STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

FIERRO & FIERRO, P.A.
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STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
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June 30, 2009

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
DIRECTORY OF OFFICIALS
JUNE 30, 2009

Board of Directors

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

Administrative Staff

C.J. Law	Manager
Diana Temple	Executive Assistant

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

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Independent 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, 2009, 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, 2009, 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, 2009, and the changes in its financial position and its cash flows, thereof, 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, 2009 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 25, 2009, 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.

Fierro + Fierro, P.A.

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

November 25, 2009

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is an overview of the financial condition for the Southwest Solid Waste Authority (the Authority), for the fiscal year ended June 30, 2009. 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, 2009:

- The Authority assets exceeded liabilities by $1,364,397. Approximately 39% 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 $12,888.
- Unrestricted cash at June 30, 2009, amounted to $695,299. At the end of the fiscal year unrestricted current assets amounted to $973,080 while current liabilities were $314,551. Unrestricted current assets exceeded current liabilities by $658,529.
- The Authority's long-term notes and capital leases totaled $2,176,505 at the beginning of the fiscal year. During the fiscal year, the Authority reduced the balance by $214,940 leaving an end of the year balance of $1,961,565.
- During the fiscal year, the Authority increased the financial assurance cash reserve to $206,130.

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.

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:

Southwest Solid Waste Authority's Net Assets	June 30, 2009	June 30, 2008
Assets:		
Current and other assets	$ 1,393,981	$ 1,396,743
Capital assets, net of accumulated depreciation	2,292,550	2,455,417
Total assets	3,686,531	3,852,160
Liabilities:		
Current liabilities	314,551	300,313
Long-term liabilities	2,007,583	2,200,338
Total liabilities	2,322,134	2,500,651
Net Assets:		
Invested in capital assets, net of related debt	622,613	612,348
Restricted for debt service	214,771	246,719
Unrestricted	527,013	492,442
Total net assets	$ 1,364,397	$ 1,351,509

Financial Statement Analysis (continued)

At the end of the previous year cash held by the Authority totaled $812,257. During the fiscal year operations provided $419,358 while capital and financing activities consumed $375,521. The Authority earned $13,388 in interest income during the year. The fiscal agent holding investments used for debt service released $31,947 that was used on debt service. At the end of the current fiscal year the Authority cash balances totaled $901,429. The net receivables including accounts, intergovernmental and interest totaled $277,781 at June 30, 2009. At the end of the previous year the total of receivables equaled $317,917. The net decrease in the receivables when comparing the total to the previous year is equal to $40,136. The Authority reduced its outstanding accounts receivable $93,401 as various governmental entities and customers were current in the accounts. Grant County owed the Authority $45,871 at June 30, 2009 which is reflected as intergovernmental receivables. In the previous year the amount owed by Grant County was $10,699. The Authority is expecting to receive intergovernmental grant revenue of $16,451.

During the fiscal year the Authority purchased additional capital assets of $103,347 all of which were funded from cash of the Authority. The Authority recorded depreciation expense of $283,956 during the fiscal year. The net decrease of $180,609 explains the difference of the beginning of year net capital assets of $2,455,417 and the end of year net capital assets of $2,274,808.

Changes in the accounts payable, accrued liabilities, and accrued salaries account for the majority of the changes in current liabilities from the previous year to the current year. The changes would be considered normal when compared to most business practices as timing between the accrual of the liabilities and the payment of the liabilities account for the changes. Long term liabilities which includes, capital leases, notes payables, landfill closure and post-closure costs, and compensated absences totaled $2,457,101 at the beginning of the year. During the year the Authority increased its landfill closure and post closure liability by $22,834. The increased in based upon the usage of the landfill. Note 8 of the notes to the financial statements provide a detailed discussion of the landfill closure and post-closure liability. The Authority made its scheduled debt retirement payments on a timely basis which totaled $35,084 for the capital lease and $179,856 for the outstanding notes. The net increase in compensated absences liability from the previous year was $5,120.

Net assets for the current year increased by $12,888 the direct result of operations during the current year.

Southwest Solid Waste Authority's Changes in Net Assets	June 30, 2009	June 30, 2008
Revenues:		
Operating Revenues:		
Charges for services	$ 1,711,629	$ 1,883,547
Non-Operating Revenues:		
Intergovernmental income	16,451	200,000
Interest income	15,030	22,361
Total revenues	1,743,110	2,105,908

Financial Statement Analysis (continued)

Southwest Solid Waste Authority's Changes in Net Assets	June 30, 2009	June 30, 2008
Expenses:		
Operating Expenses:		
Administration	250,716	231,735
Regional landfill	771,801	742,151
Recycling program	346,451	320,638
Amortization	2,108	2,108
Depreciation	283,956	257,410
Non-Operating Expenses:		
Interest expense	75,190	78,768
Total expenses	1,730,222	1,632,810
Change in net assets	$ 12,888	$ 473,098

The net income from the current year is $12,888, which is a decrease of $460,210 from the previous year's net income of $473,098. The large decrease can be attributed to three factors; (1) charges for services decreased by $171,918; (2) intergovernmental revenues decreased by $183,549 and operating expenses increased by $100,990. The decline in revenues can be attributed to a decline in construction in the area. For the past two years construction has nearly stopped causing less waste for the landfill. During the prior 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 recorded as a capital asset on the Authority's balance sheet. The entire grant revenue was recognized as revenue in the past year. In the current year, the Authority received a small recycling grant in the amount of $16,451 from the New Mexico Environment Department.

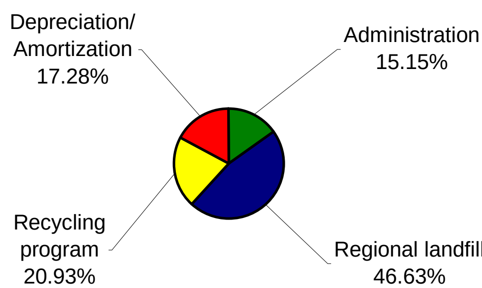
Expenses in the current year increased in all three functions of operating expenses of the Authority. Administration expenses in the current year increase by $18,981 in the current year as compared to the prior year. There were increases in salaries ($15,455) caused by the filling of the general manager position, increases in the property and general liability insurance ($4,408) and professional services ($8,238). Regional landfill expenses increased from $742,151 in the previous year to $771,801 in the current year. The net increase is $29,860. While the Authority kept most expenses at the same level as the previous year, wages and payroll taxes increased by $21,657, and health insurance expense increased by $16,792. Recycling program expenses increased from $320,638 in the previous year to $346,451 in the current year. The major increase was for additional recycling expenses that were reimbursed from a grant received by the New Mexico Environment Department.

Expenses

The following chart shows the major sources of operating expenses for the fiscal year ended June 30, 2009:

Expenses (continued)

Expenses by Source - Operating



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 Note 1C of 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 $1,629,000 and the results of operations produced actual revenues of $1,769,531, which was an excess of $140,531. During the fiscal year, the Authority decreased its anticipated revenues by $18,319 from the original budget to the final budget.

During the current year, the Authority's final budget operating expenses amounted to $1,614,160. The actual expenses amounted to $1,350,173 thereby resulting in a savings of $263,989. The Authority made various changes in the original budget expense accounts to obtain the final budgeted expenses; however, the net amount only added to $13,836 to the final budget.

During the current year, the Authority established its capital outlay budget at $205,000. Actual capital outlay for the year was $84,599, which saved $120,399 from the budget.

On the original and final budget, the Authority anticipated that the result of operations would produce a net loss of $408,069 and $442,424, respectively. The actual result of operations produced a net income of $57,225 allowing the Authority to increase its beginning cash. The beginning cash balance plus net income and debt reserves released, resulted in a cash balance of $901,429 at year end.

Budgetary Highlights (continued)

Capital Assets

The Authority's investment in capital assets as of June 30, 2009 amounts to $2,274,808, 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 made improvements to the buildings in the amount of $20,261.
- The Authority purchased a roll-off truck with a cost of $21,806, and two roll off containers in the amount of $10,874.
- The Authority expended $21,577 for the permit application for the landfill expansion, and expended $28,829 for construction of a new landfill cell.

The following reflects the breakdown of assets by classification:

Southwest Solid Waste Authority's Capital Assets (Net of Accumulated Depreciation)	June 30, 2009	June 30, 2008
Land	$ 234,798	$ 234,798
Landfill expansion	110,469	60,063
Buildings	446,669	485,499
Building improvements	132,009	122,133
Landfill improvements	615,446	726,656
Equipment	557,725	626,387
Office equipment	417	1,117
Vehicles	177,275	198,764
	$ 2,274,808	$ 2,455,417

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

Long-Term Debt

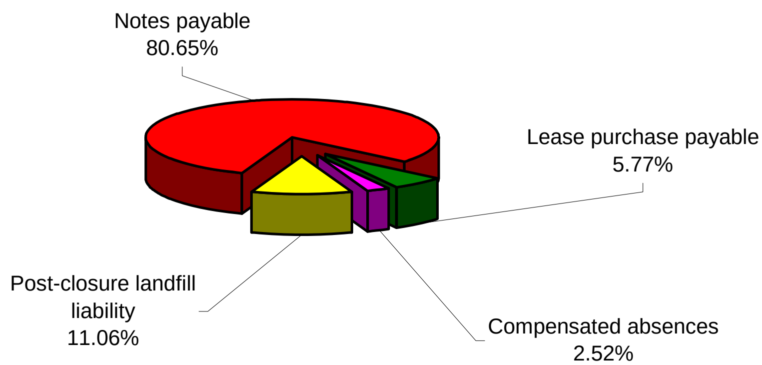
At the end of the current year, the Authority had total debt outstanding of $2,270,024 that consists of notes, lease purchases, compensated absences, and landfill post-closure liability. The notes payable due to the New Mexico Finance Authority are secured by pledged environmental gross receipts tax revenues from Grant County.

During the current year, the Authority made principle payments of $214,940 on its capital leases and notes.

Long-Term Debt (continued)

	June 30, 2009	June 30, 2008
Notes payable	$ 1,830,672	$ 2,010,528
Lease purchase payable	130,893	165,977
Compensated absences	57,285	52,165
Post-closure landfill liability	251,174	228,340
Total	$ 2,270,024	$ 2,457,010

Southwest Solid Waste Authority's Outstanding Debt
June 30, 2009



Currently Known Facts, Decisions or Conditions

The Southwest Solid Waste Authority was faced this year with the need to construct a new cell for the deposition of solid waste at the Southwest Regional Landfill (SRL). The new cell was needed as a result of the prior cell being filled to capacity. The new cell was the sixth of a planned and permitted 12 cells that will comprise the SRL. Earthwork for the new cell was performed by Authority staff over a period of months prior to the beginning of the bidding process for the necessary liners that are required by the New Mexico Environment Department.

In preparation for the liner installation, external funding was sought to defray the high costs of this component of the project. Two grants were written for this purpose, one seeking Colonias funds and the other to the New Mexico Finance Authority. Neither of these proposals was funded as the state found itself in dire financial woes and did not fund any proposals.

Consequently, the Authority had to pay for the liner by utilizing operational funds including money that had been earmarked for the closure/post closure reserve fund.

Currently Known Facts, Decisions or Conditions (continued)

Provisions will be made in future years to repay the closure/post-closure fund. A fund will also be established to prepare for the future need of opening a new cell. Operational budgets were reassessed and reduced to minimum levels to accomplish this task. The new cell, #6 was opened for the placement of solid waste on November 17, 2009.

The Authority has also worked closely with consultants and professionals on the development of a water monitoring plan and to develop a methane monitoring plan and establish permanent monitoring sites.

Work continues on permit modifications to adjust the footprint of the landfill and set its maximum height. As the permit is being revised, the Authority will also request permission to accept wastewater treatment plant sludge, petroleum contaminated soil, industrial solid waste, and asbestos containing materials.

Under current conditions, the Authority has the fiscal ability to continue to operate the landfill and recycle center at present capacity. Financial planning will be needed to repay funds used for the reserve and establish a contingency fund to be use in the case financial exigency.

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 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, 2009

ASSETS	
Current Assets:	
Cash	$ 695,299
Receivables, net of allowances for doubtful accoutns:	
Accounts	210,059
Intergovernmental	62,322
Interest	5,400
Total current assets	973,080
Restricted Current Assets:	
Cash	206,130
Investments held by fiscal agent	214,771
Total restricted current assets	420,901
Non-Current Assets:	
Capital Assets:	
Capital assets, not being depreciated	345,267
Other capital assets, net of depreciation	1,929,541
Other Assets:	
Loan amortization, net of amortization	17,742
Total non-current assets	2,292,550
Total assets	3,686,531
LIABILITIES	
Current Liabilities:	
Accounts payable	23,138
Accrued liabilities	9,987
Accrued salaries	18,985
Current maturities of:	
Lease purchase payable	34,325
Notes payable	185,152
Compensated absences	42,964
Total current liabilities	314,551
Non-Current Liabilities:	
Lease purchase payable	96,568
Notes payable	1,645,520
Compensated absences	14,321
Landfill closure and post-closure	251,174
Total non-current liabilities	2,007,583
Total liabilities	2,322,134
NET ASSETS	
Invested in capital assets, net of related debt	622,613
Restricted for debt service	214,771
Unrestricted	527,013
Total net assets	$ 1,364,397

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, 2009

Operating Revenues:	
Charges for services	$ 1,711,629
Operating Expenses:	
Administration	250,716
Regional landfill	771,801
Recycling program	346,451
Depreciation	283,956
Amortization	2,108
Total operating expenses	1,655,032
Operating income	56,597
Non-Operating Revenues (Expenses):	
Intergovernmental income	16,451
Interest income	15,030
Interest expense	(75,190)
Total non-operating revenues (expenses)	(43,709)
Change in net assets	12,888
Net assets, beginning of year	1,351,509
Net assets, end of year	$ 1,364,397

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, 2009

Cash Flows From Operating Activities:	
Cash received from customers	$ 1,769,531
Cash payments to suppliers for goods and services	(474,336)
Cash payments to employees for services	(517,507)
Cash payments for employees benefits and payroll taxes	(358,330)
Net cash provided by operating activities	419,358
Cash Flows From Capital and Financing Activities:	
Acquisition of capital assets	(84,599)
Principal payments on capital debt	(214,940)
Interest on debt	(75,982)
Net cash (used) by capital and financing activities	(375,521)
Cash Flows From Investing Activities:	
Interest income	13,388
Debt service reserve funds released	31,947
Purchase of certificates of deposit	(364,349)
Net cash (used) by investing activities	(319,014)
Net (decrease) in cash	(275,177)
Cash and cash equivalents, beginning of year	812,257
Cash and cash equivalents, end of year	$ 537,080
Displayed as:	
Cash	$ 695,299
Restricted cash	206,130
Time deposits not considered cash equivalents	(364,349)
	$ 537,080

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, 2009

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$	56,597
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		283,956
Landfill and post-closure expense		22,834
Amortization		2,108
Change in Assets and Liabilities:		
Decrease in accounts receivable		58,230
(Decrease) in accounts payable		(5,069)
(Decrease) in gross receipts taxes		(328)
Increase in accrued salaries		8,498
(Decrease) in employee benefits		(10,695)
(Decrease) in payroll taxes		(1,893)
Increase in compensated absences		5,120
Total adjustments		362,761
Net cash provided by operating activities	$	419,358

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

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.

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 charges for services. Operating expenses include the costs of operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Grant revenue which is considered non-operating revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets (continued)

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

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

The budget is 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.

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 the current fiscal year, 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

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:

Length of Employment	Full-Time Employee
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 one-half 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.

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.

2. CASH

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, 2009, 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:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	$ -	$ 65	$ 65
Western Bank	829,097	(42,082)	787,015
AmBank	114,349	-	114,349
Total cash deposits	$ 943,446	$ (42,017)	$ 901,429

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

Statement of Net Assets:	
Cash	$ 695,299
Restricted cash	206,130
	$ 901,429

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).

2. CASH (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	$ 492,116	$ -
Savings and time deposits	336,981	114,349
Total cash deposits	829,097	114,349
Less: FDIC coverage	(500,000)	(250,000)
Total uninsured public funds	$ 329,097	$ -
Pledged securities	$ 556,453	$ 100,000
Collateral requirements (50% of uninsured public funds)	(164,549)	-
Over (under) collateralization	$ 391,904	$ 100,000

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 $250,000 in aggregate and separate from the $250,000 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, 2009, $329,097 of the Authority's bank balance of $943,446 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	$ 329,097	$ -	$ 329,097

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 $206,130. The cash is designated by the Authority to offset the landfill closure and post-closure liability.

3. RESTRICTED ASSETS (continued)

Investments Held by Fiscal Agent

The Authority has borrowed money from the New Mexico Finance Authority (NMFA) to refinance debt due to the seven governments who created the Authority, and to construct a solid waste disposal facility and recycling center. As part of the agreements, NMFA has required debt reserve accounts be established. At June 30, 2009, $200,688 is held with the Bank of Albuquerque while $5,442 is held in the New Mexico State Treasurer's local government investment pool. The reserve accounts held at the Bank of Albuquerque are invested in a U.S. Treasury fund. The cost basis and the fair market basis of the U.S. Treasury fund are equal to $200,688 (amount of investment).

The remaining amount of $5,442 is held in the state treasurer's local government investment pool. The cost basis and the fair market basis of the investment are equal to $5,442 (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_m 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, 2009, was 2.85%.

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 43-day WAM.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2009, consisted of the following:

Charges for services	$ 219,859
Allowance for doubtful accounts	(9,800)
	$ 210,059

4. ACCOUNTS RECEIVABLE (continued)

The Authority's policy is to provide for uncollectible accounts based upon expected defaults.

5. INTERGOVERNMENTAL RECEIVABLE

The amount due from other governments at June 30, 2009, consisted of the following:

Grant County	$ 45,871
NM Environment Department	16,451
	$ 62,322

The Authority anticipates that the receivables will be collected in full, and no allowance for doubtful accounts has been recorded.

6. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2009:

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Business Activities:				
Capital assets, not being depreciated:				
Land	$ 234,798	$ -	$ -	$ 234,798
Landfill expansion	60,063	50,406	-	110,469
Total capital assets, not being depreciated	294,861	50,406	-	345,267
Other capital assets, being depreciated:				
Landfill improvements	1,510,587	-	-	1,510,587
Buildings	772,596	-	-	772,596
Building improvements	177,875	20,261	-	198,136
Equipment	1,544,324	32,680	-	1,577,004
Office equipment	11,357	-	-	11,357
Office furniture	2,022	-	-	2,022
Vehicles	450,931	-	-	450,931
Total other capital assets, being depreciated	4,469,692	52,941	-	4,522,633

6. CAPITAL ASSETS (continued)

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
Less accumulated depreciation:				
Landfill improvements	(783,931)	(111,210)	-	(895,141)
Buildings	(287,097)	(38,830)	-	(325,927)
Building improvements	(55,742)	(10,385)	-	(66,127)
Equipment	(917,937)	(101,342)	-	(1,019,279)
Office equipment	(10,240)	(700)	-	(10,940)
Office furniture	(2,022)	-	-	(2,022)
Vehicles	(252,167)	(21,489)	-	(273,656)
Total accumulated depreciation	(2,309,136)	(283,956)	-	(2,593,092)
Other capital assets, net	2,160,556	(231,015)	-	1,929,541
Total capital assets, net	$ 2,455,417	$ (180,609)	$ -	$ 2,274,808

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2009, consisted of the following:

Interest payable	$ 7,743
Gross receipts taxes payable	1,322
Payroll taxes payable	922
	$ 9,987

8. LONG-TERM OBLIGATIONS

Changes in long-term debt during the year ended June 30, 2009, were as follows:

	Balance 06/30/08	Additions	Deletions	Balance 06/30/09	Amounts Due Within One Year
Lease purchase payable	$ 165,977	$ -	$ 35,084	$ 130,893	$ 34,325
Notes payable	2,010,528	-	179,856	1,830,672	185,152
Landfill closure and post-closure costs	228,340	22,834	-	251,174	-
Compensated absences	52,165	35,225	30,105	57,285	42,964
	$ 2,457,010	$ 58,059	$ 245,045	$ 2,270,024	$ 262,441

Lease Purchase Payable

The Authority has entered into a capital lease agreement to purchase equipment. The economic substance of the agreements is that the Authority is financing the purchase of the assets through the lease agreement and, accordingly, is recorded as a liability within the Authority's accounting records.

8. LONG-TERM OBLIGATIONS (continued)

Lease Purchase Payable (continued)

The obligation under the capital lease agreement has been recorded in the accompanying financial statements at its present value of future minimum lease payments discounted at 4.70% annually, as stated in the contract. Included in capital assets is equipment acquired under the capital leases with an acquisition cost of $451,824.

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, 2009.

Total minimum payments through June 30, 2013	$ 142,581
Less amounts representing imputed interest necessary to reduce future lease payments to net present value.	(11,688)
Present value of minimum lease payments	$ 130,893

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
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
	$ 130,893	$ 11,688	$ 142,581

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 .25% administrative fee. The note balance is $369,672 at June 30, 2009.

Annual debt service requirements are as follows:

Due in the year ended June 30:

8. LONG-TERM OBLIGATIONS (continued)

	Principal	Interest	Total
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	54,377	5,892	60,269
2015-2016	114,759	6,208	120,967
	$ 369,672	$ 51,147	$ 420,819

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) governments who created the Authority. This note bears interest at 3.080% annually and matures in May 2018. The Finance Authority is charging a .25% administrative fee. The note balance is $1,151,360 at June 30, 2009.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
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	126,880	24,219	151,099
2015-2018	555,700	52,103	607,803
	$ 1,151,630	$ 208,594	$ 1,360,224

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 $162,517 at June 30, 2009.

Annual debt service requirements are as follows:

8. LONG-TERM OBLIGATIONS (continued)

Due in the year ended June 30:

	Principal	Interest	Total
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	16,226	4,679	20,905
2015-2019	88,631	10,665	99,296
	$ 162,517	$ 41,304	$ 203,821

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 $146,853 at June 30, 2009.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
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	14,353	4,288	18,641
2015-2019	81,495	10,155	91,650
	$ 146,853	$ 38,002	$ 184,855

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.

8. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

Therefore, the estimated financial assurance costs are recognized as a liability. The estimated liability for landfill closure, assessment and post-closure care costs is $251,174 as of June 30, 2009, which is based on sixty-five percent (65%) usage (filled) or the landfill. As of June 30, 2009, the Authority has set aside cash in the amount of $206,130 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, 2009. 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. 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. 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.

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 general, municipal police, municipal fires, 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, 2009, 2008 and 2007 were $58,065, $57,141, and $57,117, respectively, which equal the amount of the required contributions for each fiscal year.

10. 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.

11. 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.

12. CONTINGENT LIABILITES

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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	$ 1,647,319	$ 1,629,000	$ 1,769,531	$ 140,531
Operating Expenses:				
Administration	316,390	310,835	245,985	64,850
Regional landfill	871,298	883,287	758,584	124,705
Recycling program	412,636	420,038	345,604	74,434
Total operating expenses	1,600,324	1,614,160	1,350,173	263,989
Operating income	46,995	14,840	419,358	404,520
Non-Operating Revenues (Expenses):				
Interest income	5,200	3,000	13,388	10,388
Capital outlay	(205,000)	(205,000)	(84,599)	120,399
Debt service	(255,264)	(255,264)	(290,922)	(35,658)
Total non-operating revenues (expenses)	(455,064)	(457,264)	(362,133)	95,129
Net change in cash balance	(408,069)	(442,424)	57,225	499,649
Cash balance, beginning of year	812,257	812,257	812,257	-
Debt service reserve funds released	-	-	31,947	31,947
Cash balance, end of year	$ 404,188	$ 369,833	$ 901,429	$ 531,596

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, 2009

Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	$	1,769,531
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.		(58,230)
The Authority reduces charges for services revenue by the amount paid for governmental gross receipts taxes for the budgetary basis of accounting. For financial reporting purposes, the taxes due are accrued at year-end.		328
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	1,711,629
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	$	1,350,173
Differences - Budget to GAAP:		
The Authority budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not not included in the budgetary basis but are expenses for financial reporting purposes.		(5,069)
The Authority budgets for salaries, payroll taxes, and employee benefits paid for during the current accounting period. Accrual of salaries, payroll taxes and employee benefits are not included in the budgetary basis but are expenses for financial reporting purposes.		1,030
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.		283,956
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.	$	1,655,032

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, 2009

Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	$	13,388
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.		16,451
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.		1,642
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	31,481
Uses/Outflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	$	(375,523)
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.		214,940
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.		84,601
The Authority does not budget accrued interest expense. The amount of accrued interest is reflected as a non-operating expense for financial reporting purposes.		792
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	$	(75,190)

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, 2009

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	$ 492,116	$ (53,332)	$ 438,784
SW Solid Waste Authority	Savings	6,450	-	6,450
SW Solid Waste Authority	Savings	80,531	11,250	91,781
SW Solid Waste Authority	Time Deposit	250,000	-	250,000
		$ 829,097	$ (42,082)	$ 787,015
AmBank P.O. Box 2677 Silver City, NM 88062-2677	Time Deposit	$ 114,349	$ -	$ 114,349

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2009

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

Security	CUSIP	Maturity	Par Value	Market Value
Chama VY Indpt Sch Dist	157670DD9	08/01/17	$ 200,000	$ -
GNMA II Pool	36202DW72	04/20/18	-	106,453
Carlsbad NM BRH	142723AY1	08/01/16	250,000	-
			$ 450,000	$ 106,453

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

Security	CUSIP	Maturity	Par Value
Chaves Co. NM	162634BMO	08/01/17	$ 100,000

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

FIERRO & FIERRO, P.A. **CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2009, and the budgetary comparison for the year then ended, and have issued our report thereon dated November 25, 2009. 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 item 2007-01.

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 entity'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Authority's response to the finding 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.

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

November 25, 2009

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 – We have decided to rework our preliminary draft accounting policies and procedures manual. Commencing with October 2009, we have three full-time employees performing the administration and accounting function. With the hiring of a new accountant, we should have sufficient time to work on the manual in the 2009-1010 fiscal year.

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 repeated as the matter has not been 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. While the Authority has not written a recovery plan policy, they have made improvements to the information system disaster recovery procedures. The prior year's finding is considered resolved.

Item 2007-05 – Board of Director Official Meetings – In the previous year, we noted that the minutes for the July 25, 2007 meeting could not be located. The previous general manager had informed the auditors that a videotape of the meeting existed and the minutes could be created from the videotape. According to the executive assistant, the videotape does not exist. At this point in time, it is not logical to recreate the minutes from the memories of board members present at the meeting. Since the minute can not be recreated, we consider the finding resolved in an unsatisfactory manner.

STATUS OF PRIOR YEAR'S FINDINGS (continued)

Item 2008-01 – Public Purchasing – In the previous year's audit, we noted that the Authority did not comply with the Public Purchasing Act regarding the purchase of a trash compactor and the purchase of fuel and oils. During the current year, the Authority solicited bids for fuel and oils. Additionally, for other items tested, the Authority complied with the Public Purchasing Act. The prior audit finding is considered resolved.

Exit Conference

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 30, 2009. Present for the Authority was Pete Peña, alternate board member, Town of Silver City; C.J. Law, manager; 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, 2009. 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.