STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2010

FIERRO & FIERRO, P.A.
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STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
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June 30, 2010

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
DIRECTORY OF OFFICIALS
JUNE 30, 2010

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
Edward Encina	Member	Village of Hurley
Ted Castillo	Member	City of Lordsburg
Charles Kelly	Member	City of Bayard
Richard Bauch	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

Ed Fierro, CPA • Rose Fierro, CPA

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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, 2010, 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, 2010, 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, 2010, 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, 2010 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 22, 2010, 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 Authority has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 22, 2010

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS		
Current Assets:		
Cash	$	432,227
Receivables, net of allowances for doubtful accounts:		
Accounts		237,882
Intergovernmental		28,321
Interest		151
Total current assets		698,581
Restricted Current Assets:		
Cash		253,615
Investments held by fiscal agent		233,469
Total restricted current assets		487,084
Non-Current Assets:		
Capital Assets:		
Capital assets, not being depreciated		234,798
Other capital assets, net of depreciation		1,995,736
Other Assets:		
Loan amortization, net of amortization		15,634
Total non-current assets		2,246,168
Total assets		3,431,833
LIABILITIES		
Current Liabilities:		
Accounts payable		8,052
Accrued liabilities		8,482
Accrued salaries payable		16,718
Current maturities of:		
Lease purchase payable		35,988
Notes payable		191,085
Compensated absences payable		50,956
Total current liabilities		311,281
Non-Current Liabilities:		
Lease purchase payable		60,580
Notes payable		1,454,435
Compensated absences payable		16,985
Landfill closure and post-closure liability		174,680
Total non-current liabilities		1,706,680
Total liabilities		2,017,961
NET ASSETS		
Invested in capital assets, net of related debt		488,446
Restricted for debt service		233,469
Unrestricted		691,957
Total net assets	$	1,413,872

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, 2010

Operating Revenues:		
Charges for services	$	1,726,852
Operating Expenses:		
Administration		341,714
Regional landfill		689,377
Recycling program		357,744
Depreciation		329,851
Amortization		2,108
Total operating expenses		1,720,794
Operating income		6,058
Non-Operating Revenues (Expenses):		
Intergovernmental income		20,238
Interest income		3,818
Interest expense		(68,778)
Total non-operating revenues (expenses)		(44,722)
Change in net assets		(38,664)
Net assets, beginning of year		1,364,397
Restatements		88,139
Net assets, beginning of year restated		1,452,536
Net assets, end of year	$	1,413,872

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, 2010

Cash Flows From Operating Activities:	
Cash received from customers	$ 1,732,229
Cash payments to suppliers for goods and services	(438,983)
Cash payments to employees for services	(618,155)
Cash payments for employees benefits and payroll taxes	(338,436)
Net cash provided by operating activities	336,655
Cash Flows from Non-Capital Financing Activities:	
Cash received from intergovernmental sources	20,238
Cash Flows From Capital and Financing Activities:	
Acquisition of capital assets	(273,781)
Principal payments on capital debt	(219,477)
Interest on debt	(69,591)
Net cash (used) by capital and financing activities	(562,849)
Cash Flows From Investing Activities:	
Redemption of certificate of deposit not considered cash equivalent	250,000
Interest income	9,067
Cash transferred to debt reserve	(18,698)
Interest income rolled into certificate of deposit	(2,135)
Net cash provided by investing activities	238,234
Net increase in cash	32,278
Cash and cash equivalents, beginning of year	537,080
Cash and cash equivalents, end of year	$ 569,358
Displayed as:	
Cash	$ 432,227
Restricted cash	253,615
Time deposits not considered cash equivalents	(116,484)
	$ 569,358

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, 2010

Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$	6,058
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation		329,851
Landfill and post-closure expense		11,645
Bad debts		9,800
Amortization		2,108
Change in Assets and Liabilities:		
Increase in accounts receivable		(3,622)
Increase in accounts payable		(26,882)
(Decrease) in gross receipts taxes payable		(801)
(Decrease) in accrued salaries payable		(2,267)
Increase in payroll taxes payable		109
Increase in compensated absences payable		10,656
Total adjustments		330,597
Net cash provided by operating activities	$	336,655

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. All financial activity is recorded in one 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

The budget for the one enterprise fund is prepared by management and approved by the board of directors and the New Mexico Department of Finance and Administration. The 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, and program; 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.

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 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 funds set aside for future closure and post-closure liability.

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, 2010, 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	540,896	28,397	569,293
AmBank	116,484	-	116,484
Total cash deposits	$ 657,380	$ 28,462	$ 685,842

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

Statement of Net Assets:	
Cash	$ 432,227
Restricted cash	253,615
	$ 685,842

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	$ 397,276	$ -
Savings and time deposits	143,620	116,484
Total cash deposits	540,896	116,484
Less: FDIC coverage	250,000	116,484
Total uninsured public funds	$ 290,896	$ -
Pledged securities	$ 537,084	$ -
Collateral requirements (50% of uninsured public funds)	145,448	-
Over (under) collateralization	$ 391,636	$ -

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

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, 2010, $290,896 of the Authority's bank balance of $657,380 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	$ 290,896	$ -	$ 290,896

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 $253,615. 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 retained funds. The funds are placed in the New Mexico Local Government Investment Pool and the Bank of New York Mellon Trust Co., N.A. The amount and description of the investments are described below:

Agency	Investment	Maturity	Fair Market Value
NM State Treasurer	LG Investment Pool	N/A	$ 32,540
Bank of NY Mellon Trust Company	Dreyfus Cash Mgt	N/A	67,010
Bank of NY Mellon Trust Company	Federated Govt Bldg Fund #5	N/A	66,960
Bank of NY Mellon Trust Company	Fidelity Institutional MM Govt Portfolio Class I	N/A	66,959
			$ 233,469

Cash Deposited With the New Mexico State Treasurer

As of June 30, 2010, the combined balance of the Authority's debt service accounts within the local government investment pool was $32,540. The cost and the fair market basis of the deposit are equal to $32,540 (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.

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 50-day WAM.

3. RESTRICTED ASSETS (continued)

Bank of New York Mellon Trust Company, N.A.

As part of note agreements and covenants, the authority has cash invested at the Bank of New York Mellon Trust Company. The bank has invested funds within the Dreyfus Cash Management Constitutional Shares fund, the Federated Government Obligation fund, and the Fidelity Institutional Money Market Government fund. The funds invest in diversified portfolio of high quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

The cost basis and the fair market basis of the deposit are equal to $200,929 (amount of investment). The investments are valued at fair value based on quoted market prices as the valuation debt. The funds are rated AAA_m by Standards and Poors.

Interest Rate Risk – Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair market 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 Dreyfus Cash Mgt fund weighted average maturity is 32-day WAM; the Federated Government Obligation's fund weighted average maturity is 35-day WAM; the Fidelity Institutional Money Market Government fund weighted average maturity is 27-day WAM.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010, consisted of the following:

Charges for services	$ 257,482
Allowance for doubtful accounts	(19,600)
	$ 237,882

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, 2010, consisted of the following:

Grant County	$ 28,321

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, 2010:

	Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Business Activities:				
Capital assets, not being depreciated:				
Land	$ 234,798	$ -	$ -	$ 234,798
Landfill expansion	110,469	-	(110,469)	-
Total capital assets, not being depreciated	345,267	-	(110,469)	234,798
Other capital assets, being depreciated:				
Landfill improvements	1,510,587	372,296	-	1,882,883
Buildings	772,596	-	-	772,596
Building improvements	198,136	-	-	198,136
Equipment	1,577,004	23,750	-	1,600,754
Office equipment	11,357	-	-	11,357
Office furniture	2,022	-	-	2,022
Vehicles	450,931	-	-	450,931
Total other capital assets, being depreciated	4,522,633	396,046	-	4,918,679
Less accumulated depreciation:				
Landfill improvements	(895,141)	(173,253)	-	(1,068,394)
Buildings	(325,927)	(38,829)	-	(364,756)
Building improvements	(66,127)	(11,788)	-	(77,915)
Equipment	(1,019,279)	(84,077)	-	(1,103,356)
Office equipment	(10,940)	(417)	-	(11,357)
Office furniture	(2,022)	-	-	(2,022)
Vehicles	(273,656)	(21,487)	-	(295,143)
Total accumulated depreciation	(2,593,092)	(329,851)	-	(2,922,943)
Other capital assets, net	1,929,541	66,195	-	1,995,736
Total capital assets, net	$ 2,274,808	$ 66,195	$ (110,469)	$ 2,230,534

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2010, consisted of the following:

Interest payable	$ 6,930
Gross receipts taxes payable	521
Payroll taxes payable	1,031
	$ 8,482

8. LONG-TERM OBLIGATIONS

During the fiscal year, the Authority discovered that the closure and post-closure liability as June 30, 2009 was overstated by $88,139. The June 30, 2009 balance of $251,174 has been restated to $163,035.

Changes in long-term debt during the year ended June 30, 2010, were as follows:

	Restated Balance 06/30/09	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Lease purchase payable	$ 130,893	$ -	$ 34,325	$ 96,568	$ 35,988
Notes payable	1,830,672	-	185,152	1,645,520	191,085
Landfill closure and post-closure costs	163,035	11,645	-	174,680	-
Compensated absences	57,285	60,806	50,150	67,941	50,956
	$ 2,181,885	$ 72,451	$ 269,627	$ 1,984,709	$ 278,029

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. 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	$ 102,791
Less amounts representing imputed interest necessary to reduce future lease payments to net present value.	6,223
Present value of minimum lease payments	$ 96,568

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
2011	$ 35,988	$ 3,802	$ 39,790
2012	37,731	2,059	39,790
2013	22,849	362	23,211
	$ 96,568	$ 6,223	$ 102,791

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 .25% administrative fee. The note balance is $321,853 at June 30, 2010.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
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	56,324	4,087	60,411
2016	58,435	2,121	60,556
	$ 321,853	$ 39,214	$ 361,067

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 $1,039,543 at June 30, 2010.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
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	131,319	20,108	151,427
2016-2018	424,381	31,995	456,376
	$ 1,039,543	$ 170,792	$ 1,210,335

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 $149,121 at June 30, 2010.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
2011	$ 14,054	$ 6,851	$ 20,905
2012	14,743	6,162	20,905
2013	15,466	5,439	20,905
2014	16,226	4,679	20,905
2015	17,021	3,884	20,905
2016-2019	71,611	6,780	78,391
	$ 149,121	$ 33,795	$ 182,916

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 $135,003 at June 30, 2010.

Annual debt service requirements are as follows:

Due in the year ended June 30:

	Principal	Interest	Total
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	15,058	3,583	18,641
2016-2019	66,437	6,572	73,009
	$ 135,003	$ 31,211	$ 166,214

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; therfore, the estimated financial assurance costs are recognized as a liability. The estimated liability for landfill closure, assessment and post-closure care costs is $174,680 as of June 30, 2010, which is based on forty-five percent (45%) usage (filled) or the landfill. As of June 30, 2010, the Authority has set aside cash in the amount of $253,615 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, 2010. 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. RESTATEMENT OF NET ASSETS

During the current fiscal year, the Authority discovered that the closure and post-closure liability at June 30, 2009 was overstated by $88,139. The Authority has restated its June 30, 2009 net assets by increasing the balance of $1,364,397 by $88,139. The restated net assets balance at June 30, 2009 is $1,413,872. The June 30, 2009 closure and post-closure liability balance of $251,174 has been restated to $163,035.

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. 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.

10. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Plan Description (continued)

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 by the Authority 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, 2010, 2009 and 2008 were $70,343, $58,065, and $57,141, respectively, which equal the amount of the required contributions for each fiscal year.

11. POST-EMPLOYMENT BENEFITS

The Retiree 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, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	$ 1,629,000	$ 1,585,000	$ 1,732,229	$ 147,229
Operating Expenses:				
Administration	387,266	362,266	330,745	31,521
Regional landfill	901,986	825,486	691,127	134,359
Recycling program	401,210	393,286	373,702	19,584
Total operating expenses	1,690,462	1,581,038	1,395,574	185,464
Operating income	(61,462)	3,962	336,655	332,693
Non-Operating Revenues (Expenses):				
Intergovernmental revenues	12,750	-	20,238	20,238
Interest income	3,000	3,000	9,067	6,067
Capital outlay	(257,000)	(307,000)	(273,781)	33,219
Debt service	(255,264)	(255,264)	(289,068)	(33,804)
Total non-operating revenues (expenses)	(496,514)	(559,264)	(533,544)	25,720
Net change in cash balance	(557,976)	(555,302)	(196,889)	358,413
Cash balance, beginning of year	901,429	901,429	901,429	-
Increase in debt service reserve	-	-	(18,698)	(18,698)
Cash balance, end of year	$ 343,453	$ 346,127	$ 685,842	$ 339,715

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, 2010

Sources/Inflows of Operating Resources:		
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	$	1,732,229
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 reporting purposes.		3,622
Current year's bad debts and the related increase in the allowance for doubtful accounts are not considered an inflow or revenues for budgetary basis, but is considered a reduction of revenue for financial reporting purposes.		(9,800)
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.		801
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	1,726,852
Uses/Outflows of Operating Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	$	1,395,574
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.		(26,882)
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.		8,498
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.		11,645
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.		329,851
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.	$	1,720,794

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, 2010

Sources/Inflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	$	29,305
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.		(5,249)
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	24,056
Uses/Outflows of Non-Operating Resources:		
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	$	562,849
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.		(219,477)
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.		(273,781)
The Authority does not budget accrued interest expense. The amount of accrued interest is reflected as a non-operating expense for financial reporting purposes.		(813)
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	$	68,778

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, 2010

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	$ 397,276	$ 28,397	$ 425,673
SW Solid Waste Authority	Savings	17,739	(11,250)	6,489
SW Solid Waste Authority	Savings	125,881	11,250	137,131
		$ 540,896	$ 28,397	$ 569,293
AmBank P.O. Box 2677 Silver City, NM 88062-2677	Time Deposit	$ 116,484	$ -	$ 116,484

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2010

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	-	87,084
Carlsbad NM BRH	142723AY1	08/01/16	250,000	-
			$ 450,000	$ 87,084

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.

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 financial statement of the business-type activities of the Southwest Solid Waste Authority (Authority), as of and for the year ended June 30, 2010, and the budgetary comparison for the year then ended, and have issued our report thereon dated November 22, 2010. 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.

A *deficiency in internal controls* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2010-01 and 2010-02.

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 22, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2010-01 – Travel and Per Diem

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was thirteen transactions, which were haphazardly selected throughout the fiscal year, and contained the following discrepancies:

- There were six instances which required mileage (actual or per diem) reimbursement. Of those six instances, all six instances had the mileage reimbursement rate calculated incorrectly, due to changes to the Travel and Per Diem Act, instituted by the New Mexico Department of Finance and Administration via a memorandum issued to all governmental entities throughout New Mexico. For all seven instances, the employee was underpaid. The variance totaled $226.
- We noted seven instances which required partial per diem rates to be calculated. Of those seven instances, all seven instances had the partial per diem rates calculated incorrectly.
- We noted one instance of the thirteen transactions tested, where the employee's reimbursement for meals was $30 for a trip greater than twenty-four hour period. The employee should have been reimbursed for the entire amount.
- The Authority is not using a travel reimbursement form for any of the mileage and per diem reimbursement requests. All thirteen transactions tested, none of them had a mileage and per diem reimbursement form. The Authority is using their purchase requisition form for all travel and per diem requests.
- We noted nine instances of the thirteen transactions tested, where the employee did not certify the mileage and per diem request.
- We noted seven instances of the thirteen transactions tested, where a signature from the supervisor was required to authorize the employee's travel.

Criteria – The New Mexico Department of Finance and Administration have issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

On June 19, 2009, the New Mexico Department of Finance and Administration issued a memorandum to all governmental entities, including municipalities, concerning an immediate increase in the mileage reimbursement rate for all employees. The emergency amendment states, "*HB 336 amended Section 10-8-4 D NMSA 1078 of the Per Diem and Mileage Act to increase the current statutory mileage reimbursement rate of $0.32 per mile up to a new maximum statutory mileage reimbursement rate – the Internal Revenue Service ("IRS") standard mileage rate "set January 1st of the previous year." The IRS rate on January 1, 2008 ("the previous year") was $.505 per mile. Therefore, this emergency amendment to the Rule states your local government shall, effective immediately, reimburse your local public bodies' public officers and employees for mileage accrued in the use of a privately owned vehicle in the discharge of official duties at a rate of eighty percent of $0.505 per mile."*

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2010-01 – Travel and Per Diem (continued)

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – The Authority failed to implement the changes to the mileage reimbursement rates as per the New Mexico Department of Finance and Administration. Furthermore, the Authority lacks a travel and per diem reimbursement form to correctly calculate travel reimbursements for employees.

Recommendation – We recommend review the memorandum issued by the New Mexico Department of Finance and Administration concerning the increase in mileage reimbursement rates. We recommend the Authority review the Travel and Per Diem Act. Furthermore, we recommend Authority staff reevaluate their internal control procedures over the calculation and reimbursement amounts for employee travel and per diem.

Views of Responsible Officials and Planned Corrective Actions – Southwest Solid Waste Authority appreciates the recommendations suggested regarding travel and per diem procedures. SWSWA will develop and produce a travel form and associated procedures that will address the lack of documentation related to travel requests. This form will be approved by the SWSWA accountant for appropriateness. A procedure for properly requesting travel justification of the request and documentation of the event will be implemented.

SWSWA staff was not aware of a change in mileage reimbursement approved by the New Mexico Department of Finance and Administration. Every effort will be made to establish a conduit of communication with that agency to prevent further incidents of miscommunication. The new mileage rate has been implemented and the related memo from NMDFA has been executed into SWSWA records and procedures.

All travel requests will be approved by the Manager after sufficient documentation is reviewed and attached to the travel forms. Both supervisor and the manager will approve any requested travel.

Item 2010-02 – Depositing of Cash Receipts

Statement of Condition – During the course of the audit, we performed audit tests of the cash receipts records. We selected twelve days of transactions randomly throughout the fiscal year. During our testing, we noted eight instances where the daily activity was not deposited at the bank within one business week. Of those eight instances, there were five instances where the money was not deposited until a month after the money was received by the Authority.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2010-02 – Depositing of Cash Receipts (continued)

Criteria (continued) – Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Furthermore, internal controls are established to safe guard the assets of the Authority. Once the funds are receipted into the accounting system, the transaction becomes a part of the accounting system and the monies should be deposited within one business day.

Effect – By not depositing the money timely into the Authority's checking account, it could lead to misappropriation of the Authority's assets. This could allow an employee to use the cash temporarily and returning the cash before it is deposited. Furthermore, by not depositing the monies timely, the accounting records could be made incorrect, or a receipt is destroyed and an employee taking the money.

Cause – Management believed staff was depositing cash receipts on a timely basis and failed to follow up with staff concerning the timeliness of depositing cash receipts.

Recommendation – We recommend accounting procedures be established to ensure all receipts are accounted for and monies are deposited timely. We recommend accounting procedures be established to identify when and by whom deposits are made and taken to the bank for deposit.

Views of Responsible Officials and Planned Corrective Actions – Accounting procedures will be established that require daily cash receipts to be balanced and deposited on a regular and timely basis. These funds will be deposited at least three times per week. The procedure will identify the process by which the deposits are recorded and delivered to the bank. This process will be implemented to prevent any inappropriate action related to the collection and depositing cash receipts.

STATUS OF PRIOR YEAR'S FINDINGS

Item 2007-01 – Written Accounting Policies and Procedures

In the previous year's audit, we noted that the Authority did not have an accounting policies and procedures manual. During the current fiscal year, the Authority prepared the manual. The prior year's audit finding is considered resolved.

Exit Conference

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on December 1, 2010. Present for the Authority was Alex Brown, chairman board of directors; C.J. Law, manager; and Diana Temple, executive assistant. Present for the auditing firm was Dominic Fierro, Manager.

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, 2010. 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.