



REDW

The Rogoff Firm

Mesilla Valley Regional Dispatch Authority

Financial Statements
and
Independent Auditors' Report

June 30, 2007

4062





OFFICE OF THE STATE AUDITOR

Hector H. Balderas

February 12, 2008

SAO Ref. No. 4062

Harry Romero, Chairman
and Members of the Board
Mesilla Valley Regional Dispatch Authority
P.O. Box 20000
Las Cruces, NM 88004-9002

SUBJECT: Audit Report—Mesilla Valley Regional Dispatch Authority—2006-2007 Fiscal Year—
Prepared by REDW LLC

Your agency audit report was received by the Office of the State Auditor (Office) on November 27, 2007. The State Auditor examination of the audit report required by Section 12-6-14 (B), 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.

As per your written request, this office is waiving the ten (10) day waiting period and is making the report public record immediately. The audit report will 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 NMAC *Requirements for Contracting and Conducting Audits of Agencies*.

The independent public accountant's findings and comments are included in the audit report on pages 25-26. **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
REDW LLC

2113 Warner Circle, Santa Fe, New Mexico 87505-5499
(505) 476-3800 · (800) 432-5517 · Fax (505) 827-3512

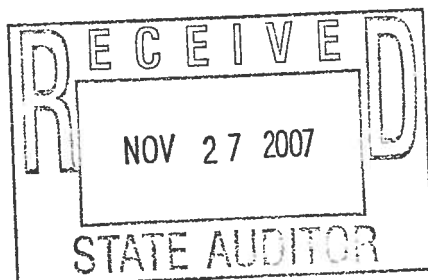
www.saonm.org

Mesilla Valley Regional Dispatch Authority

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STATE OF NEW MEXICO
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Mesilla Valley Regional Dispatch Authority
June 30, 2007

BOARD OF DIRECTORS

The Board of Directors, none of whom are employed by Mesilla Valley Regional Dispatch Authority, for the year ended June 30, 2007, are:

Harry Romero	Chairman
Paul Chavez	Vice-Chair
Jose Fietze	Board Member
William McCamley	Board Member
Terrence Moore	Board Member
Brian Haines	Board Member
Todd Garrison	Board Member
Adolf Zubia	Board Member
A.I. Vega	Board Member
Dan Ross	Board Member
Robert Monsivaiz	Board Member
John Cole	Board Member

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The Rogoff Firm

LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Hector Balderas, State Auditor and the
Board of Directors of the Mesilla Valley Regional Dispatch Authority

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mesilla Valley Regional Dispatch Authority (MVRDA) as of and for the year ended June 30, 2007, which collectively comprise MVRDA's basic financial statements as listed in the table of contents. We have also audited the budget comparison statement in the statement of revenues, expenditures and changes in fund balance—budget and actual as listed in the table of contents. These financial statements are the responsibility of MVRDA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of MVRDA as of June 30, 2007, and the respective changes in its financial position and budgetary comparisons 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 December 27, 2007, on our consideration of MVRDA'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 accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

REDW LLC

December 27, 2007

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

This section of the financial report presents management's discussion and analysis of the Mesilla Valley Regional Dispatch Authority's (MVRDA, or the "Authority") financial performance during the fiscal year ended June 30, 2007. It is intended to be read in conjunction with MVRDA's financial statements, which follow this section.

MVRDA operates under a joint powers agreement between the City of Las Cruces, Dona Ana County, Town of Mesilla, Village of Hatch, and City of Sunland Park, New Mexico. The primary mission of MVRDA is to provide dispatch and emergency communications functions for all emergency response agencies in the City of Las Cruces and Dona Ana County. In addition, the Authority provides necessary National Crime Information Center data to all officers requesting such assistance, and possesses the statutory authority to do so. In the event of a natural or man-made disaster, MVRDA will serve as the emergency communications network for disaster response, relief, and recovery.

The Board of Directors and its management value fiscal and programmatic accountability. MVRDA is the steward of contributions from participating governments, and operates as a governmental fund.

Financial Highlights

- ◆ The general fund deficit was reduced by \$44,699 during the year resulting in a deficit of \$186,207 at year-end.
- ◆ Expenses for the year were \$2,578,571, consisting primarily of salaries and benefits paid to employees.

Overview of Financial Statements

This annual report consists of the following:

1. Management's discussion and analysis.
2. The basic financial statements.
3. Notes to the basic financial statements.

The basic financial statements combine the organization-wide and fund financial statements and present the budget to actual statement of the General Fund. These statements present different views of the organization.

Organization-Wide Statements

The statement of net assets and the statement of activities are organization-wide financial statements that provide both long-term and short-term information about MVRDA's overall financial status. The organization-wide financial statements are designed to provide readers with a broad overview of MVRDA's finances, in a manner similar to a private-sector business.

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

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

The statement of activities presents information showing how MVRDA's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example accrued vacation leave.

Fund Financial Statements

The governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance are fund financial statements that provide detailed information about the most significant funds—not MVRDA as a whole.

Most of MVRDA's basic services are reported in the general fund, which focuses on how cash and other financial assets flow in and out, and the balances left at year-end that are available for spending. Consequently, the general fund provides a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance MVRDA's programs. The fund financial statements also present the statement of budget and actual comparison for MVRDA's general fund. The financial statements also include notes that explain some of the information in the financial statements and provide more detail.

Fiscal Agent

The City of Las Cruces is the fiscal agent for MVRDA. As fiscal agent, the City establishes funds to control and manage money for a particular purpose, or in order to demonstrate that it is meeting legal responsibilities for the use of monies.

Financial Analysis of Mesilla Valley Regional Dispatch Authority as a Whole

Net Assets. The net deficit decreased to a deficit of \$49,344 at June 30, 2007 from a \$65,140 deficit at June 30, 2006. This was primarily the result of an increase in grant revenues.

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Table 1 summarizes the net assets as of June 30, of each year.

Table 1
Net Assets
As of June 30,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Current assets	\$ 77,617	\$ 3,050	\$ 25,359
Capital assets, net	<u>136,863</u>	<u>165,766</u>	<u>206,768</u>
Total assets	<u>\$ 214,480</u>	<u>\$ 168,816</u>	<u>\$ 232,127</u>
Current liabilities	<u>\$ 263,824</u>	<u>\$ 233,956</u>	<u>\$ 116,982</u>
Total liabilities	<u>263,824</u>	<u>233,956</u>	<u>116,982</u>
Invested in capital assets, net of related debt	136,863	165,766	206,768
Unrestricted deficit	<u>(186,207)</u>	<u>(230,906)</u>	<u>(91,623)</u>
Total net assets (deficit)	<u>(49,344)</u>	<u>(65,140)</u>	<u>115,145</u>
Total liabilities and net assets (deficit)	<u>\$ 214,480</u>	<u>\$ 168,816</u>	<u>\$ 232,127</u>

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Changes in Net Assets. Total revenues for the year ended June 30, 2007 were \$2,594,367 compared with expenses of \$2,578,571. Table 2 summarizes the changes in net assets for each fiscal year. .

Table 2
Changes in Net Assets
For the Year Ended June 30,

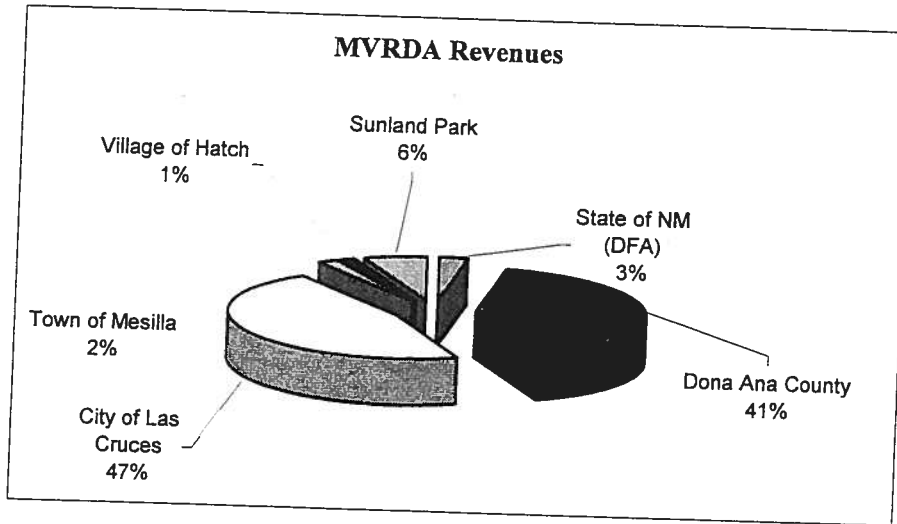
	2007	2006	2005
Program revenues			
Charges for services	\$ 2,505,217	\$ 2,205,051	\$ 2,195,695
Operating grants	68,521	19,618	52,556
Investment income (loss)	-	875	(834)
Other revenues	20,629	20,258	2,511
Total revenue	<u>2,594,367</u>	<u>2,245,802</u>	<u>2,249,928</u>
Expenses	<u>2,578,571</u>	<u>2,426,087</u>	<u>2,227,450</u>
Change in net assets	15,796	(180,285)	22,478
Net assets (deficit), beginning of year	<u>(65,140)</u>	<u>115,145</u>	<u>92,667</u>
Net assets (deficit), end of year	<u>\$ (49,344)</u>	<u>\$ (65,140)</u>	<u>\$ 115,145</u>

MVRDA has seen an overall increase in administrative expenses to provide public safety in fiscal year 2007 when compared to 2006 because of increased salaries for emergency dispatch services.

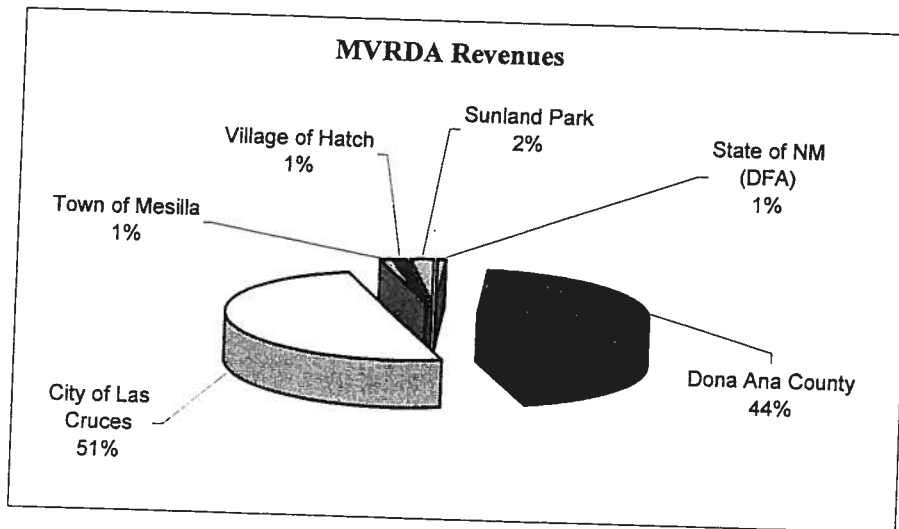
**Mesilla Valley Regional Dispatch Authority
 Management's Discussion and Analysis
 For the Year Ended June 30, 2007**

Chart 1 shows MVRDA's revenues by source for 2007 and 2006.

**Chart 1
 Revenues by Source—2007**



Revenues by Source—2006



Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Budgetary Information

The Board of Directors approves budgets and, when necessary, revisions to existing budgets. MVRDA makes every effort to ensure operational expenditures do not exceed funds available.

The Board adopts a budget for the general fund. Therefore, budgetary information is presented in the basic financial statements as required supplementary information. Tables 3 and 4 summarize the \$230,899 and \$164,359 unfavorable variances between the budgeted and actual expenditures at June 30, 2007 and 2006, respectively.

Table 3
Comparison of Budget and Actual – General Fund
For the Year Ended June 30, 2007

	Budget		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 2,504,665	\$ 2,504,665	\$ 2,505,217	\$ 552
Operating grants	18,000	207,413	68,521	(138,892)
Investment income	30,533	-	-	-
General revenues	21,040	36,415	20,629	(15,786)
Total revenue	<u>2,574,238</u>	<u>2,748,493</u>	<u>2,594,367</u>	<u>(154,126)</u>
Expenditures				
Public safety	2,521,238	2,455,252	2,526,176	(70,924)
Interest	-	-	10,092	(10,092)
Capital outlay	53,000	17,643	13,400	4,243
Total expenditures	<u>2,574,238</u>	<u>2,472,895</u>	<u>2,549,668</u>	<u>(76,773)</u>
Revenues over expenses	<u>\$ -</u>	<u>\$ 275,598</u>	<u>\$ 44,699</u>	<u>\$ (230,899)</u>

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Table 4
Comparison of Budget and Actual – General Fund
For the Year Ended June 30, 2006

	Budget		Actual	Variance
	Original	Final		
Revenues				
Charges for services	\$ 2,307,685	\$ 2,230,261	\$ 2,205,051	\$ (25,210)
Investment income	-	-	875	875
Other	-	61,000	<u>20,258</u>	<u>(40,742)</u>
Total revenue	<u>2,307,685</u>	<u>2,291,261</u>	<u>2,226,184</u>	<u>(65,077)</u>
Expenditures				
Public Safety	2,257,685	2,243,998	<u>2,365,467</u>	(121,469)
Capital outlay	<u>50,000</u>	<u>22,187</u>	-	<u>22,187</u>
Total expenditures	<u>2,307,685</u>	<u>2,266,185</u>	<u>2,365,467</u>	<u>(99,282)</u>
Revenues over expenses	<u>\$ -</u>	<u>\$ 25,076</u>	<u>\$ (139,283)</u>	<u>\$ (164,359)</u>

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Capital Assets

Capital Assets—As of June 30, 2007, the organization's capital assets totaled \$371,692, net of accumulated depreciation of \$234,829. Table 5 provides details of the net capital assets:

Table 5
Capital Assets and
Accumulated Depreciation
For the Year Ended June 30,

	2007	2006	2005
Equipment	\$ 371,692	\$ 358,292	\$ 358,292
Accumulated depreciation	<u>(234,829)</u>	<u>(192,526)</u>	<u>(151,524)</u>
Capital assets, net	<u>\$ 136,863</u>	<u>\$ 165,766</u>	<u>\$ 206,768</u>

During the 2007 fiscal year, MVRDA purchased two computers for \$13,400 and no capital assets were purchased in fiscal year 2006.

Economic Outlook

Changes in the general economic conditions for the City of Las Cruces and the surrounding area influence the economic condition of the Authority. The City of Las Cruces has been fortunate in enjoying economic expansion in recent years. Following is a table that contains a number of economic variables that underscore the gains made during the last two fiscal years. The trends imply strong growth in employment and population. The construction industry, while showing declines year over year, was still high by historic standards.

Mesilla Valley Regional Dispatch Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2007

Table 5
Las Cruces Economic Indicators

Item	Fiscal Year		Change	
	2007	2006	Number	Percent
Total Employment (MSA)*	67,725	66,325	1,400	2.1%
Single Family Building Permits	1,156	1,560	-404	-25.9%
Total Permit Valuation (Millions)	\$316.0	\$365.7	(\$49.7)	-13.6%
Population Estimate**	86,268	82,615	3,653	4.4%

* Preliminary - Data for Metropolitan Statistical Area
 ** Census Bureau Estimates as of July 1

For fiscal year 2008 the economic assumptions call for a degree of moderation. The City's largest revenue source is the gross receipts tax (GRT). The recent past has seen exceptional growth in gross receipts tax fueled by rapid construction activity centered around residential housing. The City has also benefited from its geographical location and environmental qualities. The outlook calls for overall construction activity to decelerate further to a level that is more in balance between population growth and construction activity. While residential construction will moderate, commercial activity will pick up.

In summary, the City of Las Cruces and the regional area is anticipated to experience moderation in the current year from the rapid pace of growth seen since 2000.

Contacting the Financial Management

The financial report is designed to provide the community and others with a general overview of the Authority's finances and demonstrate the organization's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to the Chairman of the MVRDA Board at:

Harry Romero
 City of Las Cruces Police Chief
 217 E. Picacho
 Las Cruces, NM 88001
 (505) 528-4200

Mesilla Valley Regional Dispatch Authority
Statement of Net Assets and Governmental Funds Balance Sheet
June 30, 2007

	General Fund	Adjustments (Note 8)	Statement of Net Assets
Assets			
Current assets			
Accounts receivable	\$ 10,911	\$ -	\$ 10,911
Due from other governments	66,706	-	66,706
Total current assets	<u>77,617</u>	<u>-</u>	<u>77,617</u>
Capital assets			
Equipment, net	-	136,863	136,863
Total capital assets	<u>-</u>	<u>136,863</u>	<u>136,863</u>
Total assets	<u>\$ 77,617</u>	<u>\$ 136,863</u>	<u>\$ 214,480</u>
Liabilities			
Current liabilities			
Due to fiscal agent	\$ 157,983	\$ -	\$ 157,983
Accounts payable	814	-	814
Accrued payroll liabilities	105,027	-	105,027
Total current liabilities	<u>263,824</u>	<u>-</u>	<u>263,824</u>
Fund Deficit/Net Assets			
Fund deficit			
Unreserved deficit	<u>(186,207)</u>	186,207	-
Total fund deficit	<u>(186,207)</u>	<u>186,207</u>	<u>-</u>
Total liabilities and fund deficit	<u>\$ 77,617</u>		
Net assets (deficit)			
Invested in capital assets		136,863	136,863
Unrestricted deficit		<u>(186,207)</u>	<u>(186,207)</u>
Total net assets (deficit)		<u>(49,344)</u>	<u>(49,344)</u>
Total liabilities and net assets		<u>\$ 136,863</u>	<u>\$ 214,480</u>

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

Mesilla Valley Regional Dispatch Authority
Statement of Activities and Statement of
Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2007

	General Fund	Adjustments (Note 8)	Statement of Activities
Revenues			
Charges for services	\$ 2,505,217	\$ -	\$ 2,505,217
Operating grants	68,521	-	68,521
General revenues	20,629	-	20,629
Total revenues	2,594,367	-	2,594,367
Expenditures/Expenses			
Current - public safety			
Salaries and benefits	2,111,343	-	2,111,343
Telephone	76,976	-	76,976
Insurance	55,862	-	55,862
Depreciation	-	42,303	42,303
Repairs and maintenance	112,218	-	112,218
Supplies	29,766	-	29,766
Travel	5,031	-	5,031
Services	101,439	-	101,439
Other	33,541	-	33,541
Interest	10,092	-	10,092
Capital outlay	13,400	(13,400)	-
Total expenditures/expenses	2,549,668	28,903	2,578,571
Revenues (under) over expenditures	44,699	(28,903)	15,796
Fund net asset (deficit), beginning of the year	(230,906)	165,766	(65,140)
Fund net asset (deficit), end of the year	\$ (186,207)	\$ 136,863	\$ (49,344)

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

Mesilla Valley Regional Dispatch Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 2,504,665	\$ 2,504,665	\$ 2,505,217	\$ 552
Operating grants	18,000	207,413	68,521	(138,892)
General revenues	21,040	36,415	20,629	(15,786)
Investment income	30,533	-	-	-
Total revenues	<u>2,574,238</u>	<u>2,748,493</u>	<u>2,594,367</u>	<u>(154,126)</u>
Expenditures				
Current - public safety				
Salaries and benefits	2,110,368	1,869,770	2,111,343	(241,573)
Telephone	69,000	84,000	76,976	7,024
Insurance	56,000	63,955	55,862	8,093
Repairs and maintenance	164,970	132,223	112,218	20,005
Supplies	37,000	37,160	29,766	7,394
Travel	15,000	7,000	5,031	1,969
Services	39,200	219,042	101,439	117,603
Other	29,700	42,102	33,541	8,561
Interest	-	-	10,092	(10,092)
Capital outlay	53,000	17,643	13,400	4,243
Total expenditures	<u>2,574,238</u>	<u>2,472,895</u>	<u>2,549,668</u>	<u>(76,773)</u>
Change in fund balance	-	275,598	44,699	(230,899)
Fund balance (deficit), beginning of the year	<u>(230,906)</u>	<u>(230,906)</u>	<u>(230,906)</u>	-
Fund balance (deficit), end of the year	<u>\$ (230,906)</u>	<u>\$ 44,692</u>	<u>\$ (186,207)</u>	<u>\$ (230,899)</u>

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

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

1) **Summary of Significant Accounting Policies**

Reporting Entity

Mesilla Valley Regional Dispatch Authority (MVRDA) is a governmental joint venture established by a Joint Powers Agreement between the City of Las Cruces, Dona Ana County, the Town of Mesilla, the Village of Hatch, and the City of Sunland Park to operate a combined communications center to dispatch and coordinate the emergency response departments for police, fire, and emergency medical services for the City-County area. This agreement is perpetual unless the City or County desires to terminate its participation.

MVRDA is governed by a board comprised of 12 members. The day-to-day operations are handled by the a Director who is hired by the MVRDA Board. The City of Las Cruces is the fiscal agent for MVRDA. The responsibility for the financial statements rests with the MVRDA Board. MVRDA does not have any component units.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Government-Wide—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 at the time liabilities are incurred, regardless of when the related cash flows take place.

Nonexchange transactions, in which MVRDA gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements—MVRDA's only fund is the general fund. The general fund is a governmental fund that accounts for all financial resources except those required to be accounted for in another fund. Governmental funds are those through which all functions are financed. The acquisition, use and balances of MVRDA's expendable financial resources and the related liabilities are accounted for through governmental funds. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. MVRDA considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

1) Summary of Significant Accounting Policies — continued

is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Capital Assets

Capital assets are recorded at cost or, in the case of donated assets, at their fair market value at the date of receipt and are depreciated over the estimated useful lives of the related assets. The initial purchase of software meeting MVRDA's capital asset definition is capitalized; however, periodic costs for software upgrades are not capitalized due to the rapid change in technology. Depreciation is computed using the straight-line method over estimated useful lives of three to ten years. MVRDA capitalizes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year.

Compensated Absences

Compensated absences and accumulated vacation leave are reported as an expense and a liability of the program that will pay it.

Revenue

Operating revenues are recognized in the accounting period in which they are earned. Intergovernmental revenue in the form of operating grants is reflected as revenues on the statement of activities and governmental funds revenues, expenditures, and changes in fund balances. Amounts recorded as charges for services represent contributions from the members of MVRDA.

Expenses

On the statement of activities, expenses are recognized in the accounting period in which the related liability is incurred.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

1) **Summary of Significant Accounting Policies — continued**

Budgets

MVRDA's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenditures. The annual budget is prepared on an entity wide basis; accordingly, separate budgets for individual funds are not presented.

New Mexico State law prohibits MVRDA from making an expenditure in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by MVRDA's Board; however, DFA approval must be obtained on budget increases and budget transfers between funds.

2) **Due to Fiscal Agent**

MVRDA participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. Pooled cash and investments are reported at fair value. As of June 30, 2007, MVRDA has a deficit cash balance, reported as a current liability on the Statement of Net Assets. MVRDA's equity in the City's cash and investment pool is (\$157,983).

3) **Due From Other Governments**

MVRDA obtains funding from several governmental agencies including the State of New Mexico Department of Finance and Administration, The Village of Hatch, the County of Dona Ana, the Town of Mesilla, City of Sunland Park and the City of Las Cruces. At June 30, 2007, the amount receivable is as follows:

State of New Mexico Department of Finance and Administration	\$ 46,227
Town of Mesilla	6,966
Village of Hatch	2,480
City of Sunland Park	11,033
	<u>\$ 66,706</u>

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

4) Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balances		
	June 30, 2006	Increases	June 30, 2007
Equipment	\$ 358,292	\$ 13,400	\$ 371,692
Less accumulated depreciation	192,526	42,303	234,829
Net equipment	\$ 165,766	\$ (28,903)	\$ 136,863

5) Joint Powers Agreement

In accordance with the JPA, financial contribution amounts are required from the City of Las Cruces and the County of Doña Ana. In-kind services are also provided under this agreement, such as fiscal agent services provided by the City and facilities services to be provided by Doña Ana County. According to the JPA, the City shall contribute fifty-three percent (53%) and the County of Doña Ana shall contribute forty-seven percent (47%) of the total operating budget of MVRDA for each fiscal year, excluding amounts covered by other revenue sources. The amount of contributions to the MVRDA budget from the Village of Hatch, the City of Sunland Park, and the Town of Mesilla are determined by the MVRDA Board on an annual basis. The contributions are based on the number of calls expected for responses within Hatch, Sunland Park, and Mesilla and are not based upon a percentage of the MVRDA budget. During fiscal year 2007, operating contributions include \$1,200,439 from the City, \$1,064,540 from the County, \$34,970 from Hatch, \$155,596 from Sunland Park, and \$49,672 from Mesilla.

6) Risk Management

MVRDA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters for which MVRDA carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

7) Employee Retirement System

Retirement Plan

Substantially all full-time employees of MVRDA participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Act (PERA) of the State of New Mexico, a cost-sharing multiple employer public employee retirement system. Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of PERA. That report may be obtained by writing to PERA, P.O. Box 2123, 1120 Paseo de Peralta, Santa Fe, NM, 87504-2123 or on their internet website at www.state.nm.us/pera/.

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service times 2.5% of their final average monthly salary, the 36 consecutive months of credited service producing the largest average, is as follows:

- ◆ Employees may retire at:
 - Any age with 25 or more years of credited service
 - Age 60 or older with 20 or more years of credit service
- ◆ All employees are eligible for retirement at:
 - Age 61 or older with 17 or more years of credited service
 - Age 62 or older with 14 or more years of credited service
 - Age 63 or older with 11 or more years of credited service
 - Age 64 or older with 8 or more years of credited service
 - Age 65 or older with 5 or more years of credited service
- ◆ Benefits vest after five years of credited service

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at the time of disability or retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disability-retired member does not submit an annual statement of earnings from gainful employment by June 30th of each

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

7) Employee Retirement System — continued

Disability Benefits — continued

year or if the amount of earnings in the previous year is more than the amount that causes the suspension of, or a decrease in, the Social Security Old Age Benefit for a 65 year old.

Funding Policy

Both participants and MVRDA are required to contribute 7% of eligible employee wages to the plan. Below represents the schedule of contributions for the year ended June 30:

	Contribution		Eligible Wages
	Participant	MVRDA	
2007	\$ 96,434	\$ 96,434	\$ 1,375,820
2006	86,015	86,015	1,212,223
2005	79,618	79,618	1,137,372

The remaining salaries and wages expense is for employees not eligible to participate in the plan.

8) **Differences Between Total Fund Deficit and Total Net Assets**

The general fund deficit of \$186,207 at June 30, 2007 differs from total net assets deficit of \$49,344 reported on the statement of net assets and governmental funds balance sheet because capital assets with a book value of \$136,863 are not financial resources and, therefore, are not reported in the funds. Also, the net increase of the fund balance of MVRDA's general funds revenues, expenditures, and changes in fund balances of \$44,699 differs from the net increase in net assets of \$15,796 reported on the statement of activities because the general fund reports capital outlays as expenditures; however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense of \$42,303 exceeded capital outlays of \$13,400 by \$28,903 as of June 30, 2007.

9) **Over-Expended Budget and Deficits**

MVRDA's general fund over-expended budgeted amounts by \$76,773, as budgeted expenditures were \$2,472,895 and actual expenditures were \$2,549,668. The budget variance resulted primarily from overtime pay to dispatch personnel.

Mesilla Valley Regional Dispatch Authority
Notes to Financial Statements
June 30, 2007

9) Over-Expended Budget and Deficits — continued

The joint powers agreement (see Note 5) provides that the City and the County are responsible to fund MVRDA operations that are not covered by other revenue sources. Accordingly, the general fund balance and net asset deficit of \$186,207 and \$49,344, respectively, at June 30, 2007, will be eliminated through increased contributions by the City and the County and/or reduction in MVRDA operating expenses.

Report on Internal Control Over Financial
Reporting and Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With Government Auditing Standards

Hector Balderas, State Auditor
and the Board of Directors of the Mesilla Valley
Regional Dispatch Authority

We have audited the accompanying financial statements of the governmental activities and each major fund, and the budgetary comparison of the Mesilla Valley Regional Dispatch Authority (MVRDA), Las Cruces, New Mexico, as of and for the year ended June 30, 2007, which collectively comprise MVRDA's basic financial statements and have issued our report thereon dated December 27, 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 MVRDA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MVRDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MVRDA's internal control over financial reporting.

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 MVRDA's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the MVRDA's financial statements that is more than inconsequential will not be prevented or detected by the MVRDA's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MVRDA'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*. However, the results of our test disclosed an instance of noncompliance that is required to be reported under New Mexico State Auditor Rule 2 NMAC 2.2, which is included in the accompanying schedule of findings as item SA-06-1.

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

This report is intended solely for the information and use of the board of directors, MVRDA's management, the New Mexico Department of Finance Administration and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

December 27, 2007

Mesilla Valley Regional Dispatch Authority
Schedule of Findings and Responses
For the Year Ended June 30, 2007

The following finding is reported in accordance with New Mexico State Auditor Rule 2 NMAC 2.2, *Requirements for Contracting and Conducting Audits of Agencies*.

SA-06-1—Actual Expenditures Exceeded Budgeted Expenditures – Repeat Finding (see 2006 finding SA-06-1)

Criteria: State regulation 2.2.2.10.P NMAC requires that if actual expenditures exceed budgeted expenditures within a category it must be reported as a finding.

Condition: MVRDA over-expended budgeted amounts as indicated in Note 9.

Context: The general fund over-expended approved budgeted amounts.

Cause and Effect: Inadequate monitoring of budgeted expenditures in the adopted budget resulted in the general fund over-expended with budgeted amounts.

Auditors' Recommendations: Monitor budget overruns and investigate unfavorable variances to ensure that program directors are spending according to the adopted budget.

Management's Response: MVRDA will continue to enhance monitoring procedures to identify budget overruns more timely and investigate unfavorable variances.

Mesilla Valley Regional Dispatch Authority
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2007

Finding: SA-06-1—Actual Expenditures Exceeded Budgeted Expenditures

Current status: Unresolved. Revised and repeated, see SA-06-1.

Mesilla Valley Regional Dispatch Authority
Other Disclosures
For the Year Ended June 30, 2007

Exit Conference

An exit conference was conducted on November 20, 2007, in a closed meeting of the Board of Directors pursuant to *Section 2.2.2.10J(3) NMAC* with the following individuals in attendance:

MVRDA Board of Directors

Harry Romero	Board Member and City of Las Cruces Police Chief
William J. "Bill" McCamley	Board Member and Dona Ana County Commissioner
Brad Davison	Ex-Officio Board Member

MVRDA Administration

Hugo Costa	MVRDA Director
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City of Las Cruces (Fiscal Agent)

Pat Degman, CGFM	Accounting Manager
Mark D. Sutter, CPA, Ph.D.	Financial Services Director

REDW_{LLC}

Ryan Luetkemeyer, CPA	Assurance and Consulting Manager
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