable - City			72,563	
Grants Receivable			-	
Accounts Payable			15,634	
Accrued Payroll Liabilities			5,624	
Capital Outlay			99,867	
<b>Change in Net Position - GAAP Basis</b>			<u>\$ (618,993)</u>	

## **INTERNAL CONTROL AND COMPLIANCE**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Brian Colón, New Mexico State Auditor, and  
Board of Directors of  
Lea County Communications Authority  
Lovington, New Mexico

We have audited, 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, the basic financial statements of the business-type activities and related budgetary comparison presented as supplemental information of Lea County Communications Authority (the Authority), as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon dated September 4, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) as a basis to determine our audit procedures that are appropriate for the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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.

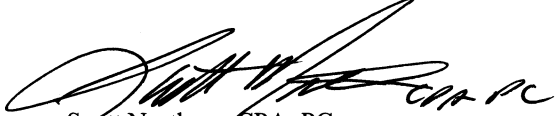
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority'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*.

**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 Authority'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.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
September 4, 2020

**LEA COUNTY COMMUNICATIONS AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2020 AND 2019**

**SUMMARY OF AUDITOR RESULTS:**

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	No

**FINANCIAL STATEMENT FINDINGS**

*CURRENT YEAR FINDINGS:*

NONE

*PRIOR YEAR FINDINGS:*

NONE

**LEA COUNTY COMMUNICATIONS AUTHORITY  
EXIT CONFERENCE  
JUNE 30, 2020 and 2019**

An entrance conference was held with the Authority's representatives on September 3, 2020. The contents of this report were discussed with the Lea County Communications Authority representatives on September 4, 2020. The following individuals were present for the conference:

**Lea County Communications Authority**

Chip Low, CPA, Lea County Finance Director (Fiscal Agent)  
Mike Gallagher, Chair

**Scott Northam, CPA, PC**

Scott Northam, CPA

The financial statements of Lea County Communications Authority were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Authority.

Although standards strongly emphasize the Authority prepare its own financial statements, the consensus between Authority management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Authority designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Authority reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, supplemental schedules, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.