

**REGIONAL EMERGENCY DISPATCH
AUTHORITY**
(a component unit of Eddy County)

Financial Statements
For the year ended June 30, 2016



Johnson Miller & Co.
Certified Public Accountants
A Professional Corporation

INTRODUCTORY SECTION

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
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June 30, 2016

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Official Roster
June 30, 2016

<u>Name</u>	<u>Title</u>
Executive Board	
Rick Rudometkin	Chairman
Phil Burch	Co-Chair
Aubrey Hobson	Secretary
Vernon Asbill	Board Member
Glenn Collier	Board Member
Jim Townsend	Board Member
Terry Todd (Non-Voting)	Board Member
Sheriff London (Non-Voting)	Board Member
Sandi Farley (Alternate)	Board Member
Operations Committee Board	
Sheriff Scott London	Chairman
Chief JD Himmingbird	Vice Chairman
Chief Don Raley	Secretary
Chief Rick Lopez (Non-Voting)	Board Member
Authority Officials	
Robbie McCormick	Executive Director

FINANCIAL SECTION



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

INDEPENDENT AUDITORS' REPORT

Tim Keller
New Mexico State Auditor
Executive Board and
Operations Committee Board
Regional Emergency Dispatch Authority
Artesia, New Mexico

Report on the 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, 2016, 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. 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 also 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.

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Midland Texas 79701
(432) 683-1835

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P.O. Drawer 220
Hobbs, New Mexico 88241
(575) 393-2171

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, 2016, 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

Required Supplementary Information (RSI)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 8-12 and Schedules I and II pages 37-38 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 management's discussion and analysis 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.

Schedules I and II are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedules I and II are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information (OI)

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 14, 2016 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.

Hobbs, NM
October 14, 2016

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

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, 2016. 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 thirteen.

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, 2016 and 2015 were \$2,021,163 and \$545,944, respectively.
- The Authority's total liabilities at June 30, 2016 and 2015 were \$1,004,111 and \$743,372 respectively.
- The Authority's operating expenses for fiscal year ended June 30, 2016 and 2015 totaled \$1,690,855 and \$1,453,207, respectively.
- As of the close of the fiscal year ended June 30, 2016 and 2015 the Authority reported ending total net position of \$1,180,240 and \$(259,845), respectively.
- The Authority's revenues totaled \$3,143,156 and \$1,534,527 for the fiscal year ended June 30, 2016 and 2015. Revenues in fiscal year 2016 consisted of \$11,415 in charges for services, \$1,670,389 in local operating grants, and \$1,461,352 in local capital grants. In fiscal year 2015, revenues consisted of \$28,069 in charges for services and \$1,506,458 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.

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

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016

FINANCIAL STATEMENTS (continued)

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.

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 20-36 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, 2016 and 2015 is scheduled below:

Condensed Statements of Net Position

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current and other assets	\$ 2,021,163	\$ 545,944
Deferred outflows of resources	178,676	95,032
Current and other liabilities	1,004,111	743,372
Deferred inflows of resources	15,488	157,449
Total net position	<u>\$ 1,180,240</u>	<u>\$ (259,845)</u>

The increase in net position is primarily due to the purchase of a new CAD system.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

REVENUES AND EXPENSES

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

Condensed Statements of Activities

	Year Ended <u>June 30, 2016</u>	Year Ended <u>June 30, 2015</u>
Local operating grants	\$ 1,670,389	\$ 1,506,458
Local capital grants	1,461,352	-
Charges for services	11,415	28,069
Loss on disposal of assets	12,216	-
Operating expenses	<u>1,690,855</u>	<u>1,453,207</u>
Total change in net position	1,440,085	81,320
Beginning net position	(259,845)	155,551
Prior period restatement	-	(496,716)
Beginning net position - restated	(259,845)	(341,165)
Ending net position	<u>\$ 1,180,240</u>	<u>\$ (259,845)</u>

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.

As the Authority derives income in the form of 100% cost reimbursement, the increase in income is attributable to the purchase of a new CAD system.

Expenditure increases were primarily attributable to the services cost increases including employment raises, non-capitalized associated costs surrounding the Server Capitalization process.

GOVERNMENTAL FUND

The focus of the Authority's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Authority's net resources available for spending at the end of the fiscal year.

At June 30, 2016, the Authority reported \$346,845 in ending fund balance which increased \$39,873 from \$306,972 at June 30, 2015. The reason for this increase is due to the receipt of loan proceeds of \$39,000 of outside service income not credited back to the joint powers agreement within the fiscal year.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

BUDGET ANALYSIS – June 30, 2016

There were approved budget revenue and expense increases and decreases after the initial approved budget for 2016 between expense line items. 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	\$ 1,772,900	\$ 1,568,202	\$ (204,698)
Local capital grants	-	1,461,352	1,461,352
Charges for services	7,750	9,583	1,833
Total revenues	<u>1,780,650</u>	<u>3,039,137</u>	<u>1,258,487</u>
Expenses			
Public safety	1,690,526	1,659,041	31,485
Capital outlay	-	1,461,352	(1,461,352)
Total expenses	<u>1,690,526</u>	<u>3,120,393</u>	<u>(1,429,867)</u>
Other financing sources (uses)			
Loan proceeds	-	39,000	39,000
Designated cash (budgeted increase in cash)	(90,124)	-	90,124
Total other financing sources (uses)	(90,124)	39,000	129,124
Excess (deficiency) of revenues and other sources (uses) over expenditures	<u>\$ -</u>	<u>\$ (42,256)</u>	<u>\$ (42,256)</u>

As the Authority is a fully cost reimbursed entity by the City and County, it does not budget its capital outlay related to Capital Asset acquisitions. The negative variance of budgeted vs. actual for total revenues is due to 3rd party service income earned during FYE 2016.

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016**

CAPITAL ASSETS:

The Authority has invested and reported capital assets as follows:

	June 30, 2016	June 30, 2015
Furniture, fixtures, and equipment	\$ 1,821,542	\$ 475,093
Accumulated depreciation	212,028	279,909
Net capital assets	\$ 1,609,514	\$ 195,184

The increase in furniture, fixtures, and equipment is predominantly attributable to the Authority replacing their dispatch CAD system in 2016.

LONG-TERM DEBT:

The Authority has reported long-term debt as follows:

	June 30, 2016	June 30, 2015
Working Capital Loans:		
Eddy County	\$ 249,000	\$ 210,000
City of Artesia	66,000	66,000
Total working capital loans	\$ 315,000	\$ 276,000

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET:

In FYE 2016, the Authority achieved a full staffing contingent for the first time in its operating history resulting in budgeted payroll and related expenditures being fully utilized. The Authority incurred significant capital outlay expenditures during 2016 as a result of the necessity of it having to replace its out of date communications system. This capital outlay will continue into FYE 2017 until the systems are fully functional. The Authority anticipates adding a full-time Information Technology Officer or an equivalent 3rd party contracted consultant during FYE 2017, which will cause payroll or IT related expenses to increase. The Authority anticipates that during FYE 2017 it will remain fully staffed. Due to budgetary shortfalls arising from a fall in oil and gas generated revenue, payroll costs are anticipated to remain flat through FYE 2017.

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

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, 2016

Exhibit A-1

	<u>Governmental Activites</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 205,163
Receivables	
Intergovernmental	
Due from other governments	80,313
Due from primary government	120,470
Other receivables	5,703
Total current assets	<u>411,649</u>
Noncurrent assets	
Capital assets	1,821,542
Accumulated depreciation	(212,028)
Total noncurrent assets	<u>1,609,514</u>
Total assets	<u>2,021,163</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>178,676</u>
Total Assets and Deferred Outflows	<u><u>\$ 2,199,839</u></u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,988
Accrued liabilities	60,816
Accrued compensated absences	21,731
Total current liabilities	<u>86,535</u>
Noncurrent liabilities	
Loans payable	315,000
Net pension liability	602,576
Total noncurrent liabilities	<u>917,576</u>
Total liabilities	<u>1,004,111</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>15,488</u>
NET POSITION	
Net invested in capital assets	1,609,514
Unrestricted	(429,274)
Total net position	<u>1,180,240</u>
Total Liabilities, Deferred Inflows and Net Position	<u><u>\$ 2,199,839</u></u>

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Activities
For the Year Ended June 30, 2016

Exhibit A-2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Change in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	
Primary Government					
Governmental activities					
Public safety	\$ 1,690,855	\$ 11,415	\$ 1,670,389	\$ 1,461,352	\$ 1,452,301
Total governmental activities	\$ 1,690,855	\$ 11,415	\$ 1,670,389	\$ 1,461,352	1,452,301
		General revenues			
		Loss on disposal of capital assets		(12,216)	
		Total general revenues		(12,216)	
		Change in net position		1,440,085	
		Net position- beginning of year		(259,845)	
		Net position- end of year		\$ 1,180,240	

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Balance Sheet
Governmental Fund
June 30, 2016

	<u>General Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 205,163
Receivables	
Intergovernmental	
Due from other governments	80,313
Due from primary government	120,470
Other	5,703
Total assets	\$ 411,649
LIABILITIES AND FUND BALANCE	
Current liabilities	
Accounts payable	\$ 3,988
Accrued liabilities	60,816
Total liabilities	64,804
Fund balance	
Spendable	
Unassigned	346,845
Total fund balance	346,845
Total liabilities and fund balance	\$ 411,649

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, 2016

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

Fund balance- governmental fund	\$	346,845
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund		1,609,514
Deferred outflows of resources related to pensions are not financial resources, and therefore, are not reported in the fund		178,676
Certain liabilities, including loans payable, net pension liability 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		(315,000)
Net pension liability		(602,576)
Accrued compensated absences not due and payable at year end		(21,731)
Deferred inflows of resources related to pensions are not financial resources, and therefore, are not reported in the fund		<u>(15,488)</u>
Net position of governmental activities	\$	<u><u>1,180,240</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, 2016

	General Fund
Revenues	
Intergovernmental	
Local operating grants	\$ 1,670,389
Local capital grants	1,461,352
Charges for services	11,415
Total revenues	3,143,156
Expenditures	
Current	
Public safety	1,680,931
Capital outlay	1,461,352
Total expenditures	3,142,283
Excess (deficiency) of revenues over expenditures	873
Other financing sources (uses)	
Loan proceeds	39,000
Total other financing sources (uses)	39,000
Net change in fund balance	39,873
Fund balance- beginning of year	306,972
Fund balance- end of year	\$ 346,845

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, 2016

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

Net change in fund balance - governmental fund	\$	39,873
<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		1,461,352
Depreciation expense		(34,806)
Loss on sale of capital assets		(12,216)
<p>The issuance of long-term debt provides current financial resources to the governmental fund. However, this does not have an affect on net position in the Statement of Activities</p>		
Loan proceeds		(39,000)
<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		96
<p>Pension expense reported in the Governmental Fund requires the use of current financial resources. Pension expense reported in the Statement of Activities includes adjustments to reverse the prior year deferred contribution amount, record the change in proportion in the current year and reallocation of prior year deferred inflows, amortize prior year deferred inflows per prior year GASB 68 schedule, and record deferred outflows for the 2016 actual employer contributions</p>		
		24,786
Change in net position of governmental activities	\$	1,440,085

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, 2016

	Budgeted Amounts		Actual Amounts	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
Revenues				
Intergovernmental				
Local operating grants	\$ 1,772,900	\$ 1,772,900	\$ 1,568,202	\$ (204,698)
Local capital grants	-	-	1,461,352	\$ 1,461,352
Charges for services	7,750	7,750	9,583	1,833
Total revenues	1,780,650	1,780,650	3,039,137	1,258,487
Expenditures				
Current				
Public safety	1,690,526	1,690,526	1,659,041	31,485
Capital outlay	-	-	1,461,352	(1,461,352)
Total expenditures	1,690,526	1,690,526	3,120,393	(1,429,867)
Excess (deficiency) of revenues over expenditures	90,124	90,124	(81,256)	(171,380)
Other financing sources (uses):				
Loan proceeds	-	-	39,000	39,000
Designated cash (budgeted increase in cash)	(90,124)	(90,124)	-	90,124
Total other financing sources (uses)	(90,124)	(90,124)	39,000	129,124
Excess (deficiency) of revenues and other sources (uses) over expenditures	-	-	(42,256)	(42,256)
Fund balance- beginning of year	-	-	248,292	248,292
Fund balance, ending	\$ -	\$ -	\$ 206,036	\$ 206,036
Net change in fund balance (non-GAAP budgetary basis)			\$ (42,256)	
Adjustments to revenue for local operating grants and miscellaneous income			104,019	
Adjustments to expenditures for payroll, professional services, and other expenses			(21,890)	
Net change in fund balance (GAAP basis)			\$ 39,873	

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2016

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, 2016

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.

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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, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or 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.

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NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or 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 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, 2016, 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.

Deferred Outflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies for reporting in this category on the government-wide statement of net position. It is the Authority's contributions subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period. This will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Deferred Inflows of Resources: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category on the government-wide statement of net position. They are the net difference between projected and actual investment earnings on pension plan investments and the change of assumptions related to the pension plan. These amounts will be amortized and recognized in future years.

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, 2016, the Authority had no amounts classified as nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2016, 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.

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NOTE 1 Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Fund Balance Classification Policies and Procedures (continued)

Minimum Fund Balance Policy (continued)

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.”

E. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

F. 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.

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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.

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 90,124	\$ 90,124

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, 2016 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, 2016.

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.

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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, 2016, \$0 of the Authority's deposits of \$232,386 was exposed to custodial credit risk. \$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	First American Bank	Total
Amount of Deposits	\$ 874	\$ 231,512	\$ 232,386
FDIC coverage	874	231,512	232,386
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, 2016. 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.

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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	First American Bank	Total
Deposits				
Operational	Checking (non- interest bearing)	\$ 874	\$ 231,512	\$ 232,386
Total amount of deposit in bank		874	231,512	232,386
Less: FDIC coverage		874	231,512	232,386
Total uninsured public funds		-	-	-
50% collateral requirements		-	-	-
Pledged securities		-	-	-
Over/(under) collateralized		\$ -	\$ -	\$ -
Bank balance		\$ 874	\$ 231,512	\$ 232,386
Outstanding items		(66)	(33,428)	(33,494)
Deposits in transit		-	6,271	6,271
Cash and cash equivalents per Statement of Net Position		\$ 808	\$ 204,355	\$ 205,163

NOTE 4 Receivables

Accounts receivable as of June 30, 2016, are as follows:

Intergovernmental	
City of Artesia	\$ 80,313
Eddy County	120,470
Miscellaneous	5,703
Total accounts receivable	<u>\$ 206,486</u>

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

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NOTE 5 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets being depreciated:				
Furniture, fixtures, and equipment	\$ 475,093	\$ 1,483,209	\$ 136,760	\$ 1,821,542
Total capital assets being depreciated	475,093	1,483,209	136,760	1,821,542
Total capital assets	475,093	1,483,209	136,760	1,821,542
Less accumulated depreciation:				
Furniture, fixtures, and equipment	279,909	34,805	102,686	212,028
Total accumulated depreciation	279,909	34,805	102,686	212,028
Total capital assets, net of depreciation	\$ 195,184	\$ 1,448,404	\$ 34,074	\$ 1,609,514

Depreciation expense for the year ended June 30, 2016 was charged to the Public Safety function in the amount of \$34,805.

NOTE 6 Long-term Debt

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	June 30, 2015	Additions	Retirements	June 30, 2016	Due Within One Year
Working Capital Loans:					
Eddy County	\$ 210,000	\$ 39,000	\$ -	\$ 249,000	\$ -
City of Artesia	66,000	-	-	66,000	-
Compensated absences	21,830	32,181	32,280	21,731	21,731
Long-term liabilities	\$ 297,830	\$ 71,181	\$ 32,280	\$ 336,731	\$ 21,731

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NOTE 7 PERA Pension Plan

Plan Description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage option that applies to the Authority is the Municipal Plan 3. Statutorily required contributions to the pension plan from the Authority were \$64,584 and employer paid member benefits that were “picked up” by the employer were \$68,820 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

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NOTE 7 PERA Pension Plan (continued)

For PERA Fund Division Municipal General, at June 30, 2016, the Authority reported a liability of \$602,576 for its proportionate share of the net pension liability. At June 30, 2015, the Authority's proportion was 0.0591 percent, which was changed from its proportion measured as of June 30, 2014 of 0.0515. For the year ended June 30, 2016, the Authority recognized PERA Fund Division Municipal General pension expense of \$23,059. At June 30, 2016, the Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,347
Changes of assumptions	-	235
Net difference between projected and actual earnings on pension plan investments	-	1,906
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	45,272	-
The Authority's contributions subsequent to the measurement date	133,404	-
Total	\$ 178,676	\$ 15,488

\$133,404 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2017	\$ (5,257)
2018	(5,257)
2019	(5,257)
2020	43,094
2021	2,461
Thereafter	-

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NOTE 7 PERA Pension Plan (continued)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Projected benefit payment	100 years
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	<u>100.0%</u>	

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NOTE 7 PERA Pension Plan (continued)

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority's net pension liability in each PERA Fund Division that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division Municipal General	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
	<hr/>	<hr/>	<hr/>
The Authority's proportionate share of the net pension liability	<u>\$ 1,025,947</u>	<u>\$ 602,576</u>	<u>\$ 250,571</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2016

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

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.

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, 2016, 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, 2016, 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, 2016, 2015 and 2014 were \$13,901, \$9,800, and \$9,991, 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, 2016.

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2016

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.

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, 2016.
- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary level is fund level. The Authority's general fund had expenditures in excess of approved budgetary appropriations for the year ended June 30, 2016 in the amount of \$1,429,867.
- 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, 2016.

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, 2016.

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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to the Financial Statements
June 30, 2016

NOTE 15 Subsequent Pronouncements

In April 2015, GASB issued GASB Statement No. 77, Tax Abatement Disclosures, to address financial reporting issues relating to tax abatement agreements. The provisions of the statement are effective for financial statements for periods beginning after December 15, 2015. The standard is expected to have no effect on the Authority in upcoming years.

In December 2015, GASB issued GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Plans, to address an issue relating to the availability of data relating to multiple-employer defined benefit plans that arose during the implementation of GASB Statement No. 68. The provisions of the statement are effective for financial statements for periods beginning after December 15, 2015. 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 October 14, 2016, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Required Supplementary Information
June 30, 2016

Schedule I

**Schedule of the Authority's Proportionate Share of the Net Pension Liability of
PERA Fund Division Municipal General
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years***

	<u>2015</u>	<u>2016</u>
The Authority's proportion of the net pension liability (asset)	0.0515%	0.0591%
The Authority's proportionate share of the net pension liability (asset)	401,755	602,576
The Authority's covered-employee payroll	494,448	676,748
The Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	81.25%	89.04%
Plan fiduciary net position as a percentage of the total pension liability.	81.29%	76.99%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Required Supplementary Information
June 30, 2016

Schedule II

Schedule of the Authority's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division Municipal General
Last 10 Fiscal Years*

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 46,708	\$ 64,584
Contributions in relation to the contractually required contribution	<u>46,708</u>	<u>64,584</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
The Authority's covered-employee payroll	\$ 494,448	\$ 676,748
Contributions as a percentage of covered-employee payroll	9.45%	9.54%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Required Supplementary Information
June 30, 2016

Notes to Required Supplementary Information

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf. For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.

**OTHER
INFORMATION**

Regional Emergency Dispatch Authority
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)

For the Year Ended June 30, 2016

Prepared by Agency Staff Name: James Turk Title: Consultant Date 10/12/16

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds	Brief Description of the Scope of Work
none	none	none	none	none	none	none	none	none

COMPLIANCE SECTION



JOHNSON, MILLER & CO., CPA'S PC

Certified Public Accountants

A Professional Corporation

An Independent Member of BDO Alliance USA

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*

INDEPENDENT AUDITORS' REPORT

Tim Keller
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, 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents and have issued our report thereon dated October 14, 2016.

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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

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 instances 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 items FS 2015-001, FS 2016-001, FS 2016-002, FS 2016-003, FS 2016-004, and FS 2016-005.

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Hobbs, New Mexico 88241
(575) 393-2171

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.

Hobbs, NM
October 14, 2016

A handwritten signature in blue ink that reads "Johnson Miller & Co., CPA's PC". The signature is written in a cursive, flowing style.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Findings and Responses
June 30, 2016

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? | No |
| c. Noncompliance material to the financial statements noted? | No |

Section II- Prior Year Audit Findings

- FS 2015-001 Overstated Employee Timesheet- Modified and Repeated
- FS 2015-002 No Collateral- Resolved
- FS 2015-003 Lack of Prior Approval of Capital Asset - Resolved

Section III- Financial Statement Findings and Responses

FS 2015-001 – Other Matter - Overstated Employee Timesheet (Modified and Repeated)

Condition: During the audit testwork of payroll disbursements, we noted that one out of forty timesheets viewed was incorrectly calculated and the resulting paystub was incorrectly prepared. This resulted in the employee being overpaid by \$165.84. In response to this finding included in the prior year audited financial statements, the Authority was having their third party bookkeeping service test the calculated hours back to the original timesheet and notify the Executive Director of any discrepancy. In this instance, the employee misreported her time on her time sheet. It was caught during the Director's review; however, the third party bookkeeping service picked up the number of hours from the employee's time sheet instead of looking at the Director's notes on the summary page.

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.

Effect: Without adequate payroll review procedures, there is an increased risk that errors on the employees' timesheets and paystubs will not be detected and corrected in a timely manner.

Cause: The employee's time was incorrectly recorded on their timesheet and the resulting paycheck incorrectly calculated. This error was not detected during the Authority's review procedures.

Auditors' Recommendation: It is currently REDA's written policy that all hourly employees record their time on a timesheet. The Chief of Operations will calculate the hours on the timesheet and sign off on the timesheet. The Executive Director then reviews the calculation, approves the timesheet, and submits the timesheet to the bookkeeper for payment. We recommend the Chief of Operations and the Executive Director be more diligent in regards to recalculating employee hours.

Views of Responsible Officials and Planned Corrective Actions: In this particular event, the employee had misreported her time on her time sheet. It was properly caught during the Director's review, however, when the time was entered by Solutions Group, Inc., a third-party accounting consultant, it was keyed from the original timesheet and the Director's notes on the summary page were missed. Beginning in August, 2016, the process has been changed to have the Director review and approve the final check register against her notes prior to the payroll being released.

Section III- Financial Statement Findings and Responses (continued)

FS 2016-001 – Other Matter – Expenditures in Excess of Budget

Condition: The Authority's general fund had expenditures in excess of approved budgetary appropriations in the amount of \$1,429,867 for the year ended June 30, 2016.

Criteria: All County funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6-6-6, 1978 Compilation.

Effect: The control established by the use of budgets has been comprised.

Cause: The Authority did not budget for capital outlay.

Auditors' Recommendations: The Authority should budget for capital outlay in future years and review actual results against the budget during the year in order to make budget adjustments as needed.

Views of Responsible Officials and Planned Corrective Actions: During the preparation of the Authority's FYE 2016 budget, the Authority was under the impression that as an interconnected system that ties multiple facets of the City and County's emergency response (including Fire, Police, and other Emergency first responders) capabilities together and at the end of the day was being funded by the City and County Joint Power Agreement partners, that the equipment would be recorded and budgeted at the parent unit level(s). As such, the budget for this large capital outlay was not appropriately planned for.

In the future the Director, will ensure that any capital outlay will be planned and budgeted at the component level and included in the budget submissions to Eddy County. For the contractual remainder of the Motorola contract, a budget adjustment will be requested at November, 2016 board meeting.

Section III- Financial Statement Findings and Responses (continued)

FS 2016-002 – Other Matter – Notification of Fixed Asset Disposals

Condition: The Authority disposed of \$130,130 of assets during the year ended June 30, 2016, but could not provide the notification to the state auditor for these disposals.

Criteria: According to Section 13-6-1 NMSA 1978, the governing authority shall, as a prerequisite to the disposition of any items of tangible personal property:

- (1) designate a committee of at least three officials of governing authority to approve and oversee the disposition; and
- (2) give notification at least thirty days prior to its action making the deletion by sending a copy of its official finding and the proposed disposition of the property to the state auditor and the appropriate approval authority designated in Section 13-6-2 NMSA 1978, duly sworn and subscribed under oath by each member of the authority approving the action.

Effect: The Authority is out of compliance with Section 13-6-1 NMSA 1978.

Cause: The Executive Director did provide signed board resolutions for disposition of the assets; however the Executive Director could not locate the notification to the state auditor.

Auditors' Recommendations: We recommend management notify the state auditor of disposals in accordance with Section 13-6-1 NMSA 1978 and maintain records of that notification.

Views of Responsible Officials and Planned Corrective Actions: During FYE 2016, the Authority transferred approximately \$105,000 of fully depreciated computer hardware to the Rio Arriba Emergency Dispatch Unit and another \$6,630 of equipment was lost as a result of the death of the Authority's contract IT provider and the closure of his business. Management did not properly consider these a disposal of assets at the time and as such the proper paperwork was not submitted to the State. Additionally, in July, 2016, the Board of Directors approved the disposal of certain vehicles owned by the Authority. One of which was traded in for a new vehicle in a non-cash-equal-value trade. The remaining vehicles are intended to be auctioned but have not been as of the date of this report. Beginning in October 2016, the Authority's bookkeeper will prepare required State notifications for any asset being removed from its books and records and/or physical possession. The Director will take such paperwork to the Board for final approval and then will provide the package to the bookkeeper who will mail the submission to the State and record on the package the date it was submitted.

Section III- Financial Statement Findings and Responses (continued)

FS 2016-003 – Other Matter – Pay Rate Change Forms Not Signed

Condition: During the audit testwork of payroll disbursements, we noted that 5 of the 23 selected employees' pay rate change forms were only signed by the Executive Director, not the employee. 2 of the 23 selected employees' pay rate change forms were not signed by either the Executive Director or the employee. Also, 1 of the 23 selected employees' pay rate change form was not provided by the Authority.

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.

Effect: Discrepancies between what an employee thought they were getting paid and what they are actually getting paid could arise between employees and management without adequate approval of all pay rate changes by both employees and management.

Cause: A consistent policy for the documentation of pay increases was not followed by the authority.

Auditors' Recommendations: We recommend management have all employees sign their most recent pay rate approval and obtain approvals on all future pay rate changes.

Views of Responsible Officials and Planned Corrective Actions: In certain instances during FYE 2016, due to demands on the Director's time, the Director would sign the PCN (Personal Change Notices) at the time she approved them anticipating that the Human Resource person would ensure that the employee's signature was obtained at the time the employee was notified of the increase, which did not occur. The Authority changed its procedures in August, 2016 such that the Director, will no longer execute the documents until ALL other required signatures have been obtained.

Section III- Financial Statement Findings and Responses (continued)

FS 2016-004 – Other Matter – Additional Accrued Sick and Vacation Leave

Condition: During the testwork of payroll disbursement, we noted one of the forty disbursements selected included an over-accrual of sick and vacation leave. The employee was issued one paycheck during a pay period for 37.2 hours. This paycheck included the standard accrual for sick leave (3.7 hours) and vacation leave (3.08 hours) that the Authority's accounting software applies to each paycheck. An additional paycheck was issued to the same employee for the same period for 31.88 hours (the amount of the employee's accrued vacation at that time). When the additional paycheck was issued, the Authority's accounting software accrued the standard sick leave (3.7 hours) and vacation leave (3.08 hours) to that paycheck which doubled the accrual the employee should have received during that pay period. This employee left the Authority during the year ended June 30, 2016 and at that date was paid any remaining accrued vacation leave which included the 3.08 hours of vacation leave that was improperly accrued which amounts to \$53.13 overpaid to the employee.

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.

Effect: Without adequate review of payroll documentation, there is an increased risk of errors that may not be detected timely.

Cause: The automatic bi-weekly accrual of sick and vacation leave was not detected by the Authority.

Auditors' Recommendations: We recommend management review all payroll checks issued to employees for accuracy, particularly those issued out of the ordinary.

Views of Responsible Officials and Planned Corrective Actions: As noted in FS 2016-001, the Authority changed its process in August, 2016 provided that the Director will review the final check register on all payrolls prior to release. Additionally, the accounting clerk now knows how to turn accruals on and off in the event that a special payroll is being processed for a corrective check to avoid this situation in the future.

Section III- Financial Statement Findings and Responses (continued)

FS 2016-005 – Other Matter – Duplicated Invoice

Condition: During the testwork of receipts, we noted that one invoice out of the thirty selected for testing for \$3.50 was duplicated. One of the invoices was paid during the year ended June 30, 2016, but the duplicated invoice remains on the Authority's books at June 30, 2016.

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.

Effect: Duplicated invoices will cause the financial statements to be misstated.

Cause: The invoice was entered twice into the Authority's accounting system.

Auditors' Recommendations: We recommend personnel be more diligent in entering invoices in the accounting system and management periodically review the aged accounts receivable listing to determine if any outstanding balances need to be written off.

Views of Responsible Officials and Planned Corrective Actions: This error seems to have occurred due to the invoice having been created once by the Authorities staff and once by Solutions Group, Inc. arising from an urgency to get a record request fulfilled. Due to the small size and limited number of this type of transaction, it is unlikely that the financial statements of the Authority would be materially misstated. Beginning in October 2016, the Authority's bookkeeper will review the agings on a monthly basis to avoid a recurrence of this type of error.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Other Disclosures
June 30, 2016

OTHER DISCLOSURES

Exit Conference

The contents of this report were discussed on October 12, 2016. The following individuals were in attendance:

Representing the Regional Emergency Dispatch Authority

Kirstene Campbell	REDA HR/Admin Assistant
Robbie McCormick	REDA Executive Director
Rick Rudometkin	REDA Chairman
Roberta Smith	Eddy County Finance Director

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.