



State of
New Mexico

Regional Emergency
Dispatch Authority
(A Component Unit
of Eddy County)

Financial Statements
with Accompanying Auditors' Reports
For the Year Ended June 30, 2017



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INTRODUCTORY SECTION

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
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June 30, 2017

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Official Roster
June 30, 2017

Name

Title

Executive Board

Rick Rudometkin	Chairman
Mayor Phillip Burch	Co-Chair
Aubrey Hobson	Secretary
Vernon Asbill	Board Member
Jim Townsend	Board Member
John Ross Null	Board Member
Jon Henry	Board Member

Operations Committee Board

Director Joshua Mack	Chairman - Eddy County Fire Services
Chief Kevin Hope	Chief of Artesia Fire Department
Chief Kirk Roberts	Chief of Artesia Police Department
Captain James Moore	Captain at Eddy County Sheriff's Office

Authority Officials

Robbie McCormick	Executive Director
Bambi Kern	Operations Manager

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the budgetary comparison for the General Fund of Regional Emergency Dispatch Authority (the "Authority"), a component unit of Eddy County, New Mexico, as of and for the year ended June 30, 2017, 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, a component unit of Eddy County, as of June 30, 2017, 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.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of the Authority are intended to present the financial position and the changes in financial position of only Regional Emergency Dispatch Authority. They do not purport to, and do not, present fairly the financial position of Eddy County, as of June 30, 2017, the changes in its financial position for the year then ended in conformity in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that Schedules I and II and the notes to the Required Supplementary Information on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section and Supporting Schedule III required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Authority.

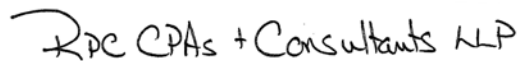
Supporting Schedule III required by 2.2.2 NMAC is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 and Supporting Schedule III required by 2.2.2 NMAC is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section 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 November 27, 2017 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.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 27, 2017

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 98,375
Receivables:	
Intergovernmental	261,660
Other	417
	360,452
Total current assets	
Noncurrent assets:	
Capital assets	2,201,610
Less: accumulated depreciation	(540,278)
	1,661,332
Total noncurrent assets	
	2,021,784
<i>Total assets</i>	
Deferred outflows of resources	
Changes of assumptions	74,011
Changes in proportion	200,735
Differences between expected and actual experience	63,062
Net difference between projected and actual investment earnings	232,234
Employer contributions subsequent to the measurement date	80,120
	650,162
<i>Total deferred outflows of resources</i>	
	\$ 2,671,946
<i>Total assets and deferred outflows of resources</i>	

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

	Governmental Activities
Liabilities	
Current liabilities:	
Accounts payable	\$ 8,518
Accrued payroll	48,870
Accrued compensated absences	35,166
	<hr/>
Total current liabilities	92,554
	<hr/>
Noncurrent liabilities:	
Loan payable	315,000
Net pension liability	1,262,154
	<hr/>
Total noncurrent liabilities	1,577,154
	<hr/>
<i>Total liabilities</i>	1,669,708
	<hr/>
Deferred inflows of resources	
Changes of assumptions	210
Differences between expected and actual experience	12,318
	<hr/>
<i>Total deferred inflows of resources</i>	12,528
	<hr/>
Net position	
Net investment in capital assets	1,346,332
Unrestricted	(356,622)
	<hr/>
<i>Total net position</i>	989,710
	<hr/>
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$ 2,671,946
	<hr/> <hr/>

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

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Statement of Activities
For the Year Ended June 30, 2017

Exhibit A-2

	Governmental Activities
Program expenses	
Public safety	\$ 2,227,328
<i>Total program expenses</i>	<i>2,227,328</i>
Program revenues	
Charges for service	236
<i>Total program revenues</i>	<i>236</i>
Operating grants	
Public safety operating grants	1,725,473
Total operating grants	1,725,473
Capital grants	
Public safety capital grants	379,601
<i>Total capital grants</i>	<i>379,601</i>
Net (expense) revenue - Public Safety	(122,018)
General revenues	
Miscellaneous revenues	250
<i>Total general revenues</i>	<i>250</i>
Change in net position	(121,768)
<i>Total net position - beginning of year, as originally stated</i>	<i>1,180,240</i>
Prior period restatement - note 14	(68,762)
Beginning net position, as restated	1,111,478
<i>Total net position - end of year</i>	<i>\$ 989,710</i>

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

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund
<i>Assets</i>	
Cash and cash equivalents	\$ 98,375
Receivables:	
Intergovernmental	261,660
Other	417
<i>Total assets</i>	\$ 360,452
 <i>Liabilities</i>	
Accounts payable	\$ 8,518
Accrued payroll	48,870
<i>Total liabilities</i>	57,388
 <i>Fund balances</i>	
Spendable:	
Unassigned	303,064
<i>Total fund balances</i>	303,064
 <i>Total liabilities and fund balances</i>	 \$ 360,452

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

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	303,064
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,661,332
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to changes in assumptions		74,011
Deferred outflows of resources related to changes in proportion		200,735
Deferred outflows of resources related to differences between expected and actual experience		63,062
Deferred outflows of resources related to the net difference between projected and actual investment earnings		232,234
Deferred outflows of resources related to employer contributions subsequent to the measurement date		80,120
Deferred inflows of resources related to differences between expected and actual experience		(12,318)
Deferred inflows of resources related to changes in assumptions		(210)
Some liabilities, including loans payable, the net pension liability and compensated absences, are not due and payable in the current period and therefore are not reported in the fund:		
Loan payable		(315,000)
Compensated absences		(35,166)
Net pension liability		<u>(1,262,154)</u>
<i>Total net position</i>	\$	<u><u>989,710</u></u>

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

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund
<i>Revenues</i>	
Intergovernmental:	
Federal operating grants	\$ 1,724
Local operating grants	1,723,749
Local capital grants	379,601
Charges for service	236
Miscellaneous	250
<i>Total revenues</i>	2,105,560
 <i>Expenditures</i>	
Current:	
Public safety	1,769,273
Capital outlay	380,068
<i>Total expenditures</i>	2,149,341
 <i>Excess (deficiency) of revenues over expenditures</i>	(43,781)
 <i>Net change in fund balances</i>	(43,781)
 <i>Fund balances - beginning</i>	346,845
 <i>Fund balances - ending</i>	\$ 303,064

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

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ (43,781)
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital assets reported as capital outlay expenditures	380,068
Depreciation of assets	(328,250)
Governmental funds report Authority pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:	
Authority pension contributions	80,120
Pension expense	(196,490)
Expenses reported in the Statement of Activities that do require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:	
Increase in accrued compensated absences	<u>(13,435)</u>
<i>Change in net position of governmental activities</i>	<u><u>\$ (121,768)</u></u>

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

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental:				
Federal sources	\$ 7,500	\$ 8,750	\$ 1,307	\$ (7,443)
Local sources	1,649,384	2,139,951	2,048,176	(91,775)
Charges for service	250	43	236	193
Miscellaneous	-	250	250	-
<i>Total revenues</i>	<u>1,657,134</u>	<u>2,148,994</u>	<u>2,049,969</u>	<u>(99,025)</u>
<i>Expenditures</i>				
Current:				
Public safety	1,656,884	1,768,926	1,776,689	(7,763)
Capital outlay	-	380,068	380,068	-
<i>Total expenditures</i>	<u>1,656,884</u>	<u>2,148,994</u>	<u>2,156,757</u>	<u>(7,763)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>250</u>	<u>-</u>	<u>(106,788)</u>	<u>(106,788)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(250)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(250)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	(106,788)	(106,788)
<i>Fund balances - beginning of year</i>	-	-	205,163	205,163
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,375</u>	<u>\$ 98,375</u>
<i>Net change in fund balance (non-GAAP budgetary basis)</i>			\$ (106,788)	
Adjustments to revenues for local capital grants			55,591	
Adjustments to expenditures for payroll and other expenses			<u>7,416</u>	
<i>Net change in fund balances (GAAP Basis)</i>			<u>\$ (43,781)</u>	

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

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

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 the Communications employees of the Eddy County Sheriff’s Department and the Artesia Police Department were consolidated under the Central Communication Authority. In 2010 Eddy County Central Communications Authority reorganized under the name Regional Emergency Dispatch Authority. The Authority was created to provide an 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.

This summary of significant accounting policies of the Authority is presented to assist in the understanding of the Authority’s financial statements. The financial statements and notes are the representation of the Authority’s management that is responsible for the financial statements. The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

During the year ended June 30, 2017, the Authority adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68* (partial), No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the Authority, as its pension plan is within the scope of Statement 68.

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the Authority’s financial statements directly; however, the effects on the Authority’s OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources came from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed after time – by including information about certain limitations on a government’s ability to raise resources.

This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development.

For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government’s tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

As of June 30, 2017, there were no tax abatements that would affect the Authority.

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The Authority’s pension plan does not meet the criteria for exclusion.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

A. Financial Reporting Entity

Eddy County does issue separately issued 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.

These 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 Statements No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61 and GASB Statement No. 80. 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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units required to be reported under GASB Statements No. 14, 39, 61, and 80.

B. Government-wide and fund financial statements

The government-wide financial statements (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 Authority has no business-type activities.

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, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Authority's net position are reported in three parts – net investment 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*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. 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 facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources 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 Authority reports the following major governmental fund:

The *General Fund* is the Authority'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 of Resources, Liabilities, Deferred Inflows of Resources, 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 Local Government Investment Pool (LGIP).

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Capital Assets: Capital assets, which include furniture, fixtures, and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the Authority 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. Donated capital assets are recorded at estimated fair market value at the date of donation. 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).

The Authority does not capitalize interest related to any of its capital assets.

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

Capital assets of the Authority are depreciated or amortized, as applicable, using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture, equipment and vehicles	5-15

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, 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.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to future periods and so will not be recognized as outflows of resources (expenditure) until that time. The Authority has five types of items that qualify for reporting in this category: changes of assumptions of \$74,011; changes in proportion of \$200,735; differences between expected and actual experience of \$63,062; the net difference between projected and actual investment earnings of \$232,234; and employer contributions subsequent to the measurement date in the amount of \$80,120. These amounts are reported in the Statement of Net Position.

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Outflows of Resources (continued): These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability in future periods.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as inflows of resources until that time. The Authority has two types of items presented on the Statement of Net Position that qualify for reporting in this category: changes of assumptions of \$210 and differences between expected and actual experience of \$12,318. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

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 statement of net position.

Fund Balance Classification Policies and Procedures: The Authority has implemented GASB No. 54 and has defined the various categories reported in fund balance. 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, 2017, the Authority had no amounts classified as nonspendable fund balance.

Restricted, Committed and Assigned Fund Balance: At June 30, 2017, the Authority had no amounts classified as restricted, committed, or assigned fund balance.

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.

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NOTE 1. Summary of Significant Accounting Policies (continued)

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

Net Position: Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets: Consists of 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: Net position is reported as restricted when constraints are placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position: Net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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 for the Authority are management’s estimate of depreciation on assets over their estimated useful lives, the net pension liability and related amounts, and accrued compensated absences.

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 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.

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. The Authority does not use encumbrances.

The budget is prepared on the cash basis, which differs from GAAP. The budgetary comparison presented in these financial statements are on this Non-GAAP cash budgetary basis.

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

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

The appropriated budget for the year ended June 30, 2017 was properly amended by the Authority's Executive Board throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of	
	revenues over expenditures	
	Original	Final
	Budget	Budget
Budgeted Funds:		
General Fund	\$ 250	\$ -

The Authority is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund is included in each individual budgetary comparison.

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, 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, 2017.

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 financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

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

All of the Authority's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

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, 2017, none of the Authority's bank balance of \$103,326 was subject to custodial credit risk. No amount was uninsured and uncollateralized at June 30, 2017.

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NOTE 3. Deposits and Investments (continued)

	<u>First American Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Amount of deposits	\$ 98,839	\$ 4,487	\$ 103,326
FDIC coverage	<u>(98,839)</u>	<u>(4,487)</u>	<u>(103,326)</u>
Total uninsured public funds	-	-	-
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Authority's name	-	-	-
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement (50%)	\$ -	\$ -	\$ -
Pledged securities	-	-	-
Over (under) collateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Authority does not have any collateral pledged with financial institutions at June 30, 2017. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, Authority or political subdivision of the State of New Mexico.

Reconciliation to the Statements of Net Position

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

Cash and cash equivalents per Exhibit A-1	\$ 98,375
Add: outstanding checks and other reconciling items	<u>4,951</u>
Bank balance of deposits	<u>\$ 103,326</u>

NOTE 4. Accounts Receivable

Accounts receivable as of June 30, 2017, are as follows:

	<u>General</u>
Intergovernmental:	
Local operating grants:	
City of Artesia	\$ 104,664
Eddy County	156,996
Miscellaneous	<u>417</u>
Totals	<u>\$ 262,077</u>

All of the above receivables are deemed to be fully collectible.

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NOTE 5. Capital Assets

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets being depreciated:				
Furniture, equipment, and vehicles	\$ 1,821,542	\$ 380,068	\$ -	\$ 2,201,610
Total capital assets being depreciated	<u>1,821,542</u>	<u>380,068</u>	<u>-</u>	<u>2,201,610</u>
Less accumulated depreciation:				
Furniture, equipment and vehicles	<u>212,028</u>	<u>328,250</u>	<u>-</u>	<u>540,278</u>
Total accumulated depreciation	<u>212,028</u>	<u>328,250</u>	<u>-</u>	<u>540,278</u>
Total capital assets, net of depreciation	<u>\$ 1,609,514</u>	<u>\$ 51,818</u>	<u>\$ -</u>	<u>\$ 1,661,332</u>

For the year ended June 30, 2017, depreciation expense of \$328,250 was charged to the Public Safety function.

NOTE 6. Long-term Debt

The following is a summary of the long-term debt and the activity for the year ended June 30, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Working Capital Loans:					
City of Artesia	\$ 66,000	\$ -	\$ -	\$ 66,000	\$ -
Eddy County	249,000	-	-	249,000	-
Compensated absences	<u>21,731</u>	<u>44,844</u>	<u>31,409</u>	<u>35,166</u>	<u>35,166</u>
Total	<u>\$ 336,731</u>	<u>\$ 44,844</u>	<u>\$ 31,409</u>	<u>\$ 350,166</u>	<u>\$ 35,166</u>

Compensated Absences – During fiscal year June 30, 2017, compensated absences increased \$13,435 from the prior year accrual. In prior years, the general fund was typically used to liquidate such long-term liabilities. See Note 1 for more details.

NOTE 7. Risk Management

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

The Authority is a member of and is insured through the New Mexico Self Insurers' Fund. New Mexico Municipal League organized and administers the Fund, which offers Workers' Compensation, general liability, law enforcement, civil rights, errors and omissions, auto liability, auto physical damage, and property and volunteer coverage to its members. The Authority pays insurance premiums to the Fund based on claim experience and the status of the pool. The Authority is not liable for more than the premiums paid.

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NOTE 8. Pension Plan – Public Employees Retirement Association

General Information about the 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, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Regional Emergency Dispatch 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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf. The PERA coverage option that applies to the Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Authority were \$80,120 and \$82,741 in employer paid member benefits were “picked up” by the employer for the year ended June 30, 2017.

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

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, 2016.

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NOTE 8. Pension Plan – Public Employees Retirement Association (continued)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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.

For PERA Fund Municipal General Division, at June 30, 2017, the Authority reported a liability of \$1,262,154 for its proportionate share of the net pension liability. At June 30, 2016, the Authority's proportion was 0.0790 percent, which changed from its proportion measured as of June 30, 2015 of 0.0591 percent.

For the year ended June 30, 2017, the Authority recognized PERA Fund Municipal General Division pension expense of \$196,490. At June 30, 2017, the Authority reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ 74,011	\$ 210
Changes in proportion and differences between Regional Emergency Dispatch Authority's contributions and proportionate share of contributions	200,735	-
Net difference between projected and actual earnings on pension plan investments	232,234	-
Regional Emergency Dispatch Authority's difference between expected and actual experience	63,062	12,318
Regional Emergency Dispatch Authority's contributions subsequent to the measurement date	<u>80,120</u>	<u>-</u>
Total	<u>\$ 650,162</u>	<u>\$ 12,528</u>

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NOTE 8. Pension Plan – Public Employees Retirement Association (continued)

\$80,120 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (148,187)
2018	(148,187)
2019	(197,797)
2020	(63,343)
2021	-
Thereafter	-

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, 2015 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, 2016 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, 2015
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	7.48% annual rate, net of investment experience
Projected benefit payment	100 years
Payroll growth	2.75% for the first 10 years, then 3.25% all other years
Projected salary increases	2.75% to 14.25% annual rate
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, 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 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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NOTE 8. Pension Plan – Public Employees Retirement Association (continued)

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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets	20.00	7.35
Total	<u>100.00%</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.48 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 7.48% 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 Employer’s proportionate share of the net pension liability to changes in the discount rate. The following table shows 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 the 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
Regional Emergency Dispatch Authority's proportionate share of the net pension liability	\$ 1,881,759	\$ 1,262,154	\$ 748,222

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>.

Payables to the pension plan. At June 30, 2017 there were no contributions due and payable to PERA for the Authority. Contractually required contributions are remitted to PERA monthly.

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NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan

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

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

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

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

The 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.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

NOTE 9. Post-Employment Benefits – State Retiree Health Care Plan (continued)

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 contribution to the RHCA for the years ended June 30, 2017, 2016, and 2015 were \$16,779, \$13,901, and \$9,800, respectively, which equal the required contributions for each year.

NOTE 10. Contingent Liabilities

The Authority is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

NOTE 11. Other Required Individual Fund Disclosures

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

- A. Deficit fund balances. No funds maintained a deficit fund balance at June 30, 2017.
- B. Excess of expenditures over appropriations. For the year ended June 30, 2017, the General Fund had expenditures over appropriations by \$7,763.
- C. Designated cash appropriations in excess of available balance. No funds displayed designated cash balances in excess of available balances for the year ended June 30, 2017.

NOTE 12. Commitments

The Authority is not aware of any commitments as of the year ended June 30, 2017.

NOTE 13. 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 14. Net Position Restatement

Net Position has been restated to correct prior year pension expense balances. The Authority identified employer "pick-up" PERA contributions of \$68,762 that should not have been included as a deferred outflow of resources in the government-wide statements as of June 30, 2016. This restatement resulted in a decrease of beginning net position in the amount of \$68,762.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

NOTE 15. Joint Powers Agreements

The Authority is party to a joint powers agreement with Eddy County, New Mexico and the City of Artesia, New Mexico, which is material in nature. The original amount provided to the Authority was a total of \$250,000, which consisted of a 60% contribution from Eddy County for \$150,000 and the remaining 40% for \$100,000 from the City of Artesia. During the year ended June 30, 2016, the County contributed an additional \$65,000, bringing the total contribution to \$315,000. The Authority entered into the agreement April 18, 2006 with no termination date existing as of the year ended June 30, 2017.

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is November 27, 2017, which is the date on which the financial statements were issued.

NOTE 17. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Authority expects this pronouncement to have a material effect on the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 *Fiduciary Activities* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 *Omnibus 2017* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 *Certain Debt Extinguishment Issues* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Financial Statements
June 30, 2017

NOTE 17. Subsequent Pronouncements (continued)

In June 2017, GASB Statement No. 87 *Leases* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

Schedule I

Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of the Proportionate Share of the Net Pension Liability
of PERA Fund Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2017 Measurement Date (As of and for the Year Ended <u>June 30, 2016</u>)	2016 Measurement Date (As of and for the Year Ended <u>June 30, 2015</u>)	2015 Measurement Date (As of and for the Year Ended <u>June 30, 2014</u>)
Regional Emergency Dispatch Authority's proportion of the net pension liability	0.0790%	0.0591%	0.0515%
Regional Emergency Dispatch Authority's proportionate share of the net pension liability	\$ 1,262,154	\$ 602,576	\$ 401,755
Regional Emergency Dispatch Authority's covered payroll	\$ 676,748	\$ 494,448	\$ 418,623
Regional Emergency Dispatch Authority's proportionate share of the net pension liability as a percentage of its covered payroll	186.50%	121.87%	95.97%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

* 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, Regional Emergency Dispatch Authority will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal General Division
Last 10 Fiscal Years*

Schedule II

	As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contribution	\$ 80,120	\$ 64,584	\$ 46,708
Contributions in relation to the contractually required contribution	(80,120)	(64,584)	(46,708)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Regional Emergency Dispatch Authority's covered payroll	\$ 838,950	\$ 676,625	\$ 494,448
Contributions as a percentage of covered payroll	9.55%	9.55%	9.45%

* 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, Regional Emergency Dispatch Authority will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Notes to Required Supplementary Information
June 30, 2017

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.

SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Deposit and Investment Accounts
June 30, 2017

Schedule III

<u>Bank Account Type/Name</u>	<u>First American Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Checking - Operational	\$ 98,839	\$ 4,487	\$ 103,326
Total on deposit	98,839	4,487	103,326
Reconciling items	<u>(4,886)</u>	<u>(65)</u>	<u>(4,951)</u>
<i>Reconciled balance</i>	<u>\$ 93,953</u>	<u>\$ 4,422</u>	98,375
<i>Total deposits and investments</i>			<u>\$ 98,375</u>
Cash and cash equivalents and investments per financial statements: Governmental Activities Cash and cash equivalents - Exhibit A-1			<u>\$ 98,375</u>
<i>Total</i>			<u>\$ 98,375</u>

See independent auditors' report.

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COMPLIANCE SECTION

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

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 the 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, each major fund, 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting (internal control) 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 the 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as FS 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

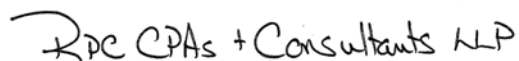
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Authority's Response to Finding

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Authority'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.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 27, 2017

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Findings and Responses
June 30, 2017

Section I – Summary of Auditors’ Results:

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financial statements noted? | None Noted |

Section II – Financial Statement Finding

FS 2017-001 – Improper Adjustments made to Trial Balance – Material Weakness

Condition: The Trial Balance information provided by the Authority for the year ended June 30, 2017 contained the following:

- The trial balance did not agree to the prior year and required multiple adjustments in the amount of \$2,170,883 in order to roll to the prior year’s ending balance.
- The actual cash basis budgeted expenditures in the General Fund exceeded approved budgetary authority by \$7,763.

Criteria: The *Codification of Statements of Auditing Standards* AU Section 110.03 states that “management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management’s assertions embodied in the financial statements. The entity’s transactions and the related assets, liabilities, and equity are within the direct knowledge and control of management.” In addition, a budget is a proposed plan of financial operations for a given period of time. The annual budget authorizes and provides the basis for control of financial operations during the fiscal year. Section 6-6-6, NMSA 1978 states, “when any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.”

Effect: Fund balance did not roll properly into the current year, resulting in overstated equity and the cash basis General Fund expenditures exceeded the adjust budget of the Authority.

Cause: The Authority is closing out activity on the accrual basis every month and not on the cash basis. This required the auditor to propose journal entries in order to obtain proper cash basis account balances for the Authority which agree to current year activity as well as to the beginning equity balance. The amount for the budget was missed on the final approval.

Auditors’ Recommendation: The Authority’s monthly financial package should be presented on a cash basis to ensure budgetary accuracy as well as not close out cash or accrual activity into fund balance. The budget adjustments should be made in order to monitor cash basis activity and any adjustments to fund balance should be properly supported by appropriate documentation.

Views of Responsible Officials and Planned Corrective Actions: The Authority, in communication with the accountant, will submit cash basis budget-to-actuals each month for Executive Board approval. All expenditures above the original approved budget will be done no less frequently than quarterly and the final year-end budget will reflect all approvals and adjustments to budget. All reports will be done on cash basis, not accrual basis and the year-end financial statement will balance with the year-end budget submitted to DFA. In addition, the Authority will maintain support for any journal entries recorded for adjustment to fund balance.

STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Schedule of Findings and Responses
June 30, 2017

Section III – Prior Year Audit Findings

FS 2015-001 Overstated Employee Timesheet – Resolved

FS 2016-001 Expenditures in Excess of Budget – Repeated and Modified Combined with FS 2017-001

FS 2016-002 Notification of Fixed Asset Disposals – Resolved

FS 2016-003 Pay Rate Change Forms Not Signed – Resolved

FS 2016-004 Additional Accrued Sick and Vacation Leave – Resolved

FS 2016-005 Duplicated Invoice - Resolved

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STATE OF NEW MEXICO
Regional Emergency Dispatch Authority
(a component unit of Eddy County)
Other Disclosures
June 30, 2017

Exit Conference

An exit conference was held on November 28, 2017. In attendance were the following:

Representing Regional Emergency Dispatch Authority:

Rick Rudometkin, REDA Chairman
Robbie McCormick, REDA Executive Director
Bambi Kern, REDA Operations Manager
Roberta Smith, Eddy County Finance Director
Chris Simons, CPA, CFP, CLU, REDA Accountant

Representing RPC CPAs + Consultants, LLP:

Alan D. Bowers, Jr., CPA, Audit Partner

Auditor Prepared Financial Statements

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