

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010



STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY

OFFICIAL ROSTER
June 30, 2010

<u>Name</u>	<u>Title</u>
Guy Lutman	Eddy County Commissioner – Board Chairman
Ernie Mendoza	Eddy County Sherriff
Joel Arnwine	Eddy County Emergency Manager
Ken Bratcher	Artesia City Councilmen
J.D. Hummingbird	Artesia Fire Chief
Don Raley	Artesia City Police Chief
Sonny Hope	Member at Large
	<u><i>Authority Officials</i></u>
Jenny Rennie	Director

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STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
Year Ended June 30, 2010

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Board of Commissioners
Eddy County Central Communications Authority
Artesia, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities and the budgetary comparison statement of the Eddy County Central Communications Authority (the Authority), a component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Eddy County Central Communication Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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.

Management has not designed, implemented or monitored the policies and procedures needed to capture, record and present revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. The severity and pervasiveness of the material weaknesses in the County's system of control over financial reporting has caused significant doubt that all possible material misstatements could be detected by our audit procedures. Because of the magnitude of the possible misstatement of the financial statements that could remain undetected, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements of the governmental activities of the Eddy County Central Communications Authority as of June 30, 2010, and the changes in financial position thereof and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 18, 2011 on our consideration of the Eddy County Central Communications 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 Eddy County Central Communications Authority has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison presented as supplemental information. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we express no opinion on it.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Roswell, New Mexico
August 18, 2011

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BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATION AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2010

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS	
Receivables:	
Intergovernmental	\$ 390,783
Capital assets (net of accumulated depreciation)	<u>20,076</u>
Total assets	<u><u>\$ 410,859</u></u>
 LIABILITIES AND NET ASSETS	
Accounts payable	\$ 9,981
Accrued expenses	7,270
Payable to primary government	32,301
Noncurrent liabilities:	
Compensated absences	
Due within one year	18,019
Due in more than one year	825
Total liabilities	<u>68,396</u>
Invested in capital assets, net of related debt	20,076
Unrestricted	<u>322,387</u>
Total net assets	<u>342,463</u>
Total liabilities and net assets	<u><u>\$ 410,859</u></u>

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

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Public safety	\$ 980,206	\$ -	\$ 1,131,757	\$ -
Total governmental activities	<u>\$ 980,206</u>	<u>\$ -</u>	<u>\$ 1,131,757</u>	<u>\$ -</u>

General Revenues:

Miscellaneous revenue
Transfers in from primary government

Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

**Net (Exxpenses)
Revenues and Changes
in Net Assets**

**Governmental
Activities**

\$ 151,551
151,551

14,064
9,073

23,137

174,688

167,775

\$ 342,463

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
BALANCE SHEET
June 30, 2010

Exhibit B-1

	General Fund
ASSETS	
Receivables:	
Intergovernmental	\$ <u>390,783</u>
<i>Total assets</i>	\$ <u><u>390,783</u></u>
 LIABILITIES AND FUND BALANCE	
<i>Liabilities:</i>	
Accounts payable	\$ 9,981
Accrued expenses	7,270
Payable to primary government	<u>32,301</u>
<i>Total liabilities</i>	<u>49,552</u>
 <i>Fund balance:</i>	
Unreserved:	
Undesignated, reported in:	
General fund	<u>341,231</u>
<i>Total fund balance</i>	<u>341,231</u>
 <i>Total liabilities and fund balance</i>	 \$ <u><u>390,783</u></u>

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

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010

Exhibit B-1
(Page 2 of 2)

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Fund balance	\$ 341,231
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	20,076
Long-term liabilities, including bonds payable, capital leases payable and compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statement	<u>(18,844)</u>
Net Assets of Governmental Activities in the Statement of Net Assets	<u>\$ 342,463</u>

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

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

Exhibit B-2

	General Fund
<i>Revenues:</i>	
Intergovernmental:	
Local operating grants	\$ 1,131,757
Miscellaneous	14,064
<i>Total revenues</i>	1,145,821
<i>Expenditures:</i>	
Current:	
Public safety	961,101
Capital outlay	16,008
<i>Total expenditures</i>	977,109
<i>Excess (deficiency) of revenues over expenditures</i>	168,712
<i>Other financing sources (uses):</i>	
Operating transfers in (out)	4,744
<i>Total other financing sources (uses)</i>	4,744
<i>Net change in fund balance</i>	173,456
<i>Fund balance - beginning of year</i>	167,775
<i>Fund balance - end of year</i>	\$ 341,231

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

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Exhibit B-2
(Page 2 of 2)

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net change in fund balance	\$	173,456
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Government funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense:

Capital outlay		16,008
Depreciation expense		(261)
Transfer of capital assets from primary government		4,329

The long-term portion of compensated absences is expected to be paid out
more than one year in the future and therefore does not consume the current financial
resources of government funds. These liabilities do decrease net assets at the government
wide level.

Increase in compensated absences not reported in the fund financial statements		<u>(18,844)</u>
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Change in Net Assets of Governmental Activities in the Statement of Activities	\$	<u><u>174,688</u></u>
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The accompanying notes are an integral part of these financial statements.

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STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues</i>				
Intergovernmental:				
Local operating grants	437,500	437,500	740,974	303,474
Miscellaneous	-	-	14,064	14,064
<i>Total revenues</i>	437,500	437,500	755,038	317,538
<i>Expenditures</i>				
Current:				
Public safety	1,093,201	1,093,201	960,950	132,251
<i>Total expenditures</i>	1,093,201	1,093,201	976,958	116,243
<i>Excess (deficiency) of revenues over expenditures</i>	(655,701)	(655,701)	(221,920)	433,781
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(219)	(219)	-	219
Operating transfers in (out)	655,920	655,920	-	(655,920)
<i>Total other financing sources (uses)</i>	655,701	655,701	-	(655,701)
<i>Net change in fund balance</i>	-	-	(221,920)	(221,920)
<i>Fund balance - beginning of year</i>	-	-	171,575	171,575
<i>Prior period adjustments</i>	-	-	18,044	18,044
<i>Fund balance - beginning of year as restated</i>	-	-	189,619	189,619
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ (32,301)	\$ (32,301)
Net change in fund balance - GAAP basis			\$ 173,456	
(Increase) decrease in accounts receivable			(390,783)	
Increase (decrease) in accounts payable			6,550	
Increase (decrease) in accrued expenses			(7,172)	
Increase (decrease) in short term compensated absences			(3,971)	
Net change in fund balance - budgetary basis			\$ (221,920)	

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

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 1. Summary of Significant Accounting Policies

Eddy County Central Communications Authority (the Authority), a component unit of Eddy County, New Mexico was established in 2006 in accordance with Enhanced 911 statutes of State of New Mexico, Section 63-9D-1 NMSA 1978. On September 1, 2007 all of the Communications employees of the Eddy County Sheriff's Department and the Artesia Police Department were consolidated under the Central Communication Authority. The Authority was created to provide effective and efficient single point of contact for emergency communications for Eddy County and the City of Artesia.

The Authority consists of seven board members, who are respectively selected by the Mayor and City Council of Artesia and the Eddy County Commission, govern the Eddy County Central Communications Authority. Eddy County is the fiscal agent for the Authority.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority's financial statements. The financial statements and notes are the representation of the Authority's management who is responsible for their integrity and objectivity. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance in the government wide financials statements. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

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

The financial statements include those activities and functions related to the Eddy County 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).

In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in the Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Authority has no component units; however, it is a component unit of Eddy County, New Mexico.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of net assets and the statement of activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place, regardless of the timing of the related cash flows. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide statement of net assets, both the governmental and business-type activities (if applicable) (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the Authority's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Authority's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of County facilities, etc., (b) program-specific operating grants, which include revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Authority reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The Authority does not currently employ indirect cost allocation systems.

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.

D. Assets, Liabilities, Net Assets or Equity

Deposits and Investments: The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from the date of acquisition.

State statutes authorize the Authority to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Receivables and Payables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Payables are comprised of unpaid vendor and supplier invoices and are recognized when incurred.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9C(5).

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Assets or Equity (continued)

Capital Assets: (continued)

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Equipment and furnishings	5-20 years
---------------------------	------------

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2010, along with the applicable PERA and Retiree Health Care.

Compensated Absences: The Authority permits employees to accumulate a limited amount of earned but unused vacation, which will be paid if not used, upon termination from the Authority. Accumulated sick leave benefits vest with each employee in accordance with Authority policy. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirements. No liability is reported for unpaid accumulated sick leave, as no payment is required upon termination of service by employees.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Components of Net Assets: Components of net assets include the following:

1. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
2. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the County, including amounts deposited with trustees as required by revenue bond indentures.
3. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

Estimates: The preparation of the 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.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the Authority are prepared prior to June 1 and must be approved by resolution of the Board of Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the County Commissioners and the Department of Finance and Administration. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget at the fund level.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 2. Stewardship, Compliance and Accountability (continued)

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted fund:		
General Fund	\$ (655,701)	\$ (655,701)

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2010 is presented. Reconciliation between the non-GAAP budgetary basis amounts and the financial statement on the GAAP basis can be found on the budgetary statement.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. The Authority is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2010.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). The Authority’s funds are pooled with Eddy County funds in the County’s account at Carlsbad National Bank numbered 40035077. Additional information is available in the audited financial statements of Eddy County for the year ended June 30, 2010. At June 30, 2010, \$19,231,137 of the County’s total deposits at this bank of \$19,731,137 was exposed to custodial credit risk. \$17,673,601 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the County’s name and \$1,557,536 was uninsured and uncollateralized.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for at least one half of the amount on deposit with the institution.

NOTE 4. Receivables and Payables

Accounts receivable as of June 30, 2010, are as follows:

Intergovernmental - City of Artesia

Total accounts receivable	\$ <u>390,783</u>
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Accounts payable as of June 30, 2010, are as follows:

Payable to suppliers	\$ <u>9,981</u>
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Payables to primary government as of June 30, 2010, are as follows:

Payable to primary government	\$ <u>32,301</u>
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NOTE 5. Transfers from Primary Government

Transfers from the primary government, Eddy County, to the Authority reflect transfers of cash or other assets due to temporary needs within the Authority. The composition of such transfers during the year ended June 30, 2010 is as follows:

Capital assets transferred to componet unit from primary government	\$ 4,329
Noncapital assets transferred to componet unit from primary government	<u>4,744</u>
Total transfers to componet unit from primary government	\$ <u>9,073</u>

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2010 follows. Land is not subject to depreciation.

	Balance June 30, 2009	Additions	Deletions	Transfers In (Out)	Balance June 30, 2010
Capital assets being depreciated:					
Furniture, fixtures and equipment	\$ -	\$ 16,008	\$ -	\$ 45,269	\$ 61,277
Total capital assets being depreciated	-	16,008	-	45,269	61,277
Less accumulated depreciation:					
Furniture, fixtures and equipment	-	261	-	40,940	41,201
Total capital assets net of depreciation	\$ -	\$ 15,747	\$ -	\$ 4,329	\$ 20,076

Depreciation expense for the year ended June 30, 2010 was charged to the Public Safety function in the amount of \$261. Also during fiscal year 2010 \$45,269 of assets were transferred from the primary government to the Authority With related accumulated depreciation of \$40,940.

NOTE 7. Long-term Debt

The following summarizes changes in long-term debt during the year ended June 30, 2010:

	June 30, 2009	Additions	Reductions	June 30, 2010	Due Within One Year
Compensated absences	\$ 15,970	\$ 20,091	\$ 17,217	\$ 18,844	\$ 18,019

Current maturities of compensated absences are reported as accrued expenses in the basic financial statements.

NOTE 8. PERA Pension Plan

Plan Description: Substantially all of the 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 for the plan. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 13.15% for employees. The Authority was required to contribute 13.15% of the gross covered salary for all plan members. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ended June 30, 2010 was \$37,492. Prior year contributions were included as part of the County's contributions.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan

Plan Description. The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person’s behalf unless that person retires before the employer’s RHCA effective date, in which the 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; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer’s RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2010, the statute required each participating employer to contribute 1.3% of each participating employee’s annual salary; each participating employee was required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 11	1.666%	.833%
FY12	1.834%	.917%
FY 13	2.000%	1.000%

Also, employers joining the program after 1/1/98 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority’s contributions to the RHCA for the years ended June 30, 2010 was \$5,556. Prior year contributions were included as part of the County’s contributions.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2010

NOTE 10. Commitments Under Contractual Agreements

The Authority is not aware of any commitments at June 30, 2010.

NOTE 11. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets' errors and omissions; injuries and natural disasters.

The Authority is a member of and is insured through the New Mexico County Insurance Authority. The Authority was created to provide comprehensive care insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Authority acts as the common carrier for the State of New Mexico's counties. The Authority pays an annual premium to the New Mexico County Insurance Authority based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The actuarial gains and losses were not available at the date of this report. However, the Authority is not liable for more than the premiums paid.

The Authority participates in the New Mexico County Insurance Authority Workers' Compensation Pool. The pool is self-insured for workers' compensation claims up to \$300,000. Above that amount, the pool maintains an Excess Employers' Reinsurance Policy.

NOTE 12. Contingent Liabilities

The Authority is involved in various claims and lawsuits arising in the normal course of business. The Authority is insured through the New Mexico County Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Authority.

NOTE 13. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. Eddy County Central Communications Authority did not reflect a deficit fund balance as of June 30, 2010.
- B. Excess of expenditures over appropriations. Eddy County Central Communications Authority did not exceed approved budgetary authority for the year ended June 30, 2010.
- C. Designated cash appropriations in excess of available balances. Eddy County Central Communications Authority did not exceed approved budgetary authority for the year ended June 30, 2010.

NOTE 14. Fund Balance Restatement

The Authority has restated budgetary fund balances due to errors noted in the presentation of the prior year financial statements as follows:

<u>Fund Name</u>	<u>As Originally Reported</u>	<u>Adjustment</u>	<u>As Adjusted</u>
General Fund	\$ 171,575	\$ 18,044	\$ 189,619

COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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
To the Board of Commissioners
Eddy County Central Communications Authority
Artesia, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities of the Eddy County Central Communications Authority (Authority) a component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2010, and have issued our report thereon dated August 18, 2011. We were also engaged to audit the budgetary comparison statement as of and for the year ended June 30, 2010 as listed in the table of contents. We did not issue an opinion on the financial statements of the governmental activities and the budgetary comparison statement. Except as discussed in the Independent Auditor's Report, 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial report that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2010-1 and 2010-2 to be material weaknesses.

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 consider the deficiency described in the accompanying schedule of findings and responses as item 2009-2 to be significant.

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 instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under *Government Auditing Standards* January 2008 Revision paragraphs 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Office of the State Auditor, 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.

Accounting & Consulting Group, L.L.P.

Accounting & Consulting Group, LLP
Roswell, New Mexico
August 18, 2011

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

2009-1 – Late Audit Report

Condition: The June 30, 2010 audit report was submitted to the State Auditor after the November 15, 2010 deadline. The report was sent to the Office of the State Auditor on September 23, 2011.

Criteria: According to State Audit Rule 2.2.2.9 A(1)(c) county audit reports were due to the State Auditor's Office on November 15, 2010.

Effect: Those relying on audited financial statements did not have timely reports available for their decision making process. The New Mexico Legislature did not have audited financial statements to facilitate legislative decisions related to the Eddy County Central Communication Authority.

Cause: The 2009 audit was not timely submitted, approved, and released resulting in a delay of the 2010 audit.

Auditors' Recommendation: We recommend the Eddy County Central Communications Authority try to file their audit report prior to November 15 to avoid this in the future.

Agency's Response: In this year, the Regional Emergency Dispatch Authority was under the auspices of the Eddy County accounting system. The lateness of filing the audit was directly related to the problems Eddy County had in getting their filing completed. Effective with the FYE 2011 fiscal year beginning July 1, 2010, the Regional Emergency Dispatch Authority began processing its accounting records independently from Eddy County.

2009-2 — Preparation of Financial Statements

Condition: Financial statements and related footnote disclosures were not prepared by the Eddy County Central Communications Authority.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems should be implemented and should include controls over financial statement preparation, footnote disclosure preparation, and should give the entity the ability to catch material errors that may effect the financial statements.

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: Eddy County Central Communications Authority personnel do not have the time to prepare the Authority's financial statements, or adequate training to understand the elements of external financial reporting including the preparation of financial statements, the preparation of the related footnote disclosures, or the ability to recognize material errors.

Auditors' Recommendation: We recommend the Authority's 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, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

2009-2 – Preparation of Financial Statements (continued)

Auditors' Recommendation (continued)

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.

Agency's Response: The Regional Emergency Dispatch Authority is a small organization employing only 17 FTE. Given the size of the organization it is highly unlikely that operating staff will ever have the expertise to prepare financial statements. The Regional Emergency Dispatch Authority may hire an accounting firm in the future to prepare the financial statements.

2010-1 – Segregation of Duties

Condition: During our testwork of the disbursements process we noted that the Accounts Payable Clerk for the County had the ability to edit the vendor name, address, and amount of the check after the commissioners had approved the payment.

Criteria: Appropriate segregation of duties in disbursements is required to maintain proper and sufficient internal controls and properly report all expenditures as required by Section 6-6-3, NMSA 1978.

Effect: Without adequate segregation of duties in key control processes, there is an increased risk of fraudulent activity, and also an increased risk of errors that may not be detected timely.

Cause: The County was not aware that the Accounts Payable Clerk had the ability to edit the checks after the commissioners had approved them for payment. During this year the County was performing the duties of fiscal agent for the Eddy County Central Communications Authority. Weaknesses of the County also became weaknesses of the Authority.

Auditors' Recommendation: The County should set controls in the Accounts Payable program to limit the editing of data after commissioner approval.

Agency's Response: Since the Regional Emergency Dispatch Authority is a small organization employing only 17 FTE with a very flat management structure, the opportunity for segregation of duties is very limited. The Authority will develop more checks and balances to help improve the internal controls.

2010-2 – Deficiencies in Internal Control Structure Design, Operation, and Oversight

Condition: The County does not have a comprehensive documented internal control structure. We noted the following areas in which the County does not have sufficient key internal controls in place.

- Bank reconciliations are not being reviewed on a monthly basis.
- Management does not properly approve purchase orders or authorize expenditures made by the department heads.
- Changes to the master vendor file are not reviewed by management on a regular basis.
- Lack of controls over the payroll process. Management does not review the final payroll register on a regular basis.
- The payroll clerk has access to the master payroll files and changes to these files are not being reviewed by management on a regular basis.
- The Treasurer can make cash adjustments and they are not being reviewed.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

2010-2 – Deficiencies in Internal Control Structure Design, Operation, and Oversight (continued)

Condition (continued)

- The County utilizes p-cards extensively. This allows for purchases without prior approval. Most approvals of the County are done before payment, but after the purchase has been made.
- Lack of effective oversight of financial reporting and internal controls by those charged with governance.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

The Statement on Auditing Standards No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For the fiscal year 2010 management did not have a documented policy in place to follow to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS 115 to provide effective oversight of internal control and the financial reporting process. During this year the County was performing the duties of fiscal agent for the Eddy County Central Communications Authority. Weaknesses of the County also became weaknesses of the Authority.

Auditors' Recommendation: The County should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Management should authorize expenses from the department heads, and they should either maintain a separate fund for the federal grant money or track the federal expenses in a different line item. Management should: (1) maintain the listing of federal awards throughout the year; (2) keep State grants separate from federal grants; and (3) anytime the County receives a new grant, check with the grant contact person to determine whether the grant is federal or State funds.

Agency's Response: The Regional Emergency Dispatch Authority has separated its accounting process and system from Eddy County and so will no longer be subject to the limitations of the County's systems.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2010

PRIOR YEAR AUDIT FINDINGS

2009-1 Late Submission of Audit Report – Revised and Repeated.

2009-2 Preparation of Financial Statements – Revised and Repeated.

STATE OF NEW MEXICO
EDDY COUNTY CENTRAL COMMUNICATIONS AUTHORITY
OTHER DISCLOSURES
Year Ended June 30, 2010

AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the County to prepare its own GAAP-basis financial statements, it is felt that the County's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the County. Management of the County has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

EXIT CONFERENCE

The contents of this report and its schedules were discussed on August 18, 2011. The following persons were in attendance:

Eddy County Central Communications Authority

Allen Sartin	Board Member
Aubrey Hobson	Board Member
Jenny Rennie	Director

Accounting & Consulting Group, LLP

Jeff McWhorter, CPA