

**Eddy County**  
**Central Communications Authority**  
**(A Component Unit of Eddy County, New Mexico)**

Financial Statements and Supplemental Information  
and Independent Auditors' Report  
For the year ended June 30, 2009

**EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

List of Principal Officials  
For the year ended June 30, 2009

Board of Commissioners

George Holmes  
Joel Arnwine  
Don Raley  
Ernie Mendoza  
JD Hummingbird  
Guy Lutman  
Sonny Hope

Chairperson  
Vice-Chairperson  
Artesia Police Chief  
Eddy County Sheriff  
Artesia Fire Chief  
Eddy County Commissioner  
Member

Administrative Staff

Jenny L. Rennie

Director

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY**

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### INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas  
New Mexico State Auditor and  
Board of Commissioners  
Eddy County Central Communications Authority  
Carlsbad, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Eddy County Central Communications Authority, component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2009, which collectively comprise the Eddy County Central Communications Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the enterprise fund presented as supplementary information in the accompanying individual fund financial statement for the year ended June 30, 2009. These financial statements are the responsibility of the Eddy County Central Communications Authority's management. Our responsibility is to express an opinion 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.

As described in Note 1, the financial statements present only the Eddy County Central Communications Authority and are not intended to present fairly the financial position of Eddy County, New Mexico, as of June 30, 2009, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Eddy County Central Communications Authority, as of June 30, 2009, and the respective changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons for the enterprise fund of the Eddy County Central Communications Authority for the year ended June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated April 13, 2010, on our consideration of the Eddy County Central Communications Authority's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, and 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 3 through 6 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison statement. The accompanying schedule of cash accounts is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of cash accounts has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in blue ink, appearing to read "Seth & Trust, LLP".

April 13, 2010

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

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The Eddy County Central Communications Authority's Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Eddy County Central Communication Authority's financial activity, (c) identify changes in the Eddy County Central Communication Authority's financial position and (d) identify individual fund issues or concerns.

The Eddy County Central Communication Authority is a component unity of Eddy County and is governed by its Board of County Commissioners. The Eddy County Central Communication Authority is funded jointly by Eddy County and the City of Artesia and monitored by the Authority's Board.

This Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Central Communication Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Eddy County Central Communication Authority's total net assets increased by \$103,063 (or 103 percent) during the fiscal year ended June 30, 2009. Since the CCA engages only in public safety type activities, the increase is all in the category of public safety type net assets. Net assets were \$203,050 and \$99,987 for 2009 and 2008, respectfully. The increase in net assets was primarily due to replacement and upgrade of existing equipment that had been purchased by the City of Artesia and Eddy County, prior to consolidation.
- The operating revenue increased by \$606,333 (or 247 percent) during fiscal year ended 2009, and was \$852,012 and \$245,679 for 2009 and 2008, respectfully. The increase in revenue for year ended June 30, 2009 was primarily due to an increase in operating expenses, resulting in increased contributions from the City of Artesia and Eddy County, respectively.
- The operating expenses for the Eddy County Central Communication Authority increased by \$159,244 (or 26 percent). Total expenses were \$766,182 and \$606,938 for 2009 and 2008, respectively. The increase in expenses for the year ended June 30, 2009 was primarily due to preparations for the impending move into the new ECCCA facility and implementation of multiple new operating systems.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Management's Discussion and Analysis is intended to serve as an introduction to the Eddy County Central Communication Authority's basic financial statements. The Eddy County Central Communication Authority's annual report consists of the following parts: 1) Management's Discussion and Analysis, 2) Basic Financial Statements, and 3) Other Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

## **Basic Financial Statements**

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows, followed by notes to the financial statements. A budget to actual schedule is presented following the notes. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the schedule of cash accounts, pledged collateral and financial data schedule for the Authority.

### **Statement of Net Assets**

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

Over time, increases or decreases in net assets may serve as a useful indication of whether the Authority's financial position is improving or deteriorating. The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the net change in assets for the fiscal year. That change, combined with the net assets at the end of the previous year, totals to the net assets at the end of the current fiscal year.

### **Statement of Cash Flows**

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities, added to the beginning of the year cash balance, totals to the cash and cash equivalent balances at the end of the current fiscal year.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

### **Financial Statement Analysis**

Overall, the Authority is in good financial condition. Unrestricted net assets were \$167,775 for June 30, 2009. The Authority's main expense for the year ending June 30, 2009 is personnel costs with only 7.6 percent of costs being for other operational expenses.



	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Current and other assets	\$ 203,050	\$ 99,987
Total assets	<u>\$ 203,050</u>	<u>\$ 99,987</u>
<b>Liabilities:</b>		
Current and other liabilities	3,431	2,262
Accrued liabilities and other expenses	15,874	15,780
Compensated absences	<u>15,970</u>	<u>-</u>
Total liabilities	<u>35,275</u>	<u>18,042</u>
<b>Net Assets:</b>		
Unrestricted	<u>167,775</u>	<u>81,945</u>
Total net assets	<u>167,775</u>	<u>81,945</u>
Total liabilities and net assets	<u>\$ 203,050</u>	<u>\$ 99,987</u>

The remaining balance of unrestricted net assets of \$167,775 may be used to meet the Authority's ongoing obligations.

### **Statement of Revenues, Expenses, and Changes in Net Assets**

Condensed Statements of Revenues, Expenses, and changes in Fund Net Assets for the fiscal years ended June 30, 2009 and 2008 are shown in the table below:

	<u>2009</u>	<u>2008</u>
<b>Revenues:</b>		
Operating Revenues:		
Eddy County - Operational funding	\$ 622,922	385,000
City of Artesia - Operational funding	219,607	245,679
Other operating revenues	<u>9,483</u>	<u>-</u>
<b>Total revenues</b>	<u>852,012</u>	<u>630,679</u>
<b>Expenses:</b>		
Operating Expenses:		
Salaries and benefits	676,572	538,356
Administrative and other expenses	<u>89,610</u>	<u>68,582</u>
<b>Total expenses</b>	<u>766,182</u>	<u>606,938</u>
Change in net assets	<u>\$ 85,830</u>	<u>\$ 23,741</u>

Revenues and expenses have both increased over 2008 numbers due to the additional employees and the expansion of the operation as it prepares to move and become a fully separated authority.

### **Capital Asset and Debt Administration**

As of June 30, 2009 the Central Communication Authority does not have any Capital Assets or Debt.

### **Analysis of Budget vs. Actual Results**

The majority of the \$315K savings is attributed to staffing levels being less than budgeted, \$245,992 (78%). The next area of significant savings was in professional services, \$38,459 (12%), in which the services were not completed/paid, until the following fiscal year. The remainder can be attributed to sound fiscal control of the operating budget.

### **Economic Factors and Next Year's Budgets**

Funding continues to be split between Eddy County (60%) and the City of Artesia (40%). The Central Communication Authority should be making their move into a new off-site facility. Legislative funding will purchase the equipment needed to furnish the facility with no additional operating costs to the City of Artesia or Eddy County.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the ECCCA Director, Jenny L. Rennie, 102 N. Canal, Ste 100, Carlsbad, NM 88220.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2009**

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**ASSETS**

Current assets

Cash and cash equivalents	\$ 203,050
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TOTAL ASSETS	<u>\$ 203,050</u>
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**LIABILITIES AND NET ASSETS**

Current liabilities

Accounts payable	\$ 3,431
Accrued liabilities and other expenses	15,874
Compensated absences	<u>3,971</u>

Total current liabilities	<u>23,276</u>
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Long-term compensated absences	11,999
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Total liabilities	<u>35,275</u>
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Net assets

Unrestricted	<u>167,775</u>
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Total net assets	<u>167,775</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 203,050</u>
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See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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Operating Revenues	
Eddy County - Operational funding	\$ 622,922
City of Artesia - Operational funding	219,607
Other operating revenues	<u>9,483</u>
Total operating revenue	<u>852,012</u>
Operating expenses	
Salaries and benefits	676,572
Administrative and other expenses	<u>89,610</u>
Total operating expenses	<u>766,182</u>
Change in net assets	85,830
Net assets, beginning of year	<u>81,945</u>
Net assets, end of year	<u>\$ 167,775</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from customers	\$ 852,012
Cash payments to suppliers	(88,441)
Cash payments to employees	(660,508)
	<hr/>
Net cash provided by operating activities	103,063
	<hr/>
Net increase in cash and cash equivalents	103,063
	<hr/>
Cash and cash equivalents, beginning of year	99,987
	<hr/>
Cash and cash equivalents, end of year	<u>\$ 203,050</u>

**Reconciliation of Operating Income to Net Cash Provided  
by Operating Activities**

Operating income	<u>\$ 85,830</u>
Changes in assets and liabilities:	
Accounts payable	1,169
Accrued liabilities and other expenses	94
Compensated absences	15,970
	<hr/>
Total adjustments	17,233
	<hr/>
Net cash provided by operating activities	<u>\$ 103,063</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Eddy County Central Communications Authority (the "Central Communications Authority"), is presented to assist in understanding the Central Communications Authority's financial statements. The financial statements and notes are representations of the Central Communications Authority's management, who is responsible for their integrity and objectivity.

The Eddy County Central Communications Authority (a component unit of Eddy County, New Mexico) was established in 2006. On September 1st of 2007 all of the Communications employees of the Eddy County Sheriff's Department and the Artesia Police Department were consolidated under the Central Communications Authority. Seven board members, who are respectively selected by the Mayor and City Council of the City of Artesia and the Eddy County Commission, govern the Eddy County Central Communications Authority. Eddy County is the fiscal agent for the Central Communications Authority. The Central Communications Authority was created to provide an effective and efficient single point of contact for emergency communications for Eddy County and the City of Artesia.

The following is a summary of the Eddy County Central Communications Authority's accounting policies.

**Reporting Entity**—The Central Communications Authority is governed by Eddy County, New Mexico (the "County") and its separate business type activity financial statements which are included in the County's basic financial statements. The Central Communications Authority has no component units.

The financial statements include those activities and functions related to the Central Communications Authority which are controlled by or dependent upon its Board of Commissioners. The accompanying financial statements do not present the financial position and results of operations of the County, taken as a whole in accordance with generally accepted accounting principles (GAAP).

**Basis for Presentation**—The accompanying financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis - For State and Local Governments. The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

**Fund Accounting**—The Central Communications Authority of Eddy County, New Mexico is a governmental proprietary activity accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All activities necessary to provide such services are accounted for in this fund, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

All enterprise funds are accounted for on a cost of service or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the balance sheet. The reported net assets (net total assets) is segregated into net assets invested in capital assets, net of related debt and unrestricted components. In accordance with GASB Statement No. 20, the Central Communications Authority has elected to follow all financial Accounting Standards Board (FASB) pronouncements issued prior to November 30, 1989, including FASB 71, unless those pronouncements conflict with or contradict GASB pronouncements. The Central Communications Authority has elected not to follow FASB pronouncements issued subsequent to that date.

Propriety funds distinguish operating revenues and expenses from nonoperating items. Operating revenues, such as charges for services, subsidies and capital contributions are associated with the principal activity of the fund. Nonoperating revenues, such as investments earnings result from ancillary activities.

**Budget**— The Central Communication Authority follows these procedures in establishing the budgetary process:

1. The executive director prepares the budget based on previous fiscal year end figures and needs.
2. The Eddy County Central Communications Authority board reviews the proposed budget and makes corrections, revisions and amendments as necessary. The City of Artesia and Eddy County also approve their respective share of the 40/60 percent budgeted expenses.
3. The board of commissioners approves the budget.

This budget is a guideline to operation but is not a legally enforceable document.

**Basis of Accounting**—The financial statements are prepared using the accrual basis of accounting.



**Cash and Cash Equivalents**— State statutes authorize the Central Communications Authority to invest in interest bearing accounts with local financial institutions, direct obligations of the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico state statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Central Communications Authority. The pledged securities remain in the name of the financial institution.

**Capital Assets**— Upon completion of the Central Communications Authority's new facility, the existing capital assets maintained by Eddy County will be transferred to the Central Communications Authority accordingly.

**Use of Estimates**—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

**Compensated Absences**—Vested or accumulated vacation leave that is expecting to be liquidated with expendable available financial resources is reported as an expenditure and a liability. In accordance with the provisions of Governmental Accounting Standards Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Employees accumulate leave in varying terms, based upon length of service and position held.

**Taxes**—The Central Communications Authority is exempt from federal and state income taxes; as such, no provision is made in the accompanying financial statements.

**Net Assets**—Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations on their use either through the enabling legislation adopted by the Central Communications Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Restricted resources are used first to fund appropriations. The Central Communications Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**New governmental accounting standards**—In June 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets which is effective for financial statements for periods beginning after June 15, 2009. The Statement establishes uniform financial reporting standards for intangible assets.

In June, 2008 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which is effective for all periods beginning after June 15, 2009. The statement is intended to improve how governments report information about derivative instruments.

Management has not yet determined the impact of the above statements on the financial statements.

## 2. CASH AND CASH EQUIVALENTS

The Central Communications Authority maintains cash commingled with Eddy County in one financial institution. Collateral is held in safekeeping at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds, with the exception of deposit insurance by the Federal Deposit Insurance Corporation.

The schedule of pledged collateral to secure the deposits of the Central Communications Authority as of June 30, 2009 is as follows:

	<u>Carlsbad National Bank</u>
Total deposits in bank	\$ 203,050
FDIC coverage	<u>(250,000)</u>
Total uninsured public funds	<u>\$ -</u>

As of June 30, 2009 the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. Cash and cash equivalents consists of the following:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Checking accounts:			
Operating account	<u>\$ 189,619</u>	<u>\$ 13,431</u>	<u>\$ 203,050</u>

**Custodial Credit Risk—Deposits**—Custodial credit risk is the risk that, in the event of a bank failure the Central Communications Authority's deposits may not be returned to it. The Central Communications Authority does not have a deposit policy for custodial credit risk. Bank balances of \$250,000 are covered by federal depository insurance. As of June 30, 2009, none of the Central Communications Authority's bank balance of \$203,050 was exposed to custodial risk.

## 3. LONG-TERM LIABILITIES

Changes in long-term liabilities during the year ended June 30, 2009, were as follows:

	<b>Balance 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 2009</b>	<b>Due Within One Year</b>
Compensated absences	<u>\$ 12,199</u>	<u>\$ 7,979</u>	<u>\$ 4,208</u>	<u>\$ 15,970</u>	<u>\$ 3,971</u>

#### **4. PERA PENSION PLAN**

*Plan Description.* Substantially all of Central Communications Authority's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504 2123.

*Funding Policy.* Plan members are required to contribute 15.65% for municipal employees and 16.3% of gross salaries for law enforcement employees. The Central Communications Authority is required to contribute 18.5% for law enforcement plan members and 11.65% for all other plan members. The contribution requirements of plan members and Eddy County Central Communications Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Central Communications Authority's contributions to PERA for the year ended June 30, 2009 were \$67,705 equal to the amount of the required contributions for the year.

#### **5. POST EMPLOYMENT BENEFITS**

The Retiree Health Care Act (the "Act") (Chapter 10, Article 7C, NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into Retiree Health Care Fund and by co-payments or out of pocket payments by eligible retirees. Monies flow to the Retiree Health Care Fund on pay as you go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years. Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each employee contributes to the fund an employee contribution in an amount equal to .65 percent of the employee's salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issued a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87109.

For the year ended June 30, 2009 the Central Communications Authority remitted \$4,661 in employer contributions to the Retiree Health Care Authority.

**6. RISK MANAGEMENT**

The Central Communications Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, workers compensation; and natural disasters. The Central Communications Authority is covered under insurance policies maintained by Eddy County.

**7. ECONOMIC DEPENDENCY**

Substantially all revenues of the Central Communications Authority are received from Eddy County and The City of Artesia.

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**EDDY COUNTY**  
**CENTRAL COMMUNICATIONS AUTHORITY**  
**(A Component Unit of Eddy County, New Mexico)**

**SCHEDULE OF REVENUES AND EXPENSES BUDGET**  
**(NON-GAAP) AND ACTUAL (CASH BASIS)**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
City of Artesia	\$ 415,281	\$ 415,281	\$ 219,607	\$ (195,674)
State 911	-	-	2,127	2,127
Eddy County	622,922	622,922	622,922	-
Other revenue	-	-	6,628	6,628
Total Revenues	<u>1,038,203</u>	<u>1,038,203</u>	<u>851,284</u>	<u>(186,919)</u>
EXPENSES:				
Administrative salaries	599,517	621,679	468,230	153,449
Contract labor	21,600	21,600	19,070	2,530
Communications (phone)	4,000	4,000	3,592	408
Printing and publishing	2,500	2,500	1,409	1,091
Office supplies	9,000	9,000	8,322	678
Car expense	10,000	10,000	1,680	8,320
Equipment maint and repair	10,000	10,000	3,667	6,333
Milage	50	50	-	50
Per diem	9,300	9,300	4,993	4,307
Maintenance contracts	50,000	50,000	48,961	1,039
Computer services	5,000	5,000	4,613	387
Employee benefits	273,882	280,077	187,534	92,543
Professional services	39,000	39,000	541	38,459
Tires	1,500	1,500	595	905
Uniforms	3,400	3,400	3,265	135
Training	9,950	9,950	5,182	4,768
Total expenditures	<u>1,048,699</u>	<u>1,077,056</u>	<u>761,654</u>	<u>315,402</u>
Net changes in fund balance:	(10,496)	(38,853)	89,630	128,483
Fund balance beginning of year	<u>81,945</u>	<u>81,945</u>	<u>81,945</u>	<u>-</u>
Fund balance end of the year	<u>71,449</u>	<u>43,092</u>	<u>\$ 171,575</u>	<u>128,483</u>

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**SCHEDULE OF RECONCILIATION BETWEEN THE BUDGETARY  
BASIS AND GAAP BASIS REVENUES AND EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

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Excess of revenues and other sources over expenses Non-GAAP budgetary basis	\$ 89,630
Differences - GAAP to budgetary basis:	
Revenue accruals, net	728
Expenses accruals, net	<u>(4,528)</u>
Excess of revenues over expenses and other sources, GAAP basis	<u>\$ 85,830</u>

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2009**

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	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statement</u>
Checking accounts: Operating account	<u>\$ 189,619</u>	<u>\$ 13,431</u>	<u>\$ 203,050</u>





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

Mr. Hector H. Balderas  
New Mexico State Auditor and  
Board of Commissioners  
Eddy County Central Communications Authority  
Carlsbad, New Mexico

We have audited the financial statements of the business-type activities of the Eddy County Central Communications Authority, component unit of Eddy County, as of and for the year ended June 30, 2009, and have issued our report thereon dated April 13, 2010. 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 Eddy County Central Communications 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 Eddy County Central Communications Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eddy County Central Communications Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Eddy County Central Communications Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Eddy County Central Communications Authority's financial statements that is more than inconsequential will not be prevented or detected by the Eddy County Central Communications Authority's internal control.

We consider the deficiencies described as findings number 2009-1 and 2009-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Eddy County Central Communications Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies, and accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that neither of the significant deficiencies described above are a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eddy County Central Communications 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*.

This report is intended solely for the information and use of the board of commissioners, management, others within the Organization, Eddy County, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas  
April 13, 2010

**STATE OF NEW MEXICO  
EDDY COUNTY  
CENTRAL COMMUNICATIONS AUTHORITY  
(A Component Unit of Eddy County, New Mexico)**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009**

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**2009-1: Late Submission of Audit Report**

**Condition**

The audit report for fiscal year 2009 was not submitted by November 15, 2009, causing the Central Communications Authority to be out of compliance with New Mexico State Auditor Rule 2.2.2.9A(1).

**Criteria**

The New Mexico State Auditor Rule 2.2.2.9A(1) requires audit reports for counties to be submitted by November 15th following the end of the fiscal year.

**Effect**

The Authority's financial status and other information is not available to the public and various state agencies in a timely manner.

**Cause**

The Authority's delay in submitting Management's Discussion and Analysis report resulted in the late submission of the audit report.

**Recommendation**

Management's discussion and analysis ("MD&A") is required to be prepared by the Authority. We recommend that the Authority prepare an MD&A template prior to the deadline of the audit so that when final audited number are available, they can be updated quickly in the MD&A template and the audit can be submitted to the State Auditor prior to its due date.

**Management's Response**

The audit report was submitted to the State Auditor by the contract auditor on November 16, 2009, one day after the report was due to the State Auditor, and immediately following the exit conference held same day (Nov. 16). IPA assured Eddy County that the report would be sent over night the same day from El Paso. IPA lost the managing auditor two weeks before the November 15 deadline. The audit was started on August 31, 2009 allowing plenty of time for the audit to be completed. At the entrance conference held August 31st, Eddy County informed the IPA that there would be a component unit added to the 09 audited financials. Eddy County (ECCCA's fiscal agent) is not responsible for the report not being submitted in a timely manner.

**Preliminary Draft-For Discussion Purposes Only**  
**2009-2: Preparation of Financial Statements**

**Condition**

The financial statements and related disclosures are not being prepared by the Authority.

**Criteria**

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

**Effect**

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

**Cause**

The Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

**Recommendation**

We recommend Central Communications Authority management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
- Governmental Accounting Standards Board (GASB).
- Generally Accepted Accounting Principles (specifically as applied to governmental units).
- Financial Accounting Standards Board (FASB).
- Understanding the financial reporting entity.
- Government wide financial statements.
- Fund financial statements.
- Notes to the financial statements.
- Required supplementary information.
- Management's discussion and analysis.
- Supplementary information required by the Office of the State Auditor.

In addition, we recommend that the Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

**Management's Response**

ECCCA recognizes the importance of preparing the financial statements and disclosures as required. ECCCA will seek to obtain the recommended training in an effort to alleviate this finding from future audits.

**Preliminary Draft-For Discussion Purposes Only**  
**STATE OF NEW MEXICO**  
**EDDY COUNTY**  
**CENTRAL COMMUNICATIONS AUTHORITY**  
**(A Component Unit of Eddy County, New Mexico)**

**EXIT CONFERENCE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

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An exit conference was conducted April 6, 2010 in a closed meeting of the Eddy County Central Communications Authority Commissioners pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

Eddy County Central Communications Authority

George Holmes  
Jenny Rennie  
Debbie Penaluna

Chairperson  
Director  
Eddy County Finance Director

Strickler & Prieto, LLP

Brad Voge

Senior Audit Manager

**Financial Statement Preparation**

The Eddy County Central Communications Authority independent public accountants prepared the accompanying financial statements; however, the Eddy County Central Communications Authority is responsible for the financial statement content.