

SANTA FE REGIONAL
EMERGENCY
COMMUNICATIONS
CENTER

Financial Statements

June 30, 2007

4000



OFFICE OF THE STATE AUDITOR

Hector H. Balderas

May 19, 2008

SAO Ref. No. 4000

Becky Martinez, Director
Santa Fe Regional Emergency Communication Center
35 Camino Justicia
Santa Fe, NM 87508-8501

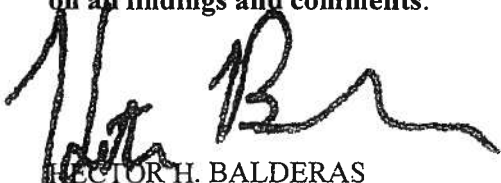
SUBJECT: Audit Report—Santa Fe Regional Emergency Communication Center—2006-2007
Fiscal Year—Prepared by Moss Adams, LLP

Your agency audit report was received by the Office of the State Auditor (Office) on December 3, 2007. The State Auditor examination of the audit report required by Section 12-6-14 (D), NMSA 1978, has been completed. This letter is the authorization to make the final payment to the independent public accountant (IPA) who contracted to perform the agency's financial and compliance audit. In accordance with the Section 2 (B) of the audit contract, the IPA will deliver the specified number of copies of the audit to the agency.

Per Section 12-6-5 (A), NMSA 1978, **the audit report does not become public record until ten days after the date of this letter.** Once the ten day waiting period has passed the audit report shall be:

- released by the Office of the State Auditor to the Legislative Finance Committee, and the Department of Finance and Administration; and
- presented by the agency to a quorum of the agency's governing authority at a public meeting, for approval, per Section 2.2.2.10.J.(3)(d) of 2.2.2 NMAC *Requirements for Contracting and Conducting Audits of Agencies.*

The independent public accountant's findings and comments are included in the audit report on page 30. **It is ultimately the responsibility of the governing authority of the agency to take corrective action on all findings and comments.**



HECTOR H. BALDERAS
STATE AUDITOR

cc: Legislative Finance Committee
Department of Finance and Administration-
Local Government Division
Moss Adams, LLP

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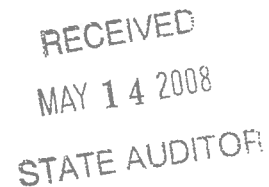
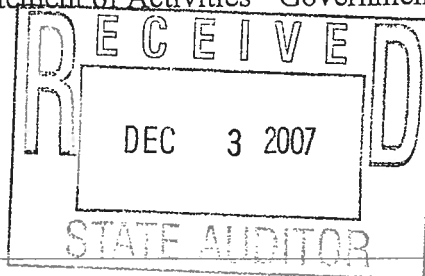


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COMMUNICATIONS CENTER

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**SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER**

**Official Roster
June 30, 2007**

Becky Martinez	Director
Stan Holden, Fire Chief, Santa Fe County	Chairman
Christopher Rivera, Fire Chief City of Santa Fe	Vice-Chairman
Greg Solano, Sheriff Santa Fe County	Member
Eric Johnson, Chief City of Santa Fe Police Department	Member
Galen Buller, City Manager, City of Santa Fe	Member
Roman Abeyta, County Manager, Santa Fe County	Member
Michael Trujillo	Citizen Representative

Independent Auditors' Report

505-830-6200

505-830-6282

The Board of Directors, Santa Fe
Regional Emergency Communications Center
and
Mr. Hector Balderas,
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund and respective budgetary comparison, for the Santa Fe Regional Emergency Communications Center (RECC) as of and for the year ended June 30, 2007, which collectively comprise RECC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of RECC's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and major fund of RECC as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Directors, Santa Fe
Regional Emergency Communications Center
and
Mr. Hector Balderas,
New Mexico State Auditor

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2007, on our consideration of the Santa Fe Regional Emergency Communication Center's internal control over financial reporting and 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. Accordingly, we express no such opinion. 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 4 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 inquiries 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.

Moss Adams LLP

Albuquerque, New Mexico
December 3, 2007

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007**

The Santa Fe Regional Emergency Communications Center (RECC) was established in July 2002 under a joint powers agreement entered into by and between Santa Fe County and the City of Santa Fe (City). It was the desire of the parties to form a combined RECC to provide a more efficient and cost-effective method to provide better communications to the Public Safety agencies in both the City and County of Santa Fe. Operation of the RECC commenced on July 1, 2002. RECC operates as a separate governmental agency with the City acting as its Fiscal Agent.

The financial statements of RECC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to government units. RECC is responsible for the fair presentation in the financial statement of net assets and related statement of activities, balance sheet – governmental fund, statement of revenues, expenditures and changes in fund balances – governmental fund, and the reconciliation of the statement of revenues, expenditures, and the statement of revenues and expenditures – budget and actual in conformity with generally accepted standard-setting body for establishing governmental accounting and financial reporting principles. As management of RECC, we offer readers of RECC's financial statements this narrative overview and analysis of the financial activities of RECC for the fiscal year ended June 30, 2007.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to RECC's basic financial statements. RECC's basic financial statements are comprised of statement of net assets, statement of activities, fund financial statements, notes to the financial statements and other information. Notes provide additional information that is essential to a full understanding of the data provided in fund financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves including fixed assets, risk management, pension fund, etc.

The RECC currently has one governmental fund – the general fund. The governmental fund statements are prepared on the modified accrual basis of accounting. The statements of net assets and activities are prepared on the full accrual basis of accounting.

The RECC adopts an annual appropriated budget for all its funds. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with this budget.

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

Statement of Net Assets

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

	2007	2006
Current assets	\$ 353,877	568,624
Capital assets, net	<u>593,784</u>	<u>907,197</u>
Total assets	<u>947,661</u>	<u>1,475,821</u>
Current liabilities	14,998	111,208
Non-current liabilities	-	<u>201,420</u>
Total liabilities	<u>14,998</u>	<u>312,628</u>
Net assets		
Invested in capital assets	593,784	907,197
Unrestricted	<u>338,879</u>	<u>255,996</u>
Total net assets	<u>932,663</u>	<u>1,163,193</u>
Total liabilities and net assets	<u>\$ 947,661</u>	<u>1,475,821</u>

The assets of RECC exceeded its liabilities at the close of June 2007, the most recent fiscal year by \$932,663 (net assets) compared to 2006 net assets of \$1,163,193. Of this amount \$338,879 is unrestricted, reflecting the fact that most of RECC's net assets were invested in capital assets, net of accumulated depreciation. Capital assets, net, decreased are largely a result of \$323,039 of depreciation expense in 2007.

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

Capital Assets

Equipment is depreciated using the straight-line method over its estimated useful life.

	2007	2006
Machinery and Equipment	\$ 659,955	651,877
Furniture and Fixtures	337,573	337,573
Vehicles	23,726	23,726
Data Processing and Equipment	1,130,739	1,130,739
Software	<u>12,106</u>	<u>10,558</u>
Total assets	2,164,099	2,154,473
Accumulated Depreciation	<u>(1,570,315)</u>	<u>(1,247,276)</u>
Total capital assets, net	<u>\$ 593,784</u>	<u>907,197</u>

The major changes to capital assets was the depreciation expense and related increase in accumulated depreciation in the amount of \$323,039.

Non-Current Liabilities

The major change was the reduction of \$201,420 in compensated absences payable. This change was due to the entity being absorbed by Santa Fe County and no longer being a stand alone entity and therefore the employees are now employees of the County and no longer employees of the Center.

Statement of Activities

The following table provides condensed financial related to RECC's changes in net assets at June 30, 2007 as compared to June 30, 2006.

	2007	2006
Total program expenses	\$ 3,145,737	3,474,414
Total program revenues	<u>2,915,203</u>	<u>3,038,579</u>
Change in net assets	(230,534)	(435,835)
Beginning net assets	<u>1,163,197</u>	<u>1,599,028</u>
Total net assets, year-end	<u>\$ 932,663</u>	<u>1,163,193</u>

Program revenues include funding from both the City of Santa Fe (City) and Santa Fe County (County) under a Joint Powers Agreement (JPA). Capital expenditures of RECC, the Director's salary, and the ITT Manager's salary (including benefits) are paid 50% by

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2007**

Statement of Activities (Continued)

the City, and 50% by the County. The remaining expenses of RECC are funded in proportion to the dispatched call volume for each area.

Under the JPA, the City provided \$1,988,084 and \$1,886,904, in 2007 and 2006, respectively, and the County provided \$557,954 and \$576,846, in 2007 and 2006 respectively. Pursuant to the terms of the JPA, in 2006, RECC allocated budgeted expenditures to the City and County, and in 2007, RECC allocated actual expenditures. This difference in allocation resulted in a decrease in program revenues from 2007 to 2006.

In addition to revenue from the City and County, in fiscal years 2007 and 2006, RECC was allotted \$344,818 and \$558,524, respectively, in Public Safety Answering Point (PSAP) surcharges assessed by the telephone company. The surcharge money is allocated to state-wide E-911 service providers based upon E-911 call volume and is included in program revenues of RECC. The decrease of \$213,706 is the result of the implementation of a wireless emergency call system in fiscal year 2006. In addition, during fiscal year 2007, RECC received \$2,744 in training funds as a state grant, compared to \$5,251 received in fiscal year 2006.

In fiscal year 2007, personnel costs were \$1,783,377, or approximately 90% of total expenses. In fiscal year 2006, personnel costs were \$1,611,671, or approximately 46% of total expenses. Currently, RECC has vacancies which are expected to be filled in fiscal year 2007.

Budgetary Information

Emergency 911 revenues in 2007 were approximately \$2,546,038 less than budgeted as the result of the change in the method of allocation of charges to the City and County as described previously. Salaries, wages, and benefits were approximately \$180,650 less than budgeted as the result of the vacancies described above. Public safety telephone surcharge revenues and expenditures are based on a state-wide allocation from the State of New Mexico. The State of New Mexico has total discretion over the use of the surcharge revenues, and accordingly, budget variances within these line items are expected in the normal course of operations and are outside the control of RECC.

There were significant changes from the original to final budget regarding maintenance and repairs decreasing \$173,679, Public safety telephone surcharge revenues increasing \$139,278, and Public safety telephone expenditures increasing \$350,000 due to a grant from NMDFA relating to the previous year initially not recorded in the budget and subsequently adjusted for.

**SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
STATEMENT OF NET ASSETS
June 30, 2007**

	Governmental Activities
ASSETS	
Current Assets	
Cash, investment, and cash equivalents held by the City of Santa Fe	\$ 260,611
Accounts receivable, Santa Fe County	87,403
State of New Mexico	2,744
Interest Receivable	1,879
Other	1,240
	<u>93,266</u>
	353,877
Non-current Assets	
Capital assets, net	<u>593,784</u>
Total assets	<u>947,661</u>
LIABILITIES	
Current Liabilities	
Accounts payable	<u>\$ 14,998</u>
NET ASSETS	
Invested in capital assets	593,784
Unrestricted	<u>338,879</u>
Total net assets	<u><u>\$ 932,663</u></u>

See Notes to Financial Statements.

SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
STATEMENT OF ACTIVITIES
June 30, 2007

	Governmental Activities
Program Expenses	
Public safety - emergency communications	\$ 3,145,737
Program Revenues	
Intergovernmental	2,893,600
Net program expense	<u>(252,137)</u>
General Revenues	
Unrealized Gain	1,579
Miscellaneous	20,024
Total general revenues	<u>21,603</u>
Change in net assets	(230,534)
Net assets, beginning of year	<u>1,163,197</u>
Net assets, end of year	<u><u>\$ 932,663</u></u>

See Notes to Financial Statements.

SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
BALANCE SHEET - GOVERNMENTAL FUND
June 30, 2007

		General Fund
ASSETS		
Cash, investment, and cash equivalents held by the City of Santa Fe		\$ 260,611
Accounts receivable, Santa Fe County	87,403	
State of New Mexico	2,744	
Interest Receivable	1,879	
Other	1,240	
		93,266
Total assets		\$ 353,877
 LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable		\$ 14,998
Fund balance		
Reserved for encumbrances		-
Unreserved		338,879
Total fund balance		338,879
Total liabilities and fund balance		\$ 353,877

See Notes to Financial Statements.

SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUND
Year Ended June 30, 2007

Fund balances - total governmental fund \$ 338,879

Amounts reported for governmental activities in the
statement of net assets are different because

Capital assets used in governmental activities are not
current financial resources and, therefore, are not
reported in governmental funds

Capital assets, net of accumulated depreciation 593,784

Net assets of governmental activities \$ 932,663

See Notes to Financial Statements.

SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year Ended June 30, 2007

	General Fund
Revenue	
Intergovernmental	
Emergency 911 service revenues	\$ 2,546,038
Public safety telephone surcharges	344,818
Grant revenue	2,744
Gain on sale of asset	1,579
Miscellaneous - other	20,024
	<hr/>
Total revenue	2,915,203
	<hr/>
Expenditures	
Current	
Salaries	1,783,377
Employee benefits	495,035
Communications costs	62,173
Contract services	78,566
Insurance	26,663
Maintenance and repairs	50,657
Operating costs	95,613
Other costs	61,437
Public safety telephone expenditures	344,818
Supplies	21,084
Travel	2,154
Capital outlay	12,163
	<hr/>
Total expenditures	3,033,740
	<hr/>
Net change in fund balance	(118,537)
Fund balance, beginning of year	457,416
	<hr/>
Fund balance, end of year	\$ 338,879
	<hr/> <hr/>

See Notes to Financial Statements.

SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balance - governmental fund \$ (118,537)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 9,622	
Current year depreciation	<u>(323,039)</u>	
		(313,417)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences		<u>201,420</u>
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Change in net assets		<u><u>\$ (230,534)</u></u>
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See Notes to Financial Statements.

SANTA FE REGIONAL EMERGENCY
COMMUNICATIONS CENTER
STATEMENT OF REVENUES AND EXPENDITURES -
BUDGET AND ACTUAL
Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Intergovernmental				
Emergency 911 service revenues	\$ 2,867,222	2,867,222	2,546,038	(321,184)
Grant revenue	-	-	2,744	2,744
Total intergovernmental	2,867,222	2,867,222	2,548,782	(318,440)
Miscellaneous - other	-	11,000	21,603	10,603
Total revenues	2,867,222	2,878,222	2,570,385	(307,837)
Expenditures				
Salaries and wages	1,529,248	1,529,248	1,783,377	(254,129)
Employee benefits	929,814	929,814	495,035	434,779
Communications costs	52,539	64,971	62,173	2,798
Maintenance and repairs	227,257	53,578	50,657	2,921
Supplies	11,350	12,252	21,084	(8,832)
Contract services	141,537	152,476	78,566	73,910
Operating costs	68,602	80,467	95,613	(15,146)
Other costs	-	-	61,437	(61,437)
Travel	3,000	3,680	2,154	1,526
Insurance	36,329	36,329	26,663	9,666
Capital outlay	75,268	82,979	12,163	70,816
Total expenditures	3,074,944	2,945,794	2,688,922	256,872
Special items				
Public safety telephone surcharge revenues	237,722	377,000	344,818	(32,182)
Public safety telephone (expenditures)	-	(350,000)	(344,818)	5,182
Total special items	237,722	27,000	-	(27,000)
Net change in fund balance	30,000	(40,572)	(118,537)	(77,965)
Fund Balances				
Beginning of year	39,385	(50,980)	457,416	508,396
End of year	\$ 69,385	(91,552)	338,879	430,431

See Notes to Financial Statements.

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 1. ORGANIZATION AND OPERATIONS

Reporting Entity. The City of Santa Fe (City) is a participant with Santa Fe County (County) in a joint venture to provide regional 911 service. Santa Fe Regional Emergency Communications Center (RECC) was established in November 2001, under a joint powers agreement entered into by and between the County and the City. It was the desire of the parties to form a joint enhanced 911 Regional Emergency Communications Center; to provide emergency telephone access for the citizens of the City and County; to obtain needed emergency services including fire, EMS and law enforcement services; and to provide for the emergency communications needs of the public safety agencies of the City and County. Operations of RECC commenced July 1, 2002.

The RECC is governed by a Board consisting of members from the City and the County. The Board consists of the following:

1. The Police Chief of the City of Santa Fe.
2. The Fire Chief of the City of Santa Fe.
3. The City Manager of the City of Santa Fe.
4. The Sheriff of the County of Santa Fe.
5. The Fire Chief of the County of Santa Fe.
6. The County Manager of the County of Santa Fe.
7. One member shall represent the community at-large and will be appointed by agreement of the City and County Managers.

Each Board Member has one vote and cannot vote by proxy. The term of each Board Member shall be coincident with their respective terms of office except the at large member who shall serve at the pleasure and upon a consensus of the City and County Managers.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of RECC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The more significant of RECC's accounting policies are described below:

SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Basic Financial Statements – GASB Statement 34

The basic financial statements include both government-wide (based on RECC as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. RECC is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Assets, the governmental activities are reflected on the full accrual, economic resource basis, which incorporates long term assets and receivable as well as long-term debt and obligations. The governmental fund in the fund financial statements is presented on a current financial resources measurement focus and modified accrual basis of accounting.

As required by GAAP, the financial statements present RECC and entities for which RECC is considered to be financially accountable. There are no component units or fiduciary funds for the fiscal year ended June 30, 2007.

The government-wide Statement of Activities reflects both the gross and net cost per functional category which is otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related service revenues, state appropriations and other revenue. The program revenues must be directly associated with the function.

This government-wide focus is more on the sustainability of RECC as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are very similar to the financial statements presented in the previous model. Emphasis is on the major funds of the governmental category. RECC's only major fund is its general fund.

This is the manner in which these funds are normally budgeted. This presentation is deemed more appropriate to demonstrate legal and covenant compliance, to RECC's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

A. Basic Financial Statements – GASB Statement 34 (Continued)

The focus of the revised model is on RECC as a whole and the fund financial statements, including the major individual fund of the governmental category.

The financial transactions of RECC are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The new model sets forth the minimum criteria (percentage of the assets, liabilities, revenues or expenditures of either fund category or the governmental and enterprise combines) for the determination of major funds. RECC has one major and no nonmajor funds.

The following fund types are used by RECC:

GOVERNMENTAL FUND TYPE

The governmental fund type is accounted for on a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Its reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period. Due to their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by capital assets and noncurrent liabilities. Since these do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

General Fund - The General Fund is the general operating fund of RECC. It is used to account for all financial resources.

SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Non-Current Governmental Assets and Liabilities

GASB Statement 34 eliminates the presentation of Account Groups but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus that applies.

The Government-Wide Financial Statements are presented on an accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenditures are recognized when incurred.

The Governmental Funds in the Fund Financial Statements is presented on a modified accrual basis. Under this method, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the current fiscal period. Available means that the revenues are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Program revenues include Emergency 911 service revenues and public safety telephone surcharge revenues and are considered voluntary nonexchange transactions in accordance with Governmental Accounting Standards Board Statement No. 33 (Statement No. 33). Statement No. 33 requires that grants with eligibility requirements are not recognized until such time that all eligibility requirements have been met. Eligibility requirements for emergency 911 service revenues are met as RECC provides the emergency call service throughout the year. Eligibility requirements for public safety telephone surcharge revenues are met as the State of New Mexico incurs operating and maintenance expenditures on the public safety telephone system. In the accrual basis statements, revenues are recorded when the eligibility requirements are met, and in the modified accrual basis statements, when the revenues are considered available and the eligibility requirements have been met.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory and certain sick leave are not accrued as current liabilities but as non-current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principles described by the various funding sources.

SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Accounting (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their entity-wide statements, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

D. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the general fund. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Unused and excess encumbrances are adjusted in the year it is determined the funds will not be spent.

E. Compensated Absences

It is RECC's policy to permit employees to accumulate earned but unused vacation, compensatory hours and sick pay benefits. The sick leave liability is calculated using the vesting method. Vacation pay and sick leave are accrued when incurred in the government wide financial statements. In the governmental funds, a liability for these amounts is reported only if they have matured and are payable out of current financial resources; for example, as a result of employee resignations and retirements.

F. Reservations and Designations

Reservations of fund balance are created to either satisfy legal covenants that require that a portion of the fund balance be segregated or identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of fund balance accounts are summarized below:

Reserved for Encumbrances. This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by RECC but not completed as of the close of the fiscal year.

SANTA FE REGIONAL
 EMERGENCY COMMUNICATIONS CENTER
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (CONTINUED)

G. Net Assets

The government-wide Financial Statements utilize a net asset presentation. Net Assets are categorized as investment in fixed assets (net of related debt), restricted and unrestricted.

Investment in Fixed Assets (net of related debt) – is intended to reflect the portion of net assets which are associated with non-liquid, undepreciated capital assets less the related outstanding debt. The net related debt is total capital asset related debt less any unspent proceeds from the debt and is adjusted for any associated unamortized premium and discounts.

Restricted net assets - reports those net assets with limits on their use that are externally imposed (by creditors, grantors, contributors, or the laws or regulations of other governments) or that are imposed by the government's own constructional provisions or enabling legislation. RECC has no restricted assets at year-end.

Unrestricted Net Assets – represent unrestricted liquid assets.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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 could differ from those estimates.

I. Capital Assets

Property, plant and equipment, including software, purchased or acquired at a value of \$5,000 or greater are capitalized.

Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful live of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value.

	Years
Furniture/Fixtures	10
Data Processing Equipment	3 - 8
Machinery and Equipment	7
Software	10
Vehicles	8

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

I. Capital Assets (Continued)

GASB 34 requires the recording and depreciation of infrastructure assets, such as roads, bridges, etc. RECC does not own any infrastructure assets.

NOTE 3. BUDGET BASIS OF ACCOUNTING

RECC prepares its budget on the modified accrual basis of accounting. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by RECC's Board of Directors. The budget and any adjustments are subject to the regular budget requirements and cycles of the City and the County. Total expenditures cannot legally exceed the total budget. The RECC Board of Directors is authorized to transfer budgeted amounts between classifications; however, any revisions that alter the total expenditures must be communicated to and approved by the City Council and the Santa Fe County Commission. For the years ended June 30, 2007 total expenditures were within budget.

**NOTE 4. CASH, INVESTMENTS, AND CASH EQUIVALENTS HELD BY
CITY OF SANTA FE**

RECC does not have a separate bank account. Cash, investments, and cash equivalents of \$260,611 are maintained in a common pooled account by the City; the City invests its pooled cash into US Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer's investment pool and US Government security mutual funds. Please refer to the Comprehensive Annual Financial Report for the City of Santa Fe, New Mexico for the disclosure information regarding the custodial credit risk. That report may be obtained from the City by contacting the Finance Department Director at 200 Lincoln Avenue, P.O. Box 909, Santa Fe, NM 87504-0909.

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable of \$93,266 represents monies due to RECC from Santa Fe County of \$87,403, Department of Finance and Administration of \$2,744 and from the City of Santa Fe of \$1,239 for operating costs. At June 30, 2007, management believes that receivable balances are collectible in full. Therefore, no allowance for bad debts has been recorded.

SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6. CAPITAL ASSETS

The following is a summary of changes in assets by category as of June 30, 2007:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated				
Machinery and equipment	\$ 651,877	8,078	-	659,955
Furniture and fixtures	337,573	-	-	337,573
Vehicles	23,726	-	-	23,726
Data processing equipment	1,130,739	-	-	1,130,739
Software	10,558	1,548	-	12,106
	<u>2,154,473</u>	<u>9,626</u>	<u>-</u>	<u>2,164,099</u>
Accumulated depreciation				
Machinery and equipment	343,016	93,818	-	436,834
Furniture and fixtures	135,026	33,757	-	168,782
Vehicles	3,707	2,965	-	6,673
Data processing equipment	762,813	191,430	-	954,242
Software	2,714	1,069	-	3,784
	<u>1,247,276</u>	<u>323,039</u>	<u>-</u>	<u>1,570,315</u>
Total capital assets, net	\$ <u>907,197</u>	<u>(313,413)</u>	<u>-</u>	<u>593,784</u>

Depreciation expense for property, plant and equipment for the fiscal year ended June 30, 2007 was \$323,039.

NOTE 7. CHANGES IN NONCURRENT LIABILITIES

	Balance 6/30/06	Increase	(Decrease)	Balance 6/30/07	Current
Compensated absences	<u>\$ 201,420</u>	<u>-</u>	<u>(201,420)</u>	<u>-</u>	<u>-</u>

As of July 1, 2007 all employees of RECC became employees of the County, see note 16 for additional information.

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 8. OPERATING LEASES

RECC leases office space from Santa Fe County as well as communications equipment. RECC pays annual rent based upon the square footage utilized in its operations, which has been set at \$50,000. There is no term for the lease. The lease may be canceled by either party with 180 days notice. Future rental payments related to these lease expenditures for buildings and communications equipment are \$50,000 per year unless waived by the county.

**NOTE 9. ECONOMIC DEPENDENCE AND RELATED PARTY
TRANSACTIONS**

The RECC is economically dependent on the City and County for emergency 911 services revenue. The City and County accounted for 81% of RECC's revenue during the year ended June 30, 2007. Service revenues consist of contributions from the City and the County which, per the joint powers agreement, are determined based on the dispatched call volume for each area. Capital expenditures, the Director's salary, and the ITT Manager's salary (including benefits) are paid 50% by the City, and 50% by the County.

NOTE 10. PUBLIC SAFETY ANSWERING POINT SURCHARGES

RECC was allotted \$344,818 in Public Safety Answering Point (PSAP) surcharges assessed by the telephone company. The surcharge money is non-reverting and is allocated to E-911 service providers based upon E-911 call volume for the fiscal year ending June 30, 2007. Management expects this allocation to be received each year in the future.

NOTE 11. RISK MANAGEMENT

RECC is insured through the City of Santa Fe. The dispatch coverage has a self-insurance retention of \$25,000 and the crime policy has a deductible of \$1,000.

The RECC building is owned and insured by the County and the contents are insured under the City of Santa Fe's property coverage and have a deductible of \$75,000.

RECC participates in the Santa Fe Health Fund Workers' Compensation Fund and the Retiree Health Care Fund which are self-insured programs administered by the City of Santa Fe. RECC makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses.

SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 11. RISK MANAGEMENT (CONTINUED)

The Santa Fe Health Fund accounts for the self-insured program for employee health and major medical benefits. Claims are handled by a professional third-party claims administrator. The City maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit.

The Workers' Compensation Fund accounts for the self-insured program and for workers' compensation coverage. Claims are handled by a professional, third party claims administrator. The City maintains specific stop loss coverage for individual claims in excess of \$350,000 with a \$1,000,000 statutory limit.

The Retiree Health Care Fund accounts for the self-insured program. The purpose of the program is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a self-funded plan.

NOTE 12. PERA PENSION PLAN

Substantially all of RECC'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 Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multi-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, PO Box 2123, Santa Fe, NM 87504-2123.

Funding Policy. RECC contributes to the plan through the City of Santa Fe and is under the same State statutes as the City. Under Municipal Plan #2, State statute requires that plan members contribute 9.15%. RECC is required by State statute to contribute 9.15%. In addition, RECC elected to utilize the 75% pick-up provision allowed by State statute thereby contributing 16.0125% to the employees' 2.2875% contribution.

The contribution requirement for plan members and the City is established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City has paid 100% of the required contributions for RECC to PERA for the year ending June 30, 2007, 2006, and 2005 in the amounts of \$209,723, \$197,179 and \$213,203, respectively.

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2007**

NOTE 13. RETIREE HEALTH CARE PROGRAM

In November 1990, the establishment of a Retiree Health Care Program was approved by the majority vote of the City Council. The City of Santa Fe makes contributions to the fund as a percentage of each participating employee's annual salary, including RECC's employees. Each participating employee, as a condition of employment for the fiscal year commencing July 1, 1991, and thereafter, contributes to the fund an amount equal to .75% of the employee's salary. For the year ended June 30, 2007, each participating retiree pays a monthly premium of \$114.65 for the basic individual plan, \$229.29 for the retiree and one dependent, and \$343.92 for family coverage. The change in monthly premiums is based upon medical cost trends and plan expenditures. RECC reimburses the City for its pro rata share of the annual costs. The amounts paid by RECC and its employees for the year ending June 30, 2007, and 2006 were \$51,368 and \$47,825, respectively.

Contributions from both RECC and employees become property of the Retiree Health Care fund and are not refundable under any circumstance, including termination of employment. All contributions are transferred to the Retiree Health Care Fund on a bi-weekly basis.

During fiscal year ended June 30, 2006 the City realized that it can no longer afford to fund their Retiree Health Care Program (RHCP) "on its own" (as the City's contribution % has risen from 1.30% to over 4%). The City's council met and passed an ordinance moving the City's retiree Health Care Program into the state's program - NM Retiree Health Care Authority (NMRHCA). Effective July 1, 2005, the City is a participant in the state's program and is required to submit 0.65% from the employee and 1.30% from the City. However, the City continued to collect 0.75% from the employees through December 2005, because the employees were still covered under the City's plan until December 31, 2005. Retiree insurance premiums will be deducted from the retiree's monthly PERA pension check. The City is responsible for the claims from July 1, 2005 through December 31, 2005. Effective January 1, 2006 the employees will be covered completely under the state's plan (NMRHCA) and the City's program (RHCP) will be defunct. A financial report from the NM Retiree Health Care can be obtained from 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

The City of Santa Fe has not yet adopted GASB 45 – Other Post Employment Benefits (OPEB) which will become effective in 2008 and is unsure of what impact if any the adoption of GASB 45 will have on the City of Santa Fe or RECC.

NOTE 14. FISCAL AGENT AGREEMENT

In November 2001, RECC entered into an agreement with the City of Santa Fe to act in the capacity as agent for RECC. Duties of the City include maintaining fiscal records, establishment of a uniform system of accounts, receiving and recording cash deposits, providing accountability of all disbursements, recording accounts receivable, recording fixed assets, maintaining a general ledger and preparing financial statements. The City also provides services to review bids, make

SANTA FE REGIONAL
 EMERGENCY COMMUNICATIONS CENTER
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2007

NOTE 14. FISCAL AGENT AGREEMENT (CONTINUED)

bond payments, and maintain personnel and payroll records. The agreement states that the City may be compensated for services provided by administrative staff. The City uses calculations in a manner similar to its method to allocate general fund services to its enterprise funds to determine these administrative costs. The administrative costs allocated for the fiscal year ended June 30, 2007 were \$61,437.

The joint powers agreement terms are as follows:

Participants	City of Santa Fe, Santa Fe County, RECC
Party responsible for operations	RECC
Description	Joint venture to provide regional 911 service
Beginning and ending dates	11/2001 - no end date
Total estimated amount of project	Unknown
Portion applicable to RECC	\$ 0
Amount contributed in current year	\$ 0
Audit responsibility	RECC
Fiscal agent	City of Santa Fe
Agency where revenues and expenditures are reported	RECC

NOTE 15. CONTINGENCIES

Legal Matters. RECC periodically is involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. As of June 30, 2007, there is no pending litigation outstanding against RECC.

NOTE 16. SUBSEQUENT EVENT

On October 11, 2006, the Board of County Commissioners and the Governing Body of the City of Santa Fe executed a Joint Resolution (County Resolution No. 2006-164 and City Resolution No. 2006-125), wherein the County agreed to be solely responsible for the costs of the day to day operation of the RECC and to become the fiscal agent for the RECC, and to employ RECC employees as County employees. As of July 1, 2007 the County will become the fiscal agent of RECC and employees shall become employees of the County, subject to the personnel rules and applicable collective bargaining agreement of the County, and subject to the policies and standard operating procedures of the RECC.

**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***

The Board of Directors, Santa Fe
Regional Emergency Communications Center
and
Mr. Hector Balderas,
New Mexico State Auditor

We have audited the accompanying financial statements of the governmental activities, the major fund and respective budgetary comparison, of Santa Fe Regional Emergency Communications Center (RECC), as of and for the year ended June 30, 2007, and have issued our report thereon dated December 3, 2007. 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 RECC'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 RECC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the RECC'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. 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 RECC's

Mr. Hector Balderas
New Mexico State Auditor
and
the Board of Directors, Santa Fe
Regional Emergency Communications Center

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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as item 07-01.

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 entity'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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Santa Fe Regional Emergency Communications Center'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*.

Mr. Hector Balderas
New Mexico State Auditor
and
the Board of Directors, Santa Fe
Regional Emergency Communications Center

The agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Santa Fe Regional Emergency Communications Center's management, the Board of Directors, the Office of the State Auditor, the New Mexico State Legislature, and the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
December 3, 2007

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2007**

Prior Year Findings

None.

Current Year Findings

07-1. AUTHORIZATION OF ATTENDANCE REPORT SHEETS

Condition

Out of three Payroll Attendance Report Sheets tested, two out of three, did not contain employees signature. There was one instance in which a supervisor failed to properly authorize employee Attendance Report Sheets.

Criteria

Good accounting and internal control practices require that proper authorization and Procurement Code of disbursements. Section 6-6-3 NMSA 1978 requires a complete record of the transactions of the entity.

Effect

Not having proper signatures on timesheets may result in falsification of time reported.

Cause

Employees failed to sign or authorize timesheets prior to the end of the pay period.

Recommendation

We recommend that all Attendance Report Sheets are signed by both the employee and supervisor prior to time submittal to the fiscal agent's payroll department as a proper measure to ensure that RECC is certifying that employees hours worked are accounted for before payment is made.

RECC's Response

As a result of those operators not being on shift the day the timesheets were due, they were unavailable to authorize their time reporting sheets. Although their shift supervisor confirmed their time, it is understood that this provides the potential for falsification of time reporting and, in order to address this risk, all employees and supervisors are now required to sign before the timesheets are submitted to payroll. Failure to do so results in the employee not receiving their paychecks until that form is signed.

**SANTA FE REGIONAL
EMERGENCY COMMUNICATIONS CENTER
EXIT CONFERENCE
Year Ended June 30, 2007**

The contents of this report were discussed in an exit conference held on December 3, 2007. Those in attendance were as follows:

Santa Fe Regional Emergency Communications Center

Becky Martinez	RECC Director
Ken Martinez	RECC Manager

City of Santa Fe

Teresita Garcia	Comptroller, Finance & Budget Department
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Board Members

Stan Holden	Chairman, Fire Chief, Santa Fe County
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Moss Adams LLP

Jim Thompson	Partner
Jessica Lucero	Senior

The financial statements and notes to the financial statements were prepared with the assistance of Moss Adams LLP.