

LEA COUNTY COMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Year Ended June 30, 2011



JOHNSON, MILLER & CO.

*Certified Public Accountants
A Professional Corporation*

An Independent Member of BDO Seidman Alliance

LEA COUNTY COMMUNICATIONS AUTHORITY

**FINANCIAL STATEMENTS
with
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Year Ended June 30, 2011

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**OFFICIAL ROSTER
JUNE 30, 2011**

BOARD MEMBERS

Rod Coffman	Lea County Sheriff	President
Manny Gomez	Hobbs Fire Chief	Vice-President
Lorenzo Velazquez	Emergency Manager	Secretary
J.D. Sanders	Hobbs Chief of Police	Member
Mike Gallagher	Lea County Manager	Member
Eric Honeyfield	Hobbs City Manager	Member
Tom Dunford	Member -At-Large	Member



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Certified Public Accountants

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Hobbs, New Mexico

Midland, Texas

Odessa, Texas

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Mr. Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Lea County Communications Authority Chairman, Board of Directors and
Citizens of Lea County
Lovington, New Mexico

We have audited the accompanying financial statements of the business-type activities and the budgetary comparison of Lea County Communications Authority (the Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2011, the respective changes in financial position thereof, and its statement of 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 Schedule of Revenues and Expenses - Budget and Actual present fairly, in all material respects, the respective budgetary comparison for the Authority for the year ended June 30, 2011, in conformity with the budgetary basis described in Note A4.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Johnson, Miller & Co.

Hobbs, New Mexico
November 22, 2011

LEA COUNTY COMMUNICATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The financial information contained herein is for the Lea County Communications Authority (the Authority). The Authority's discussion and analysis provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2011. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Authority's financial statements, which begin on page nine.

The Authority's purpose is to protect the safety, health and welfare of the people of Lea County and the City of Hobbs, New Mexico. The Authority's main sources of revenue are grants and member contributions.

This is the first reporting fiscal year of the entity.

FINANCIAL HIGHLIGHTS

- The Authority's total assets are \$1,541,978 and total liabilities are \$248,444.
- The Authority's operating expenses in fiscal year 2010-2011 totaled \$30,491.
- As of the close of the current fiscal year, the Authority reported ending total net assets of \$1,293,534.
- Revenue from member contributions totaled \$1,324,025 for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Authority.

The Authority's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

FINANCIAL STATEMENTS

The financial statements present the financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenues, expenses and changes in fund net assets presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event, giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected invoices and earned but unused vacation leave).

The financial statements reflect that the Authority is principally supported by member contributions that are intended to recover all or a significant portion of the Authority's expenses.

LEA COUNTY COMMUNICATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FUND FINANCIAL STATEMENTS

The Authority's basic services are reported in one unrestricted fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using the accrual basis of accounting. The statements provide a detailed short-term view of the Authority's general operations and the basic services it provides.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to basic financial statements can be found on pages 12-16 of this report.

FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of an entity's financial position. The balance of unrestricted funds may be used to meet the Authority's ongoing obligations.

NET ASSETS:

Total net assets for the current year are scheduled below:

Condensed Statements of Net Assets	
	<u>6/30/2011</u>
Current and other assets	\$ 1,541,978
Current liabilities	<u>248,444</u>
Total net assets	<u>\$ 1,293,534</u>

The increase in total net assets is related to investment in capital assets.

REVENUES AND EXPENSES

Revenues, expenses and changes in net assets are shown in schedule below:

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
	<u>6/30/2011</u>
Operating revenues	\$ 1,324,025
Operating expenses	<u>30,491</u>
Change in net assets	1,293,534
Beginning net assets	<u>-</u>
Ending net assets	<u>\$ 1,293,534</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets provides answers as to the nature and source of these changes.

The increase in total revenues is related to contributions from Lea County and City of Hobbs, New Mexico. Expenses are related to capital assets and operating activities.

LEA COUNTY COMMUNICATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

BUDGET ANALYSIS

6/30/2011

There were approved budget revenue and expense increases and decreases after the initial approved budget for 2011. These increases and decreases were recognized throughout the budget year, approved by the board and the Department of Finance and Administration and implemented at various times during the year.

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 3,886,084	\$ 1,251,293	\$ (2,634,791)
Total revenues	<u>\$ 3,886,084</u>	<u>\$ 1,251,293</u>	<u>\$ (2,634,791)</u>
EXPENSES			
General government	\$ 63,650	\$ 5,855	\$ 57,795
Capital outlay	2,900,000	1,245,438	\$ 1,654,562
Total expenses	<u>\$ 2,963,650</u>	<u>\$ 1,251,293</u>	<u>\$ 1,712,357</u>
Excess of revenues over expenditures	<u>\$ 922,434</u>	<u>\$ -</u>	<u>\$ (922,434)</u>

The positive variance of budgeted vs. actual for total revenues is due to expected but not received in total in the current year contributions from members, which are based on expenditures related to the emergency operations center. The positive variance for expenditures is the result of capital projects budgeted but not expended in the current year.

CAPITAL ASSETS:

The Authority has invested and reported assets as follows:

Land	\$ 96,191
Construction in Progress	<u>1,245,438</u>
	<u>\$ 1,341,629</u>

Capital assets are related to the construction of the emergency operations center and acquisition of land.

LEA COUNTY COMMUNICATIONS AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FISCAL YEAR 2012:

During fiscal year 2011/2012, LCCA plans to complete construction on the emergency operations center and communication center located north of Hobbs, New Mexico. Total cost of the facility is estimated to be \$4.6 million. Once complete, dispatch operations, through a joint powers agreement between Lea County and the City of Hobbs, will be relocated to this facility.

SUMMARY:

The above information is a summary of what is supported with the remainder of the financial statements. We hope it is useful with the users' financial overview of our entity. More information may be obtained upon request at:

Finance Department
100 North Main
Lovington, NM 88260

BASIC FINANCIAL STATEMENTS

LEA COUNTY COMMUNICATIONS AUTHORITY

STATEMENT OF NET ASSETS

	<u>June 30, 2011</u>
ASSETS	
Receivable from related party	\$ 200,349
Total current assets	200,349
Capital assets	<u>1,341,629</u>
TOTAL ASSETS	\$ 1,541,978
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 5,130
Accrued payroll liabilities	19,505
Payable to related party	<u>223,809</u>
TOTAL LIABILITIES	<u>248,444</u>
 NET ASSETS	
Invested in capital assets	1,341,629
Unrestricted	<u>(48,095)</u>
Total net assets	<u>1,293,534</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,541,978</u>

LEA COUNTY COMMUNICATIONS AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Net Assets

	Year Ended June 30, 2011
OPERATING REVENUES	
Member contributions	
Lea County	\$ 772,094
City of Hobbs	503,835
Other contribution	48,096
Total operating revenues	1,324,025
OPERATING EXPENSES	
General government	30,491
Total operating expenses	30,491
Operating Income	1,293,534
Change in net assets	1,293,534
Net assets - beginning of year	-
Net assets - end of year	\$ 1,293,534

LEA COUNTY COMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS

	<u>Year Ended</u> <u>June 30, 2011</u>
OPERATING ACTIVITIES	
Cash received from members	\$ 1,251,293
Cash paid to suppliers	(540)
Cash paid to employees	<u>(5,315)</u>
Net cash provided by operating activities	<u>1,245,438</u>
INVESTING ACTIVITIES	
Cash paid for capital assets	<u>(1,245,438)</u>
Net cash used by investing activities	<u>(1,245,438)</u>
FINANCING ACTIVITIES	
Net increase (decrease) in cash	<u>-</u>
Cash - beginning of year	<u>-</u>
Cash - end of year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,293,534
Non-cash land contribution	(96,191)
Change in assets and liabilities	
Accounts payable	5,130
Due from related party	(200,349)
Accrued liabilities	19,505
Due to related party	<u>223,809</u>
Net cash provided by operating activities	<u>\$ 1,245,438</u>

NOTES TO THE FINANCIAL STATEMENTS

LEA COUNTY COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. ORGANIZATION

Lea County Communications Authority (the Authority) was established on January 4, 2010 under a joint powers agreement entered into by and between the County of Lea 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 Lea County and Hobbs, New Mexico. The joint powers agreement established Lea County as the fiscal agent of the Authority.

2. 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:

- a. 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.
- b. 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.
- c. 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, and the Authority is not a component unit of any other entity.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Authority has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with Governmental Accounting Standards Board (GASB) pronouncements. The Authority has elected not to apply FASB pronouncements issued after the applicable date.

Measurement Focus:

The unrestricted funds (enterprise funds) are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period they are earned. Expenditures generally are recorded when a fund liability is incurred.

LEA COUNTY COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Accounting:

The accounts of the Authority are organized on the basis of fund type, of which there is only one fund which is considered an enterprise fund.

Enterprise Funds: (Unrestricted Funds)

Unrestricted funds are used to account for construction, operating and administrative costs of the Authority that are financed and operated in a manner similar to private business enterprises where the intent is that the operational and administrative costs of providing goods and services to the general public on a continuing basis, be financed or recovered primarily through member contributions and grants.

4. BUDGET

The annual budget is adopted based on the cash basis of accounting, which is not in accordance with accounting principles generally accepted in the United States of America.

Annual budgets of the Authority are prepared prior to June 1 and must be approved by the resolution of the Board. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a preliminary budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding.

Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget. Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts on demand deposits which are held by the Authority's fiscal agent, Lea County. These funds are included with those insured, collateralized, and reported in the remaining supplemental information schedules of pledged collateral (2.2.2.10 NMAC) and cash reconciliation (2.2.2.12 NMAC) in the separately issued financial statements of Lea County.

6. REVENUES

Operating revenue includes activities that have the characteristics of an exchange transaction, such as a) contributions from related parties and b) reimbursements for operating or administrative expenses.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions. The Authority does not typically have non-operating revenues.

LEA COUNTY COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. CAPITAL ASSETS

Capital assets such as equipment are defined, per Section 12-6-10 NMSA 1978, as assets with a cost of \$5,000 or more.

Information technology equipment, including software, is capitalized in accordance with NMAC 2.20.1.9 C (5). Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Equipment & Furniture	5-15
Vehicles	5-15
Computer Hardware	5

7. USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

9. NET ASSETS

Net assets are presented as invested in capital assets, restricted net assets; and unrestricted net assets. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Restricted net assets have constraints placed on net asset use that are either externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. These net assets are either classified as either expendable or nonexpendable. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets."

10. RESTRICTED ASSETS

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

LEA COUNTY COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - RELATED PARTY TRANSACTIONS

The amounts due from members at June 30, 2011 are considered to be fully collectible and are composed of the following:

City of Hobbs	\$	200,349
		<hr/>
Total	\$	200,349

Amount due to members consists of monies which were paid for by Lea County on behalf of the Authority for construction expenses. The Authority expects to repay this amount within the next year.

Lea County	\$	223,809
		<hr/>
Total	\$	223,809

NOTE C - LEGAL COMPLIANCE BUDGET

Annual budgets are adopted by the Authority with final approval by the New Mexico Department of Finance and Administration. The budgets are established under the following procedures:

Prior to June 30, the Authority's Board of Directors approves an operating budget proposed by Lea County for the fiscal year commencing the following July 1. The budget includes proposed expenses and the means for financing the expenses.

If these expenses exceed the revenues anticipated, sufficient cash balances are appropriated to cover the excess. Such occurrences are shown in the financial statements as "prior year cash balances" and/or fund balances designated for subsequent year's expenses. All appropriations lapse at the end of each fiscal year.

The budget is legally enacted by the Authority's Board. The adopted budget is then submitted, as a part of the Lea County budget to the Department of Finance and Administration whose personnel review, adjust, and approve the final budget.

The level at which expenses may not legally exceed the amount appropriated is at the fund level. Lea County, as fiscal agent, is authorized to transfer budgeted amounts between departments within the fund; however, any revisions that alter the total expenses of any fund must be approved by the Department of Finance and Administration.

The budgets are prepared on the cash basis in compliance with the rules and regulations of the Department of Finance and Administration. The budget comparisons presented in the combined financial statements are reported on the cash basis to provide a meaningful comparison of actual results with budgeted amounts. The budgeted amounts reflected in the comparisons are reported as originally adopted or legally amended by the Authority.

LEA COUNTY COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOTE D - CONSTRUCTION COMMITMENTS

As of June 30, 2011 the Authority had a construction commitment related to the emergency operations building of approximately \$3.8 million.

NOTE E - RISK OF LOSS

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the contractor constructing the emergency center facility carries commercial insurance protecting the contractor and the Authority. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. As of June 30, 2011, the Authority did not have any probable risks of loss.

NOTE F - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through November 22, 2011, the date which the financial statements were available to be issued.

NOTE G - CAPITAL ASSETS

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Non-depreciable assets				
Land	\$ -	\$ 96,191	\$ -	\$ 96,191
Construction in Process	-	1,245,438	-	1,245,438
Total non-depreciable assets	-	1,341,629	-	1,341,629
Net capital assets	\$ -	\$ 1,341,629	\$ -	\$ 1,341,629

LEA COUNTY COMMUNICATIONS AUTHORITY

**Statement of Revenues, Expenditures and Changes in Fund Net Assets
Budget (non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Intergovernmental	\$ 3,512,900	\$ 3,886,084	\$ 1,251,293	\$ (2,634,791)
Total Revenues	3,512,900	3,886,084	1,251,293	(2,634,791)
EXPENDITURES				
General government	63,650	63,650	5,855	57,795
Capital outlay	2,900,000	2,900,000	1,245,438	1,654,562
Total Expenditures	2,963,650	2,963,650	1,251,293	1,712,357
expenditures	549,250	922,434	-	(922,434)
Prior year cash balance	-	-	-	-
Net change in fund balances	\$ 549,250	\$ 922,434	-	-
RECONCILIATION TO GAAP BASIS:				
Change in accounts payable			(5,130)	
Change in due from other governments			200,349	
Change in accrued liabilities			(19,505)	
Change in due to other governments			(223,809)	
Increase in land			96,191	
Increase in construction in progress			1,245,438	
Net change in fund net assets			\$ 1,293,534	



JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

**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 Office of Management and Budget and
Lea County Communications Authority Chairman, Board of Directors and
Citizens of Lea County
Lovington, New Mexico

We have audited the financial statements of the business-type activities and the budgetary comparison of the Authority as of and for the year ended June 30, 2011, and have issued our report thereon dated November 22, 2011. 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

In planning and performing our audit, we considered the Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the entity'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 weakness. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Lea County Communications Authority Chairman, Board of Directors and
Citizens of Lea County
Lovington, New Mexico

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 grants 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.

This report is intended solely for the information and use of the Board of Directors, management, others within the agency, the New Mexico State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co.

Hobbs, New Mexico
November 22, 2011

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Lea County Communications Authority Chairman, Board of Directors and
Citizens of Lea County
Lovington, New Mexico

PRIOR YEAR FINDINGS

None

FINANCIAL STATEMENT PRESENTATION

The financial statements were prepared from the original books and records of Lea County Communications Authority as of June 30, 2011 by Johnson, Miller & Co., Certified Public Accountants, A Professional Corporation.

LEA COUNTY COMMUNICATIONS AUTHORITY

OTHER DISCLOSURES

Year Ended June 30, 2011

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Lea County Communications Authority Chairman, Board of Directors and
Citizens of Lea County
Lovington, New Mexico

EXIT CONFERENCE

The contents of this report and its schedules were discussed on November 28, 2011. The following persons were in attendance.

Authority's Officials

Lorenzo Velazquez, Secretary
Sherri Bunch, Finance Director

Auditors

Mary Hinds, CPA

LEA COUNTY COMMUNICATIONS AUTHORITY

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
Lea County Communications Authority Chairman, Board of Directors and
Citizens of Lea County
Lovington, New Mexico

PASSED ADJUSTMENTS

The State Auditor's Rule 2.2.2.10 J (2) states that the auditor must present a list of passed adjustments to the agency management and governing board representatives, and a copy of the list must be attached to the audit report submitted to the State Auditor for review.

The following passed adjustments were identified during the audit for Lea County, New Mexico for the year ended June 30, 2011.

None