STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2013 AND 2012

FIERRO & FIERRO, P.A.
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STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
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STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
DIRECTORY OF OFFICIALS
JUNE 30, 2013 and 2012

Board of Directors

Member	*Position*	*Entity Represented*
Alex C. Brown	Chairman	Town of Silver City
Jon Saari	Vice-Chairman	Grant County
Edward Encinas	Treasurer	Town of Hurley
Richard Bauch	Member	Village of Santa Clara
Brett Kasten	Member	Grant County
Charles Kelly	Member	City of Bayard
James Marshall	Member	Town of Silver City

Administrative Staff

Danny Legarreta	Interim 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

Report on Financial Statements

We have audited the accompanying financial statements of Southwest Solid Waste Authority, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Southwest Solid Waste Authority basic financial statements as listed in the table of contents. We have also audited the schedule of revenues, expenditures and changes in cash balance budget (non-GAAP budgetary basis) with reconciliation to GAAP presented as supplementary information, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Southwest Solid Waste Authority, as of June 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison schedules referred to above present fairly, in all material respects, the budgetary comparisons of the Authority for the years ended June 30, 2013 and 2012, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on Southwest Solid Waste Authority and the budgetary comparison statements. The *other supplemental financial information* required by 2*.2.2* NMAC *a*re presented for purposes of additional analysis and are not a required part of the basic financial statements. The *other supplemental financial information* required by *2.2.2* NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the *other supplemental financial information* required b*y* 2.2.2 NMAC a*re* fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013 on our consideration of the Southwest Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Solid Waste Authority's internal control over financial reporting and compliance.

Fierro + Fierro, P.A.

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

November 1, 2013

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2013 and 2012

	2013	2012
Assets:		
Current assets:		
Cash	$ 87,267	$ 118,674
Receivables, net of allowance for doubtful accounts:		
Accounts	199,728	270,192
Intergovernmental	48,217	31,807
Total current assets	335,212	420,673
Noncurrent assets:		
Restricted cash	182,937	182,705
Restricted investments	226,981	233,000
Capital assets:		
Capital assets, not being depreciated	244,137	1,064,879
Other capital assets, being depreciated	1,784,711	1,323,295
Total noncurrent assets	2,438,766	2,803,879
Total assets	$ 2,773,978	$ 3,224,552
Liabilities:		
Current liabilities:		
Accounts payable	$ 118,337	$ 115,372
Accrued salaries	18,026	17,715
Accrued liabilities	46,196	25,069
Current maturities of liabilities:		
Notes payable	211,835	204,462
Capital lease payable	-	26,062
Compensated absences	19,980	22,050
Total current liabilities	414,374	410,730
Noncurrent liabilities:		
Notes payable	840,587	1,052,422
Compensated absences	46,629	33,081
Landfill closure and post-closure	893,267	771,968
Total noncurrent liabilities	1,780,483	1,857,471
Total liabilities	2,194,857	2,268,201
Net Position:		
Invested in capital assets, net of related debt	976,426	1,105,228
Unrestricted	(397,305)	(148,877)
Total net position	579,121	956,351
Total liabilities and net position	$ 2,773,978	$ 3,224,552

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 POSITION
FOR THE YEARS ENDED JUNE 30, 2013 and 2012

	2013	2012
Operating Revenues:		
Charges for services (net of provision for doubtful accounts of zero for 2013 and $10,600 for 2012)	$ 1,474,324	$ 1,621,723
Operating Expenses:		
Personnel services	844,592	863,787
Depreciation	445,317	365,063
Landfill closure and post-closure	129,601	339,331
Fuel	157,522	188,169
Repairs and maintenance	77,621	106,511
Insurance	46,872	46,134
Supplies	38,644	32,895
Utilities	23,101	23,430
Professional services	26,714	20,859
Monitoring wells	9,116	16,273
Transfer stations	20,148	16,585
Administrative	14,524	13,448
Recycle disposal fees	3,641	11,946
Training and continuing education	5,594	5,104
Total operating expenses	1,843,007	2,049,535
Operating (loss)	(368,683)	(427,812)
Non-Operating Revenues (Expenses):		
Miscellaneous income	-	11,018
Interest income	1,012	3,034
Interest expense and other charges	(48,043)	(56,537)
Total non-operating revenues (expenses)	(47,031)	(42,485)
Loss before capital contributions	(415,714)	(470,297)
Capital Contributions	38,484	58,283
Change in net position	(377,230)	(412,014)
Net position, beginning of year	956,351	1,335,880
Restatement	-	32,485
Net position, beginning of year, restated	956,351	1,368,365
Net position, end of year	$ 579,121	$ 956,351

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 YEARS ENDED JUNE 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities:		
Cash received from customers	$ 1,538,091	$ 1,562,297
Cash payments to employees for services	(810,910)	(846,861)
Cash payments to suppliers for goods and services	(379,361)	(476,597)
Net cash provided by operating activities	347,820	238,839
Cash Flows from Non-Capital Financing Activities:		
Cash refund from Internal Revenue Service	1,646	39,565
Miscellaneous cash revenues	-	13,484
Net cash provided by non-capital financing activities	1,646	53,049
Cash Flows From Capital and Related Financing Activities:		
Capital contributions	27,246	244,805
Acquisition of capital assets	(135,464)	(402,157)
Principal payments on capital debt	(230,524)	(232,069)
Interest and other charges on capital debt	(48,930)	(57,419)
Net cash (used) by capital and related financing activities	(387,672)	(446,840)
Cash Flows From Investing Activities:		
Redemption of investments	6,792	6,770
Interest income	1,012	3,034
Purchase of investments	(933)	(2,620)
Net cash provided by investing activities	6,871	7,184
Net (decrease) in cash	(31,335)	(147,768)
Cash and cash equivalents, beginning of year	181,584	329,352
Cash and cash equivalents, end of year	$ 150,249	$ 181,584
Displayed as:		
Cash	$ 87,267	$ 118,674
Restricted cash	182,937	182,705
Time deposits not considered cash equivalents	(119,955)	(119,795)
	$ 150,249	$ 181,584

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 YEARS ENDED JUNE 30, 2013 and 2012

	2013	2012
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating (Loss)	$ (368,683)	$ (427,812)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	445,317	365,063
Landfill closure and post-closure	121,299	331,396
Bad debts	-	10,600
Write-off IRS tax levy refund	-	1,636
Refund reduction of expense	-	(2,466)
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	70,464	(60,827)
(Increase) in intergovernmental receivable	(6,818)	(6,674)
Increase in accounts payable	52,438	13,522
Increase (decrease) in accrued salaries	311	(382)
Increase in payroll taxes liability	21,893	9,752
Increase (decrease) in accrued sales tax	121	(2,525)
Increase in compensated absences	11,478	7,556
Total adjustments	716,503	666,651
Net cash provided by operating activities	$ 347,820	$ 238,839

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, but terminated their membership effective July 1, 2012. The New Mexico Department of Environment has issued a permit to allow the disposal of solid waste. The permit expires on December 15, 2014. The Authority is a special district of the state of New Mexico providing solid waste disposal services and recycling services throughout Grant County. 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 the pronouncements issued by the Government Accounting Standards Board (GASB).

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

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 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. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets (continued)

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.

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 expenses, 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.

For the current fiscal year, the Authority budgeted a deficit cash balance at the end of the fiscal year.

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. Receivables

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

F. 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.

G. 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

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

H. 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 9 years	4.62 hrs/pay period
10 to 14 years	5.62 hrs/pay period
15 years +	6.16 hrs/pay period

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Compensated Absences (continued)

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.

I. Long-Term Obligations

In the statement of net assets, long-term debt and other long-term obligations are reported as liabilities.

J. Net Position

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

Invested in Capital Assets, Net of Related Debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. 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 position component as the unspent proceeds.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. 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 Silver City, New Mexico. The Authority's deposits are carried at cost.

At year end, 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:

2. CASH (continued)

Cash Deposited With Financial Institutions (continued)

2013	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	$ -	$ 115	$ 115
Western Bank	229,225	(79,091)	150,134
AmBank	119,955	-	119,955
Total cash deposits	$ 349,180	$ (78,976)	$ 270,204
2012			
Cash on hand	$ -	$ 65	$ 65
Western Bank	215,919	(34,400)	181,519
AmBank	119,795	-	119,795
Total cash deposits	$ 335,714	$ (34,335)	$ 301,379

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

	2013	2012
Statement of Net Assets:		
Cash	$ 87,267	$ 118,674
Restricted cash	182,937	182,705
	$ 270,204	$ 301,379

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). 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.

2. CASH (continued)

Cash Deposited With Financial Institutions (continued)

2013	Western Bank	AmBank
Checking accounts	$ 159,725	$ -
Savings and time deposits	69,500	119,955
Total cash deposits	229,225	119,955
Less: FDIC coverage	229,225	119,955
Total uninsured public funds	$ -	$ -
Pledged securities	$ 250,000	$ -
Collateral requirements (50% of uninsured public funds)	-	-
Over (under) collateralization	$ 250,000	$ -
2012		
Checking accounts	$ 146,498	$ -
Savings and time deposits	69,421	119,795
Total cash deposits	215,919	479,660
Less: FDIC coverage	215,919	119,795
Total uninsured public funds	$ -	$ -
Pledged securities	$ 250,000	$ -
Collateral requirements (50% of uninsured public funds)	-	-
Over (under) collateralization	$ 250,000	$ -

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, 2013, none of the Authority's bank balance of $349,180 was exposed to custodial credit risk. As of June 30, 2012, none of the Authority's bank balance of $335,714 was exposed to custodial credit risk.

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 to offset the landfill closure and post-closure liability. The balance of the restricted cash at June 30, 2013 and 2012 is $182,937, and $182,705, respectively.

Restricted Investments

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the Solid Waste Authority has cash held and invested with the NMFA. For the fiscal year ended June 30, 2013, the NMFA has invested the funds held in the debt service and debt reserve pools. For the fiscal year ended June 30, 2012, the Bank of Albuquerque invested the debt service pool; the Bank of New York Mellon Trust Company invested he debt reserve funds. The Authority's share of restricted investments is pooled with other local governments from the state of New Mexico.

NMFA - Debt Service Pool

The Authority has $25,873 invested within the NMFA debt service pool. At June 30, 2013, the pool was composed of money market funds.

NMFA - Debt Reserve Pool

The Authority has $201,108 invested within the NMFA debt reserve pool. At June 30, 2013, the pool was composed of 2.78% money market funds; 48.61% of fixed income funds; 30.49% agencies funds; and 18.12% U.S. Treasury.

Interest Rate Risk

Interest rate 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 investment's to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt reserve pool fund weighted average maturity is 1.335 WAM.

Bank of Albuquerque, N.A.

At June 30, 2012, the Authority has cash, in the amount of $31,530, invested at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. The cash is invested as part of note agreements and covenants the Authority has with the New Mexico Finance Authority. The cash is invested in an Invesco premier U.S. Government Money Portfolio fund. The fund is composed of 64.4% government agency debt; 34.9% other repurchase agreements; .6% Treasury debt; and .1% variable rate demand notes.

3. RESTRICTED ASSETS (continued)

Bank of Albuquerque, N.A.

The market value at June 30, 2012, reflected by the trust department is $31,530. The investments are valued at fair market value based on quoted market prices, as of the valuation date. The fund is rated AAA_m by Standard and Poor's.

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 Invesco Premier U.S. Government Money Portfolio fund weighted average maturity is 42.83-day WAM.

Bank of New York Mellon Trust Company

The Authority's reserve funds, in the amount of $201,470 at June 30, 2012, are invested at the trust company in Federated Government Obligations Fund. That fund invests primarily in short-term U.S. Treasury and government securities. The market value at June 30, 2012, reflected by the trust department, is $201,470. The investments are valued at fair value based on quoted market prices as of the valuation date. The Federated Government Obligations Fund is rated AAA_m by Standard and Poor's.

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 Federated Government Obligations Fund No. 5's weighted average maturity is 49-day WAM. The Authority does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

4. ACCOUNTS RECEIVABLE

Accounts receivable, consisted of the following:

	2013	2012
Charges for services	$ 232,828	$ 303,292
Allowance for doubtful accounts	(33,100)	(33,100)
	$ 199,728	$ 270,192

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

5. INTERGOVERNMENTAL RECEIVABLE

The amount due from other governments consists of the following:

	2013	2012
Grant County	$ 36,978	$ 30,161
NM Environment Department	11,239	-
Internal Revenue Service	-	1,646
	$ 48,217	$ 31,807

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, 2013:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business Assets:				
Capital assets, not being depreciated:				
Land	$ 234,798	$ -	$ -	$ 234,798
Construction in progress	830,081	9,339	830,081	9,339
Total capital assets not being depreciated	1,064,879	9,339	830,081	244,137
Other capital assets, being depreciated:				
Landfill improvements	1,882,883	840,555	-	2,723,438
Buildings	772,596	-	-	772,596
Building improvements	198,136	-	-	198,136
Equipment	1,676,758	41,178	-	1,717,936
Office equipment	11,357	-	-	11,357
Office furniture	2,022	-	-	2,022
Vehicles	459,431	25,000	-	484,431
Total other capital assets, being depreciated	5,003,183	906,733	-	5,909,916
Less accumulated depreciation:				
Landfill improvements	(1,511,900)	(288,271)	-	(1,800,171)
Buildings	(441,616)	(38,030)	-	(479,646)
Building improvements	(101,492)	(11,788)	-	(113,280)
Equipment	(1,270,693)	(84,040)	-	(1,354,733)
Office equipment	(11,357)	-	-	(11,357)
Office furniture	(2,022)	-	-	(2,022)
Vehicles	(340,809)	(23,187)	-	(363,996)
Total accumulated depreciation	(3,679,889)	(445,316)	-	(4,125,205)
Other capital assets, net	1,323,294	461,417	-	1,784,711
Total capital assets, net	$ 2,388,173	$ 470,756	$ 830,081	$ 2,028,848

6. CAPITAL ASSETS (continued)

Capital assets for the fiscal year ended June 30, 2012:

	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 234,798	$ -	$ -	$ 234,798
Construction in progress	357,948	472,133	-	830,081
Total other capital assets, being depreciated	592,746	472,133	-	1,064,879
Other capital assets, being depreciated:				
Landfill improvements	1,882,883	-	-	1,882,883
Buildings	772,596	-	-	772,596
Building improvements	198,136	-	-	198,136
Equipment	1,671,758	5,000	-	1,676,758
Office equipment	11,357	-	-	11,357
Office furniture	2,022	-	-	2,022
Vehicles	459,431	-	-	459,431
Total capital assets, not being depreciated	4,998,183	5,000	-	5,003,183
Less accumulated depreciation:				
Landfill improvements	(1,303,703)	(208,196)	-	(1,511,899)
Buildings	(403,586)	(38,030)	-	(441,616)
Building improvements	(89,703)	(11,789)	-	(101,492)
Equipment	(1,186,832)	(83,861)	-	(1,270,693)
Office equipment	(11,357)	-	-	(11,357)
Office furniture	(2,022)	-	-	(2,022)
Vehicles	(317,622)	(23,187)	-	(340,809)
Total accumulated depreciation	(3,314,825)	(365,063)	-	(3,679,888)
Other capital assets, net	1,683,358	(360,063)	-	1,323,295
Total capital assets, net	$ 2,276,104	$ 112,070	$ -	$ 2,388,174

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	2013	2012
Health insurance	$ 26,768	$ 17,539
Retirement contribution	5,454	-
Federal payroll tax	4,407	42
Interest expense	4,323	5,210
State unemployment tax	3,587	851
NM income tax withheld	884	1,012
NM governmental sales tax	536	415
Child support	237	-
	$ 46,196	$ 25,069

8. LONG-TERM OBLIGATIONS

Changes in long-term debt during the year ended June 30, 2013, were as follows:

	Balance 06/30/12	Additions	Deletions	Balance 06/30/12	Amounts Due Within One Year
Lease purchase payable	$ 26,062	$ -	$ 26,062	$ -	$ -
Notes payable	1,256,884	-	204,462	1,052,422	211,835
Landfill closure and post-closure liability	771,968	121,299	-	893,267	-
Compensated absences	55,131	26,566	15,088	66,609	19,980
	$ 2,110,045	$ 147,865	$ 245,612	$ 2,012,298	$ 231,815

During the fiscal year ended June 30, 2012, the Authority discovered that compensated absences related to accrued sick leave had been incorrectly reflected as a liability for the fiscal year ended June 30, 2011. The Authority has restated the beginning of year balance compensated absences liability.

Changes in long-term debt during the year ended June 30, 2012, were as follows:

	Balance 06/30/11	Restatement	Restated Balance 06/30/11	Additions	Deletions	Balance 06/30/12	Amounts Due Within One Year
Lease purchase payable	$ 60,580	$ -	$ 60,580	$ -	$ (34,518)	$ 26,062	$ 26,062
Notes payable	1,454,435	-	1,454,435	-	(197,551)	1,256,884	204,462
Landfill closure and post-closure costs	440,572	-	440,572	331,396	-	771,968	-
Compensated absences	93,435	(45,860)	47,575	25,277	(17,721)	55,131	22,050
	$ 2,049,022	$ (45,860)	$ 2,003,162	$ 356,673	$ (249,790)	$ 2,110,045	$ 252,574

8. LONG-TERM OBLIGATIONS (continued)

Lease Purchase Payable

The Authority has entered into a capital lease agreement to purchase equipment. The economic substance of the agreement, is that the Authority is financing the purchase of the asset 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 lease with an acquisition cost of $176,824. The lease obligation was paid in the fiscal year ended June 30, 2013.

The following is a schedule of future minimum lease payments, together with the present value as of June 30, 2012.

Total minimum payments through June 30, 2013	$	26,527
Less amounts representing imputed interest necessary to reduce future lease payments to net present value.		465
Present value of minimum lease payments	$	26,062

Annual debt service requirements are as follows:

Due in the year ended June 30, 2012:

	Principal	Interest	Total
2013	$ 26,062	$ 465	$ 26,527

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 $169,136 and $221,706 at June 30, 2013 and 2012, respectively.

Annual debt service requirements are as follows:

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority No. 1 (continued)

Due in the year ended June 30, 2013:

	Principal	Interest	Total
2004	$ 54,377	$ 5,892	$ 60,269
2015	56,324	4,087	60,411
2016	58,435	2,121	60,556
	$ 169,136	$ 12,100	$ 181,236

Due in the year ended June 30, 2012:

	Principal	Interest	Total
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
	$ 221,706	$ 19,664	$ 241,370

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 $682,580 and $805,325 at June 30, 2013 and 2012, respectively.

Annual debt service requirements are as follows:

Due in the year ended June 30, 2013:

	Principal	Interest	Total
2014	$ 126,880	$ 24,219	$ 151,099
2015	131,319	20,108	151,427
2016	136,124	15,643	151,767
2017	141,337	10,784	152,121
2018	146,920	5,568	152,488
	$ 682,580	$ 76,322	$ 758,902

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – New Mexico Finance Authority No. 2 (continued)

Due in the year ended June 30, 2012:

	Principal	Interest	Total
2013	$ 122,745	$ 28,036	$ 150,781
2014	126,880	24,219	151,099
2015	131,319	20,108	151,427
2016	136,124	15,643	151,767
2017	141,337	10,784	152,121
2018	146,920	5,568	152,488
	$ 805,325	$ 104,358	$ 909,683

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 balances of the notes are $104,859 and $120,324 at June 30, 2013 and 2012, respectively.

Annual debt service requirements are as follows:

Due in the year ended June 30, 2013:

	Principal	Interest	Total
2014	$ 16,225	$ 4,679	$ 20,904
2015	17,022	3,882	20,904
2016	17,857	3,047	20,904
2017	18,733	2,171	20,904
2018	19,653	1,251	20,904
2019	15,369	311	15,680
	$ 104,859	$ 15,341	$ 120,200

Due in the year ended June 30, 2012:

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – Town of Silver City (continued)

	Principal	Interest	Total
2013	$ 15,465	$ 5,439	$ 20,904
2014	16,225	4,679	20,904
2015	17,022	3,882	20,904
2016	17,857	3,047	20,904
2017	18,733	2,171	20,904
2018-2019	35,022	1,562	36,584
	$ 120,324	$ 20,780	$ 141,104

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 balances of the notes are $95,847 and $109,529 at June 30, 2013 and 2012, respectively.

Annual debt service requirements are as follows:

Due in the year ended June 30, 2013:

	Principal	Interest	Total
2014	$ 14,353	$ 4,288	$ 18,641
2015	15,057	3,584	18,641
2016	15,796	2,845	18,641
2017	16,572	2,069	18,641
2018	17,385	1,256	18,641
2019	16,684	335	17,019
	$ 95,847	$ 14,377	$ 110,224

Due in the year ended June 30, 2012:

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – Grant County (continued)

	Principal	Interest	Total
2013	$ 13,682	$ 4,959	$ 18,641
2014	14,353	4,288	18,641
2015	15,057	3,584	18,641
2016	15,796	2,845	18,641
2017	16,572	2,069	18,641
2018-2019	34,069	1,591	35,660
	$ 109,529	$ 19,336	$ 128,865

Landfill Closure and Post-Closure Costs

State and federal laws require that the Authority perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. In addition to post-closure costs, a landfill operation must also set aside contingency funds for closure and groundwater assessment activities in the event that the landfill's normal operating budget is insufficient to cover closure and groundwater assessment activities. These requirements are known as "financial assurance" for closure, assessment and post-closure activities. Only the post-closure groundwater monitoring costs are a certain cost. Normally, closure and assessment costs will be funded from the normal operating budget; therefore, the estimated financial assurance costs are recognized as a liability. The estimated liability for landfill closure, assessment, and post-closure care cost is $893,267 and $771,968 as of June 30, 2013 and 2012, respectively. These liabilities are based upon a percentage of usage (filled) of the landfill. As of June 30, 2013 and 2012, the solid waste occupied 48.70% and 43.70%, respectively, of the landfill capacity. As of June 30, 2013 and 2012, the Authority has set aside cash of $182,937 and $182,705, respectively, for the liability.

The total current estimated cost of the landfill closure, assessment and post-closure care is $1,834,223 and $1,766,518, respectively, which 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, 2013 and 2012, respectively. 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 PRIOR YEAR NET POSITION

The Authority adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62), GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for the fiscal year ending June 30, 2012.

Implementation of GASB 62 did not have any financial reporting impact on the Authority for the fiscal year ended June 30, 2012. Implementation of GASB 63 required the reclassification of Net Assets to Net Position and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources.

Implementation of GASB 65 requires debt issuance costs except any portion related to prepaid insurance costs should be recognized as an expense in the period incurred. The Authority has restated the financial statements for the fiscal year ended June 30, 2012 as follows:

- The Authority has removed amortization expenses of $2,108 from operating expenses and decreased net position by $13,375.

In addition to the restatement for debt issuance costs, the Authority has increased net position by $45,860 for an error in the amount of compensated absences liability as of June 30, 2011. The net position has been restated as follows:

Balance June 30, 2011	$	1,335,880
Compensated absences		45,860
Debt issuance costs		(13,375)
Restated balance June 30, 2011	$	1,368,365

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)

Funding Policy

Plan members are required to contribute 7% (ranges from 3.83% 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, 2013, 2012 and 2011 were $59,453, $58,502, and $62,483, 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. CONSTRUCTION COMMITMENTS

During the fiscal year ended June 30, 2013, the Authority completed the construction on two landfill cells. The construction cost totaled $830,081. As of June 30, 2013 and 2012, the unpaid amounts on the construction cost totaled $30,091 and $60,000, respectively.

13. SOLID WASTE DISPOSAL PERMIT

The New Mexico Department of Environment has issued a twenty year permit to allow the disposal of solid waste that is buried at the landfill site. The permit expires on December 15, 2014. Without the permit, the Authority would be prohibited from accepting waste. The Authority has begun the process of renewing the application, and is confident the permit will be renewed without a negative impact on operations.

14. 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.

15. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. 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.

16. SUBSEQUENT EVENTS

On August 9, 2013, the Authority issued improvement and refunding revenue bonds in the amount of $1,226,000. The revenue bonds are payable solely from the net revenues of the Authority's solid waste system and environmental services gross receipts tax revenues from Grant County, New Mexico and the Town of Silver City, New Mexico.

The Authority retired the obligations to the New Mexico Finance Authority, Town of Silver City and Grant County. The Authority has set aside $261,796 of the proceeds to offset the landfill closure and post-closure liability.

SUPPLEMENTARY INFORMATION

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
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services, net	$ 1,597,954	$ 1,598,954	$ 1,538,091	$ (63,767)	$ 1,474,324	$ (60,863)
Operating Expenses:						
Personnel services	920,253	915,753	810,910	33,682	844,592	104,843
Depreciation	-	-	-	445,317	445,317	-
Landfill closure and post-closure	111,305	108,000	8,302	121,299	129,601	99,698
Fuel	164,000	165,000	145,444	12,078	157,522	19,556
Repairs and maintenance	103,000	89,000	80,887	(3,266)	77,621	8,113
Insurance	47,000	50,000	46,971	(99)	46,872	3,029
Supplies	38,500	36,500	27,503	11,141	38,644	8,997
Utilities	22,500	22,500	24,813	(1,712)	23,101	(2,313)
Professional services	38,000	37,500	5,620	21,094	26,714	31,880
Monitoring wells	16,000	16,000	1,091	8,025	9,116	14,909
Transfer stations	20,195	24,000	16,363	3,785	20,148	7,637
Administration	15,300	15,300	13,732	792	14,524	1,568
Recycle disposal fees	5,000	11,000	3,641	-	3,641	7,359
Training and continuing education	6,100	6,600	4,994	600	5,594	1,606
Total operating expenses	1,507,153	1,497,153	1,190,271	652,736	1,843,007	306,882
Operating income (loss)	90,801	101,801	347,820	(716,503)	(368,683)	246,019
Non-Operating Revenues (Expenses):						
Federal payroll tax refund	-	-	1,646	(1,646)	-	1,646
Interest income	755	755	7	1,005	1,012	(748)
Capital outlay	(183,000)	(190,000)	(135,464)	135,464	-	54,536
Debt service - principal	(226,598)	(226,598)	(230,524)	230,524	-	(3,926)
Interest expense and other charges	-	-	(48,930)	887	(48,043)	(48,930)
Total non-operating revenues (expenses)	(408,843)	(415,843)	(413,265)	366,234	(47,031)	2,578
Capital contributions	-	-	27,246	11,238	38,484	27,246
Net change	(318,042)	(314,042)	(38,199)	$ (339,031)	$ (377,230)	275,843
Cash balance, beginning of year	118,674	118,674	118,674			-
NMFA transfer to pay debt	-	-	6,792			6,792
Cash balance, end of year	$ (199,368)	$ (195,368)	$ 87,267			$ 282,635

Explanation of Differences:

Change in receivables	$ (70,464)
Change in Grant County receivable	6,818
Change in grant receivable	11,238
Change in IRS receivable	(1,646)
Change in accounts payable	(52,438)
Change in accrued salaries	(311)
Change in accrued payroll liabilities	(21,893)
Change in accrued sales taxes	(121)
Change in accrued interest payable	887
Change in compensated absences	(11,478)
Change in lease purchase	26,062
Change in notes payable	204,462
Interest income earned by investments	1,005
Capital outlay purchases	135,464
Depreciation	(445,317)
Landfill closure and post-closure	(121,299)
	$ (339,031)

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts Original	Budgeted Amounts Final	Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget Over (Under)
Operating Revenues:						
Charges for services, net	$ 1,675,147	$ 1,675,147	$ 1,562,297	$ 59,426	$ 1,621,723	$ (112,850)
Operating Expenses:						
Personnel services	1,066,800	953,086	846,861	16,926	863,787	106,225
Depreciation	-	-	-	365,063	365,063	-
Landfill closure and post-closure	5,000	7,000	7,935	331,396	339,331	(935)
Fuel	155,000	155,000	171,748	16,421	188,169	(16,748)
Repairs and maintenance	142,329	142,392	104,247	2,264	106,511	38,145
Insurance	50,000	45,000	46,035	99	46,134	(1,035)
Supplies	44,200	44,200	31,938	957	32,895	12,262
Utilities	22,000	22,000	22,377	1,053	23,430	(377)
Professional services	31,500	74,500	14,411	6,448	20,859	60,089
Monitoring wells	9,000	9,000	16,005	268	16,273	(7,005)
Transfer stations	29,000	29,000	16,288	297	16,585	12,712
Administrative	27,000	27,000	11,275	2,173	13,448	15,725
Recycle disposal fees	15,000	15,000	11,946	-	11,946	3,054
Training and continuing education	9,500	9,500	5,104	-	5,104	4,396
Rent	-	10,000	17,288	(17,288)	-	(7,288)
Total operating expenses	1,606,329	1,542,678	1,323,458	726,077	2,049,535	219,220
Operating income (loss)	68,818	132,469	238,839	(666,651)	(427,812)	106,370
Non-Operating Revenues (Expenses):						
Refund payroll tax levy	-	-	39,565	(39,565)	-	39,565
Miscellaneous income	-	-	13,484	(2,466)	11,018	13,484
Interest income	-	-	10	3,024	3,034	10
Capital outlay	(68,200)	(74,509)	(402,157)	402,157	-	(327,648)
Debt service - principal	(295,264)	(295,264)	(232,069)	232,069	-	63,195
Interest expense and other charges	-	-	(57,419)	882	(56,537)	(57,419)
Funding of closure/post-closure	(100,000)	(100,000)	(75,000)	75,000	-	25,000
Total non-operating revenues (expenses)	(463,464)	(469,773)	(713,586)	671,101	(42,485)	(243,813)
Capital contributions	43,392	43,392	244,805	(186,522)	58,283	201,413
Net change	(351,254)	(293,912)	(229,942)	$ (182,072)	$ (412,014)	63,970
Cash balance, beginning of year	91,931	91,931	91,931			-
Redemption of investments	-	-	6,770			6,770
Transfer from financial assurance account	-	-	249,915			249,915
Cash balance, end of year	$ (259,323)	$ (201,981)	$ 118,674			$ 320,655

Explanation of Differences:

Change in receivables	$ 60,827
Change in Grant County receivable	6,674
Change in grant receivable	(186,522)
Change in IRS receivable	(39,565)
Change in accounts payable	(13,522)
Change in accrued salaries	382
Change in accrued payroll liabilities	(9,752)
Change in accrued sales taxes	2,525
Change in accrued interest payable	882
Change in compensated absences	(7,556)
Change in lease purchase	34,518
Change in long-term debt	197,551
Transfer to financial assurance account	75,000
Interest income earned by investments	3,024
Capital outlay	402,157
Depreciation	(365,063)
Landfill closure and post-closure	(331,396)
Bad debts	(10,600)
Write-off - IRS receivable	(1,636)
	$ (182,072)

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2013 and 2012

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
2013				
Western Bank P.O. Box 2024 Silver City, NM 88062				
SW Solid Waste Authority	Checking	$ 159,725	$ (79,091)	$ 80,634
SW Solid Waste Authority	Savings	6,518	-	6,518
SW Solid Waste Authority	Savings	62,982	-	62,982
		$ 229,225	$ (79,091)	$ 150,134
Am Bank P.O. Box 2677 Silver City, NM 88062-2677	Time Deposit	$ 119,955	$ -	$ 119,955
2012				
Western Bank P.O. Box 2024 Silver City, NM 88062				
SW Solid Waste Authority	Checking	$ 146,498	$ (34,400)	$ 112,098
SW Solid Waste Authority	Savings	6,511	-	6,511
SW Solid Waste Authority	Savings	62,910	-	62,910
		$ 215,919	$ (34,400)	$ 181,519
AmBank P.O. Box 2677 Silver City, NM 88062-2677	Time Deposit	$ 119,795	$ -	$ 119,795

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2013 and 2012

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

Security	CUSIP	Maturity	Par Value
Carlsbad NM BRH	142723AY1	08/01/16	$ 250,000

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

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

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Solid Waste Authority as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Southwest Solid Waste Authority's basic financial statements, and the related budgetary comparison of Southwest Solid Waste Authority as of June 30, 2013, presented as supplemental information, and have issued our report thereon dated November 1, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Solid Waste Authority's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southwest Solid Waste Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exit that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Solid Waste Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and as described in the accompanying schedule of findings and responses as items 2010-01, 2011-03, 2011-06, 2011-07, 2012-02, 2012-03, 2012-04 and 2013-01.

Southwest Solid Waste Authority's Response to Findings

Southwest Solid Waste Authority's responses to the findings identified are described in the schedule of findings and responses. Southwest Solid Waste Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Fierro + Fierro, P.A.

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

November 1, 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2010-01 – Other – 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 sixteen transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There was one instance where the 80% advance was incorrectly calculated at 82%. The advance paid amounted to $288.00, while the correct advance should have been $281.60.
- There were nine instances where the employees did not complete the actual travel information upon return. Those nine travel requests totaled $2,151.88.
- There were five instances where the mileage rate was incorrect. The total amount overpaid to the employees was $16.10 and $0.23 to a board member.
- There were seven instances where the partial day per diem was miscalculated. The employees were underpaid by a total of $66.
- There were three instances where the travel reimbursement form was not approved by the authorized supervisor. The travel requests totaled $329.

Criteria – The New Mexico Department of Finance and Administration has 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.

Section 2.42.2.8B provides guidance regarding the per diem computation. In particular, subsection one discusses the partial day per diem computation methods.

Section 2.48.2.8B (2) provides guidance regarding partial day reimbursement when the return is made from overnight travel.

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

Cause – The Authority staff lacks a complete understanding of the Per Diem and Mileage Act in order to process the travel forms correctly.

Recommendation – We recommend the Authority staff review the Per Diem and Mileage Act to ensure compliance with the Act. We recommend the Authority to provide training to their employees concerning the Per Diem and Mileage Act.

Views of Responsible Officials and Planned Corrective Actions – Staff will review the Mileage and Per Diem Regulations to ensure that all travel regulations are being followed properly. The Authority Staff will also follow up training with all employees of the authority as to ensure they understand their responsibilities as well. In an effort to avoid errors in the future, we have developed a new form to record travel and per diem requests.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-03 – Other – Untimely Federal Payroll Tax Deposits

Statement of Condition – During the course of the audit, we performed tests of the Authority's federal quarterly payroll tax reports. We tested the federal payroll reports for the quarters ended September 2012 and March 2013. The purpose of the test was to determine if timely federal tax deposits were made as required by the federal government. The following discrepancies were discovered:

- The tax deposit for the payroll dated July 6, 2012, in the amount of $3,556.11, was remitted one day late.
- The tax deposit for the payroll dated January 18, 2013, in the amount of $4,844.28, was remitted fourteen days late.
- The tax deposit for the payroll dated February 1, 2013, in the amount of $4,476.64, was remitted one day late.
- The payroll deposit for the payroll dated February 6, 2013, in the amount of $69.02, was remitted two days late.
- The payroll deposit for payroll checks prepared on March 14th and 15th, 2013 total $4,164.25. The Authority remitted $4,019.68 on March 15, 2013. The remaining amount of $144.57 was remitted when the report was filed.
- The payroll deposit for the payroll dated March 28, 2013, in the amount of $4,542.04, was remitted one day late.

Criteria – The United States Department of the Treasury, Internal Revenue Service (IRS) requires timely depositing of social security taxes, Medicare taxes (both the employee and employer portions), and the employees' federal income taxes withheld. The Authority is a semi-weekly depositor of the taxes, which usually requires the taxes to be remitted to the IRS within three days after paying their employees.

Effect – Failure to deposit payroll taxes subjects the Authority to penalties imposed by the IRS.

Cause – The executive assistant who is responsible for payroll, claims computer issues, and no internet access, on occasion, contributed to the untimely filings. The computer issues do not seem to be a valid claim, as the payroll checks where generated timely and the accounting software determines the liability when the payroll checks are prepared. A lack of internet access to the IRS computers is not a valid excuse as the Authority has the ability to telephone payroll tax remittance payments to the IRS. The errors appear to be caused by a lack of properly administered procedures to ensure the tax liabilities are remitted timely.

Recommendation – While this audit finding was first reported in the audit report ended June 30, 2011, that particular audit report was not completed until April 29, 2013 and the Authority did not make changes to their administrative procedures until the June 30, 2012 audit report was completed on August 23, 2013. We recommend the Authority staff review their procedures and ascertain from recent remittances if the current remittances are being filed on a timely basis.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-03 – Other – Untimely Federal Payroll Tax Deposits (continued)

Views of Responsible Officials and Planned Corrective Actions – The agency did not receive a penalty for untimely reporting. Staff has established a deadline schedule of all reporting, and assures that all deadlines are met. Each staff member will check that the deadlines have been met.

Item 2011-06 – Other – Financial Assurance for Closure/Post Closure

Statement of Condition – Federal and state laws along with regulations require the Authority to place a final cover on its landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site. The cost associated for the closure and post-closure requirements are reflected as expenses as the Authority accepts solid waste, rather than at the time the landfill is closed. Within the permit for operations of the solid waste landfill, and regulations issued by the state of New Mexico Environmental Department (Department), the Authority is required to maintain cash reserves that fund the anticipated closure and post-closure liability.

As of June 30, 2013, the Authority failed to properly fund the required closure and post-closure liability. The Authority requirement for cash reserves is $826,272, while the cash set aside in the reserve accounts is $182,937; thus causing a shortfall of $643,335 as of June 30, 2013. On August 9, 2013, the Authority refinanced its debt and deposited $261,796 into the closure and post closure liability reserve account. The deposit replaced $250,000 that had been used in the prior year for construction of cells seven and eight.

On January 25, 2013, the Authority adopted a resolution establishing a restricted cash account and related liability account. Within section 2 of the resolution, it states, *"That each year the Southwest Solid Waste Authority shall include as part of its annual budget submittal, and amount to be appropriated for transfer into the restricted each account with a related liability account for the unspent appropriation. Each year the transfer will be reviewed and adjusted to reflect any increases or decreases in the cost estimate."* The resolution fails to state the funding of the cash reserve must adhere to the formula specified in Section 20.9.10.14 NMAC.

On September 4, 2013, the Board of Directors raised the rates for solid waste disposal in an effect to generate additional cash from operations.

Criteria – The Department has issued rules and regulations in the form of the administrative code (NMAC) to govern the operation of the landfill. Within the permit issued, by the Department to the Authority, references are made to the administrative code and particular sections of the code that deal with different aspects of the operations. Section 20.9.10 NMAC details the financial assurance requirements that the Authority must adhere to. Section 20.9.10.20A NMAC requires the Authority to create reserve accounts that must be funded annually. Funding of the reserve fund shall be in conformance with the formulas specified in Section 20.9.10.14 NMAC.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-06 – Other – Financial Assurance for Closure/Post Closure (continued)

Criteria (continued) – Section 20.9.10.20A NMAC requires a resolution of the governing body be created to specifying the use of the funds only for purposes of closure, post-closure care, phase I or phase II assessments, or corrective action for the facility. The resolution adopted on January 25, 2013 concerning the funding policy of the cash reserves fails to comply with the requirements of Section 20.9.10.14 NMAC.

Effect – Failure to comply with the Department regulations could jeopardize the operations of the landfill. The Department could levy fines and penalties for not complying with their regulations and, in an extreme scenario, the Department could deny the renewal of the operations permit.

Cause – When the Town of Silver City, Grant County and the other governing members of the Authority created the Authority, the members underfunded the necessary capital to provide sufficient working capital for operations, and the purchase of heavy capital equipment needed to operate. Furthermore, the Town of Silver City and Grant County required that cash advanced, or equipment transferred, to the Authority be repaid in the form of debt payments that accrue interest. To further add to the financial difficulties, the City of Lordsburg and Hidalgo County discontinued its association on July 1, 2012; which has had a negative impact on revenues received at the Authority. In fact, operating revenues for the fiscal year ended June 30, 2013 decreased by $147,399 when compared to the prior year. Management failed to reduce operating expenses to offset the reduction of charges for services revenues.

The combination of these events has left the Authority struggling to perform operations, and to purchase large capital equipment which consumes cash reserves, resulting in the Authority not meeting its financial assurance requirement.

To further complicate the matters, critical management errors in judgment occurred during the construction of landfill cells seven and eight. The mismanagement has been documented in the audit report for the fiscal year ended June 30, 2011, in audit finding 2011-05. Because of the mismanagement, the Authority was forced to utilize $250,000 of the reserve accounts during the prior fiscal year.

Recommendation – The governing board is making a serious effort to correct the short fall in the reserve account as demonstrated when they passed an increase in the tipping fees on September 4, 2013. When the landfill permit is issued by the Department the required cash reserve will decrease, as the closure and post-closure requirement will be amortized over the period of the new permit, rather than the year and one-half remaining on the existing permit. We recommend the Authority closely monitor net income on a monthly basis. In the interim, until cash reserves are restored to a normal level, we recommend the Authority attempt to reduce operating expenses including salary and associated employee benefits.

Views of Responsible Officials and Planned Corrective Actions – As a condition of the sludge permit, the Authority's staff was required to meet with the Solid Waste Bureau.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-06 – Other – Financial Assurance for Closure/Post Closure (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – During this meeting, a plan to update the financial assurance estimates was developed and we will continue to meet with the bureau to monitor our progress. During the same meeting, Authority staff did make the bureau aware of the transfer of funds from the financial assurance and our plan to replace the funds. Authority staff was unaware of the requirement that the cabinet secretary had to approve the transfer, so the Bureau staff explained the requirements. The Authority staff will follow all Environment Department requirements in the future. The Authority has since replaced those funds in the reserve account.

Item 2011-07 – Other – Authorized Budget

Statement of Condition – Both the original and final 2013 budget reflected expenditures in excess of beginning cash and anticipated revenues for the fiscal year. The beginning cash from the prior year's audit amounted to $118,674, and the Authority anticipated revenues on the original budget to be $1,598,709 for a total source of resources, for the original budget, of $1,717,383. The Authority projected expenditures to be $1,916,751 on the original budget resulting in a negative cash balance of $199,368. Within the final budget, beginning cash is reflected as $118,674 and the Authority anticipated revenues to be $1,599,709 for a total source of resources of $1,718,383. The Authority projected expenditures to be $1,913,751 resulting in a negative cash balance of $195,368.

Criteria – Section 6-6-2K NMSA 1978 authorizes the New Mexico Finance and Administration Department Local Government Division (LGD) to prescribe the form for all budgets. LGD requires that projected expenditures for the fiscal year cannot exceed beginning cash balances along with anticipated revenues.

Effect – Section 6-6-6 NMSA 1978 states, "*Checks issued in excess of the authorized budget shall be a liability against the officials so allowing or paying those claims or warrants, and recovery for the excess amounts so allowed or paid may be held against the bondsmen of those officials."*

Section 6-6-10 NMSA 1978 states, *"Any official who allows expenditures in excess of the authorized budgetary restrictions shall be deemed guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not more than $500 or by imprisonment for not more than six months or both and upon conviction under the section the position shall be declared vacant."*

Cause – The Authority's accounting personnel submitted the budget utilizing the incorrect beginning cash balances when preparing the original and final budget.

Recommendation – We recommend the Authority accounting staff use the end of year cash balances general and savings account held at Western Bank as the beginning cash for the original and final budgets. For example, the beginning cash balance for the original budget for the fiscal year ended June 30, 2014 should be $87,267 as reflected in the audit report and the Authority's general ledger.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2011-07 – Other – Authorized Budget (continued)

Views of Responsible Officials and Planned Corrective Actions – The Authority has established operating procedures to ensure that the necessary documents are prepared and submitted to the LGD on a timely basis. Additionally, the authority's accounting personnel will present the approve budget to the Board of Directors in a public meeting and seek the Board's approval of the budget, and that approval, should be documented within the official minutes of the governing board.

Item 2012-02 – Other – Stale Checks

Statement of Condition – During our review of the Authority's year-end bank reconciliations, we discovered the Authority has six stale checks, dated on various days in 2010, totaling $1,276.68, on its outstanding check register. Additionally, the Authority had three checks dated on various dates in 2012, totaling $238.72, on its outstanding check register. The Authority failed to void outstanding checks, which have been outstanding greater than one year from the date of issuance.

Criteria – The Authority's cash policy is to investigate old outstanding checks. Stop payments are issued as required, and replacement checks are reissued after appropriate documentation has been collected. After the annual review of all checks over a year old is completed, they are voided.

Once the checks are voided, and the owner of the funds cannot be located, the funds are subject to the Unclaimed Property Act. Section 7-8A of the New Mexico State Statutes, *The Uniform Unclaimed Property Act (1995)*. The Act sets forth the processes and requirements of a holder of property (Authority) to report to the administrator annually by November 1st for the prior period ending July 1st of that year. It also specifies the notification requirements to the property owner.

Effect – The Authority is in non-compliance with their policy and procedures concerning the voiding of stale checks. Additionally, the Authority has failed to comply with the Uniform Unclaimed Property Act. Monies owed to vendors, others and employees of the Authority should be paid timely. Non-compliance with New Mexico State Statutes subjects the Authority to penalties and punishment defined by state statute.

Cause – The accounting staff failed to adhere to the cash policy to void stale checks. When the bank statement is reconciled with the accounting records, the staff is not paying close attention to the details of the entire reconciliation process. The reconciliation process has simply become routine and no one is investigating the cause of the outstanding checks and how to resolve the matter. The staff was unaware of the requirements of the Uniform Unclaimed Property Act.

Recommendation – We recommend the Authority review their outstanding check register as of the end of each month, to determine which checks meet the requirements of the cash policy. Once the checks are voided, and the owner of the funds cannot be located, the funds should be remitted to the state as required by the Uniform Unclaimed Property Act.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-02 – Other – Stale Checks (continued)

Views of Responsible Officials and Planned Corrective Actions – Staff will review and void all outstanding checks.

Item 2012-03 – Other – Board of Directors Official Minutes

Statement of Condition – During the review of the Authority's Board of Directors board minutes, we discovered instances where draft copies of the minutes were not prepared and ready for approval at the subsequent Board of Directors' regular meeting.

- The board minutes for the meeting held on April 24, 2013 were not presented at the subsequent board meeting, held on May 29, 2013. The minutes were presented and approved by the governing board at the June 5, 2013 board meeting.

- The board minutes for the meeting held on May 29, 2013 were not presented and approved at the subsequent board meeting, held on June 5, 2013. The minutes were presented and approved by the governing board at the July 24, 2013.

Criteria – Section 10-15-1G NMSA 1978, commonly known as the Open Meetings Act, requires that draft minutes be prepared within ten working days after the meeting, and be approved, amended or disapproved at the next meeting where a quorum is present.

Effect – Noncompliance with the Open Meetings Act places the Authority officials in jeopardy of punishment defined by state statutes.

Cause – The staff failed to prepare the minutes as required as detailed above. In regards to the board minutes for the meeting held on June 5, 2013, the staff did not prepare the draft minutes for approval at the June 5th meeting as ten days had not elapsed. Normally board meetings are not held within ten days of each other; however, an effort should have been made to prepare the draft minutes prior to the special meeting held on June 5, 2013.

Recommendation – We recommend the Authority implement administrative procedures to ensure compliance with New Mexico State Statutes. These procedures would include preparing the minutes a day or two after the board meeting so the draft minutes are available prior to the required ten days and in the event of a special meeting they are available for approval. We recommend the Authority seek training regarding the proper maintenance of the official board meetings in order to meet the requirements of the Open Meetings Act.

Views of Responsible Officials and Planned Corrective Actions – The Authority has implemented administrative procedures to ensure compliance with New Mexico State Statutes. The Authority will also seek training regarding the proper maintenance of the official board meetings in order to meet the requirements of the Open Meeting Act.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-04 – Other – Violation of the New Mexico Constitution

Statement of Condition – During our test of credit card purchases of goods using the Wal-Mart credit card, we discovered purchases that violated Article IX, Section 14 of the New Mexico Constitution. We tested twelve transactions throughout the fiscal year and the selected transactions totaled $6,852.47. The following violations were discovered:

- There were $138.14 of charges for the purchase of coffee and sugar.
- There were $145.24 of charges for food and supplies for the recycle open house.

Criteria – New Mexico Constitution Article IX, Section 14 states, *"neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a "gift", an allocation or appropriation of something of value, without consideration."*

Effect – Noncompliance with the state constitution could subject the Authority to sanctions defined within state statutes.

Cause – The staff did not believe the purchase of such items were in violation of the state constitution.

Recommendation – We recommend the Authority discontinue the practice of purchasing coffee and other items for the employees. Further, we recommend the Authority discontinue the practice of purchasing food for events such as an open house.

Views of Responsible Officials and Planned Corrective Actions – The Authority has discontinued the practice of purchasing coffee, sugar and some food supplies.

Item 2013-01 – Other – Wage and Contribution Reports by Employing Units to New Mexico Workforce Solutions Department

Statement of Condition – During the course of the audit, we performed tests of the Authority's reports and employment taxes to the New Mexico Department of Workforce Solutions. The following discrepancies were discovered:

- The gross wages of an employee were incorrectly omitted from the state employment tax report for the quarter ending September 30, 2012. Total wages of $3,505.28 were omitted from the report and the Authority underpaid taxes by $28.02 for the quarter.
- A portion of the wages from an employee gross wages was incorrectly omitted from the state employment tax report for the quarter ending March 31, 2013. Total wages of $704.75 were omitted and the Authority underpaid taxes by $5.64.

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2013-01 – Other – Wage and Contribution Reports by Employing Units to New Mexico Workforce Solutions Department (continued)

Criteria – As per the New Mexico Administrative Code (NMAC), section 11.3.400.404, *each wage and contribution report must include only wages, as the term is defined in NMSA 1978 Section 51-1-42(t), paid during the quarter being reported.* Corrections of errors made on previously submitted reports must be submitted separately on a form prescribed by the department.

Effect – Errors in reporting wages may affect the employee's wage record and their future ability to collect their correct unemployment compensation.

Cause – The Authority has explained to the auditing firm that the error in reporting payroll wages to the NM Workforce Solutions Department was caused by a problem within the accounting software. For some unexplained reason, a portion of the wages from a particular employee was omitted from the payroll reports. While that seems possible, the Authority does not have the proper administrative procedures in place to reconcile the wages reflected on the general ledger with the payroll reports. If the reconciliation had been performed, the variance would have been detected, and the correct amounts would have been reported on the payroll reports.

Recommendation – We recommend the Authority's accounting staff review administrative procedures related to filing of employment tax reports to verify compliance the regulations of NMAC 11.3.400. The procedures should at a minimum, include reconciliations between the federal and state payroll reports and the general ledger. Further, appropriate corrections should be made to the reports that contained errors as soon as possible.

Views of Responsible Officials and Planned Corrective Actions – The Authority staff have implemented reconciliation methods.

STATUS OF PRIOR YEAR'S FINDINGS

Item 2010-01 – Other – Travel and Per Diem

In the prior year we noted some of the travel and per diem reimbursements to employees and board members were incorrectly calculated. During the current year, we noted similar problems within the travel and per diem reimbursements. The audit finding is not considered resolved and is repeated as Item 2010-01.

Item 2011-01 – Material Weakness – Submission of the Audit Report

The audit report for the fiscal year ended June 30, 2011 was submitted to the New Mexico State Auditor fifteen months late and was approved on April 29, 2013 which in turn caused the audit report for the fiscal year ended June 30, 2012 to be late as the due date of that report was December 1, 2012. The audit report for the fiscal year ended June 30, 2013 has been submitted on a timely basis. The audit finding is considered resolved.

STATUS OF PRIOR YEAR'S FINDINGS (continued)

Item 2011-03 – Other – Untimely Payroll Form 941 Tax Deposits

In the prior year's audit report we noted three instances of late federal payroll tax deposits for the fiscal year ended June 30, 2012. We also noted one instance were the federal quarterly payroll report was filed late. During the current year we noted six instances where the Authority failed to make timely deposits of federal employment taxes. The finding has been modified and is repeated as Item 2011-03.

Item 2011-04 – Other – Procurement Code

In the prior fiscal year we noted errors regarding the procurement code for the purchase of goods and services on two separate occasions. During the current year we did not discover any errors related to public purchasing. The audit finding is considered resolved.

Item 2011-06 – Other - Financial Assurance for Closure/Post Closure

In the prior year we noted the Authority had failed to fund the anticipated closure and post-closure liability as required by the New Mexico Environmental Department. The Authority failed to adequately fund the liability in the current year as required by the Environment Department. The audit finding has been modified and repeated as Item 2011-06.

Item 2011-07 – Significant Deficiency – Authorized Budget and Reporting Documents

Within the prior year's audit report we noted the several issues regarding the budget for the fiscal year ended June 30, 2012. The Authority has not resolved all the issues with the budget and the audit finding has been modified and repeated as Item 2011-07.

Item 2012-01 – Other – Agency Credit Cards

In the prior year's audit report we noted instances where fuel purchases did not have a receipt. The Authority remitted payment to the credit card company as reflected in the monthly statement. We also noted the Authority did not issue purchase orders or requisitions for the fuel purchases. During the current year the Authority corrected the deficiencies in record keeping for fuel purchases. The prior year's audit is considered resolved.

Item 2012-02 – Other – Stale Checks

In the prior year's audit report we noted the Authority outstanding checks that totaled $1,276.68 which should have been voided. The Authority did not resolve the matter and the audit finding is repeated as Item 2012-02.

Item 2012-03 – Other – Board of Directors Official Minutes

In the prior year's audit report we noted discrepancies in the record keeping of the official minutes of the board of directors meetings. During the current year we noted deficiencies in adopting the official minutes in the subsequent meeting. The audit finding is not considered resolved and is repeated as Item 2012-03.

STATUS OF PRIOR YEAR'S FINDINGS (continued)

Item 2012-04 – Other – Violations of the New Mexico State Constitution

During our audit procedures we discovered that the Authority purchased items that are not allowed by the New Mexico State Constitution. The Authority made similar purchases during the current year therefore the finding is not considered resolved and is repeated as Item 2014-04.

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference held on November 22, 2013. Present for the Authority was Alex Brown, chairman, board of directors; Danny Legarreta, interim manager; Diana Temple, executive assistant; Dora Gonzalez, budget analyst. 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, 2013. 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.