

STATE OF NEW MEXICO
REGIONAL EMERGENCY DISPATCH AUTHORITY
(A COMPONENT UNIT OF EDDY COUNTY)
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

INTRODUCTORY SECTION

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
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June 30, 2014

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Official Roster
June 30, 2014

<u>Name</u>	<u>Title</u>
Executive Board	
Lorraine Allen-Munoz	Chairman
Phil Burch	Co-Chair
Rick Rudometkin	Secretary
Aubrey Hobson	Board Member
Vernon Asbill	Board Member
Glenn Collier	Board Member
William Gray	Board Member
Terry Todd (Non-Voting)	Board Member
Royce Pearson (Alternate)	Board Member
Bill Thalman (Alternate)	Board Member
Operations Committee Board	
Sheriff Scott London	Chairman
Chief JD Himmingbird	Vice Chairman
Chief Don Raley	Secretary
Joel Arnwine	Board Member
Robert Brader (Non-Voting)	Board Member
Chief Rick Lopez (Non-Voting)	Board Member
Authority Officials	
Harry Evans	Director

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
Executive Board and
Operations Committee Board
Regional Emergency Dispatch Authority
Artesia, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the budgetary comparison for the general fund 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, 2014, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express our opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity of the Authority, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 8-11 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2014 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 in considering the Authority's internal control over financial reporting and compliance.

Johnson, Miller & Co.

Hobbs, NM
November 12, 2014

**Regional Emergency Dispatch Authority
(a component unit of Eddy County)**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

INTRODUCTION

The financial information contained herein is for the Regional Emergency Dispatch Authority (the Authority). The Authority's discussion and analysis provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2014. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Authority's financial statements, which begin on page nine.

The Authority's purpose is to provide effective and efficient single point of contact for emergency communications for Eddy County and the City of Artesia.

FINANCIAL HIGHLIGHTS

- The Authority's total assets at June 30, 2014 and 2013 were \$467,439 and \$396,974, respectively.
- The Authority's total liabilities at June 30, 2014 and 2013 were \$311,888 and \$313,129 respectively.
- The Authority's operating expenses for fiscal year ended June 30, 2014 and 2013 totaled \$1,385,815 and \$1,497,490, respectively.
- As of the close of the fiscal year ended June 30, 2014 and 2013 the Authority reported ending total net position of \$155,551 and \$83,845, respectively.
- The Authority's revenues totaled \$1,457,521 and \$1,437,541 for the fiscal year ended June 30, 2014 and 2013. Revenues in fiscal year 2014 consisted of \$49,848 in charges for services and \$1,392,673 in local operating grants and \$15,000 in miscellaneous revenue. In fiscal year 2013, revenues consisted of \$7,252 in charges for services and \$1,430,289 in local operating grants.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the Authority.

The Authority's basic financial statements are comprised of two components: 1) basic financial statements and 2) notes to basic financial statements. This report also contains supplementary information in addition to the basic financial statements.

FINANCIAL STATEMENTS

The financial statements present the financial picture of the Authority from the economic resources measurement focus using the accrual basis of accounting.

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

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event, giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected invoices and earned but unused vacation leave).

The financial statements reflect that the Authority is principally supported by reimbursements that are intended to recover all or a significant portion of the Authority's expenses.

**Regional Emergency Dispatch Authority
(a component unit of Eddy County)**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

FUND FINANCIAL STATEMENTS

The Authority's basic services are reported in one unrestricted fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The statements provide a detailed short-term view of the Authority's general operations and the basic services it provides.

NOTES TO BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to basic financial statements can be found on pages 19-30 of this report.

FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity's financial position. The balance of unrestricted funds may be used to meet the Authority's ongoing obligations.

NET POSITION:

Total net position for the June 30, 2014 and 2013 is scheduled below:

Condensed Statements of Net Position

	June 30, 2014	June 30, 2013
Current and other assets	\$ 467,439	\$ 396,974
Current and other liabilities	311,888	313,129
Total net position	\$ 155,551	\$ 83,845

The increase in net position is primarily due to accounts receivables from the City of Artesia and Eddy County having increased \$27,829 and \$41,742, respectively, primarily related to unreimbursed capital expenditures at the fiscal year end of \$54,814.

REVENUES AND EXPENSES

Revenues, expenses and changes in net position are shown in the schedule below:

Condensed Statements of Activities

	Year Ended June 30, 2014	Year Ended June 30, 2013
Local operating grants	\$ 1,392,673	\$ 1,430,289
Charges for services	49,848	7,252
Miscellaneous revenue	15,000	-
Operating expenses	1,385,815	1,497,490
Total change in net position	71,706	(59,949)
Beginning net position	83,845	143,794
Ending net position	\$ 155,551	\$ 83,845

**Regional Emergency Dispatch Authority
(a component unit of Eddy County)**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

REVENUES AND EXPENSES (continued)

While the Statement of Net Position shows the net change in financial position, the Statement of Activities provides answers as to the nature and source of these changes.

The increase in total revenues is related to services provided to the Bureau of Indian Affairs in the amount of \$41,292. The decrease in expenses is related to a reduction in labor expense resulting from a reduced workforce in fiscal year 2014 attributable to low unemployment in the area. Labor expense declined from \$939,792 to \$777,110 between fiscal years ended June 30, 2013 and June 20, 2014.

BUDGET ANALYSIS – JUNE 30, 2014

There were approved budget revenue and expense increases and decreases after the initial approved budget for 2014. These increases and decreases were recognized throughout the budget year, approved by the board and the Department of Finance and Administration and implemented at various times during the year.

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
Revenues			
Local operating grants	\$ 1,586,142	\$ 1,323,100	\$ (263,042)
Charges for services	<u>15,250</u>	<u>44,118</u>	<u>28,868</u>
Total revenues	<u>1,601,392</u>	<u>1,367,218</u>	<u>(234,174)</u>
Expenses			
Public safety	1,522,642	1,341,092	181,550
Capital outlay	<u>58,500</u>	<u>54,814</u>	<u>3,686</u>
Total expenses	<u>1,581,142</u>	<u>1,395,906</u>	<u>185,236</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 20,250</u>	<u>\$ (28,688)</u>	<u>\$ (48,938)</u>

The negative variance of budgeted vs. actual for total revenues is due primarily to a reduction in reimbursed labor expenses resulting from the Authority being short staffed throughout the fiscal year. Due to the oil & gas boom occurring in Eddy County, the Authority faces a lack of qualified candidates due to low unemployment in the area. Reimbursable labor expense declined from \$939,792 to \$777,110 between fiscal years ended June 30, 2013 and June 20, 2014. The positive variance for expenditures corresponds directly in converse relation to the reduced reimbursement revenue noted above.

CAPITAL ASSETS:

The Authority has invested and reported capital assets as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Furniture, fixtures, and equipment	\$ 397,437	\$ 327,623
Accumulated depreciation	<u>232,896</u>	<u>186,931</u>
Net capital assets	<u>\$ 164,541</u>	<u>\$ 140,692</u>

The increase in furniture, fixtures, and equipment is due to the purchase of vehicles in the amount of \$63,640.

**Regional Emergency Dispatch Authority
(a component unit of Eddy County)**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014**

LONG-TERM DEBT:

The Authority has reported long-term debt as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Working Capital Loans:		
Eddy County	\$ 210,000	\$ 210,000
City of Artesia	40,000	40,000
Total working capital loans	<u>\$ 250,000</u>	<u>\$ 250,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

While the overall employment expense in fiscal year end 2014 was substantially below budgeted expectations, this resulted in two primary factors. For much of the fiscal year, the position of Authority Director was vacant and the duties being covered on an interim basis by the Authority's Chief of Operations and the Operations staff was significantly short staffed due to the low unemployment in Eddy County making qualified staff difficult to place.

The Authority anticipates that during FYE 2015 many of these positions will be (or were filled late in fiscal year 2014) and has budgeted for 2015 as if fully staffed. As such, the budgeted operating expenditures for employee salaries and related expenses have been increased by \$85,403 over fiscal year 2013's pre-adjusted budget.

To further tighten control over the financial affairs of the Authority, an additional \$23,500 has been budgeted for Accounting, Audit and Payroll services provided by outside providers.

As the Authority operates under a full reimbursement joint powers agreement, the associated revenue from Eddy County and City of Artesia have been increased to correspond.

SUMMARY:

The above information is a summary of what is supported with the remainder of the financial statements. We hope it is useful with the users' financial overview of our entity. More information may be obtained upon request at:

P.O. Box 450
1300 W. Ritchey, Building 37
Artesia, NM 88210

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Net Position
June 30, 2014

Exhibit A-1

	Total
ASSETS	
Current assets	
Cash and cash equivalents	\$ 64,586
Receivables	
Intergovernmental	
Due from other governments	91,536
Due from primary government	137,304
Other receivables	9,472
Total current assets	302,898
Noncurrent assets	
Capital assets	397,437
Accumulated depreciation	(232,896)
Total noncurrent assets	164,541
Total assets	\$ 467,439
LIABILITIES	
Current liabilities	
Accounts payable	\$ 13,501
Accrued liabilities	23,316
Accrued compensated absences	25,071
Total current liabilities	61,888
Noncurrent liabilities	
Loans payable	250,000
Total noncurrent liabilities	250,000
Total liabilities	311,888
NET POSITION	
Net invested in capital assets	164,541
Unrestricted	(8,990)
Total net position	155,551
Total Liabilities and Net Position	\$ 467,439

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Activities
For the Year Ended June 30, 2014

Exhibit A-2

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Change in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
Primary Government					
Governmental activities					
Public safety	\$ 1,385,815	\$ 49,848	\$ 1,392,673	\$ -	\$ 56,706
Total governmental activities	<u>\$ 1,385,815</u>	<u>\$ 49,848</u>	<u>\$ 1,392,673</u>	<u>\$ -</u>	<u>56,706</u>
			General revenues		
			Miscellaneous		<u>15,000</u>
			Total general revenues		15,000
			Change in net position		<u>71,706</u>
			Net position- beginning of year		<u>83,845</u>
			Net position- end of year		<u>\$ 155,551</u>

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Balance Sheet
Governmental Fund
June 30, 2014

	<u>General Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 64,586
Receivables	
Intergovernmental	
Due from other governments	91,536
Due from primary government	137,304
Other	9,472
Total assets	\$ 302,898
LIABILITIES AND FUND BALANCE	
Current liabilities	
Accounts payable	\$ 13,502
Accrued liabilities	23,316
Total liabilities	36,818
Fund balance	
Spendable	
Unassigned	266,080
Total fund balance	266,080
Total liabilities and fund balance	\$ 302,898

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Fund
June 30, 2014

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

Fund balance- governmental fund	\$ 266,080
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund	164,541
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	<u>(25,070)</u>
Net position of governmental activities	<u><u>\$ 155,551</u></u>

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
For the Year Ended June 30, 2014

	General Fund
Revenues	
Intergovernmental	
Local operating grants	\$ 1,392,673
Charges for services	49,848
Miscellaneous	15,000
	1,457,521
Total revenues	1,457,521
Expenditures	
Current	
Public safety	1,336,301
Capital outlay	69,814
	1,406,115
Total expenditures	1,406,115
Net change in fund balance	51,406
Fund balance- beginning of year	214,674
Fund balance- end of year	\$ 266,080

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, 2014

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

Net change in fund balance - governmental fund	\$	51,406
<p>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</p>		
Capital expenditures		69,814
Depreciation expense		(45,965)
<p>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</p>		
Increase in accrued compensated absences		<u>(3,549)</u>
Change in net position of governmental activities	\$	<u><u>71,706</u></u>

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, 2014

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Intergovernmental				
Local operating grants	\$ 1,586,142	\$ 1,586,142	\$ 1,323,100	\$ (263,042)
Charges for services	15,250	15,250	44,118	28,868
Total revenues	<u>1,601,392</u>	<u>1,601,392</u>	<u>1,367,218</u>	<u>(234,174)</u>
Expenditures				
Current				
Public safety	1,581,142	1,522,642	1,341,092	181,550
Capital outlay	-	58,500	54,814	3,686
Total expenditures	<u>1,581,142</u>	<u>1,581,142</u>	<u>1,395,906</u>	<u>185,236</u>
Excess (deficiency) of revenues over expenditures	<u>20,250</u>	<u>20,250</u>	<u>(28,688)</u>	<u>(48,938)</u>
Net change in fund balance	<u>20,250</u>	<u>20,250</u>	<u>(28,688)</u>	<u>(48,938)</u>
Fund balance- beginning of year	<u>-</u>	<u>-</u>	<u>93,273</u>	<u>93,273</u>
Fund balance, ending	<u>\$ 20,250</u>	<u>\$ 20,250</u>	<u>\$ 64,585</u>	<u>\$ 44,335</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (28,688)	
Adjustments to revenue for local operating grants and miscellaneous income			90,303	
Adjustments to expenditures for payroll, professional services, and other expenses			<u>(10,209)</u>	
Net change in fund balance (GAAP basis)			<u>\$ 51,406</u>	

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

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 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, 39 and 61.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

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 position and the statement of activities) report information on all of the non-fiduciary 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 Position 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 Position, 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 position is reported in three parts- invested in capital assets; restricted net position; and unrestricted net position.

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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.

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 governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

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 Position 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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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.

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:

<u>Assets</u>	<u>Years</u>
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, 2014, 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 position.

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

NOTE 1 Summary of Significant Accounting Policies (continued)

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

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, 2014, the Authority had no amounts classified as nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2014, the Authority had not restricted or committed any fund balance amounts.

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 position and displayed in three components:

a. *Invested in Capital Assets:*

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 Position:*

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 Position:*

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

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 Eddy County and the City of Artesia for inclusion in their budgets for submission to the Department of Finance and Administration (DFA) for State approval. Once the budget has been formally approved, any amendments are approved by the Executive Board and changes which result in budget increases must also be approved by Eddy County, the City of Artesia and DFA. 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 securing 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 aforementioned procedures.

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	<u>\$ 20,250</u>	<u>\$ 20,250</u>

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 United 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, 2014 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, 2014.

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

NOTE 3 Deposits and Investments (continued)

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. All non-interest bearing transaction accounts are insured up to \$250,000. This coverage is available to all depositors, including consumers, businesses, and government entities.

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, 2014, \$0 of the Authority's deposits of \$96,724 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.

	<u>Wells Fargo Bank</u>
Amount of Deposits	\$ 96,724
FDIC coverage	96,724
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 uncollateralized	\$ -
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, 2014. 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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

NOTE 3 Deposits and Investments (continued)

Reconciliation to the Statement of Net Position:

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

Account Name	Account Type	Wells Fargo Bank
Deposits		
Operational	Checking (non-interest bearing)	\$ 95,306
Purchasing Card	Checking (non-interest bearing)	1,418
Total amount of deposit in bank		<u>96,724</u>
Less: FDIC coverage		<u>96,724</u>
Total uninsured public funds		-
50% collateral requirements		-
Pledged securities		-
Over/(under) collateralized		<u>\$ -</u>
Bank balance		\$ 96,724
Outstanding items		(32,163)
Deposits in transit		<u>25</u>
Cash and cash equivalents per Statement of Net Position		<u>\$ 64,586</u>

NOTE 4 Receivables

Accounts receivable as of June 30, 2014, are as follows:

Intergovernmental		
City of Artesia	\$	91,536
Eddy County		137,304
Miscellaneous		<u>9,472</u>
Total accounts receivable	<u>\$</u>	<u>238,312</u>

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

STATE OF NEW MEXICO
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(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

NOTE 5 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 327,623	\$ 69,814	\$ -	\$ 397,437
Total capital assets being depreciated	327,623	69,814	-	397,437
Total capital assets	327,623	69,814	-	397,437
Less accumulated depreciation:				
Furniture, fixtures, and equipment	186,931	45,965	-	232,896
Total accumulated depreciation	186,931	45,965	-	232,896
Total capital assets, net of depreciation	<u>\$ 140,692</u>	<u>\$ 23,849</u>	<u>\$ -</u>	<u>\$ 164,541</u>

Depreciation expense for the year ended June 30, 2014 was charged to the Public Safety function in the amount of \$45,965.

NOTE 6 Long-term Debt

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
Working Capital Loans:					
Eddy County	\$ 210,000	\$ -	\$ -	\$ 210,000	\$ -
City of Artesia	40,000	-	-	40,000	-
Compensated absences	21,522	19,169	15,620	25,071	25,071
Long-term liabilities	<u>\$ 271,522</u>	<u>\$ 19,169</u>	<u>\$ 15,620</u>	<u>\$ 275,071</u>	<u>\$ 25,071</u>

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

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 14.65% of their gross salary for the year ended June 30, 2014 and 13.15% of their gross salary for the years ended June 30, 2013 and 2012. 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, 2014, 2013, and 2012 were \$38,304, \$48,933, and \$49,820, 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 employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

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

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. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$9,991, \$12,806 and \$11,013, respectively, which equal the required contributions for each year.

NOTE 9 Commitments Under Contractual Agreements

The Authority is not aware of any commitments as of the year ended June 30, 2014.

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 Self Insurers' Fund. The New Mexico Self Insurers' Fund is administered by the New Mexico Municipal League and 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 pays an annual premium to the New Mexico Self Insurers' Fund 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.

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 Self Insurers' Fund. 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
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2014

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, 2014.
- 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, 2014.
- 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, 2014.

NOTE 14 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, 2014.

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 15 Subsequent Pronouncements

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 and the related amendment, GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, Effective Date: the provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 Earlier application is encouraged. The standard is expected to include a material liability for pension plan participation.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Authority in upcoming years.

NOTE 16 Subsequent Events

The Authority has evaluated subsequent events through November 6, 2014, the date which the financial statements were available to be issued.

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 GOVERNMENT AUDITING STANDARDS**

Hector H. Balderas
New Mexico State Auditor
Executive Board and
Operations Committee Board
Regional Emergency Dispatch Authority
Artesia, New Mexico

We have audited, 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, 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, 2014, which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated November 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as described at FS 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item FS 2014-002 and FS 2014-003.

The Authority's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Miller & Co.

Hobbs, NM
November 12, 2014

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Findings and Responses
June 30, 2014

Section I- Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| 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 2010-1 Segregation of Duties- Resolved
- FS 2012-5 Lack of Support for Purchase Card Expenditures- Resolved
- FS 2013-1 Late Submission of IPA Recommendation Form - Resolved

Section III- Financial Statement Findings and Responses

FS 2014-001 Cash Disbursement Approval – Significant Deficiency

Condition: During the audit testwork of cash disbursements, we noted eighteen (18) transactions totaling \$8,112.72 out of the forty (40) transactions totaling \$73,758.07 selected for testing did not include documentation of the Authority Director's approval on the purchase order or invoice indicating approval to pay which is part of the Authority's cash disbursement procedures.

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 documentation of the 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: During the fiscal year 2014, the Chief of Operations was also the Acting Director until May 6, 2014. A new check disbursement policy was being implemented during fiscal year 2014, and some checks were missed at the beginning stage of implementation. Also, if the Chief of Operations took time off, no one was available to approve invoices that needed to be paid.

Auditors' Recommendation: We recommend the Authority's Director document approval of purchase orders or invoices indicating approval to pay since the Director is responsible for determining whether the purchase is within the approved budget, has adequate authorization and is classified correctly as described by the Authority's cash disbursement procedures.

Views of Responsible Officials and Planned Corrective Actions: Due to the limited administrative resources of the Authority the processes as described in the Authority's cash disbursement procedures have on occasion been lax for smaller or recurring in nature transactions. The Authority will work to be more diligent at ensuring transaction approval occurs earlier in the disbursement process (prior to purchase order release or invoice processing) however it is the Authority's view that by restricting check signature authority to only the Executive Director and/or Chief of Operations (the same individual over much of the past fiscal year) that the risk of fraudulent activity or error is mitigated during the check review and signature process as it is performed by person(s) of the same authority.

Section III- Financial Statement Findings and Responses (continued)

FS 2014-002- I-9 Documentation – Other Matter

Condition: During the payroll testwork, we noted one (1) of the twenty (20) employees selected for testing did not have an I-9 on file and three (3) of the twenty (20) employees selected for testing had an I-9 on file completed in September or October of 2014. These 3 employees were hired before fiscal year 2014.

Criteria: The United States Citizenship and Immigration Services requires employee to complete Section 1 of Form I-9 on/by their first day of work. The employer must complete Section 2 of Form I-9 on/by the third day after the employee's first day of work.

Effect: Forms may not be completed and/or filed in a timely manner, which could result in penalties of \$110 to \$1,100 per offense.

Cause: The Authority utilizes Eddy County's human resource function instead of performing these duties in house due to the small size of the Authority. Once a new person is hired, the personnel forms are taken to Eddy County to keep on file. The contracted bookkeeper tries to get copies of these personnel forms before they are taken to Eddy County, but since she is not full time, sometimes she does not get these copies.

Auditors' Recommendations: We recommend the Authority assign one full-time person the responsibility of managing personnel documentation and keep a copy of all personnel documentation on site.

Views of Responsible Officials and Planned Corrective Actions: Due to low unemployment in Eddy County, it is difficult to find qualified employees in the direct service positions. Drawing from those limited resources to provide redundancy to services that are outsourced to the Primary government (Eddy County) is not considered economically feasible. It would also be a concern of the Authority to expose confidential personnel information to individuals outside of human resource/payroll processing responsibilities. The Authority will request that the MOU with Eddy County be specifically expanded to contain language adding the record retention function to the services that they perform on behalf of the Authority.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Findings and Responses
June 30, 2014

Section III- Financial Statement Findings and Responses (continued)

FS 2014-003- PERA and RHCA Reporting - Other Matter

Condition: While reconciling PERA and RHCA reports to the Authority’s general ledger, JMCO noticed the wages reported to PERA and RHCA were overstated and the employer and employee contribution amounts were not calculated correctly. We requested that the Authority recalculate the wages based on the PERA reporting requirements.

The Authority recalculated the PERA wages and employer and employee deductions as follows:

	PERA Wages	Employer Contribution	Employee Contribution	Total Contributions
Originally reported and remitted	\$496,744.95	\$38,304.33	\$60,995.02	\$99,299.35
Recalculated amounts	425,178.59	38,903.84	62,013.51	100,917.35
Difference	\$71,566.37	\$(599.51)	\$(1,018.49)	\$(1,618.00)

JMCO used the Recalculated PERA wages to recalculate the RHCA amounts reported as follows:

	RHCA Wages	Employer Contribution	Employee Contribution	Total Contributions
Originally reported and remitted	\$499,545.09	\$9,990.90	\$4,995.45	\$14,986.35
Recalculated amounts	425,178.59	8,503.57	4,251.79	12,755.36
Difference	\$74,366.50	\$1,487.33	\$743.67	\$2,231.00

The Authority remitted the total contributions as originally reported for both PERA and RHCA.

Criteria: PERA requires “affiliated employers” to report the base salary or wages paid to a member for personal services rendered. “Salary” includes a member’s fixed, periodical compensation from full or part – time employment; shift differentials; wages paid during absence from work on account of vacation, holiday, injury, or illness (i.e., payment made by continuing the member on the regular payroll); incentive pay that is not temporary and becomes part of a member’s base salary; and temporary promotions and temporary salary increases, but no other temporary differentials.

“Salary” or “Wages” does not include overtime pay; allowances for housing, clothing, equipment, or travel; payments for unused sick leave, unless the member is continued on the regular payroll for the period represented by that payment; lump sum payments which are not part of the member’s fixed periodical compensation (such as annual and sick leave payments, occasional payments to elected officials for attending meetings, allowances for any purpose, employer contributions to a private retirement program, and other fringe benefits, even if they are paid to or for a member on a regular basis); or any other form of remuneration not specifically designated by law as “salary” for PERA purposes.

Effect: The Authority is not reporting correct amounts to PERA and RHCA which could result in possible interest charges.

Cause: The electronic workbook that the Authority has been using to calculate and report PERA and RHCA wages contained formula errors which resulted in overtime being included in wage totals.

Auditors’ Recommendations: We recommend the client review the New Mexico PERA employer manual for correct reporting requirements and correct the information going forward.

Views of Responsible Officials and Planned Corrective Actions: The overstatement of wages to PERA and the RHCA encompasses an expansive time frame that had gone undiscovered by the Authority or its auditors in periods prior to January 1, 2014 when it was discovered by the contracted bookkeeper. The Authorities bookkeeper and their outside accountants are currently working to remedy any over or under contributions made in the current year as well as any previous years that may be effected.

STATE OF NEW MEXICO
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OTHER DISCLOSURES

Exit Conference

The contents of this report were discussed on November 12, 2014. The following individuals were in attendance:

Representing the Regional Emergency Dispatch Authority

Aubrey Hobson	Executive Board Secretary
Dee Williams	REDA Acting Director
Roberta Smith	Eddy County Finance Director
Kaye Kiper	Contracted bookkeeper
James Turk	Contracted consultant
Ray Gonzales	Contracted consultant

Representing Johnson, Miller & Co., CPAs:

Mary Hinds, CPA	Director
Tabatha Coffey, CPA	On-Site Manager

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. Johnson, Miller & Co., CPAs 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.