Accounting & Consulting Group, LLP

Certified Public Accountants

State of New Mexico
Regional Emergency Dispatch Authority

Annual Financial Report
Year Ended June 30, 2012

STATE OF NEW MEXICO

REGIONAL EMERGENCY DISPATCH AUTHORITY

(A COMPONENT UNIT OF EDDY COUNTY)

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2012

INTRODUCTORY SECTION

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
Table of Contents
June 30, 2012

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Official Roster
June 30, 2012

Name	Title
Executive Board	
Phil Burch	Chairman
Guy Lutman	Chairman Pro Tem
Allen Sartin	Secretary
Lorraine Allen-Munoz	Board Member
Vernon Asbill	Board Member
John Chavers	Board Member
Aubrey Hobson	Board Member
Kenny Rayroux	Board Member- County Alternate
Bill Thalman	Board Member- County Alternate
Operations Committee Board	
Robert Brader	Board Member
J.D. Hummingbird	Board Member
Ernie Mendoza	Board Member
Don Raley	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
Executive Board and
Operations Committee Board
Regional Emergency Dispatch Authority
Artesia, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities and the budgetary comparison 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, 2012, 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.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management is continuing the process of designing and implementing the policies and procedures needed to capture, record and present revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. For the year ended June 30, 2012 the severity and pervasiveness of the material weaknesses in the Authority's system of control over financial reporting caused significant doubt that all possible material misstatements could be detected by our audit procedures. While the Authority's internal controls over financial reporting have improved, the level of material weaknesses present continue to be severe enough to cause 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, 2012, 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 November 1, 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.

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Management has not presented the *Management's Discussion and Analysis* that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the budgetary comparison. 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
November 1, 2012

BASIC
FINANCIAL STATEMENTS

STATE OF NEW MEXICO

Exhibit A-1

Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Net Assets
June 30, 2012

		Total
ASSETS		
Current assets		
Cash and cash equivalents	$	99,473
Receivables		
Intergovernmental		
Due from other governments		58,833
Due from primary government		149,448
Other receivables		107
Total current assets		307,861
Noncurrent assets		
Capital assets		292,793
Accumulated depreciation		(141,063)
Total noncurrent assets		151,730
Total assets	$	459,591
LIABILITIES		
Current liabilities		
Accounts payable	$	26,538
Accrued liabilities		13,515
Accrued compensated absences		25,744
Total current liabilities		65,797
Noncurrent liabilities		
Loans payable		250,000
Total noncurrent liabilities		250,000
Total liabilities		315,797
NET ASSETS		
Invested in capital assets, net of related debt		151,730
Unrestricted		(7,936)
Total net assets		143,794
Total liabilities and net assets	$	459,591

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Activities
For the Year Ended June 30, 2012

Exhibit A-2

Functions/Programs	Expenses	**Program Revenues** Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	**Net (Expense) Revenue and Change in Net Assets** Total
Primary Government					
Governmental activities					
Public safety	$ 1,389,266	$ 1,485	$ 1,388,629	$ -	$ 848
Total governmental activities	$ 1,389,266	$ 1,485	$ 1,388,629	$ -	848
		General revenues			
		Miscellaneous			11,742
		Loss on disposal of capital assets			(51,250)
		Total general revenues			(39,508)
		Change in net assets			(38,660)
		Net assets- beginning of year			150,153
		Restatement (Note 14)			32,301
		Net assets- beginning of year, restated			182,454
		Net assets- end of year			$ 143,794

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Balance Sheet
Governmental Fund
June 30, 2012

		General Fund
ASSETS		
Current assets		
Cash and cash equivalents	$	99,473
Receivables		
Intergovernmental		
Due from other governments		58,833
Due from primary government		149,448
Other		107
Total assets	$	307,861
LIABILITIES AND FUND BALANCE		
Current liabilities		
Accounts payable	$	26,538
Accrued liabilities		13,515
Total liabilities		40,053
Fund balance		
Spendable		
Unassigned		267,808
Total fund balance		267,808
Total liabilities and fund balance	$	307,861

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Fund
June 30, 2012

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

Fund balance- governmental fund	$	267,808
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund		151,730
Certain liabilities, including loans payable and the current portion of accrued compensated absences, are not due and payable in the current period, and therefore, are not reported in the fund		
Loans payable		(250,000)
Accrued compensated absences not due and payable at year end		(25,744)
Net assets of governmental activities	$	143,794

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Revenues, Expenditures, and Change in Fund Balance
Governmental Fund
June 30, 2012

	General Fund
Revenues	
Intergovernmental	
Local operating grants	$ 1,388,629
Charges for services	1,485
Miscellaneous	11,742
Total revenues	1,401,856
Expenditures	
Current	
Public safety	1,332,925
Capital outlay	37,528
Total expenditures	1,370,453
Excess (deficiency) of revenues over expenditures	31,403
Net change in fund balance	31,403
Fund balance- beginning of year	204,104
Restatement (Note 14)	32,301
Fund balance- beginning of year, restated	236,405
Fund balance- end of year	$ 267,808

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2012

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

Net change in fund balance - governmental fund	$	31,403
The governmental fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense		
Capital expenditures		37,528
Depreciation expense		(46,955)
Loss on sale of capital assets		(51,250)
Expenses reported in the Statement of Activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental fund		
Increase in accrued compensated absences		(9,386)
Change in net assets of governmental activities	$	(38,660)

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
General Fund
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	Amounts	Final to Actual
Revenues				
Intergovernmental				
Local operating grants	$ 1,444,500	$ 1,444,500	$ 1,381,522	$ (62,978)
Charges for services	-	-	1,485	1,485
Miscellaneous income	-	-	19,035	19,035
Total revenues	1,444,500	1,444,500	1,402,042	(42,458)
Expenditures				
Current				
Public safety	1,444,500	1,444,500	1,333,502	110,998
Capital outlay	-	-	37,528	(37,528)
Total expenditures	1,444,500	1,444,500	1,371,030	73,470
Excess (deficiency) of revenues over expenditures	-	-	31,012	31,012
Net change in fund balance	-	-	31,012	31,012
Fund balance- beginning of year	-	-	45,322	45,322
Restatement (Note 14)	-	-	23,139	23,139
Fund balance- beginning of year, restated	-	-	68,461	68,461
Fund balance, ending	$ -	$ -	$ 99,473	$ 99,473

Net change in fund balance (non-GAAP budgetary basis)	$ 31,012
Adjustments to revenue for local operating grants and miscellaneous income	(186)
Adjustments to expenditures for payroll, professional services, and other expenses	577
Net change in fund balance (GAAP basis)	$ 31,403

The accompanying notes are an integral part of these financial statements

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 Executive Board. 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 GASB Statement No.'s 14 and 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 does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements

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

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. 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) columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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, subject to the availability criterion. 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.

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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's facilities, etc., (b) program-specific operating grants, which includes revenues received from local, 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.

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. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

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

Under the requirements of GASB Statement No. 34, the Authority is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

The Authority 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.

D. Assets, Liabilities, Net Assets and Fund Balance

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 three 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 (amount not rounded) 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) is included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Assets and Fund Balance (continued)

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

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	30-50
Equipment	5-15

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2012, along with the applicable PERA and Retiree Health Care expenditures.

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.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Balance Classification Policies and Procedures: For restricted fund balances, the Authority includes amounts that can be spent only for the specific purposes stipulated by statute, ordinance, resolution, or enabling legislation. Fund balances in this category represent the remaining amount that is restricted for future use in the specific fund.

For committed fund balance, the Authority's highest level of decision-making authority is the Executive Board. The formal action that is required to be taken to establish a fund balance commitment is the Executive Board.

For assigned fund balance, the Executive Board or an official or body to which the Executive Board 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, 2012, the Authority had no amounts classified as nonspendable fund balance.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Net Assets and Fund Balance (continued)

Restricted and Committed Fund Balance: At June 30, 2012, the Authority had 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.

Equity is classified as net assets and displayed in three components:

a. *Invested in capital assets, net of related debt:*
Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. *Restricted Net Assets:*
Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

c. *Unrestricted Net assets:*
All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the Authority's financial statements include depreciation on capital assets.

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 Executive Board 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 Executive Board 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 in total by fund.

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.

NOTE 2. Stewardship, Compliance, and Accountability (continued)

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

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	$ -	$ -

The accompanying Statement of Revenues, Expenditures, and Change 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 accounting principles generally accepted in the Untied States of America (GAAP), 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, 2012 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual 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, 2012.

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

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

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

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. 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. From December 31, 2010 through December 31, 2012, all non-interest bearing transaction accounts are fully insured, regardless of the account balance and the ownership capacity of the funds. This coverage is available to all depositors, including consumers, businesses, and government entities. The unlimited coverage is separate from, and in addition to, the insurance coverage provided for a depositor's other accounts held at an FDIC-insured bank.

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63 NMSA 1978). At June 30, 2012, $0 of the Authority's deposits of $99,473 was exposed to custodial credit risk. $0 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Authority's name and $0 was uninsured and uncollateralized.

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

	Wells Fargo Bank
Amount of Deposits	$ 99,473
FDIC coverage	99,473
Total uninsured public funds	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the Authority's name	-
Uninsured and uncollaterialized	$ -
Collateral requirement (50% of uninsured public funds)	$ -
Pledged security	-
Over (under) collateralization	$ -

The Authority does not have any collateral pledged with financial institutions at June 30, 2012. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district, or political subdivision of the State of New Mexico.

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets:

The carrying amount of deposits and investments shown in the preceding page are included in the Authority's Statement of Net Assets as follows:

Account Name	Account Type	Wells Fargo Bank
Deposits		
Operational	Checking	$ 113,509
Purchasing Card	Checking	11,063
Total amount of deposit in bank		124,572
Less: FDIC coverage		124,572
Total uninsured public funds		-
50% collateral requirements		-
Pledged securities		-
Over/(under) collateralized		-
Bank balance		124,572
Outstanding items		(121,904)
Deposits in transit		96,805
Book balance		99,473
Deposits and investments per schedule		99,473
Cash and restricted cash		99,473
Deposits per Statement of Net Assets		$ 99,473

NOTE 4. Receivables

Accounts receivable as of June 30, 2012, are as follows:

Intergovernmental	
City of Artesia	$ 58,833
Eddy County	149,448
Miscellaneous	107
Total accounts receivable	$ 208,388

Receivables for governmental activities are considered to be 100% collectible.

NOTE 5. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets being depreciated:				
Furniture, fixtures, and equipment	$ 330,265	$ 37,528	$ 75,000	$ 292,793
Total capital assets being depreciated	330,265	37,528	75,000	292,793
Total capital assets	330,265	37,528	75,000	292,793
Less accumulated depreciation:				
Furniture, fixtures, and equipment	117,858	46,955	23,750	141,063
Total accumulated depreciation	117,858	46,955	23,750	141,063
Total capital assets, net of depreciation	$ 212,407	$ (9,427)	$ 51,250	$ 151,730

Depreciation expense for the year ended June 30, 2012 was charged to the Public Safety function in the amount of $46,955.

NOTE 6. Long-term Debt

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	June 30, 2011	Additions	Retirements	June 30, 2012	Due Within One Year
Working Capital Loans:					
Eddy County	$ 210,000	$ -	$ -	$ 210,000	$ -
City of Artesia	40,000	-	-	40,000	-
Compensated absences	16,358	23,079	13,693	25,744	25,744
Long-term liabilities	$ 266,358	$ 23,079	$ 13,693	$ 275,744	$ 25,744

NOTE 7. PERA Pension Plan

Plan Description: Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement 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. 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 13.15% of their gross salary. The Authority is required to contribute 9.15% of the gross covered salary. 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, 2012, 2011, and 2010 were $71,600, $37,057, and $37,492, respectively, which equal the amount of required contributions for each fiscal year.

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 post-employment 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 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 post-employment 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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

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:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY 13	2.000%	1.000%

Also, employers joining the program after January 1, 1998, 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, 2012, 2011, and 2010 were $16,875, $5,186, and $5,556, respectively.

NOTE 9. Commitments Under Contractual Agreements

The Authority is not aware of any commitments as of the year ended June 30, 2012.

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.

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 Authority did not reflect a deficit fund balance as of June 30, 2012.

B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary level is fund level. The Authority did not have any funds that exceeded approved budgetary authority for the year ended June 30, 2012.

C. Designated cash appropriations in excess of available balances. The Authority did not have any funds where cash appropriations exceeded available balances for the year ended June 30, 2012.

NOTE 14. Fund Balance and Net Assets Restatement

The Authority has restated budgetary, and as a result, modified accrual fund balances and government wide net assets. The restatement was due to incorrectly recorded accrued expenses at the budgetary level in the prior year in the amount of $68,461. In addition, the Authority has restated the accrual basis fund balance to correct a due to primary government obligation that was paid in the prior year. This resulted in an increase to Net Assets of $32,301 for the year ended June 30, 2012.

NOTE 15. Joint Powers Agreements

The Authority is party to a joint powers agreement with Eddy County, New Mexico and the City of Artesia, New Mexico, which is material in nature. The original amount provided to the Authority was a total of $250,000, which consisted of a 60% contribution from Eddy County for $150,000 and the remaining 40% for $100,000 from the City of Artesia. The Authority entered into the agreement April 18, 2006 with no termination date existing as of the year ended June 30, 2012.

The Authority entered into a memorandum of understanding with the Lea County Communications Authority (LCCA) regarding the use of backup services such as those provided to the City of Artesia and Eddy County should there be any unexpected future malfunctions of the LCCA's system. This agreement became effective August 17, 2011 and will remain in effect until June 30, 2012 The memorandum may be continued for additional one year terms by written renewal option executed by both parties.

The Authority entered in a memorandum of understanding with the Department of Homeland Security, Federal Law Enforcement Training Center (FLETC) regarding the use of FLETC facilities for emergency 911 services in addition to land for a radio tower. This agreement became effective December 21, 2009. The initial term of this agreement will remain in effect for five years at which time the agreement must be reviewed to validate a continued operation requirement. It may be extended every five years by mutual written agreement from both parties.

NOTE 16. Subsequent Pronouncements

In November 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangement,* to be effective for periods beginning after December 15, 2011. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or non-governmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration

NOTE 16. Subsequent Pronouncements (continued)

and (2) the operator collects and is compensated by fees from third parties. The Authority is analyzing the effects that this pronouncement will have on their financial statements.

In December 2010 the Governmental Accounting Standards Board (GASB) issued GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* effective for periods beginning after December 15, 2011. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:

1. Financial Accounting Standards Board (FASB) Statements and Interpretations,

2. Accounting Principles Board Opinions, and

3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

The Authority is analyzing the effects that this pronouncement will have on their financial statements.

In June 2011 the Governmental Accounting Standards Board (GASB) issued GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The Authority is analyzing the effects that this pronouncement will have on their financial statements.

In March 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, effective for periods beginning after December 15, 2012. The objective of this Statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority is analyzing the effects that this pronouncement will have on their financial statements.

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COMPLIANCE SECTION

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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
Executive Board and
Operations Committee Board
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 general fund for Regional Emergency Dispatch Authority (the Authority), a component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated November 1, 2012. We disclaimed our opinion because material weaknesses in internal controls caused significant doubt that all possible material misstatements could be detected by audit procedures. Except as discussed above, 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

Management of the Regional Emergency Dispatch Authority is responsible for establishing and maintaining effective 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 FS 2010-1, FS 2010-2, FS 2012-1, FS 2012-2, and FS 2012-3 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 FS 2009-2, FS 2011-4, and FS 2012-5 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

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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 item FS 2012-4.

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 Eddy 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
November 1, 2012

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

Section II- Prior Year Audit Findings

FS 2009-1 Late Audit Report- Resolved

FS 2009-2 Preparation of Financial Statements- Repeated

FS 2010-1 Segregation of Duties- Revised and Repeated

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

FS 2011-1 Bank Reconciliations Not Prepared- Resolved

FS 2011-2 Lack of Approval for Purchase Card Expenditures- Resolved

FS 2011-3 PERA and RHC Reports- Resolved

FS 2011-4 Capital Assets- Revised and Repeated

Section III- Financial Statement Findings and Responses

FS 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

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.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority is a small organization employing only 17 full-time employees. 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 contracted an accounting service, for a short time in 2012, for this purpose. However, the financial statements were not completed during her contract. The Regional Emergency Dispatch Authority is in the process of seeking another contract CPA/accounting firm that will be responsible for preparing future financial statements.

Section III- Financial Statement Findings and Responses (continued)

FS 2010-1 Segregation of Duties- Material Weakness

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

Criteria: Appropriate segregation of duties for receipts and 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.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority is a small organization employing only 17 full-time employees with a very flat management structure. Therefore, the opportunity for segregation of duties has been very limited. The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of segregation of duties and oversight. However, this was not fully completed during her contract. The Authority has contracted a Bookkeeper to process and/or review all financial transactions to ensure segregation of duties and responsibilities with the Director.

Section III- Financial Statement Findings and Responses (continued)

FS 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.

- Management does not have a process in place for the recording of manual journal entries. In 10 instances out of 10 instances when doing the journal entry testwork, there was no supporting documentation for the journal entries made for a total amount of $23,088. In one instance out of 10 totaling $5,304, there was a journal entry made for payroll that did not appear to be reasonable.
- Lack of previous experience by the director in regards to the accounting functions.

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 2012 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 second year that the accounting function was not performed by a fiscal agent. This has resulted in a continued 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.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of revising financial policies and improving internal controls, operations, and oversight. However, the financial policy and internal controls revision were not completed during her contract. The Regional Emergency Dispatch Authority is in the process of seeking another contract CPA/accounting firm that will be responsible for providing oversight and direction. The Authority has contracted a Bookkeeper who was present during the entire audit for the purpose of increasing knowledge base and proficiency regarding internal control, operations, and oversight. The Bookkeeper and Director are in the process of a revision of financial policies and internal controls. The Authority is creating a new "company" in its accounting software, beginning FYE 2013, establishing these revised controls.

Section III- Financial Statement Findings and Responses (continued)

FS 2011-4 Capital Assets- Significant Deficiency

Condition: The Authority maintains capital asset records but does not 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: 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 in addition to beginning to record depreciation on the books.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of maintaining capital assets listings and calculating depreciation, etc. However, the depreciation calculations were not completed during her contract.

The REDA Executive Board has adopted resolutions, transferring ownership from some of the equipment previously owned under Eddy County, to REDA. Future resolutions transferring ownership of the remaining items purchased under the County will be adopted by the REDA Executive Board. Future resolutions showing the de-commission and/or disposal of capital asset items will be adopted by the REDA Executive Board.

The Bookkeeper and Director are in the process of a revision of financial policies and internal controls to include the tracking of Capital Assets and Non-Capital Assets, including depreciation schedules. The Authority is creating a new "company" in its accounting software, beginning FYE 2013, establishing these revised controls and depreciation schedules.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-1 Bank Reconciliations- Material Weakness

Condition: The Authority has not been reconciling the bank statement to the general ledger, and they have been using incorrect bank balances to prepare bank reconciliations. The Authority has also been making unsupported journal entries in order to reconcile the general ledger balance to the adjusted bank balance.

Criteria: Section 6-6-3 NMSA, 1978 discusses the need for the Authority to keep all the books, records and accounts in their respective office in the form prescribed by the local government division and conform to the rules and regulations adopted by the local government division. Good accounting practices require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

Effect: When bank reconciliations are not reconciling correctly and unsupported adjustments are made, this results in the possibility of fraud occurring and the misstatement of cash on the books.

Cause: The Authority hired a contract bookkeeper to help with the accounting system near the end of the reporting period. This bookkeeper made the entries to the system without prior approval or proving supporting documentation. The Authority did not have policies and procedures in place to ensure this did not happen.

Auditors' Recommendation: We recommend that the Authority perform bank reconciliations on a monthly basis and that a Board member or the Director be responsible for the review process. In addition, we recommend that the Authority ensure that bank reconciliations are being prepared properly and all variances accounted for.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of bank reconciliations. However, these were not properly completed or documented by the preparer during her contract. The Authority has contracted a Bookkeeper to complete monthly bank reconciliations and provide appropriate documentation of any adjustments and variances.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-2 Lack of Internal Controls Over Voided Checks- Material Weakness

Condition: During our review of the check register for voided checks, we noted several internal control issues including:

- All check numbers were not recorded in the check register, and gaps were not able to be explained by the entity.
- Checks do not appear to be voided correctly in the systems due to the fact that duplicates were recorded in the system for checks that were reported to have been voided.

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 SAS 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.

Good internal control policy dictates that the Authority shall establish and maintain a cash management program to safeguard voided checks. Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx.) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Effect: This results in an increased risk of theft of voided checks and potential for misappropriation of Authority funds.

Cause: Due to the fact that the Authority became its own fiscal agent in 2010, they have not been able to maintain a knowledgeable bookkeeper to record and void transactions correctly and consistently.

Auditors' Recommendation: We recommend that the Authority review cash management procedures with responsible individuals monthly to ensure that all areas of cash have sufficient internal controls, including accounting for all voided checks residing at the entity as well as a documented policy that states who is responsible for voided checks in the system.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of revising financial policies and improving internal controls, operations, and oversight. However, these were not completed during her contract. The Regional Emergency Dispatch Authority is in the process of seeking another contract CPA/accounting firm that will be responsible for providing oversight and direction. The Authority has contracted a Bookkeeper who was present during the entire audit for the purpose of increasing knowledge base and proficiency regarding internal controls, operations, and oversight. The Bookkeeper and Director are in the process of a revision of financial policies and internal controls, including tracking of voided checks. The Authority is creating a new "company" in its accounting software, beginning FYE 2013, establishing these revised controls.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-3 Incomplete Check Sequencing and Use of Duplicate Check Numbers- Material Weakness

Condition: Client is pulling batches of checks out of order to use for payroll. This allows for the possibility that not all checks are accounted for and the sequencing of checks recorded in the accounting system to be incomplete. In addition, check numbers could be used more than once.

Criteria: New Mexico Statutes, Section 6-5-2, NMSA 1978, requires local public bodies to implement internal accounting controls designed to prevent accounting errors and violations of state and federal laws and rules related to financial matters.

Auditing Standards state that 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.

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: Management was unaware of the fact that sound accounting procedures need to be adopted in order for the reporting of accurate accounting records.

Auditors' Recommendation: We recommend that the entity ensures that all checks are accounted for by using consecutive check numbers. In addition we recommend that transactions are being recorded properly in the accounting system and no check number is used more than once.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of revising financial policies and improving internal controls, operations, and oversight. However, these were not completed during her contract. The Regional Emergency Dispatch Authority is in the process of seeking another contract CPA/accounting firm that will be responsible in providing oversight and direction. The Authority has contracted a Bookkeeper who was present during the entire audit for the purpose of increasing knowledge base and proficiency, regarding internal controls, operations, and oversight. The Bookkeeper and Director are in the process of a revision of financial policies and internal controls, including tracking of voided checks and disabling the system for issuance of duplicate check numbers. The Authority is creating a new "company" in its accounting software, beginning FYE 2013, establishing these revised controls.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-4 Non-compliance with State Auditor Requirements- Disposal of Capital Assets- Other Matter

Condition: During the compliance testwork and general fieldwork of capital assets, we noted that the Authority disposed of property and equipment during the year ended June 30, 2012. The Authority obtained approval from the Board but failed to notify the State Auditor of the planned disposition.

Criteria: According to the 2012 State Audit Rule 2.2.2.10 V (1-3), it states that sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out, or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. The aforementioned agencies may dispose of the property if it is:

- Of a current resale value of five thousand ($5,000) or less; and
- Worn-out, unusable, or obsolete to the extent that the item is no longer economical or safe for continued use by the body.

At least 30 days prior to disposition of property, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor.

In the event a computer is included in the planned disposition, the agency shall "sanitize" or effectively make "inaccessible," all licensed software and any electronic media pertaining to the agency. Hard drive erasure or destruction certification is still required even if the asset originally cost less than the capitalization threshold when originally purchased and was not included in the capital asset inventory. The agency will certify in writing of the proper erasure or destruction of the hard drive and submit the certification along with the notification of the proposed disposition of property to the State Auditor prior to taking action to dispose of the asset.

Effect: The Authority is not in compliance with State Statutes. Not informing the State Auditor of the intention to dispose of assets might result in asset deletions that may not otherwise be permissible should certain requirements not be followed.

Cause: The Authority was unaware of the state statute that mandates that disposition of assets must be approved by the State Auditor.

Auditors' Recommendations: The Authority should update its procedures for capital asset disposals to include the notification of the State Auditor at least thirty days prior to planned disposition of all property and equipment included on capital asset inventories in addition to providing written documentation of the sanitation of all computers.

Views of Responsible Officials and Planned Corrective Actions: The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of maintaining capital assets listings and calculating depreciation, etc. However, the need for Resolutions and notification to the State Auditor's Office during disposal and de-commission of damaged equipment was unknown. Future resolutions showing the de-commission and/or disposal of capital asset items will be adopted by the REDA Executive Board and forwarded to the State Auditor's Office.

The Bookkeeper and Director are in the process of a revision of financial policies and internal controls to include the tracking of Capital Assets and Non-Capital Assets. The Authority is creating a new "company" in its accounting software, beginning FYE 2013, establishing these revised controls and depreciation schedules.

Section III- Financial Statement Findings and Responses (continued)

FS 2012-5- Lack of Support for Purchase Card Expenditures- Significant Deficiency

Condition: During testwork of credit cards, we noted four out of ten transactions totaling $960 that did not have supporting documentation to review.

Criteria: Per Section 6-6-3, NMSA 1978, cash disbursements are required to be properly authorized, and the Authority is required to provide supporting documentation.

Effect: There could be instances of unauthorized purchases and abuse of public funds going unnoticed.

Cause: There was a lack of oversight at the Authority to ensure that all transactions and expenditures have supporting documentation..

Auditors' Recommendations: The Authority should ensure that all purchase receipts are attached to credit card bills when credit cards are returned to the entity as well as making sure that the total amount on the receipts ties to the amount expended on each card for the month.

Views of Responsible Officials and Planned Corrective Actions: The REDA Executive Board has adopted resolutions stating the specified amounts of each position's p-card available balance. Purchasing cards are only issued to line employees for out of town training/travel expenditures, which have been pre-approved, via travel request. Cards are maintained in the departmental safe, when not in use. Management personnel maintain possession of their cards for operation/emergency purposes. All transactions are approved prior to expenditure. However, the travel requests were not maintained in the same file as the accounts payable receipts.

The Regional Emergency Dispatch Authority contracted an accounting service, for a short time in 2012, for the purpose of segregation of duties and oversight. However, this was not fully completed during her contract. The Authority has contracted a Bookkeeper to process and/or review all financial transactions to ensure the segregation of duties and responsibilities with the Director. The Bookkeeper and Director are in the process of a revision of financial policies that more clearly states exact processes for pre-approval and documentation/file keeping on p-card purchases.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Other Disclosures
June 30, 2012

OTHER DISCLOSURES

Exit Conference

The contents of this report were discussed on November 1, 2012. The following individuals were in attendance:

Representing the Regional Emergency Dispatch Authority

Allen Sartin	Executive Board Secretary
Aubrey Hobson	Executive Board Member
Jenny Rennie	REDA Director

Representing Accounting & Consulting Group, LLP:

Shelley Olson	Supervisor
Jessica Huff	In-charge Staff Accountant

Auditor Prepared Financial Statements

Although it would be preferred and desirable for the Authority to prepare its own financial statements, the Authority's personnel did not have the time nor the knowledge to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of the Regional Emergency Dispatch Authority from the original books and records provided to them by the management of the Authority. Management is responsible for the financial statements.

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