

LEA COUNTY COMMUNICATIONS AUTHORITY

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018

INTRODUCTORY SECTION

**LEA COUNTY COMMUNICATIONS AUTHORITY
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JUNE 30, 2019 AND 2018**

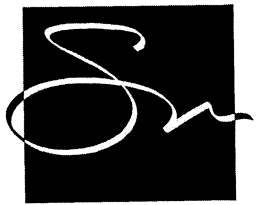
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**LEA COUNTY COMMUNICATIONS AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2019 AND 2018**

BOARD OF DIRECTORS

Name	Title	Representing
Manny Gomez	Chairman	City of Hobbs
Corey Helton	Vice - Chair	Lea County
Lorenzo Velasquez	Secretary	Lea County
Brian Dunlap	Director	City of Hobbs
Kevin Shearer	Director	City of Hobbs
Michael Gallagher	Director	Lea County
Michael Walker	Director	Lea County

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Brian Colon, 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, 2019 and 2018, 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, 2019 and 2018, 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 19, 2019 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 19, 2019

**LEA COUNTY COMMUNICATIONS AUTHORITY
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 748,046	\$ 851,202
Members Receivable		
County	374,239	337,090
City	<u>402,123</u>	<u>329,560</u>
TOTAL CURRENT ASSETS	<u>1,524,408</u>	<u>1,517,852</u>
NONCURRENT ASSETS		
Capital Assets, Net	<u>9,325,067</u>	<u>9,971,874</u>
TOTAL NONCURRENT ASSETS	<u>9,325,067</u>	<u>9,971,874</u>
TOTAL ASSETS	<u><u>\$ 10,849,475</u></u>	<u><u>\$ 11,489,726</u></u>
LIABILITIES AND NET POSITION		
LIABILITIES		
Accounts Payable	\$ 12,127	\$ 27,761
Accrued Payroll and Liabilities	34,475	40,099
Due to Lea County	<u>1,089,754</u>	<u>1,089,754</u>
TOTAL LIABILITIES	<u>1,136,356</u>	<u>1,157,614</u>
NET POSITION		
Net Investment in Capital Assets	9,325,067	9,971,874
Unrestricted	<u>388,052</u>	<u>360,238</u>
TOTAL NET POSITION	<u>9,713,119</u>	<u>10,332,112</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 10,849,475</u></u>	<u><u>\$ 11,489,726</u></u>

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

LEA COUNTY COMMUNICATIONS AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Member Contributions		
Lea County	\$ 1,702,999	\$ 1,373,035
City Contributions		
City of Hobbs	1,669,162	1,321,939
City of Lovington	35,174	3,903
City of Eunice	17,949	11,828
City of Jal	3,863	14,103
Town of Tatum	13,192	8,047
New Mexico Junior College	4,071	-
E911 Inkind Grant Contributions	247,527	-
E911 Grant	1,500	-
Loss on Disposal of Assets	-	(2,237)
Other Income	1,634	1,573
	3,697,071	2,732,191
OPERATING EXPENSES		
Wages and Salaries	1,514,445	1,404,836
Payroll Taxes	114,442	106,172
Retirement and OPEB Retiree Health Care	214,276	214,899
Other Employee Benefits	316,691	322,933
Auto and Travel	7,428	8,965
Office and Administrative Expense	30,738	21,854
Professional and Contracted Services	557,466	42,147
Software License	188,056	9,867
Training and Employee Development	18,294	16,784
Insurance	22,814	22,289
Leases and Rentals	49,300	44,276
Repairs and Maintenance	114,588	82,016
Occupancy	163,775	101,404
Inkind E911 Grant Expenses	247,527	-
Minor Equipment	9,550	-
Depreciation and Amortization	746,674	537,805
	4,316,064	2,936,247
CHANGE IN NET POSITION	(618,993)	(204,056)
NET POSITION, BEGINNING OF YEAR	10,332,112	10,536,168
NET POSITION, END OF YEAR	\$ 9,713,119	\$ 10,332,112

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, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 3,587,359	\$ 3,021,128
Payments to and on Behalf of Employees	(2,165,478)	(2,042,476)
Payments to Suppliers and Contractors	<u>(1,425,170)</u>	<u>(446,075)</u>
Net Cash Provided by Operating Activities	<u>(3,289)</u>	<u>532,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Asset Purchases	<u>(99,867)</u>	<u>(244,305)</u>
Net Cash Used by Investing Activities	<u>(99,867)</u>	<u>(244,305)</u>
NET CHANGE IN CASH	(103,156)	288,272
CASH AT BEGINNING OF YEAR	<u>851,202</u>	<u>562,930</u>
CASH AT END OF YEAR	<u><u>\$ 748,046</u></u>	<u><u>\$ 851,202</u></u>

Reconciliation of Change in Net Position to Net Cash

Provided by Operating Activities

Change in Net Position	\$ (618,993)	(204,056)
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**Adjustments to Reconcile Change in Net Position to
Net Cash Provided by Operating Activities**

Loss on Disposal of Assets	-	2,237
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Depreciation	746,674	537,805
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Changes in

Members Receivable - County	(37,149)	143,875
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Members Receivable - City	(72,563)	142,073
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Grant Receivable	-	752
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Accounts Payable	(15,634)	(96,473)
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Accrued Payroll Liabilities	(5,624)	6,364
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Due to Lea County	<u>-</u>	<u>-</u>
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Cash Provided by Operating Activities	<u><u>\$ (3,289)</u></u>	<u><u>\$ 532,577</u></u>
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Supplemental Non-cash disclosures

Telephone line expense paid by State Dept. of	
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Information Technology	\$ 247,527
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The accompanying notes are an integral part of these financial statements.

**LEA COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2019 AND 2018**

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, 2019 and 2018, 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:

Assets	Years
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, 2019 or 2018, 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, 2019 AND 2018**

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, 2019 AND 2018

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, 2019 and 2018, or any time during the respective fiscal years.

NOTE C - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance June 30, 2017	Additions	Deletions and Transfers	Balance June 30, 2018	Additions	Deletions and Transfers	Balance June 30, 2019
Non-Depreciable Assets							
Land	\$ 96,191	\$ -	\$ -	\$ 96,191	\$ -	\$ -	\$ 96,191
Construction in Progress	<u>824,223</u>	<u>112,241</u>	<u>-</u>	<u>936,464</u>	<u>-</u>	<u>(936,464)</u>	<u>-</u>
Total Non-Depreciable Assets	<u>920,414</u>	<u>112,241</u>	<u>-</u>	<u>1,032,655</u>	<u>-</u>	<u>(936,464)</u>	<u>96,191</u>
Depreciable Assets							
Buildings	4,989,373	-	-	4,989,373	-	-	4,989,373
Vehicles	-	-	24,543	24,543	39,500	-	64,043
Other Improvements	-	9,795	-	9,795	-	-	9,795
Equipment and Furniture	<u>7,392,692</u>	<u>122,269</u>	<u>(46,909)</u>	<u>7,468,052</u>	<u>60,367</u>	<u>936,464</u>	<u>8,464,883</u>
Total Depreciable Assets	<u>12,382,065</u>	<u>132,064</u>	<u>(24,543)</u>	<u>12,491,763</u>	<u>99,867</u>	<u>936,464</u>	<u>13,528,094</u>
Total Capital Assets	<u>13,302,479</u>	<u>244,305</u>	<u>(22,366)</u>	<u>13,524,418</u>	<u>99,867</u>	<u>-</u>	<u>13,624,285</u>
Less Accumulated Depreciation							
Buildings	(464,686)	(89,809)	-	(554,495)	(89,809)	-	(644,304)
Vehicles	-	(2,209)	(10,676)	(12,885)	(10,109)	-	(22,994)
Other Improvements	-	(816)	-	(816)	(979)	-	(1,795)
Equipment and Furniture	<u>(2,570,182)</u>	<u>(444,971)</u>	<u>30,805</u>	<u>(2,984,348)</u>	<u>(645,777)</u>	<u>-</u>	<u>(3,630,125)</u>
Total Accumulated Depreciation	<u>(3,034,868)</u>	<u>(537,805)</u>	<u>20,129</u>	<u>(3,552,544)</u>	<u>(746,674)</u>	<u>-</u>	<u>(4,299,218)</u>
Capital Assets, Net	<u>\$ 10,267,611</u>	<u>\$ (293,500)</u>	<u>\$ (2,237)</u>	<u>\$ 9,971,874</u>	<u>\$ (646,807)</u>	<u>\$ -</u>	<u>\$ 9,325,067</u>

Depreciation and amortization expense for the 2019 and 2018 fiscal years was \$746,674 and \$537,805, respectively.

**LEA COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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:

Authority Member	Percent
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:

Authority Member	2019	2018
Lea County	\$ 374,239	\$ 337,091
City of Hobbs	362,671	321,672
City of Lovington	29,899	801
City of Eunice	3,478	2,278
City of Jal	3,863	2,594
Town of Tatum	<u>2,212</u>	<u>2,214</u>
Due from Members	<u>\$ 776,362</u>	<u>\$ 666,650</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.

	Fiscal Year	Amount
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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
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	-	-	3,134	3,134
Total Revenues	<u>3,711,635</u>	<u>3,711,635</u>	<u>3,341,331</u>	<u>(370,304)</u>
EXPENDITURES				
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
Total Operating Expenses	<u>3,711,635</u>	<u>3,711,635</u>	<u>3,444,487</u>	<u>267,148</u>
Change in Net Position	-	-	(103,156)	<u>\$ (103,156)</u>
Beginning Cash Balance	851,202	851,202	851,202	
Ending Cash Balance	<u>\$ 851,202</u>	<u>\$ 851,202</u>	<u>\$ 748,046</u>	
Change in Net Position - Budget Basis			(103,156)	
Reconciliation to GAAP Basis				
Depreciation			(746,674)	
Members Receivable - County			37,149	
Members Receivable - City			72,563	
Accounts Payable			15,634	
Accrued Payroll Liabilities			5,624	
Capital Outlay			99,867	
Change in Net Position - GAAP Basis			<u>\$ (618,993)</u>	

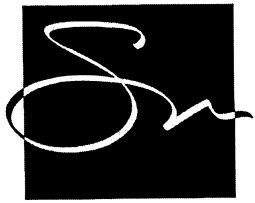
The accompanying notes are an integral part of these financial statements.

**LEA COUNTY COMMUNICATIONS AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES
BUDGET AND ACTUAL (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
County Contributions	\$ 1,541,049	\$ 1,541,049	\$ 1,516,910	\$ (24,139)
City Contributions	1,719,074	1,719,074	1,502,645	(216,429)
Other Income	-	-	1,573	1,573
Total Revenues	<u>3,260,123</u>	<u>3,260,123</u>	<u>3,021,128</u>	<u>(238,995)</u>
EXPENDITURES				
Wages and Salaries	1,477,512	1,518,901	1,399,734	119,167
Payroll Taxes	107,977	110,579	105,781	4,798
Retirement and OPEB Retiree Health Care	212,666	218,563	214,333	4,230
Other Employee Benefits	329,550	329,550	322,628	6,922
Auto and Travel	20,000	20,000	9,271	10,729
Office and Administrative Expense	29,000	29,000	22,663	6,337
Professional and Contracted Services	500,557	500,557	153,918	346,639
Software License	135,000	123,000	9,867	113,133
Training and Employee Development	20,000	20,000	18,209	1,791
Insurance	32,000	32,000	22,289	9,711
Leases and Rentals	54,000	54,000	47,759	6,241
Repairs and Maintenance	141,000	146,000	122,680	23,320
Occupancy	135,000	142,000	109,693	32,307
Capital Outlay	177,000	177,000	174,031	2,969
Total Operating Expenses	<u>3,371,262</u>	<u>3,421,150</u>	<u>2,732,856</u>	<u>688,294</u>
Change in Net Position	(111,139)	(161,027)	288,272	<u>\$ 449,299</u>
Beginning Cash Balance	<u>562,930</u>	<u>562,930</u>	<u>562,930</u>	
Ending Cash Balance	<u>\$ 451,791</u>	<u>\$ 401,903</u>	<u>\$ 851,202</u>	
Change in Net Position - Budget Basis			\$ 288,272	
Reconciliation to GAAP Basis				
Depreciation			(537,805)	
Loss on Disposal of Assets			(2,237)	
Members Receivable - County			(143,875)	
Members Receivable - City			(142,073)	
Grant Receivable			(752)	
Accounts Payable			96,473	
Accrued Payroll Liabilities			(6,364)	
Capital Outlay			<u>244,305</u>	
Change in Net Position - GAAP Basis			<u>\$ (204,056)</u>	

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

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 Colon, 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, 2019 and 2018, and have issued our report thereon dated September 19, 2019.

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 19, 2019

**LEA COUNTY COMMUNICATIONS AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019 AND 2018**

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, 2019 and 2018**

An entrance conference was held with the Authority's representatives on September 17, 2019. The contents of this report were discussed with the Lea County Communications Authority representatives on September 19, 2019. The following individuals were present for the conference:

Lea County Communications Authority

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

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.