

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
(A COMPONENT UNIT OF EDDY COUNTY)
ANNUAL FINANCIAL REPORT
JUNE 30, 2011



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REGIONAL EMERGENCY DISPATCH AUTHORITY
(A COMPONENT UNIT OF EDDY COUNTY)
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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
TABLE OF CONTENTS
June 30, 2011

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		5
Official Roster		7
FINANCIAL SECTION		
Independent Auditor’s Report		11
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	15
Statement of Activities	A-2	17
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	18
Reconciliation of the Balance Sheet to the Statement of Net Assets		19
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	B-2	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities		21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual General Fund	C-1	23
Notes to the Financial Statements		25-35
	<u>Schedule</u>	
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		38-39
Schedule of Findings and Responses	I	41-47
OTHER DISCLOSURES		48

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
OFFICIAL ROSTER
June 30, 2011

<u>Name</u>	<u>Title</u>
Board Officials	
Phil Burch	Executive Board Chairman
Guy Lutman	Executive Board Chairman Pro Tem
Allen Sartin	Executive Board Secretary
Aubrey Hobson	Executive Board Member
Joseph “Woody” Wright	Executive Board Member
Vernon Asbill	Executive Board Member
Lorraine Allen-Munoz	Executive Board Member
Kenny Rayroux	Executive Board – County Alternate
Bill Thalman	Executive Board – County Alternate
Ernie Mendoza	Operations Committee Board Member
Robert Brader	Operations Committee Board Member
J.D. Hummingbird	Operations Committee Board Member
Don Raley	Operations Committee Board Member
Authority Officials	
Jenny Rennie	Director

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP
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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor and
The Board of Commissioners
Regional Emergency Dispatch Authority
Artesia, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities and the budgetary comparison statement of the Regional Emergency Dispatch Authority (the Authority), a component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management has not designed, implemented or monitored the policies and procedures needed to capture, record and present cash, revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. The severity and pervasiveness of the material weaknesses in the Authority's system of control over financial reporting has caused significant doubt that all possible material misstatements could be detected by our audit procedures. Because of the magnitude of the possible misstatement of the financial statements that could remain undetected, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements of the governmental activities of the Authority as of June 30, 2011, and the changes in financial position thereof and the budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Authority has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
March 15, 2012

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**BASIC
FINANCIAL STATEMENTS**

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2011

Exhibit A-1

ASSETS

Current assets	
Cash and cash equivalents	\$ 45,322
Receivables:	
Intergovernmental	
Due from other governments	85,157
Receivable from primary government	116,017
Miscellaneous	1,993
	248,489
Noncurrent assets	
Capital assets (net of accumulated depreciation)	212,407
	212,407
Total noncurrent assets	
	212,407
Total assets	\$ <u><u>460,896</u></u>

LIABILITIES

Current liabilities	
Accrued expenses	\$ 12,084
Payable to primary government	32,301
Current portion of accrued compensated absences	16,358
	60,743
Noncurrent liabilities	
Noncurrent portion of loans payable	250,000
	250,000
Total noncurrent liabilities	
	250,000
Total liabilities	310,743
NET ASSETS	
Invested in capital assets, net of related debt	212,407
Unrestricted	(62,254)
	150,153
Total net assets	150,153
Total liabilities and net assets	\$ <u><u>460,896</u></u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Exhibit A-2

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Public safety	\$ 1,103,011	\$ -	\$ 1,043,905	\$ (59,106)
Total governmental activities	<u>\$ 1,103,011</u>	<u>\$ -</u>	<u>\$ 1,043,905</u>	<u>(59,106)</u>

General revenues:

Miscellaneous revenue	11,618
Total general revenues and transfers	<u>11,618</u>
Change in net assets	<u>(47,488)</u>
Beginning net assets	342,463
Net assets - restatement	<u>(144,822)</u>
Beginning net assets as restated	<u>197,641</u>
Ending net assets	<u>\$ 150,153</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2011

Exhibit B-1

ASSETS

Current assets

Cash and cash equivalents	\$	45,322
Due from other governments		85,157
Receivable from primary government		116,017
Miscellaneous		1,993
		1,993

<i>Total assets</i>	\$	248,489
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LIABILITIES AND FUND BALANCES

Current liabilities

Accrued expenses	\$	12,084
Payable to primary government		32,301
		32,301

<i>Total liabilities</i>		44,385
--------------------------	--	--------

Fund balances

Unassigned		204,104
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<i>Total fund balances</i>		204,104
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<i>Total liabilities and fund balances</i>	\$	248,489
--	----	---------

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

Exhibit B-1
(Page 2 of 2)

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

Fund balances - total governmental funds	\$	204,104
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		212,407
Certain liabilities, including loans payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Loans payable		(250,000)
Current portion of accrued compensated absences		<u>(16,358)</u>
Total net assets - governmental activities	\$	<u><u>150,153</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2011

Exhibit B-2

<i>Revenues</i>	
Intergovernmental revenue	
Local operating grants	\$ 1,043,905
Miscellaneous	<u>11,618</u>
<i>Total revenues</i>	<u>1,055,523</u>
 <i>Expenditures</i>	
Current	
Public safety	<u>1,051,867</u>
<i>Total expenditures</i>	<u>1,051,867</u>
 <i>Excess (deficiency) of revenues over expenditures</i>	 <u>3,656</u>
 <i>Other financing sources (uses)</i>	
Loan proceeds	250,000
<i>Total other financing sources (uses)</i>	<u>250,000</u>
 <i>Net change in fund balance</i>	 <u>253,656</u>
 <i>Fund balance - beginning</i>	 341,231
<i>Fund balance - restatement (Note 14)</i>	<u>(390,783)</u>
 <i>Fund balance - beginning, as restated</i>	 <u>(49,552)</u>
 <i>Fund balance - ending</i>	 <u>\$ 204,104</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2011

Exhibit B-2
(Page 2 of 2)

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

Net change in fund balances - total governmental funds	\$	253,656
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Government funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Depreciation expense		(53,630)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Decrease in accrued compensated absences		2,486
--	--	-------

The issuance of long-term debt (e.g. bonds, loans, leases) provide current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Loan proceeds		<u>(250,000)</u>
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Change in net assets of governmental activities	\$	<u><u>(47,488)</u></u>
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The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2011

Exhibit C-1

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental revenue				
Local operating grants	\$ 1,250,000	\$ 1,250,000	\$ 842,731	\$ (407,269)
Miscellaneous	-	-	9,625	9,625
<i>Total revenues</i>	<u>1,250,000</u>	<u>1,250,000</u>	<u>852,356</u>	<u>(397,644)</u>
<i>Expenditures</i>				
Current:				
Public safety	1,250,000	1,250,000	1,057,034	192,966
<i>Total expenditures</i>	<u>1,250,000</u>	<u>1,250,000</u>	<u>1,057,034</u>	<u>192,966</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(204,678)</u>	<u>(204,678)</u>
<i>Other financing sources (uses)</i>				
Loan proceeds	-	-	250,000	250,000
Operating transfers in (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
<i>Net change in fund balances</i>	-	-	45,322	45,322
<i>Fund balances - beginning</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,322</u>	<u>\$ 45,322</u>
<i>Net change in fund balances (Non-GAAP Budgetary Basis)</i>				\$ 45,322
Adjustments to revenue for local operating grants and miscellaneous receivables				203,167
Adjustments to expenditures for salaries, general supplies and materials, and professional services				<u>5,167</u>
<i>Net change in fund balances (GAAP Basis)</i>				<u>\$ 253,656</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The Regional Emergency Dispatch Authority (the Authority), a component unit of Eddy County, New Mexico, was established in 2006 under the name Eddy County Central Communications Authority in accordance with Enhanced 911 statutes of the State of New Mexico, Section 63-9D-1 NMSA 1978. On September 1, 2007 all of the Communications employees of the Eddy County Sheriff's Department and the Artesia Police Department were consolidated under the Central Communications Authority. In 2010, Eddy County Central Communications Authority reorganized under the name Regional Emergency Dispatch Authority. The Authority was created to provide effective and efficient single point of contact for emergency communications for Eddy County and the City of Artesia.

The Authority consists of seven board members who govern the Regional Emergency Dispatch Authority. The Board members are selected by the Mayor and City Council of Artesia and the Eddy County Commission. Eddy County is the fiscal agent for the Authority.

The more significant accounting policies and procedures of the Authority are more fully described below.

A. Financial Reporting Entity

Eddy County does issue separately audited financial statements. Additional information regarding Eddy County may be obtained directly from their administrative office as follows: Eddy County Administration Complex Suite 222, 101 W. Greene St., Carlsbad, NM 88220.

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

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

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

B. Government-wide and fund financial statements

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

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

The government reports the following major governmental fund:

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

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

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Net Assets or Equity

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

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

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government-wide statements. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9C(5).

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2011, along with the applicable PERA and Retiree Health Care expenditures.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Fund Balance Classification Policies and Procedures: For committed fund balance, the Authority's highest level of decision-making authority is the Board of Commissioners. The formal action that is required to be taken to establish a fund balance commitment is the Board of Commissioners.

For assigned fund balance, the Board of Commissioners or an official or body to which the Board of Commissioners delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in the governmental funds, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the Authority considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Authority considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2011, the Authority had no amounts classified as nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2011, the Authority has not restricted or committed any fund balance amounts.

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

Minimum Fund Balance Policy: The Authority has not developed a policy for maintaining a minimum amount of fund balance for operations to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies.

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original</u>	<u>Final</u>
	<u>Budget</u>	<u>Budget</u>
Budgeted Funds:		
General Fund	\$ -	\$ -

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

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented. Reconciliation between the non-GAAP budgetary basis amounts and the financial statement on the GAAP basis can be found on the budgetary statement.

NOTE 3. Deposits and Investments

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. The Authority is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2011.

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

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

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

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012.

From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2011, none of the Authority's deposits of \$167,427 were exposed to custodial credit risk. There are no amounts uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name and no amounts were uninsured and uncollateralized.

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

	<u>Wells Fargo Bank</u>
Amount of Deposits	\$ 167,427
Deposit Accounts covered by the "Dodd-Frank Deposit Insurance Provision"	-
FDIC coverage	<u>167,427</u>
Total uninsured public funds	<u>-</u>
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	-
Uninsured and uncollateralized	<u>\$ -</u>
Collateral requirement (50% of uninsured public funds)	\$ -
Pledged security	-
Over (under) collateralization	<u>\$ -</u>

The Authority does not have any collateral pledged with financial institutions at June 30, 2011.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets:

The carrying amount of deposits and investments shown above are included in the Authority's statement of net assets as follows:

<u>Bank Account Type/Name</u>	<u>Deposits</u>
	Wells Fargo
	Bank
Operational	\$ 139,453
Purchasing Card	<u>27,974</u>
Total on Deposit	167,427
Reconciling items	<u>(70,102)</u>
Reconciled balance June 30, 2011	97,325
Less: unknown unreconciled differences	<u>(52,003)</u>
Total cash and cash equivalents per Exhibit A-1	<u><u>\$ 45,322</u></u>

NOTE 4. Receivables, Payables, Due From's/To's and Transfers in (out)

Accounts receivable as of June 30, 2011, are as follows:

Intergovernmental	
City of Artesia	\$ 77,345
Eddy County	116,017
Other Governments	7,812
Miscellaneous	<u>1,993</u>
Total accounts receivable	<u><u>\$ 203,167</u></u>

Payables to primary government as of June 30, 2011, are as follows:

Payable to primary government	<u>\$ 32,301</u>
Total payable to primary government	<u><u>\$ 32,301</u></u>

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land is not subject to depreciation.

	Balance 06/30/10	Additions & Transfers In	Deletions & Transfers Out	Adjustments	Balance 06/30/11
Capital assets being depreciated:					
Furniture, fixtures and equipment	\$ 61,277	\$ -	\$ -	\$ 268,988	\$ 330,265
Total capital assets being depreciated	61,277	-	-	268,988	330,265
Total capital assets	61,277	-	-	268,988	330,265
Less accumulated depreciation:					
Furniture, fixtures and equipment	41,201	53,630	-	23,027	117,858
Total accumulated depreciation	41,201	53,630	-	23,027	117,858
Total capital assets net of depreciation	\$ 20,076	\$ (53,630)	\$ -	\$ 245,961	\$ 212,407

Depreciation expense for the year ended June 30, 2011 was charged to the Public Safety function in the amount of \$53,630. Also during fiscal year 2011 a prior year restatement was made for \$268,988 of assets and accumulated depreciation of \$23,027.

NOTE 6. Long-term Debt

The following summarizes changes in long-term debt during the year ended June 30, 2011:

	June 30, 2010	Additions	Reductions	June 30, 2011	Due Within One Year
Working Capital Loans:					
Eddy County	\$ -	\$ 210,000	\$ -	\$ 210,000	\$ -
City of Artesia	-	40,000	-	40,000	-
Compensated absences	18,844	18,930	21,416	16,358	16,358
Long-term liabilities	\$ 18,844	\$ 268,930	\$ 21,416	\$ 266,358	\$ 16,358

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 7. Pension Plan- Public Employees Retirement Association

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

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 13.15% for employees. The Authority was required to contribute 13.15% of the gross covered salary for all plan members. The contribution requirements of plan members and the Authority are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ended June 30, 2011 and 2010 were \$37,057 and \$37,492, respectively. Contributions for the year ended June 30, 2009 were included as part of the County's contributions.

NOTE 8. Post-Employment Benefits – State Retiree Health Care Plan

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .833% of their salary. In the fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for employees and employers will rise as follows:

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 8. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY 12	1.834%	.917%
FY 13	2.000%	1.000%

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

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

The Authority's contributions to the RHCA for the years ended June 30, 2011 and 2010 were \$5,186 and \$5,556, respectively. Contributions for the year ended June 30, 2009 were included as part of the County's contributions.

NOTE 9. Commitments Under Contractual Agreements

The Authority is not aware of any commitments at June 30, 2011.

NOTE 10. Risk Management

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

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

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

NOTE 11. Contingent Liabilities

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

NOTE 12. Concentrations

The Authority depends on financial resources flowing from, or associated with, both the City of Artesia and Eddy County. Because of this dependency, the Authority is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2011

NOTE 13. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The Regional Emergency Dispatch Authority did not reflect a deficit fund balance as of June 30, 2011.
- B. Excess of expenditures over appropriations. The Regional Emergency Dispatch Authority did not exceed approved budgetary authority for the year ended June 30, 2011.
- C. Designated cash appropriations in excess of available balances. The Regional Emergency Dispatch Authority did not exceed approved budgetary authority for the year ended June 30, 2011.

NOTE 14. Fund Balance and Net Assets Restatement

The Authority has restated the modified accrual basis financial statements to correct for accounts receivable misstated in the prior year in the amount of (\$390,783).

The Authority has restated the accrual basis financial statements by \$245,961 to correct capital assets misstated in the prior year and (\$390,783) to correct for accounts receivable misstatement in the prior year. This resulted in an adjustment to Net Assets of (\$144,822).

NOTE 15. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The Authority will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Authority in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the Authority in upcoming years.

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector H. Balderas
New Mexico State Auditor and
The Board of Commissioners
Regional Emergency Dispatch Authority
Artesia, New Mexico

We were engaged to audit the financial statements of the governmental activities and the budgetary comparison statement of the Regional Emergency Dispatch Authority (the Authority), a component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 15, 2012. We did not express an opinion on the Authority's financial statements because we were unable to apply auditing procedures to cash, revenues, expenditures, contracts grants, other agreements, and budgetary information. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2010-1, 2010-2 and 2011-1 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2009-2, 2011-2 and 2011-4 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items 2009-1 and 2011-3.

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

This report is intended solely for the information and use of the Authority, Board of Commissioners, the County Commission, management, the Office of the State Auditor, the New Mexico State Legislature, Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
March 15, 2012

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STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Disclaimer |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Schedule I
Page 2 of 7

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

2009-1 – Late Audit Report – Other Matter

Condition: The June 30, 2011 audit report was submitted to the State Auditor after the November 15, 2011 deadline. The audit report was submitted to the New Mexico Office of the State Auditor on March 23, 2012.

Criteria: The Regional Emergency Dispatch Authority is required to submit their audit reports for the year ended June 30, 2011 on or before November 15, 2011 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9A(1) of NMAC

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

Cause: The 2010 audit was not timely submitted, approved, and released resulting in a delay of the 2011 audit.

Auditors' Recommendation: We recommend the Regional Emergency Dispatch Authority try to file their audit report prior to November 15 to avoid this in the future.

Agency's Response: Prior to FYE 11 the accounting for the Regional Emergency Dispatch Authority had been provided by Eddy County. The Board of Directors decided to become independent from Eddy County for the fiscal year ending 2011. As a result of REDA's experiences during the FYE 11 audit, the REDA Board of Directors determined that contract accounting services are necessary for REDA to prepare financial information in a timely manner for the audit. The selection/contracting process is currently underway.

2009-2 — Preparation of Financial Statements – Significant Deficiency

Condition: Financial statements and related footnote disclosures were not prepared by the Regional Emergency Dispatch Authority.

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

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

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

Auditors' Recommendation: We recommend the Authority's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

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

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Schedule I
Page 3 of 7

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2009-2 — Preparation of Financial Statements – Significant Deficiency (continued)

Auditors' Recommendation (continued)

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

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

2010-1 – Segregation of Duties – Material Weakness

Condition: There is inadequate segregation of duties in the accounting functions.

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

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

Cause: The lack of segregation of duties is a direct result of the size of the Authority. They only have one person, the director, performing all accounting functions.

Auditors' Recommendation: We recommend outsourcing accounting processes wherever possible, as well as having increased involvement in the review and approval processes by the Board of Directors.

Agency's Response: Since the Regional Emergency Dispatch Authority is a small organization employing only 17 FTE with a very flat management structure, the opportunity for segregation of duties is very limited. The Authority has taken steps to develop more checks and balances, through CEO Portal banking, promoting a Chief Operations Officer and is currently in the process of hiring an accounting firm to assist management and help improve the internal controls.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Schedule I
Page 4 of 7

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

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

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

- Bank reconciliations are not being prepared or reviewed on a monthly basis.
- Management does not properly approve purchase orders or authorize expenditures made by the department heads.
- Lack of proper recording and tracking of capital assets.
- Lack of previous experience by the director in regards to the accounting functions.
- Lack of proper preparation and filing of Public Employees Retirement Act (PERA) and Retiree Health Care (RHC) reports.
- The Authority utilizes p-cards extensively. This allows for purchases without prior approval. Most approvals of the Authority are done before payment, but after the purchase has been made.
- Lack of effective oversight of financial reporting and internal controls by those charged with governance.

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

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

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

Cause: For the fiscal year 2011 management did not have a documented policy in place to follow to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS 115 to provide effective oversight of internal control and the financial reporting process. This was the first year that the accounting function was not performed by a fiscal agent. This has resulted in a learning process for the Authority.

Auditors' Recommendation: The Authority should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Management should authorize expenses from the department heads.

Agency's Response: This is the Regional Emergency Dispatch Authority's first year being fully responsible for the setup and management of their finances. The Authority has taken steps to develop more checks and balances, through CEO Portal banking, promoting a Chief Operations Officer and is currently in the process of hiring an accounting firm to assist management and help improve the internal controls.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Schedule I
Page 5 of 7

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-1 – Bank Reconciliations not Prepared – Material Weakness

Condition: Bank reconciliations are not being prepared or reviewed.

Criteria: Bank reconciliations of all bank accounts should be prepared monthly to maintain proper and sufficient internal controls and properly report all transactions as required by Section 6-6-3, NMSA 1978.

Effect: The Authority would not be aware of bank errors or posting errors, nor would they be aware of their actual available cash balance at the end of each month.

Cause: The Authority director is primarily trained as a dispatcher and manager, not an accountant. She was unaware of how these reconciliations should be completed and that they needed to be reviewed.

Auditors' Recommendation: We recommend that the Authority perform bank reconciliations on a monthly basis and that a Board member be responsible for the review process.

Agency's Response: Bank reconciliations were completed, in arrears for FYE 2011. All current bank reconciliations for FYE 2012 have been completed and are reported, by management, to the Executive Board with the monthly financial statements. (2) Designated Members of the Executive Board will also directly receive electronic bank statements, requiring review/approval.

2011-2 – Lack of Approval for Purchase Card Expenditures – Significant Deficiency

Condition: During testwork of credit cards, we noted three out of ten transactions totaling (\$168 out of \$1,904) that did not have proof of prior approval by either the Director or the Board of Directors.

Criteria: State Auditor procurement policy, as well as the Authority's policies state that purchase orders and authorization must be obtained prior to procurement of goods and services.

Effect: Items could be purchased that were not in the budget for the Authority.

Cause: The Authority lacks segregations of duties, therefore the director has no one to authorize her expenditures other than a Board member.

Auditors' Recommendation: We recommend that the Authority prepare a policy requiring Board member approval for a purchase by the director if over a designated amount.

Agency's Response: The Executive Board has already specified the amount of \$20,000.00 as the maximum amount that the Director may expend, without prior Board approval. This is the Regional Emergency Dispatch Authority's first year being fully responsible for the setup and management of their finances. Purchasing cards are only issued to line employees for out of town training/travel expenditures, which have been pre-approved. Cards are maintained in the departmental safe, when not in use. (4) Management personnel maintain possession of their cards, for operation/emergency purposes. All transactions are approved, prior to expenditure. During FYE 2011 some email/verbal expenditure approvals were not documented with the receipts. Beginning FYE 2012 all prior approvals for purchasing cards are documented and placed with the receipts.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

Schedule I
Page 6 of 7

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-3 – PERA and RHC Reports – Other Matter

Condition: The Authority was not able to provide accurate reconciliations of total wages paid in the fiscal year ended June 30, 2011 to reported Public Employees Retirement Act (PERA) and Retiree Health Care (RHC) wages for the same period.

Criteria: All employees of the Authority are required to be PERA and RHC members, unless they meet the statutory exemption requirements of part-time employee, seasonal employee, or an elected employee who opts out.

Effect: The Authority could owe PERA and RHC for unpaid amounts. The general ledger could be misstated due to incorrect reports filed for the year.

Cause: All Authority employees must be a member of PERA and RHA, however, when the Authority became independent from Eddy County they were not able to establish PERA and RHC membership before the change over date of July 1, 2010. The County continued paying these expenses, however there were errors in the amounts remitted. To attempt to remedy this problem, the Authority made estimated payments to PERA and RHC for the fiscal year and are continuing to work with these agencies to correct all records.

Auditors' Recommendation: We recommend that the Authority continue to work with these agencies to correct remaining reports.

Agency's Response: The Regional Emergency Dispatch Authority has continued to work with PERA and Eddy County to reconcile the previously estimated PERA reports. All RHC reports are current and correct and submitted monthly, as specified.

2011-4 – Capital Assets – Significant Deficiency

Condition: The Authority does not maintain capital asset records or compute and record depreciation.

Criteria: Section 2.20.1.15 of NMAC requires agencies to properly safeguard assets. All assets within an established materiality limit should be tagged with unique numbers and accounted for on the capital asset listing. Current year expenditures in capital projects accounts should be accounted for on the inventory listing. Assets that have been sold or are no longer serviceable should be deleted from inventory in accordance with Section 2.20.1.18 of NMAC.

Effect: The lack of an annual inventory of capital assets results in improper safeguarding of capital assets to prevent theft or other losses. Without proper accounting for additions and deletions, and an annual inventory of capital assets, the financial statements of the Authority may be misstated.

Cause: The Authority has not established procedures to record the additions or deletions to capital assets inventory because of lack of training in this area. Many of the capital assets now owned by the Authority were purchased in prior years by the County and listed on the County records. These items were never identified and moved to the inventory of the Authority even though ownership had changed hands. The Authority has not been computing depreciation on any of their capital assets due to lack of training in this area.

Auditors' Recommendation: We recommend that the Authority receive training regarding the proper method of tracking capital assets.

Agency's Response: This is the Regional Emergency Dispatch Authority's first year being fully responsible for the setup and management of their finances. The Regional Emergency Dispatch Authority maintained a full inventory list, but did not have a separate capital asset list with a depreciation schedule. Management has already obtained information and formatting for proper method of tracking assets. The Regional Emergency Dispatch Authority is in the process of hiring an accounting firm, who will be responsible for tracking capital assets and depreciation.

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2011

SECTION III – PRIOR YEAR AUDIT FINDINGS

2009-1 Late Audit Report – Repeated

2009-2 Preparation of Financial Statements – Repeated

2010-1 Segregation of Duties – Revised and Repeated

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

2010-3 Negative Cash Balances – Resolved

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
OTHER DISCLOSURES
June 30, 2011

EXIT CONFERENCE

The contents of this report were discussed on March 15, 2012. The following individuals were in attendance.

Representing Regional Emergency Dispatch Authority

Allen Sartin
Jenny Rennie
Aubrey Hobson

County Manager
Director
City of Artesia Clerk/Treasurer

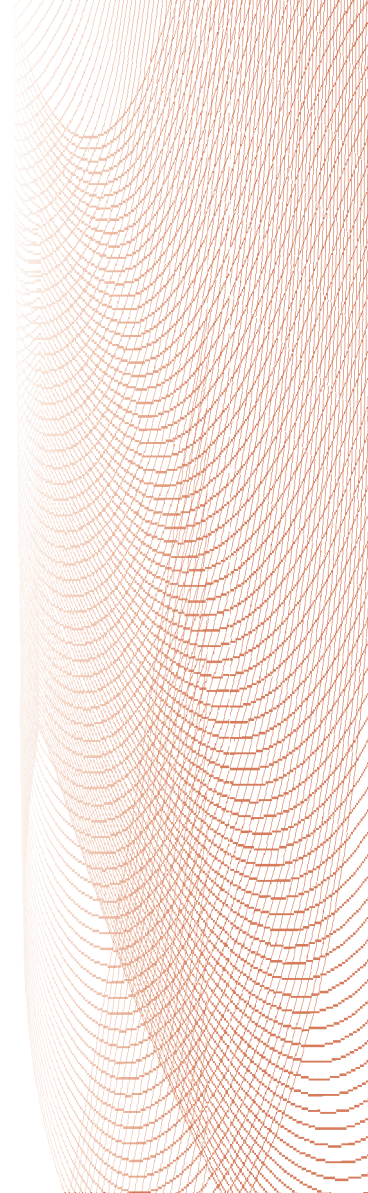
Representing Accounting & Consulting Group, LLP:

Shelley Olson

Supervisor

AUDITOR PREPARED FINANCIAL STATEMENTS

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of Regional Emergency Dispatch Authority from the original books and records provided to them by the management of the Authority. The responsibility for the financial statements remains with the Authority.



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