

**STATE OF NEW MEXICO  
SOUTHWEST SOLID WASTE AUTHORITY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2008**

**STATE OF NEW MEXICO  
SOUTHWEST SOLID WASTE AUTHORITY**

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June 30, 2008

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**STATE OF NEW MEXICO  
SOUTHWEST SOLID WASTE AUTHORITY  
DIRECTORY OF OFFICIALS  
JUNE 30, 2008**

**Board of Directors**

<u>Member</u>	<u>Position</u>	<u>Entity Represented</u>
Alex C. Brown	Chairman	Town of Silver City
Jon Saari	Vice-Chairman	Grant County
Jovita Gonzales	Treasurer	Grant County
Ray Baca	Member	Town of Hurley
Ted Castillo	Member	City of Lordsburg
Rudy Martinez	Member	City of Bayard
Randall Woodard	Member	Village of Santa Clara
James Marshall	Member	Town of Silver City
Anthony J. Mora	Member	Hidalgo County

**Administrative Staff**

Vacant	General Manager
Diana Temple	Executive Assistant

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor  
and  
Board of Directors  
Southwest Solid Waste Authority  
Silver City, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Southwest Solid Waste Authority (Authority), as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the individual statement of the enterprise fund presented as supplementary information in the accompanying individual fund financial statement for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the individual fund financial statement referred to above present fairly, in all material respects, the budgetary comparison for the enterprise fund of the Authority for the year ended June 30, 2008 in conformity with the budgetary basis of accounting more fully described in Note 1C, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2008, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages four through eleven is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison. The accompanying schedule of cash accounts and schedule of pledged collateral are presented for purposes of additional analysis and are not a required part of the basic financial statements and other opinion unit listed above. The accompanying schedule of cash accounts and schedule of pledged collateral have been subjected to the auditing procedures applied in the audit of the basic financial statements and other opinion unit listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and other opinion unit listed above taken as a whole.

A handwritten signature in black ink that reads "Fierro + Fierro, P.A." in a cursive script.

Fierro & Fierro, P.A.  
Las Cruces, New Mexico

November 21, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

The following is an overview of the financial condition for the Southwest Solid Waste Authority (the Authority), for the fiscal year ended June 30, 2008. This narrative highlights the major aspects of the Authority's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

### **Financial Highlights**

The following items are the Authority's financial highlights for the fiscal year ended June 30, 2008:

- The Authority assets exceeded liabilities by \$1,351,509. Approximately 55% of the Authority's net assets may be used to meet the Authority's ongoing obligations to creditors. During the current year, the Authority increased its net assets by \$473,098.
- Unrestricted cash at June 30, 2008, amounted to \$654,553. At the end of the fiscal year unrestricted current assets amounted to \$972,470 while current liabilities were \$300,313. Unrestricted current assets exceeded current liabilities by \$672,157.
- The Authority's long-term notes and capital leases totaled \$2,490,397 at the beginning of the fiscal year. During the fiscal year, the Authority reduced the balance by \$33,387 leaving an end of the year balance of \$2,457,010.
- During the fiscal year, the Authority increased the financial assurance cash reserve to \$157,704.

### **Overview of the Financial Statements**

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements, and Other Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

### **Basic Financial Statements**

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows, followed by notes to the financial statements. A budget comparison schedule is presented following the notes. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the schedule of cash accounts for the Authority.

### **Statement of Net Assets**

The statement of net assets presents information on the Authority's assets and liabilities, with the difference between the two reported as net assets.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Statement of Revenues, Expenses, and Changes in Net Assets**

Over time, increases or decreases in net assets may serve as a useful indication of whether the Authority's financial position is improving or deteriorating. The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses, and non-operating revenues and expenses of the Authority for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the net change in assets for the fiscal year. That change, combined with the net assets at the end of the previous year, totals to the net assets at the end of the current fiscal year.

**Statement of Cash Flows**

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities, added to the beginning of the year cash balance, totals to the cash and cash equivalent balance at the end of the current fiscal year.

**Notes to the Financial Statements**

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

**Financial Statement Analysis**

A summary of the Authority's statement of net assets is presented below:

<b>Southwest Solid Waste Authority's Net Assets</b>	June 30, 2008	June 30, 2007
Assets:		
Current and other assets	\$ 1,396,743	\$ 1,359,490
Capital assets, net of accumulated depreciation	2,455,417	2,155,908
Total assets	3,852,160	3,515,398
Liabilities:		
Current liabilities	300,313	388,654
Long-term liabilities	2,200,338	2,248,333
Total liabilities	2,500,651	2,636,987
Net Assets:		
Invested in capital assets, net of related debt	612,348	299,169
Unrestricted	739,161	579,242
Total net assets	\$ 1,351,509	\$ 878,411



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Financial Statement Analysis (continued)**

At June 30, 2008, the Authority increased its total assets by \$336,762 when compared to the previous year-end. In regards to cash, the Authority had a beginning of year balance of \$739,698. During the fiscal year, operations provided cash of \$558,852 while cash received from non-capital and financing items equaled \$272,000. During the fiscal year, the Authority received revenues from two separate grants received from the state of New Mexico. In one grant, the Authority received \$200,000 to assist in the purchase of a trash compactor; in the other grant, the Authority received \$72,000 for assistance related to a new cell completed in fiscal year 2006. During the fiscal year, the Authority expended \$776,568 for acquisition of capital assets and retirement of debt, along with interest payments. During the year, the Authority expended \$204,300 related to investing activities. Of particular note, is the Authority purchased two certificates of deposits in the amount of \$222,305. Both CD's have a maturity greater than three months. The net result of all four activities is to reduce cash by \$149,746 leaving a balance of liquid cash of \$589,952.

The largest change in current liabilities from the previous year is the reduction of accounts payable. In the previous year, accounts payable was reported as \$123,026 while the current year's payable is reported as \$9,458. In the previous year's liability, there was an amount due of \$99,118 related to the paving of the access road to the landfill that was completed at the end of the fiscal year 2007. Removing that liability from the previous year's balance would result in a balance of \$23,908, which is more typical of the balance maintained by the Authority.

During the fiscal year, the Authority entered into a capital lease in the amount of \$176,824 to complete the purchase of the trash compactor. This amount, along with the increase of landfill closure and post-closure cost in the amount of \$22,834 and the increase in compensated absences of \$34,732, results in the increase of long-term debt during the year of \$234,390. However, the Authority remitted capital lease principal payments of \$38,292, notes principal payments of \$175,142, and reduced its compensated absences liability by \$54,343 during the fiscal year. The total reduction of long-term debt for the fiscal year equaled \$267,777. The net effect has been to reduce long-term liabilities by \$33,387.

Net assets for the current year increased by \$473,098; the direct result of operations during the current year.

<b>Southwest Solid Waste Authority's Changes in Net Assets</b>	June 30, 2008	June 30, 2007
Revenues:		
Operating Revenues:		
Charges for services	\$ 1,883,547	\$ 2,002,477
Non-Operating Revenues:		
Intergovernmental income	200,000	9,198
Interest income	22,361	18,785
Total revenues	2,105,908	2,030,460

**STATE OF NEW MEXICO**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Financial Statement Analysis (continued)**

<b>Southwest Solid Waste Authority's Changes in Net Assets</b>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Expenses:		
Operating Expenses:		
Administration	231,735	287,282
Regional landfill	742,151	741,880
Recycling program	320,638	313,523
Amortization	2,108	2,108
Depreciation	257,410	205,552
Non-Operating Expenses:		
Intergovernmental expenses	-	9,348
Interest expenses	<u>78,768</u>	<u>81,179</u>
Total expenses	<u>1,632,810</u>	<u>1,640,872</u>
Change in net assets	<u>\$ 473,098</u>	<u>\$ 389,588</u>

The net income during the current year was \$473,098, which is an increase of \$83,510 from the previous year's net income of \$389,588. While the bottom line revealed an increase of \$83,510 the net increase was not due to the preliminary source of revenues, which are charges for services. Charges for services revenues during the current year decreased by \$118,930. The decline in the revenues can be attributed to the decline in construction in the area. In particular, during the 2007 fiscal year the Town of Silver City demolished the Hillcrest General Hospital building, which generated revenues of approximately \$65,000, and the Town completed road construction that affected revenues during the 2007 fiscal year. During the current year, the Authority received a \$200,000 one time grant from the state of New Mexico to assist the Authority's purchase of a new trash compactor. While the funds were expended to assist in the purchase of the compactor, they were not directly expensed as the equipment was established as a capital asset on the Authority's balance sheet. The entire grant revenue was recognized as revenue in the current year supporting the net income of \$473,098.

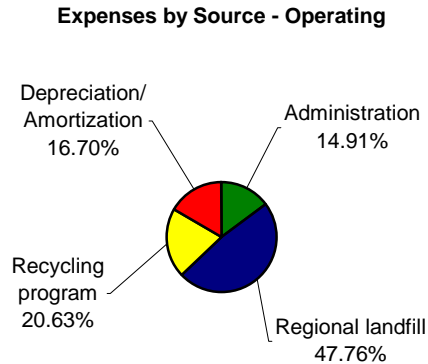
Expenses in the current year remained approximately the same with the exception of two items. Administration expenses in the current year decreased by \$55,547 in the current year as compared to the prior year. The biggest reason for the decrease is the general manager's position was vacant for seven months of the fiscal year. Depreciation expense in the current year of \$257,410 increased by \$51,858 during the current year when compared to the previous year's depreciation expense of \$205,552. Fiscal 2008 equipment purchases in the amount of \$541,022 generated depreciation expense of \$30,023 for 2008, while the paved road to the landfill that was completed at the end of the previous year contributed new depreciation expense of \$9,912. The remaining additional depreciation expense in 2008 was based on the years of service of assets utilized by the Authority.

**Expenses**

The following chart shows the major sources of operating expenses for the fiscal year ended June 30, 2008:

**STATE OF NEW MEXICO**  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Expenses (continued)**



As in previous years, regional landfill makes up the largest portion of operating expenses. During the current year, the regional landfill expenses amounted to \$742,151, which is an increase of \$271 from the previous year. During the current year, the Authority reduced its repairs and maintenance on the buildings, equipment, and vehicles in 2008 when compared to 2007. The total decrease was approximately \$74,700 as the Authority completed major equipment repairs in 2007. While the repairs and maintenance decreased, other expenses increased. In particular, fuel increased by \$34,800 and workmen's compensation insurance premiums increased by \$33,600. The remaining accounts within the landfill function reflect increases and decreases resulting in a net increase of \$271.

Due to the significant investments the Authority has in capital assets, depreciation and amortization continues to be a large operating expense. Unlike the other expenses listed, depreciation/amortization is not a cash expense. The Authority has and continues to pursue ways to reduce costs without affecting services.

**Budgetary Highlights**

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statement for an explanation of the differences of accounting regarding the budget.

During the current year, the Authority's final operating budget revenues amounted to \$1,627,742 and the results of operations produced actual revenues of \$1,848,829, which was an excess of \$221,087. During the fiscal year, the Authority increased its anticipated revenues by \$71,500 from the original budget to the final budget.

During the current year, the Authority's final budget operating expenses amounted to \$1,494,264. The actual expenses amounted to \$1,289,977 thereby resulting in a savings of \$204,287. The Authority made various changes in the original budget expense accounts to obtain the final budgeted expenses; however, the net amount only added to \$21,500 to the final budget.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Budgetary Highlights (continued)**

During the current year, the Authority established its capital outlay budget at \$376,132. While management attempted to stay within that limit, we exceeded that amount by \$107,328. That amount is absorbed by the savings incurred within the operating expenses.

On the original and final budget, the Authority anticipated that the result of operations would produce a net loss of \$273,087. The actual result of operations produced a net income of \$72,887 allowing the Authority to increase its beginning cash. The beginning balance plus net income less cash used for investments, resulted in a balance of \$812,257 at year end.

**Capital Assets**

The Authority's investment in capital assets as of June 30, 2008, amounts to \$2,455,417, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, landfill systems, and machinery and equipment.

Major capital asset events during the year included the following:

- The Authority purchased a trash compactor with a cost of \$451,824.
- The Authority purchased a roll-off truck with a cost of \$89,198.
- The Authority expended \$15,897 for the permit application for the landfill expansion.

The following reflects the breakdown of assets by classification:

<b>Southwest Solid Waste Authority's Capital Assets (Net of Accumulated Depreciation)</b>	June 30, 2007	June 30, 2007
Land	\$ 234,798	\$ 234,798
Permit	60,063	44,166
Buildings	485,499	524,329
Building improvements	122,133	131,026
Landfill improvements	726,656	837,867
Equipment	626,387	254,696
Office equipment	1,117	1,817
Vehicles	198,764	127,209
	<b>\$ 2,455,417</b>	<b>\$ 2,155,908</b>

Additional information on the Authority's capital assets can be found in note six on page twenty-six of this report.

**Long-Term Debt**

At the end of the current year, the Authority had total debt outstanding of \$2,457,010 that consists of notes, lease purchases, compensated absences, and landfill post-closure liability.

**STATE OF NEW MEXICO  
SOUTHWEST SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008**

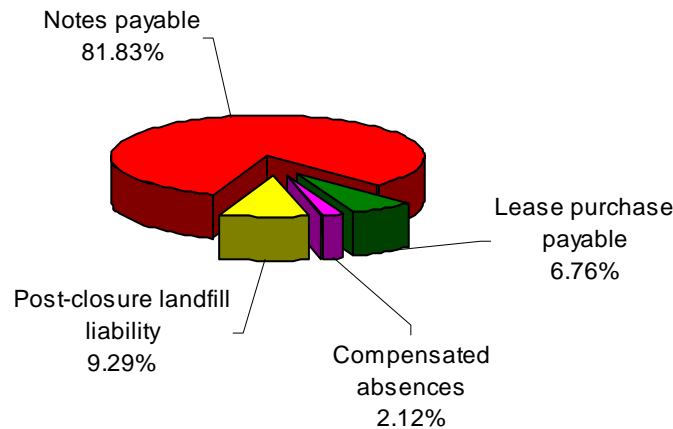
**Long-Term Debt (continued)**

The notes payable due to the New Mexico Finance Authority are secured by pledged environmental gross receipts tax revenues from Grant County. During the current year, the Authority obtained a capital lease in the amount of \$176,824. The lease was used to complete the purchase of a new trash compactor. The lease requires monthly payments for a period of sixty months.

During the current year, the Authority made principle payments of \$213,434 on its capital leases and notes.

	June 30, 2008	June 30, 2007
Notes payable	\$ 2,010,528	\$ 2,425,242
Lease purchase payable	165,977	53,661
Compensated absences	52,165	64,430
Post-closure landfill liability	228,340	182,672
Total	<u>\$ 2,457,010</u>	<u>\$ 2,726,005</u>

**Southwest Solid Waste Authority's Outstanding Debt**  
June 30, 2008



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2008

**Currently Known Facts, Decisions or Conditions**

The Authority board and staff have been in discussions with the New Mexico Environment Department Solid Waste Bureau (SWB) concerning our current permit review process. As of this point, discussion has primarily been regarding current and past well monitoring and reporting practices. SWB has determined that reporting has been sporadic at best, since the landfill was open in 1996. In light of this, the Authority has sought, and approved engineering services to assist the Authority in gathering historical monitoring information, as well as to develop an adequate reporting model for future reference to meet the requirement of the SWB.

As part of the permit review process, the Authority has been reviewing the closure and post-closure (C/PC) reserve requirements. According to the current permit, the Authority does not have a reserve sufficient enough to cover the liability, as the financial assurance reserve currently is \$157,704 with a liability of \$228,340. Considering cash reserves are currently much higher than the board's policy of a 1/12<sup>th</sup> reserve, it would be prudent to transfer part of the cash reserve to increase the financial assurance reserve. This would ensure the C/PC liabilities as required under our current permit are met. It should be noted though that, per preliminary cost analysis, the C/PC reserve requirements might need to be increased for various reasons.

The Authority has also determined that current cell being used will need to be closed within the next two years. As mentioned earlier, the new contract engineering services has been approved and we will begin the process of designing a new cell that can be brought online within a timely period. The new cell will be designed by the contract engineer and constructed by current staff.

In light of the current economic situation, the Authority has begun to review future revenue and expenditure projections. Under preliminary projections we believe that revenues will be sufficient in order for us to continue our normal day-to-day operations in both the landfill and recycling functions.

**Request for Information**

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the General Manager, 318 Ridge Road, Silver City, New Mexico 88061.

## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

**ASSETS**

Current Assets:

Cash	\$ 654,553
Receivables, net of allowances for doubtful accounts:	
Accounts	303,460
Intergovernmental	10,699
Interest	<u>3,758</u>
Total current assets	972,470

Restricted Current Assets:

Cash	157,704
Investments	<u>246,719</u>
Total restricted current assets	404,423

Non-Current Assets:

Capital Assets:	
Capital assets, not being depreciated	294,861
Other capital assets, net of depreciation	2,160,556
Other Assets:	
Loan amortization, net of amortization	<u>19,850</u>
Total non-current assets	<u>2,475,267</u>
Total assets	<u>3,852,160</u>

**LIABILITIES**

Current Liabilities:

Accounts payable	9,458
Accrued liabilities	23,695
Accrued salaries	10,488
Current maturities of:	
Lease purchase payable	35,084
Notes payable	179,856
Compensated absences	<u>41,732</u>
Total current liabilities	300,313

Non-Current Liabilities:

Lease purchase payable	130,893
Notes payable	1,830,672
Compensated absences	10,433
Landfill closure and post-closure	<u>228,340</u>
Total non-current liabilities	<u>2,200,338</u>
Total liabilities	<u>2,500,651</u>

**NET ASSETS**

Invested in capital assets, net of related debt	612,348
Unrestricted	<u>739,161</u>
Total net assets	<u>\$ 1,351,509</u>

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



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues:		
Charges for services	\$	1,883,547
Operating Expenses:		
Administration		231,735
Regional landfill		742,151
Recycling program		320,638
Depreciation		257,410
Amortization		<u>2,108</u>
Total operating expenses		<u>1,554,042</u>
Operating income		329,505
Non-Operating Revenues (Expenses):		
Intergovernmental income		200,000
Interest income		22,361
Interest expense		<u>(78,768)</u>
Total non-operating revenues (expenses)		<u>143,593</u>
Change in net assets		473,098
Net assets, beginning of year		<u>878,411</u>
Net assets, end of year	\$	<u><u>1,351,509</u></u>

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

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Cash Flows from Operating Activities:	
Cash received from customers	\$ 1,848,071
Cash payments to suppliers for goods and services	(468,546)
Cash payments to employees for services	(513,828)
Cash payments for payroll taxes and employee benefits	(306,845)
	<hr/>
Net cash provided by operating activities	558,852
Cash Flows from Non-Capital and Financing Activities:	
Intergovernmental receipts	272,000
Cash Flows From Capital and Financing Activities:	
Acquisition of capital assets	(483,460)
Principal payments on capital debt	(213,434)
Interest paid on capital debt	(79,674)
	<hr/>
Net cash (used) by capital and financing activities	(776,568)
Cash Flows From Investing Activities:	
Interest income	18,602
Purchase of certificates of deposit	(222,305)
Investment contributions	(328)
	<hr/>
Net cash used by investing activities	(222,633)
	<hr/>
Net decrease in cash	(149,746)
Cash and cash equivalents, beginning of year	<hr/> 739,698
Cash and cash equivalents, end of year	<hr/> <u>\$ 589,952</u>
Displayed as:	
Cash	\$ 654,553
Restricted cash	157,704
Time deposits not considered cash equivalents	(222,305)
	<hr/>
	<u><u>\$ 589,952</u></u>

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

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**(CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 329,505
Adjustment to Reconcile Operating Income to Net	
Cash Provided by Operating Activities:	
Depreciation	257,410
Landfill and post-closure expense	22,834
Amortization	2,108
Change in Assets and Liabilities:	
(Increase) in accounts receivable	(34,718)
(Decrease) in accounts payable	(10,202)
Increase in accrued salaries	51
Increase in accrued liabilities	11,475
(Decrease) in compensated absences	(19,611)
	<hr/>
Total adjustments	229,347
	<hr/>
Net cash provided by operating activities	\$ 558,852
	<hr/> <hr/>

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

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Southwest Solid Waste Authority (the Authority) was formed on June 30, 1996 by a Joint Powers Agreement entered into by the City of Bayard, Grant County, the Town of Hurley, the Village of Santa Clara, and the Town of Silver City. The City of Lordsburg and Hidalgo County joined the Authority in December 1996. The purpose of this intergovernmental cooperative agreement was to acquire, construct and operate a comprehensive solid waste landfill disposal system for the citizenry of Grant and Hidalgo counties. The Authority is a special district of the state of New Mexico providing municipal solid waste disposal services and recycling services throughout Grant and Hidalgo counties. Proper disposal of solid waste is necessary to protect human health, water, and soil resources.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with 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, or whether the activity is conducted within the geographic boundaries of the government and is generally available to 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 Authority is able to exercise oversight responsibilities. Based upon the application of these criteria, the Authority has no component units.

**B. Basis of Presentation and Accounting**

The Authority's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America. The Authority applies Government Accounting Standards Board (GASB) pronouncements as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB), The Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB Pronouncements.

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NOTES TO FINANCIAL STATEMENTS  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation and Accounting (continued)**

Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The Authority has elected not to follow subsequent private-sector guidance.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues and expenses.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenues are governmental grants, rental income and charges for services. Grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating expenses include the cost of rental operations, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net total assets.

**C. Budgets**

Budgets for all funds are prepared by management and approved by the board of directors and the New Mexico Department of Finance and Administration. The general manager is responsible for preparing the budget, from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting.

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Budgets (continued)

The comprehensive budget package is brought before the board of directors for approval by resolution.

The proposed budget is then submitted by June 1<sup>st</sup> to the New Mexico Department of Finance and Administration (DFA) Local Government Division for approval. DFA certifies a pending budget by July 1<sup>st</sup>, with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such an appropriated balance is legally restricted and is, therefore, presented as a reserved portion of the fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The Authority's level of budgetary control is at the total fund level.

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

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as certificates of deposit.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the state and the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool. New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

E. Inventory

Inventories consist of supplies held for consumption and are recorded at the lower of cost or market on a first in, first out basis.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

H. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others".

I. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation. 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes, the Authority changed its capitalization threshold to include only assets with a cost of \$5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	20 years
Equipment, computer hardware and software, furniture, and fixtures	5-7 years
Building improvements	20 years
Vehicles	5-7 years

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**SOUTHWEST SOLID WASTE AUTHORITY**  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

J. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reflected as a liability of the Authority. In accordance with the provisions of the Governmental Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Annual leave is earned according to the following schedule:

<u>Length of Employment</u>	<u>Full-Time Employee</u>
1 year	3.39 hrs/pay period
2 years	3.70 hrs/pay period
3 years	4.00 hrs/pay period
4 years	4.31 hrs/pay period
5 to 14 years	4.62 hrs/pay period
15 years +	6.16 hrs/pay period

Annual leave for all employees can be carried over from year to year. There is no limit as to the total number of annual leave hours an employee can earn. Upon termination, any unused annual leave shall be paid.

Authority employees accumulate sick leave at a rate of 4.00 hours per pay period. Sick leave for all employees can be carried over from year to year. The maximum accrual on sick leave shall be one thousand (1,000) hours at the end of the calendar year. Employees who have accrued over 1,000 hours sick leave may convert up to forty (40) hours sick leave each year; to 40 hours annual leave each year on a one to one basis.

Upon termination, providing the employee is not terminated from employment and leaves in good standing, the employee will be paid ½ the cash equivalent of up to 1,000 hours of accumulated sick leave. If an employee retires from service with the Authority, and is eligible for Social Security or PERA retirement, or both, then the employee shall be paid all accrued sick leave.

K. Deferred Revenues

The Authority reports deferred revenue on its statement of net assets, when applicable. Deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the Authority receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.



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**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

L. Long-Term Obligations

In the statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Loan issuance costs are deferred and amortized over the life of the loans using the effective interest method.

M. Net Assets

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

**Invested in Capital Assets, Net of Related Debt** – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net assets component as the unspent proceeds.

**Restricted** – This component of net assets consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

N. Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

O. Use of 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 the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO  
SOUTHWEST SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**2. CASH AND INVESTMENTS**

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. 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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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.

Cash Deposited With Financial Institutions

The Authority maintains cash within financial institutions located in Lordsburg, New Mexico and in Silver City, New Mexico. The Authority's deposits are carried at cost.

As of June 30, 2008, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 65	\$ 65
Western Bank	749,572	(48,685)	700,887
AmBank	<u>111,305</u>	<u>-</u>	<u>111,305</u>
Total cash deposits	<u>\$ 860,877</u>	<u>\$ (48,620)</u>	<u>\$ 812,257</u>

The amounts reported as cash for the Authority within the financial statement is displayed as:

Statement of Net Assets:	
Cash	\$ 654,553
Restricted cash	<u>157,704</u>
Total cash reported on financial statements	<u>\$ 812,257</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the deposits (demand and certificates of deposit).

**STATE OF NEW MEXICO  
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NOTES TO FINANCIAL STATEMENTS  
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**2. CASH AND INVESTMENTS (continued)**

*Cash Deposited With Financial Institutions (continued)*

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Western Bank	AmBank
Checking accounts	\$ 638,572	\$ -
Savings and time deposits	111,000	111,305
Total cash deposits	749,572	111,305
Less: FDIC coverage	(200,000)	(100,000)
Total uninsured public funds	<u>\$ 549,572</u>	<u>\$ 11,305</u>
Pledged securities	\$ 326,113	\$ 100,000
Collateral requirements (50% of uninsured public funds)	(274,786)	(5,653)
(Over) under collateralization	<u>\$ 51,327</u>	<u>\$ 94,347</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$560,877 of the Authority's bank balance of \$860,877 was exposed to custodial credit risk as follows:

	Western Bank	AmBank	Total
Uninsured and collateral held by pledging bank's trust department or agent not in Authority's name	<u>\$ 549,572</u>	<u>\$ 11,305</u>	<u>\$ 560,877</u>

**Investments**

Investments owned by the Authority at June 30, 2008 were as follows:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	Investment Pool	N/A	\$ 45,591
Bank of Albuquerque	U.S. Treasury Fund	N/A	201,128
		Total	<u>\$ 246,719</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
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**2. CASH AND INVESTMENTS (continued)**

*Cash Deposited With Financial Institutions (continued)*

*Investments (continued)*

The investment amounts reported within the financial statements are displayed as:

Statement of Net Assets:	
Restricted investments	<u>\$ 246,719</u>

*Cash Deposited With The New Mexico State Treasurer*

New Mexico State Statutes authorize the creation of the local short-term investment fund in the New Mexico State Treasury. The statutes authorize the state treasurer to pool monies received from local public bodies for investment purposes with other public monies under his control. The purpose of the local short-term fund is to provide an investment alternative for local political subdivisions to realize the maximum return consistent with safe and prudent management. As of June 30, 2008, the combined balance of the Authority's investment within the short-term investment fund was \$45,591. The cost basis and the fair market basis of the deposit are equal to \$45,591 (amount of investment).

The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA<sub>m</sub> by Standards and Poor's. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary. The average yield at June 30, 2008, was 2.3991%.

*Interest Rate Risk* – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The portfolio's weighted average maturity is 46-day WAM.

**STATE OF NEW MEXICO**  
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NOTES TO FINANCIAL STATEMENTS  
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**2. CASH AND INVESTMENTS (continued)**

*Cash Deposited With The New Mexico State Treasurer (continued)*

*Other Investments*

As part of the note agreements with the New Mexico Finance Authority, the Authority has cash invested the Bank of Albuquerque. The banks have invested the cash in United States obligations funds.

**3. RESTRICTED ASSETS**

The Authority has restricted cash and investments for particular purposes. A description of the assets restricted, and the purpose of the restriction are described as:

*Restricted Cash*

The Authority has accumulated cash in the amount of \$157,704. The cash is designated by the Authority to offset the landfill closure and post-closure liability.

*Restricted Investments*

The Authority has invested cash in the amount of \$45,591 with the New Mexico State Treasurer's Investment Pool, and \$201,128 with the Bank of Albuquerque. The cash invested at the Bank of Albuquerque is invested in a U.S. Treasury fund. The investments are required as a debt service reserve fund for the notes owed to the New Mexico Finance Authority.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2008, consisted of the following:

Charges for services	\$ 313,260
Allowance for doubtful accounts	<u>(9,800)</u>
	<u>\$ 303,460</u>

**5. INTERGOVERNMENTAL RECEIVABLE**

The amount due from other governments at June 30, 2008, consisted of the following:

Grant County	<u>\$ 10,642</u>
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The Authority anticipates that the receivables will be collected in full, and no allowance for doubtful accounts has been recorded.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
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**6. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business Activities:				
Capital assets, not being depreciated:				
Land	\$ 234,798	\$ -	\$ -	\$ 234,798
Permit - Landfill expansion	44,166	15,897	-	60,063
	<u>278,964</u>	<u>15,897</u>	<u>-</u>	<u>294,861</u>
Total capital assets, not being depreciated				
	278,964	15,897	-	294,861
Other capital assets, being depreciated:				
Landfill improvements	1,510,587	-	-	1,510,587
Buildings	772,596	-	-	772,596
Building improvements	177,875	-	-	177,875
Equipment	1,092,500	451,824	-	1,544,324
Office equipment	11,357	-	-	11,357
Office furniture	2,022	-	-	2,022
Vehicles	361,733	89,198	-	450,931
	<u>3,928,670</u>	<u>541,022</u>	<u>-</u>	<u>4,469,692</u>
Total other capital assets being depreciated				
	3,928,670	541,022	-	4,469,692
Less accumulated depreciation:				
Landfill improvements	(672,720)	(111,211)	-	(783,931)
Buildings	(248,267)	(38,830)	-	(287,097)
Building improvements	(46,849)	(8,893)	-	(55,742)
Equipment	(837,804)	(80,133)	-	(917,937)
Office equipment	(9,540)	(700)	-	(10,240)
Office furniture	(2,022)	-	-	(2,022)
Vehicles	(234,524)	(17,643)	-	(252,167)
	<u>(2,051,726)</u>	<u>(257,410)</u>	<u>-</u>	<u>(2,309,136)</u>
Total accumulated depreciation				
	(2,051,726)	(257,410)	-	(2,309,136)
Other capital assets, net				
	<u>1,876,944</u>	<u>283,612</u>	<u>-</u>	<u>2,160,556</u>
Total capital assets, net				
	<u>\$ 2,155,908</u>	<u>\$ 299,509</u>	<u>\$ -</u>	<u>\$ 2,455,417</u>

**7. ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2008, consisted of the following:

Employee benefits	\$ 10,695
Interest payable	8,535
Payroll taxes payable	2,815
Gross receipts taxes payable	1,650
	<u>23,695</u>
	<u>\$ 23,695</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**8. LONG-TERM OBLIGATIONS**

Changes in long-term debt during the year ended June 30, 2008, were as follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08	Amounts Due Within One Year
Lease purchase payable	\$ 27,445	\$ 176,824	\$ 38,292	\$ 165,977	\$ 35,084
Notes payable	2,185,670	-	175,142	2,010,528	179,856
Landfill closure and post-closure costs	205,506	22,834	-	228,340	-
Compensated absences	71,776	34,732	54,343	52,165	41,732
	<u>\$ 2,490,397</u>	<u>\$ 234,390</u>	<u>\$ 267,777</u>	<u>\$ 2,457,010</u>	<u>\$ 256,672</u>

Lease Purchase Payable

The Authority has entered into two capital lease agreements to purchase equipment. The economic substance of the agreements is that the Authority is financing the purchase of the assets through the lease agreements and, accordingly, they are recorded as liabilities within the Authority's accounting records. The obligations under the capital lease agreements have been recorded in the accompanying financial statements at their present value of future minimum lease payments discounted at 4.59% in one lease and 4.70% in the other annually, as stated in the contract. Included in capital assets is equipment acquired under the capital leases with an acquisition cost of \$551,723.

The following is a schedule of future minimum lease payments required under the two lease agreements, together with the present value as of June 30, 2008.

Total minimum payments through June 30, 2013	\$ 184,716
Less amounts representing imputed interest necessary to reduce future lease payments to net present value.	<u>(18,739)</u>
Present value of minimum lease payments	<u>\$ 165,977</u>

	Principal	Interest	Total
2009	\$ 35,084	\$ 7,051	\$ 42,135
2010	34,325	5,465	39,790
2011	35,988	3,802	39,790
2012	37,731	2,059	39,790
2013	22,849	362	23,211
	<u>\$ 165,977</u>	<u>\$ 18,739</u>	<u>\$ 184,716</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**8. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – New Mexico Finance Authority No. 1*

On May 1, 2003, the Authority entered into an agreement with the New Mexico Finance Authority to borrow \$703,013 to construct a solid waste disposal facility and recycling center. This note bears interest at 3.240% annually, and matures in May 2016. The Finance Authority is charging a .250% administrative fee. The note balance is \$416,180 at June 30, 2008.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
2009	\$ 46,508	\$ 13,124	\$ 59,632
2010	47,819	11,933	59,752
2011	49,276	10,419	59,695
2012	50,871	9,131	60,002
2013	52,570	7,564	60,134
2014-2016	169,136	12,100	181,236
	<u>\$ 416,180</u>	<u>\$ 64,271</u>	<u>\$ 480,451</u>

*Note Payable – New Mexico Finance Authority No. 2*

On October 20, 2003, the Authority entered into an agreement with the New Mexico Finance Authority to borrow \$1,732,951 to pay the principal and accrued interest of the nine (9) notes payable due to the seven (7) municipalities who created the Authority. This note bears interest at 3.080% annually and matures in May 2018. The Finance Authority is charging a .250% administrative fee. The note balance is \$1,260,912 at June 30, 2008.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
2009	\$ 109,282	\$ 40,327	\$ 149,609
2010	112,087	37,802	149,889
2011	115,323	34,855	150,178
2012	118,895	31,579	150,474
2013	122,745	28,036	150,781
2014-2018	682,580	76,322	758,902
	<u>\$ 1,260,912</u>	<u>\$ 248,921</u>	<u>\$ 1,509,833</u>



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
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**8. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – Town of Silver City*

On March 29, 2004, the Authority borrowed \$50,000 from the Town of Silver City, and on May 5, 2004, the Authority borrowed \$250,000 from the Town of Silver City for a total of \$300,000. These notes bear interest at 4.80% annually and mature in April 2019. The balance of the notes is \$175,287 at June 30, 2008.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 12,770	\$ 8,135	\$ 20,905
2010	13,396	7,509	20,905
2011	14,054	6,851	20,905
2012	14,743	6,162	20,905
2013	15,467	5,438	20,905
2014-2018	89,490	15,035	104,525
2019	15,367	309	15,676
	<u>\$ 175,287</u>	<u>\$ 49,439</u>	<u>\$ 224,726</u>

*Note Payable – Grant County*

On March 29, 2004, the Authority borrowed \$50,000 from Grant County, and on May 5, 2004, the Authority borrowed \$150,000 from Grant County for a total of \$200,000. The notes bear interest at 4.80% annually and mature in June 2019. The balance of the notes is \$158,149 at June 30, 2008.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 11,296	\$ 7,345	\$ 18,641
2010	11,850	6,791	18,641
2011	12,432	6,209	18,641
2012	13,042	5,599	18,641
2013	13,681	4,960	18,641
2014-2018	79,163	14,042	93,205
2019	16,685	401	17,086
	<u>\$ 158,149</u>	<u>\$ 45,347</u>	<u>\$ 203,496</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**8. LONG-TERM OBLIGATIONS (continued)**

*Landfill Closure and Post-Closure Costs*

State and federal laws require that the Authority perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. In addition to post-closure costs, a landfill operation must also set aside contingency funds for closure and groundwater assessment activities in the event that the landfill's normal operating budget is insufficient to cover closure and groundwater assessment activities. These requirements are known as "financial assurance" for closure, assessment and post-closure activities. Only the post-closure groundwater monitoring costs are a certain cost. Normally, closure and assessment costs will be funded from the normal operating budget.

Therefore, the estimated financial assurance costs are recognized as a liability. The estimated liability for landfill closure, assessment and post-closure care costs is \$228,340 as of June 30, 2008, which is based on fifty-three percent (58%) usage (filled) or the landfill. As of June 30, 2008, the Authority has set aside cash in the amount of \$157,704 for the liability. The total current estimated current cost of the landfill closure, assessment and post-closure care (\$388,180) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2008. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Authority is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

**9. INTERGOVERNMENTAL REVENUES**

The New Mexico Legislature enacted laws of 2007, Chapter 42, Section 59, subsection 98 (Chapter 42) appropriating \$200,000 to the New Mexico Environment Department (NMED) for expenditure of said appropriation in order to purchase a solid waste compactor for the Authority. The NMED entered into a grant agreement awarding \$200,000 to the Authority for the purchase of the compactor. During the fiscal year, the Authority purchased the compactor with a cost of \$451,824. The Authority used the grant funds of \$200,000, along with a capital lease of \$176,824, and \$75,000 from their operating account to purchase the compactor.

**10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description*

Substantially all of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)**

*Plan Description (continued)*

That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy*

Plan members are required to contribute 7% (ranges from 4.78% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal detention officer) of their gross salary. However, the governing board has elected to be responsible for making contributions of seventy-five percent (75%) of the employees' member contributions to PERA. The net effect of the election requires employees to contribute 1.75% of their gross salary. The Authority would normally be required to contribute 7% (ranges from 7.0% to 25.72% depending upon the plan) however; due to the election to remit 5.25% of the employees share the amount remitted is 12.25% of the gross covered salary. The contribution requirements of plan members and the Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$57,141, \$57,117, and \$53,129, respectively, which equal the amount of the required contributions for each fiscal year.

**11. POST-EMPLOYMENT BENEFITS**

The Retire Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The Authority has elected not to participate in the post-employment health insurance plan.

**12. 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 to employees; and natural disasters. The Authority has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operates as a common risk management and insurance program for local governments. The Authority pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

**13. CONTINGENT LIABILITIES**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

## **INDIVIDUAL FUND STATEMENT**

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 1,556,242	\$ 1,627,742	\$ 1,848,829	\$ 221,087
Operating Expenses:				
Administration	279,964	279,964	239,022	40,942
Regional landfill	817,734	858,234	720,854	137,380
Recycling program	375,066	356,066	330,101	25,965
Total operating expenses	<u>1,472,764</u>	<u>1,494,264</u>	<u>1,289,977</u>	<u>204,287</u>
Operating income	83,478	133,478	558,852	425,374
Non-Operating Revenues (Expenses):				
Intergovernmental income	200,000	200,000	272,000	72,000
Interest income	5,200	5,200	18,603	13,403
Miscellaneous revenue	19,631	19,631	-	(19,631)
Capital outlay	(326,132)	(376,132)	(483,460)	(107,328)
Debt service	<u>(255,264)</u>	<u>(255,264)</u>	<u>(293,108)</u>	<u>(37,844)</u>
Total non-operating revenues (expenses)	<u>(356,565)</u>	<u>(406,565)</u>	<u>(485,965)</u>	<u>(79,400)</u>
Net change in cash balance	(273,087)	(273,087)	72,887	345,974
Cash balance, beginning of year	739,698	739,698	739,698	-
Investment contributions	<u>-</u>	<u>-</u>	<u>(328)</u>	<u>(328)</u>
Cash balance, end of year	<u>\$ 466,611</u>	<u>\$ 466,611</u>	<u>\$ 812,257</u>	<u>\$ 345,646</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
RECONCILIATION OF BUDGETARY COMPARISON SCHEDULE AND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

Sources/Inflows of Operating Resources:	
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 1,848,829
Differences - Budget to GAAP:	
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial purposes.	34,718
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 1,883,547</u>
Uses/Outflows of Operating Resources:	
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 1,289,977
Differences - Budget to GAAP:	
The Authority budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	1,273
The Authority budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	(19,560)
The Authority does not budget for projected landfill closure and post-closure expenses as a current year expenditure. For financial reporting purposes, the Authority has recognized current year's projected expense.	22,834
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	257,410
Amortization of loan fees is not considered an outflow of operating resources for budgetary basis but considered an expense for financial reporting purposes.	2,108
Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 1,554,042</u>

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

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
RECONCILIATION OF BUDGETARY COMPARISON SCHEDULE AND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2008

Sources/Inflows of Non-Operating Resources:	
Actual amounts (budgetary basis) "non-operating revenue" from the budgetary comparison schedule.	\$ 290,603
Differences:	
Accrual of intergovernmental revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial purposes.	(72,000)
Accrual of interest revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial purposes.	<u>3,758</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 222,361</u>
Uses/Outflows of Non-Operating Resources:	
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (776,568)
Differences - Budget to GAAP:	
For budgetary purposes, the Authority accounts for the principal payment as a reduction of debt expenditure. For financial reporting purposes, the payment of debt is reflected as a reduction of a liability.	213,434
The Authority budgets for the capital outlay as a non-operating use of resources. For financial reporting, the capital expenditures are capitalized on the statement of net assets.	483,460
The Authority does not budget accrued interest expense. The amount of accrued interest is reflected as a non-operating expense for financial reporting purposes.	<u>906</u>
Total non-operating expenditures as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ (78,768)</u>

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

## **SUPPLEMENTAL FINANCIAL INFORMATION**



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2008**

Financial Institution/ Account Description	Type of Account	Institution Balance	Reconciling Items	Reconciled Balance
Western Bank P.O. Box 490 Lordsburg, NM 88045-0490				
SW Solid Waste Authority	Checking	\$ 593,970	\$ (56,889)	\$ 537,081
SW Solid Waste Authority	Savings	6,407	-	6,407
SW Solid Waste Authority	Savings	38,195	8,204	46,399
SW Solid Waste Authority	Time Deposit	111,000	-	111,000
		<u>\$ 749,572</u>	<u>\$ (48,685)</u>	<u>\$ 700,887</u>
AmBank P.O. Box 2677 Silver City, NM 88062-2677				
	Time Deposit	<u>\$ 111,305</u>	<u>\$ -</u>	<u>\$ 111,305</u>

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**JUNE 30, 2008**

Western Bank  
P.O. Box 490  
Lordsburg, NM 88045-0490

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par Value</u>	<u>Market Value</u>
Chama VY Indpt Sch Dist	157670DD9	08/01/17	\$ 200,000	\$ -
FHLMC 2488-ML	31392THK6	01/15/31	-	1,794
GNMA II Pool	36202DW72		-	124,319
			<u>\$ 200,000</u>	<u>\$ 126,113</u>

The holder of the security pledged by Western Bank is the Federal Home Loan Bank of Dallas, Attn: Securities Safekeeping Department, P.O. Box 619026, Dallas, TX 75261-9026.

Am Bank  
P.O. Box 2677  
Silver City, NM 88062-2677

<u>Security</u>	<u>CUSIP</u>	<u>Maturity</u>	<u>Par Value</u>
San Juan Co. NM	798359FV2	08/15/08	<u>\$ 100,000</u>

The holder of the security pledged by AmBank is the Federal Home Loan Bank of Dallas, Attn: Securities Safekeeping Department, 8500 Freeport Parkway South, Suite 100, Irving, TX 75063-2547.

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.com

Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

Hector H. Balderas, State Auditor  
and  
Board of Directors  
Southwest Solid Waste Authority  
Silver City, New Mexico

We have audited the business-type activities of the Southwest Solid Waste Authority (Authority), as of and for the year ended June 30, 2008, and the budgetary comparison for the year then ended, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements, that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items 2007-01, and 2007-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

## Internal Control over Financial Reporting (continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that significant deficiency item 2007-01 described above is a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and that is described in the accompanying schedule of findings and responses as item 2008-01.

We noted a certain matter that is required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16 and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule and responses as item 2007-05.

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

This report is intended solely for the information and use of the board of directors, management, others within the Authority, the New Mexico State Auditor, New Mexico Department of Finance and Administration Local Government Division, and is not intended to be and should not be used by anyone other than these specified parties.



Fierro & Fierro, P.A.  
Las Cruces, New Mexico

November 21, 2008

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Item 2007-01 – Written Accounting Policies and Procedures*

**Statement of Condition** – During our evaluation of internal control procedures, we noted that the Authority does not have an accounting policies and procedures manual. The accounting policies and procedures are not documented in writing. The procedures used can change depending on the employee performing the task(s).

**Criteria** – Written documentation is essential in an accounting system, and in establishing a strong internal control system. The accounting policies and procedures manual serves as a guide that all employees must follow.

**Effect** – By not maintaining a manual, employees may deviate from procedures that are required. Errors in the accounting data may result from such deviations.

**Cause** – This particular audit finding was presented to the Authority during the two prior fiscal years and management has given little attention to preparing a manual.

**Recommendation** –We suggest the Authority prepare the manual and present it to the board for approval.

**View of Responsible Officials and Planned Corrective Action** – Staff has drafted a preliminary policy document that will be presented to the board for review and approval.

*Item 2007-03 – Information System Disaster Recovery Policy*

**Statement of Condition** – The Authority does not have an approved information system disaster recovery plan. After the departure of the general manager in November 2007, the executive assistant made an attempt to make weekly copies of the accounting files and store that information on a flash drive that was in turn kept off site. The informal procedure was not done on a consistent basis throughout the remainder of the fiscal year. Currently, all accounting data is stored on a local computer with one additional copy of the data stored on a file server.

**Criteria** – Information system controls require that a comprehensive plan and procedures be documented for computer system recovery in the eventuality of emergencies and/or natural disaster. The information system plan is a generally accepted tool to help insure best results in connection with the planning function, budgeting, training and maximizing strategic productivity for computer systems.

**Effect** – System usage could be impaired or rendered useless for a significant period of time, which could severely impact the Authority's ability to conduct daily operations. Additionally, productivity and effectiveness may be increased with sound information system and technology planning.

**Cause** – This audit finding was presented to the Authority in the prior year and is repeated. Management has not adopted an information system disaster recovery plan that is consistently adhered to by employees of the Authority.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*Item 2007-03 – Information System Disaster Recovery Policy (continued)*

**Recommendation** – We suggest that the Authority adopt a disaster recovery plan that would provide procedures and processes for appropriate computer locations. The plan should address items not limited to: system redundancy, data storage, system firewall monitoring, back-up systems, restoration, contact personnel, and vendors. The adopted plan should be tested and communicated to all necessary parties. Annually, the plan should be assessed by information system personnel for content and revised with approvals when appropriate or necessary.

**View of Responsible Officials and Planned Corrective Action** – Currently the QuickBooks accounting software used by the Authority staff offers an online backup to the software. The staff is researching this option as a secondary option to a hard drive back up process. A policy will be presented to the board for the adoption once this research is completed.

*Item 2007-05 – Board of Directors Official Minutes*

**Statement of Condition** – When we reviewed the Authority’s official board minutes, we noted that the minutes for the July 25, 2007 meeting could not be located. In the previous audit, we noted this fact and the general manager stated that the minutes had been lost; however, reviewing the videotape of the board meeting could create a new set. The general manager left her employment with the Authority without recreating the minutes. With the exception of the July 2007 minutes, all other minutes for meetings held during the fiscal year were located.

**Criteria** – Section 10-15-1G NMSA 1978 provides requirements concerning the official minutes of meetings of the Board of Directors. The statute states, “*the board, commission or other policymaking body shall keep written minutes of all its meetings*”.

**Effect** – The purpose of the minutes is to create a written record of the governing board’s actions. This serves both the legal requirement along with providing the public with information as to the board’s actions. Not maintaining the board minutes places the Authority in direct violation of State statutes, which could subject board members and employees to penalties and fines. Further, by not complying, the board’s actions are not documented for interested members of the public who are unable to attend board meetings.

**Cause** – The general manager is responsible for the preparation of the minutes, and she failed to recreate the minutes prior to her termination as an employee.

**Recommendation** – We suggest that an attempt be made to recreate the July 2007 minutes by reviewing the videotape of the board meeting. Once the minutes have been recreated, the board will be able to approve such minutes.

**Views of Responsible Officials and Planned Corrective Actions** – An attempt will be made to recreate the missing minutes, and a process will be developed to ensure that this will not happen again.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Item 2008-01 – Public Purchasing

**Statement of Condition** – During our testing of Public Purchasing we noted the following:

- On July 10, 2007, the Authority issued an invitation for competitive sealed bids for a new or nearly new Caterpillar 826H or equivalent. The Authority did not purchase the compactor with the lowest cost. The compactor purchased had a cost of \$451,824, while another responsible bidder submitted a bid of \$414,414 for a different brand name compactor.

The Authority did not maintain any documents as to why the more expensive compactor was purchased. The board approved the purchase at the July 25, 2007 meeting and the Authority failed to prepare minutes of that particular meeting. The lack of those exact minutes was discussed in item 2007-05.

- While performing tests of public purchasing, we also noted that the Authority purchased fuel and oil from a particular vendor without requesting competitive sealed bids.

**Criteria** – Items purchased and solicited by competitive sealed bids shall be awarded with reasonable promptness by written notice to the lowest responsible bidder. The invitation for bids (IFB) sets forth the requirements and criteria that will be used to determine the lowest responsive bid. No bid shall be evaluated for any requirement or criterion that is not disclosed in the IFB. These particular items are detailed in New Mexico State Statutes 13-1-105A and 13-1-105B NMSA 1978.

**Effect** – Section 13-1-29C NMSA C NMSA 1978 states that, the purposes of the procurement code (Sections 13-1-28 through 13-1-199 NMSA 1978) are to provide for the fair and equal treatment of all persons involved in **public procurement**, to maximize the **purchasing value of public funds** and to provide safeguards for maintaining a procurement system of quality and integrity. Noncompliance with the procurement code provides for the unfair and equal treatment of all persons involved in public procurement, additionally non-compliance may not provide the maximum purchasing value of public funds. Further, Section 13-1-196 NMSA 1978 states that *any person, firm or corporation that knowingly violates any provision of the Procurement Code is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code.*

**Cause** – The general manager who handled the procurement for the Authority is no longer employed and is not available to explain why the lowest bidder was not selected. The current executive assistant states that as she understands the matter, *the lowest bidder did not have a location near the Authority to provide support and maintenance of the compactor.* While such a requirement seems reasonable, it was not reflected in the criteria of the IFB.

In regards to the purchase of fuels and oil, the staff states that an oversight occurred in not issuing an IFB.



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

Item 2008-01 – Public Purchasing (continued)

**Recommendation** – We suggest that in the future, the Authority's staff provide better documentation within the bid files in order to reflect compliance with the requirements of the Procurement Code. In particular, there should be written documentation as to the criteria required to satisfy the IFB and the evaluation of such criteria. Additionally, the Authority should issue an IFB for fuel and oil for the remainder of the current fiscal year and issue the IFB annually.

**Views of Responsible Officials and Planned Corrective Actions** – Staff will review the state procurement code to insure that all requirements are met on all future bids. A bid is also currently being adopted for the procurement of fuel and oil. This bid will be brought to the board for approval in January 2009.

**STATUS OF PRIOR YEAR'S FINDINGS**

Item 2007-01 – Written Accounting Policies and Procedures – In the previous year's audit report, we noted that the Authority does not have an accounting policies and procedures manual. The prior year's finding has been updated and repeated as the matter has not been resolved.

Item 2007-02 – Collection of Grant Receivable – In the prior year's audit report, we noted that the Authority had not collected an outstanding grant receivable that was earned during the 2006 fiscal year. During the 2008 fiscal year, the receivable was collected. The prior year's finding is considered resolved.

Item 2007-03 – Information System Disaster Recovery Plan Policy – In the prior year's audit report, we noted that the Authority did not have an approved information system disaster recovery plan. The Authority has not resolved the matter; therefore, it is repeated in the current year.

Item 2007-04 – Collateral of Public Money – In the prior year's audit report, we noted that Western Bank had pledged securities to secure the deposits of the Authority that did not meet the requirements of New Mexico State Statutes. During the current year, the bank has met the requirements of State statutes; therefore, the finding is considered resolved.

Item 2007-05 – Board of Director Official Meetings – During the prior year, we noted several deficiencies regarding the retention of the official minutes of the board and the draft copies of minutes not approved. During the fiscal year, the Authority made significant improvements in the retention of said minutes, however, there is one problem still remaining. As a result, Item 2007-05 has been updated and repeated.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
EXIT CONFERENCE & FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2008

**Exit Conference**

The audit report for the fiscal year ended June 30, 2008, was discussed during the exit conference held on November 26, 2008. Present for the Authority was Alex Brown, board chairman; and Diana Temple, executive assistant. Present for the auditing firm was Ed Fierro, CPA.

**Financial Statement Preparation**

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Authority as of and for the year ended June 30, 2008. The Authority engaged another certified public accountant to perform all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The accountant also performed all depreciation calculations for the Authority.