

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2014 AND 2013

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

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June 30, 2014 and 2013

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**STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
DIRECTORY OF OFFICIALS
JUNE 30, 2014 and 2013**

Board of Directors

<u>Member</u>	<u>Position</u>	<u>Entity Represented</u>
Alex C. Brown	Chairman	Town of Silver City
Abby Robinson	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
Michael Morones	Member	Town of Silver City

Administrative Staff

Danny Legarreta	Interim Manager
Diana Temple	Executive Assistant

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www.fierrocpa.comIndependent Auditors' ReportHector 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, 2014 and 2013, 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 budgetary comparisons for the years ended June 30, 2014 and 2013 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, 2014 and 2013, and the changes in financial position, cash flows thereof, and the budgetary comparisons for the years then ended in accordance with 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 Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *other supplemental financial information* required by Section 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 by Section 2.2.2 NMAC are 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 29, 2014 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.
Las Cruces, New Mexico

November 29, 2014

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2014 and 2013

	2014	2013
Assets:		
Current assets:		
Cash	\$ 133,119	\$ 87,267
Receivables, net of allowance for doubtful accounts:		
Accounts	241,252	199,728
Intergovernmental	-	48,217
	374,371	335,212
Total current assets		
Noncurrent assets:		
Restricted cash	458,285	182,937
Restricted investments	-	226,981
Capital assets:		
Capital assets, not being depreciated	432,844	244,137
Other capital assets, being depreciated	1,481,706	1,784,711
	2,372,835	2,438,766
Total noncurrent assets		
	\$ 2,747,206	\$ 2,773,978
Liabilities:		
Current liabilities:		
Accounts payable	\$ 229,784	\$ 118,337
Accrued salaries	30,539	18,026
Accrued liabilities	74,274	46,196
Current maturities of liabilities:		
Bonds payable	316,000	-
Notes payable	-	211,835
Compensated absences	23,017	19,980
	673,614	414,374
Total current liabilities		
Noncurrent liabilities:		
Bonds payable	797,000	-
Notes payable	-	840,587
Compensated absences	53,707	46,629
Landfill closure and post-closure	934,645	893,267
	1,785,352	1,780,483
Total noncurrent liabilities		
	2,458,966	2,194,857
Net Position:		
Net investment in capital assets	368,706	976,426
Unrestricted	(80,466)	(397,305)
	288,240	579,121
Total net position		
	\$ 2,747,206	\$ 2,773,978
Total liabilities and net position		

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, 2014 and 2013

	2014	2013
Operating Revenues:		
Charges for services (net of provision for doubtful accounts of zero for 2014 and zero for 2013)	\$ 1,648,209	\$ 1,474,324
Operating Expenses:		
Personnel services	937,355	844,592
Depreciation	414,467	445,317
Landfill closure and post-closure	50,540	129,601
Fuel	73,130	157,522
Repairs and maintenance	183,113	77,621
Insurance	50,716	46,872
Supplies	28,442	38,644
Utilities	22,646	23,101
Professional services	34,982	26,714
Monitoring wells	10,830	9,116
Transfer stations	18,874	20,148
Administrative	11,989	14,524
Recycle disposal fees	8,862	3,641
Training and continuing education	5,834	5,594
	<u>1,851,780</u>	<u>1,843,007</u>
Total operating expenses		
Operating (loss)	(203,571)	(368,683)
Non-Operating Revenues (Expenses):		
Intergovernmental	15,010	-
Interest income	480	1,012
Interest expense and other charges	(37,802)	(48,043)
Bond issuance costs	(94,998)	-
	<u>(117,310)</u>	<u>(47,031)</u>
Total non-operating revenues (expenses)		
Income before contributions	(320,881)	(415,714)
Capital Contributions	<u>30,000</u>	<u>38,484</u>
Change in net position	(290,881)	(377,230)
Net position, beginning of year	<u>579,121</u>	<u>956,351</u>
Net position, end of year	<u>\$ 288,240</u>	<u>\$ 579,121</u>

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

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities:		
Cash received from customers	\$ 1,655,761	\$ 1,538,091
Cash payments to employees for services	(893,604)	(810,910)
Cash payments to suppliers for goods and services	(474,361)	(379,361)
Net cash provided by operating activities	287,796	347,820
Cash Flows from Non-Capital Financing Activities:		
Intergovernmental revenues	15,010	-
Cash refund from Internal Revenue Service	-	1,646
Net cash provided by non-capital financing activities	15,010	1,646
Cash Flows From Capital and Related Financing Activities:		
Bond proceeds	1,226,000	-
Capital contributions	30,000	27,246
Acquisition of capital assets	(172,941)	(135,464)
Principal payments on capital debt	(1,165,422)	(230,524)
Interest and other charges on capital debt	(31,706)	(48,930)
Debt issuance costs	(94,998)	-
Net cash (used) by capital and related financing activities	(209,067)	(387,672)
Cash Flows From Investing Activities:		
Redemption of investments	226,981	6,792
Interest income	480	1,012
Purchase of investments	(200)	(933)
Net cash provided by investing activities	227,261	6,871
Net increase (decrease) in cash	321,000	(31,335)
Cash and cash equivalents, beginning of year	150,249	181,584
Cash and cash equivalents, end of year	\$ 471,249	\$ 150,249
Displayed as:		
Cash	\$ 133,119	\$ 87,267
Restricted cash	458,285	182,937
Time deposits not considered cash equivalents	(120,155)	(119,955)
	\$ 471,249	\$ 150,249

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, 2014 and 2013

	2014	2013
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating (Loss)	\$ (203,571)	\$ (368,683)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	414,467	445,317
Landfill closure and post-closure	41,378	121,299
Change in Assets and Liabilities:		
(Increase) decrease in accounts receivable	(41,524)	70,464
(Increase) decrease in intergovernmental receivable	48,217	(6,818)
Increase (decrease) in accounts payable	(15,781)	52,438
Increase in accrued salaries	12,513	311
Increase in payroll taxes liability	21,123	21,893
Increase in accrued sales tax	859	121
Increase in compensated absences	10,115	11,478
Total adjustments	491,367	716,503
Net cash provided by operating activities	\$ 287,796	\$ 347,820

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

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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 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.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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 position. Net position such as total assets net of total liabilities, are segregated into net invested in capital assets, 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. The budget is prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets (continued)

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.

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. 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.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets (continued)

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:

<u>Length of Employment</u>	<u>Full-Time Employee</u>
1 year	3.39 hrs/pay period
2 years	3.70 hrs/pay period
3 years	4.00 hrs/pay period
4 years	4.31 hrs/pay period
5 to 9 years	4.62 hrs/pay period
10 to 14 years	5.62 hrs/pay period
15 years +	6.16 hrs/pay period

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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 retain. 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 position, 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:

Net Investment in Capital Assets – 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 positions that do not meet the definition of *restricted* or *net investment in capital assets*.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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:

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

2. CASH (continued)

Cash Deposited With Financial Institutions (continued)

2014	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Cash on hand	\$ -	\$ 115	\$ 115
Western Bank	434,603	36,531	471,134
AmBank	<u>120,155</u>	<u>-</u>	<u>120,155</u>
Total cash deposits	<u>\$ 554,758</u>	<u>\$ 36,646</u>	<u>\$ 591,404</u>
2013			
Cash on hand	\$ -	\$ 115	\$ 115
Western Bank	229,225	(79,091)	150,134
AmBank	<u>119,955</u>	<u>-</u>	<u>119,955</u>
Total cash deposits	<u>\$ 349,180</u>	<u>\$ (78,976)</u>	<u>\$ 270,204</u>

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

	<u>2014</u>	<u>2013</u>
Statement of Net Assets:		
Cash	\$ 133,119	\$ 87,267
Restricted cash	<u>458,285</u>	<u>182,937</u>
	<u>\$ 591,404</u>	<u>\$ 270,204</u>

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

**STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013**

2. CASH (continued)

Cash Deposited With Financial Institutions (continued)

	Western Bank	AmBank
2014		
Checking accounts	\$ 96,381	\$ -
Savings and time deposits	338,222	120,155
Total cash deposits	434,603	120,155
Less: FDIC coverage	250,000	120,155
Total uninsured public funds	\$ 184,603	\$ -
Pledged securities	\$ 250,000	\$ -
Collateral requirements (50% of uninsured public funds)	92,302	-
Over (under) collateralization	\$ 157,698	\$ -
2013		
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	\$ -

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, 2014, \$184,603 of the Authority's bank balance of \$554,758 was exposed to custodial credit risk. As of June 30, 2013, none of the Authority’s bank balance of \$349,180 was exposed to custodial credit risk.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

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, 2014 and 2013 is \$458,285, and \$182,937, 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. As of June 30, 2014, the notes had been retired and the debt service and reserve accounts had been reduced to zero. For the fiscal year ended June 30, 2013, the NMFA has invested the funds held in the debt service and debt reserve pools. 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 had \$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 had \$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 at June 30, 2013.

4. ACCOUNTS RECEIVABLE

Accounts receivable, consisted of the following:

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SOUTHWEST SOLID WASTE AUTHORITY
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JUNE 30, 2014 and 2013

4. ACCOUNTS RECEIVABLE (continued)

	2014	2013
Charges for services	\$ 257,521	\$ 232,828
Allowance for doubtful accounts	(16,269)	(33,100)
	\$ 241,252	\$ 199,728

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:

	2014	2013
Grant County	\$ -	\$ 36,978
NM Environment Department	-	11,239
	\$ -	\$ 48,217

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, 2014:

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Business Assets:				
Capital assets, not being depreciated:				
Land	\$ 234,798	\$ -	\$ -	\$ 234,798
Construction in progress	9,339	188,707	-	198,046
Total capital assets, not being depreciated	244,137	188,707	-	432,844
Other capital assets, being depreciated:				
Landfill improvements	2,723,438	-	-	2,723,438
Buildings	772,596	36,243	-	808,839
Building improvements	198,136	-	-	198,136
Equipment	1,717,936	75,219	-	1,793,155
Office equipment	11,357	-	-	11,357
Office furniture	2,022	-	-	2,022
Vehicles	484,431	-	-	484,431
Total capital assets, not being depreciated	5,909,916	111,462	-	6,021,378

**STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013**

6. CAPITAL ASSETS (continued)

	Balance 06/30/13	Increases	Decreases	Balance 06/30/14
Less accumulated depreciation:				
Landfill improvements	(1,800,171)	(240,050)	-	(2,040,221)
Buildings	(479,646)	(39,532)	-	(519,178)
Building improvements	(113,280)	(11,788)	-	(125,068)
Equipment	(1,354,733)	(96,338)	-	(1,451,071)
Office equipment	(11,357)	-	-	(11,357)
Office furniture	(2,022)	-	-	(2,022)
Vehicles	(363,996)	(26,759)	-	(390,755)
Total accumulated depreciation	<u>(4,125,205)</u>	<u>(414,467)</u>	<u>-</u>	<u>(4,539,672)</u>
Other capital assets, being depreciated, net	<u>1,784,711</u>	<u>(303,005)</u>	<u>-</u>	<u>1,481,706</u>
Total capital assets, net	<u>\$ 2,028,848</u>	<u>\$ (114,298)</u>	<u>\$ -</u>	<u>\$ 1,914,550</u>

Capital assets for the fiscal year ended June 30, 2013:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities:				
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

**STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013**

6. CAPITAL ASSETS (continued)

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
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	<u>(3,679,889)</u>	<u>(445,316)</u>	<u>-</u>	<u>(4,125,205)</u>
Other capital assets, net	<u>1,323,295</u>	<u>461,417</u>	<u>-</u>	<u>1,784,711</u>
Total capital assets, net	<u>\$ 2,388,173</u>	<u>\$ 470,756</u>	<u>\$ 830,081</u>	<u>\$ 2,028,848</u>

7. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	2014	2013
Health insurance	\$ 54,685	\$ 26,768
Retirement contribution	4,221	5,454
Federal payroll tax	-	4,407
Interest expense	10,419	4,323
State unemployment tax	2,674	3,587
NM income tax withheld	880	884
NM governmental sales tax	1,395	536
Child support	-	237
	<u>\$ 74,274</u>	<u>\$ 46,196</u>

8. LONG-TERM OBLIGATIONS

Changes in long-term debt during the year ended June 30, 2014, were as follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/13	Amounts Due Within One Year
Bonds payable	\$ -	\$ 1,226,000	\$ 113,000	\$ 1,113,000	\$ 316,000
Notes payable	1,052,422	-	1,052,422	-	-
Landfill closure and post-closure liability	893,267	41,378	-	934,645	-
Compensated absences	66,609	29,180	19,065	76,724	23,017
	<u>\$ 2,012,298</u>	<u>\$ 1,296,558</u>	<u>\$ 1,184,487</u>	<u>\$ 2,124,369</u>	<u>\$ 339,017</u>

**STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013**

8. LONG-TERM OBLIGATIONS (continued)

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

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13	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 costs	771,968	121,299	-	893,267	-
Compensated absences	55,131	26,566	15,088	66,609	19,980
	<u>\$ 2,110,045</u>	<u>\$ 147,865</u>	<u>\$ 245,612</u>	<u>\$ 2,012,298</u>	<u>\$ 231,815</u>

2013 Solid Waste Improvement and Refunding Bonds

On August 9, 2013, the Authority issued \$593,000 Solid Waste System Refunding Revenue Bonds, Taxable Series 2013A and \$633,000 Solid Waste System Improvement and Refunding Revenue Bonds Tax-Exempt Series 2013B. The proceeds of the bonds were used to refund two notes payable to the New Mexico Finance Authority and notes payable to the Town of Silver City, New Mexico and Grant County, New Mexico. The Series 2013A issue achieved a net present value savings of \$77,704 or 11.38% of the outstanding principal amount of the loans being refunded by the Series 2013A issue. The Series 2013B issue achieved a net present value savings of \$14,235 or 3.52% of the outstanding principal amount of the loan being refunded by the Series 2013B issue. The refunding bonds consolidated debt and allowed \$275,000 to be reserved for the closure and post-closure liability.

On May 28, 2013, the Town of Silver City, New Mexico adopted ordinance number 1219 in which the Town pledged environmental services gross receipts tax revenues for the payment of the bonds. On June 13, 2013, Grant County, New Mexico adopted ordinance number 13-02 in which the County pledged environmental services gross receipts tax revenues for the payment of the bonds. The pledge of the environmental services gross receipts tax revenues are considered a special limited obligation of Town of Silver City and Grant County, and do not constitute a general obligation or debt or pledge of the faith and credit of the entities.

2013 A Series

The improvement and refunding bonds bear interest at 3.5% annually and mature on June 1, 2018.

Annual debt service requirement are as follows:

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SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

8. LONG-TERM OBLIGATIONS (continued)

2013 A Series (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 113,000	\$ 16,800	\$ 129,800
2016	118,000	12,845	130,845
2017	122,000	8,715	130,715
2018	<u>127,000</u>	<u>4,445</u>	<u>131,445</u>
	<u>\$ 480,000</u>	<u>\$ 42,805</u>	<u>\$ 522,805</u>

2013 B Series

The improvement and refunding bonds bear interest at 2.5% annually and mature on June 1, 2019.

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 102,000	\$ 7,913	\$ 109,913
2015	101,000	13,275	114,275
2016	103,000	10,750	113,750
2017	106,000	8,175	114,175
2018	109,000	5,525	114,525
2019	<u>112,000</u>	<u>2,800</u>	<u>114,800</u>
	<u>\$ 633,000</u>	<u>\$ 48,438</u>	<u>\$ 681,438</u>

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 was paid in full on August 9, 2013. The note balance was \$169,136 at June 30, 2013.

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 was paid in full on August 9, 2013. The note balance was \$682,580 at June 30, 2013.

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SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

8. LONG-TERM OBLIGATIONS (continued)

Note Payable – Town of Silver City

On March 29, 2004, the Authority borrowed \$50,000; and on May 5, 2004, borrowed \$250,000 from the Town of Silver City for a total of \$300,000. These notes bear interest at 4.80% annually and were paid in full on August 9, 2013. The balance of the notes was \$104,859 at June 30, 2013.

Note Payable – Grant County

On March 29, 2004, the Authority borrowed \$50,000, and on May 5, 2004, borrowed \$150,000 from Grant County for a total of \$200,000. The notes bear interest at 4.80% annually and were paid in full on August 9, 2013. The balances of the notes were \$95,847 at June 30, 2013.

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 preparation for post-closure costs, the Authority must 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. The estimated liability for landfill closure, assessment, and post-closure care cost is \$934,645 and \$893,267 as of June 30, 2014 and 2013, respectively. These liabilities are based upon a percentage of usage (filled) of the landfill. As of June 30, 2014 and 2013, the Authority has set aside cash of \$432,844 and \$182,937, respectively, for the liability.

The total current estimated cost of the landfill closure, assessment and post-closure care is \$1,859,991 and \$1,834,223, 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, 2014 and 2013, 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. 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).

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (continued)

Plan Description (continued)

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.

Funding Policy

Plan members are required to contribute 8% and 7% (ranges from 6.28% to 18.15% depending upon the plan – i.e., state general; state hazardous duty; state police and adult correctional officers; State Plan 3 - peace officer, juvenile correctional officer Plan 2; 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 Authority would normally be required to contribute 8% and 7% (ranges from 7.0% to 25.72% depending upon the plan); however, due to the election to remit 75% of the employees share the amount remitted by the Authority is 14% and 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, 2014, 2013 and 2012 were \$65,653, \$59,453, and \$58,502, respectively, which equal the amount of the required contributions for each fiscal year.

10. 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.

11. VIOLATIONS OF FINANCE-RELATED PROVISIONS

2013 Solid Waste System Improvement and Refunding Revenue Bonds - The Authority has issued bonds and has failed to comply with certain provisions as detailed below:

- The 2013 B series bonds had principal of \$102,000 and \$7,913 interest due on June 1, 2013. The Authority did not remit payment until July 21, 2014.
- The Authority failed to establish and fund the bond income, debt reserve and debt service funds as required by the bond agreement and ordinance number 1201.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 and 2013

12. EXCESS EXPENDITURES OVER APPROPRIATIONS

During the fiscal year June 30, 2014, the Authority's expenditures of \$3,108,380 exceeded appropriations of \$2,057,972 by \$1,050,408.

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.

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, 2014

	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	\$ 1,794,659	\$ 1,794,659	\$ 1,655,761	\$ (7,552)	\$ 1,648,209	\$ (138,898)
Operating Expenses:						
Personnel services	871,000	871,000	893,604	43,751	937,355	(22,604)
Depreciation	-	-	-	414,467	414,467	-
Landfill closure and post-closure	109,500	109,500	9,171	41,369	50,540	100,329
Fuel	160,000	160,000	64,112	9,018	73,130	95,888
Repairs and maintenance	131,700	131,700	200,962	(17,849)	183,113	(69,262)
Insurance	49,500	49,500	49,774	942	50,716	(274)
Supplies	33,700	33,700	24,158	4,284	28,442	9,542
Utilities	23,100	23,100	20,573	2,073	22,646	2,527
Professional services	29,000	29,000	42,138	(7,156)	34,982	(13,138)
Monitoring wells	10,000	10,000	19,123	(8,293)	10,830	(9,123)
Transfer stations	19,000	19,000	21,115	(2,241)	18,874	(2,115)
Administration	12,000	12,000	12,404	(415)	11,989	(404)
Recycle disposal fees	-	-	5,130	3,732	8,862	(5,130)
Training and continuing education	5,350	5,350	5,701	133	5,834	(351)
Total operating expenses	1,453,850	1,453,850	1,367,965	483,815	1,851,780	85,885
Operating income (loss)	340,809	340,809	287,796	(491,367)	(203,571)	(53,013)
Non-Operating Revenues (Expenses):						
Bond proceeds	250,000	250,000	1,226,000	(1,226,000)	-	976,000
Debt reserve revenues	-	-	226,981	(226,981)	-	226,981
Intergovernmental revenues	-	-	15,010	-	15,010	15,010
Interest income	400	400	480	-	480	80
Capital outlay	(123,000)	(123,000)	(172,941)	172,941	-	(49,941)
Funding financial assurance reserve	(250,000)	(250,000)	(275,348)	275,348	-	(25,348)
Retirement of debt	(231,122)	(231,122)	(1,165,422)	1,165,422	-	(934,300)
Interest expense and other charges	-	-	(31,706)	(6,096)	(37,802)	(31,706)
Debt issuance costs	-	-	(94,998)	-	(94,998)	(94,998)
Total non-operating revenues (expenses)	(353,722)	(353,722)	(271,944)	154,634	(117,310)	81,778
Capital contributions	30,000	30,000	30,000	-	30,000	-
Net change	17,087	17,087	45,852	\$ (336,733)	\$ (290,881)	28,765
Cash balance, beginning of year	87,267	87,267	87,267			-
Cash balance, end of year	\$ 104,354	\$ 104,354	\$ 133,119			\$ 28,765

Explanation of Differences:

Change in receivables	\$ 41,524
Change in intergovernmental receivable	(48,217)
Change in accounts payable	15,781
Change in accrued salaries	(12,513)
Change in accrued payroll liabilities	(21,123)
Change in accrued sales taxes	(859)
Change in accrued interest payable	(6,096)
Change in compensated absences	(10,115)
Retirement of debt	1,165,422
Bond proceeds	(1,226,000)
Debt reserve revenues	(226,981)
Funding financial assurance reserve	275,348
Capital outlay purchases	172,941
Depreciation	(414,467)
Landfill closure and post-closure	(41,378)
	<u>\$ (336,733)</u>

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, 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	<u>1,507,153</u>	<u>1,497,153</u>	<u>1,190,271</u>	<u>652,736</u>	<u>1,843,007</u>	<u>306,882</u>
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)	<u>(408,843)</u>	<u>(415,843)</u>	<u>(413,265)</u>	<u>366,234</u>	<u>(47,031)</u>	<u>2,578</u>
Capital contributions	-	-	27,246	11,238	38,484	27,246
Net change	<u>(318,042)</u>	<u>(314,042)</u>	<u>(38,199)</u>	<u>\$ (339,031)</u>	<u>\$ (377,230)</u>	<u>275,843</u>
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	<u>\$ (199,368)</u>	<u>\$ (195,368)</u>	<u>\$ 87,267</u>			<u>\$ 282,635</u>

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)
	<u>\$ (339,031)</u>

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2014 and 2013

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
2014				
Western Bank P.O. Box 2024 Silver City, NM 88062				
SW Solid Waste Authority	Checking	\$ 96,381	\$ 36,531	\$ 132,912
SW Solid Waste Authority	Savings	92	-	92
SW Solid Waste Authority	Savings	338,130	-	338,130
		<u>\$ 434,603</u>	<u>\$ 36,531</u>	<u>\$ 471,134</u>
Am Bank P.O. Box 2677 Silver City, NM 88062-2677				
	Time Deposit	<u>\$ 120,155</u>	<u>\$ -</u>	<u>\$ 120,155</u>
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
		<u>\$ 229,225</u>	<u>\$ (79,091)</u>	<u>\$ 150,134</u>
AmBank P.O. Box 2677 Silver City, NM 88062-2677				
	Time Deposit	<u>\$ 119,955</u>	<u>\$ -</u>	<u>\$ 119,955</u>

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2014 and 2013

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

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

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

Ed Fierro, CPA • Rose Fierro, CPA527 Brown Road • Las Cruces, NM 88005
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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, 2014 and 2013, and the related notes to the financial statements, which collectively comprise Southwest Solid Waste Authority's basic financial statements, and the related budgetary comparisons of Southwest Solid Waste Authority for the years ended June 30, 2014 and 2013, presented as supplemental information, and have issued our report thereon dated November 29, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 exist 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 2011-006, 2011-007, 2012-003, 2014-001 and 2014-002.

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 responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 29, 2014

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2011-006 – 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, 2014, the Authority failed to properly fund the required closure and post-closure liability. The Authority requirement for cash reserves is \$934,645, while the cash set aside in the reserve accounts is \$458,285; thus causing a shortfall of \$476,360 as of June 30, 2014.

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.

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 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 Solid Waste Authority, the members underfunded the necessary working capital to provide sufficient capital for operations, and the purchase of heavy capital equipment needed to operate.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2011-006 – Other – Financial Assurance for Closure/Post-Closure (continued)

Cause (continued) – 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.

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.

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.

On August 9, 2013, the Authority refinanced its debt and deposited \$261,796 into the closure liability reserve account. That deposit replaced the \$250,000 that had been used in the prior year for construction of cells seven and eight. On September 4, 2013, the Board of Directors raised the rates for solid waste disposal in effort to generate additional cash from operations. For the fiscal year ended June 30, 2014, revenues increased by \$179,352 when compared to the previous 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 total amount of current projected closure and post-closure liability. We recommend the Authority closely monitor net income on a monthly basis to determine if sufficient income is being generated to meet operational, capital and debt requirements. If sufficient cash is not maintained, the Authority may need to address operational expense in an attempt to reduce expenses thereby increasing net income. As soon as possible the cash maintained for financial assurance reserves should be increased.

Views of Responsible Officials and Planned Corrective Actions – Currently the Authority is in the process of re-permitting the landfill. The process should be completed by April 2015. Per the new permit the Authority will be required to close cells 1 – 4 by 2017. According to the new permit the authority will not need to build a new cell for the next 15 years allowing the Authority time to catch up on financial assurance needs as well as much needed capital replacement needs. The cash currently available in financial assurance will be sufficient to close cells 1 – 4. Beginning FY 2016 the Authority will begin setting aside the required annual finance assurance required yearly.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2011-006 – Other – Financial Assurance for Closure/Post-Closure (continued)

Views of Responsible Officials and Planned Corrective Actions (continued) – In FY 2018 the Authority will no longer have any debt service requirement which will allow an additional \$270,000 annually to be used for financial assurance or capital replacement needs. As part of the new permit the Solid Waste Bureau would require the Authority to put in place an operating master plan to be updated every three years. This plan will contain the financial assurance, capital replacement, and operating fund needs for the Authority. The plan will provide a tool to the governing Board that will be used to do long term planning approved by an independent third party. This would require much closer oversight by the Board.

Item 2011-007 – Other – Authorized Budget

Statement of Condition – On October 16, 2013, the Board of Directors approved Resolution 2014-5 amending the 2013-2014 budget. The Authority attempted to increase appropriations for the fiscal year as the result of refinancing debt obligations. The Authority did not receive New Mexico Finance and Administration Department Local Government Division (LGD) approval to amend the budget. The Authority states there was a change in the LGD budget analyst position responsible for the Authority and no approval was received. The original budget appropriations were established at \$2,057,972. During the fiscal year, the Authority expended \$3,108,380 thereby exceeding their appropriations by \$1,050,408.

Criteria – Section 6-6-6 NMSA 1978 states, “*When any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.*”

Section 6-6-2I NMSA 1978 authorizes LGD “*with written approval of the secretary of finance and administration, increase the total budget of any local public body in the event the local public body undertakes an activity, service, project or construction program that was not contemplated at the time the final budget was adopted and approved and which activity, service, project or construction program will produce sufficient revenue to cover the increase in the budget or the local public body has surplus funds on hand not necessary to meet the expenditures provided for in the budget with which to cover the increase in the budget; provided, however, that the attorney general shall review legal questions identified by the secretary arising in connection with such budget increase request.*”

Effect – 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.*”

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2011-007 – Other – Authorized Budget (continued)

Cause – The staff failed to follow up with LGD regarding the status of their approval of the requested budget increase. Since no budget increase was approved, the Authority must adhere to the original budget.

Recommendation – For all changes made to the budget that require LGD approval the Authority must ensure that approval is received prior to the expenditure of funds. We recommend the Authority establish administrative procedures to ensure timely submittal and receipts of budget adjustments to the LGD.

Views of Responsible Officials and Planned Corrective Actions – The Authority agree with the auditor's recommendation. Although due the constant changes in staff at LGD has made it very difficult to even identify who our representative is at times. This has made it hard to provide for the health, safety, and welfare of the staff and community, by not being able to amend the Authority's budget as necessary in a timely manner.

Item 2012-003 – Other – Board of Directors Official Minutes

Statement of Condition – During the review of the Authority's Board of Directors board minutes, we discovered the draft copies of the minutes of a Board of Directors meeting held on December 11, 2013 were not approved at the next subsequent meeting which was held on April 9, 2014. The minutes were approved at the May 21, 2014 Board of Directors meeting.

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 within ten working days as required by state statute.

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.

Views of Responsible Officials and Planned Corrective Actions – The Authority agrees with the auditor's recommendation and will follow New Mexico Statutes.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2014-001 – Other – Procurement Code

Statement of Condition – During our testing of the Authority’s procurement process, we discovered the following deviations of the New Mexico Procurement Code:

- During the fiscal year the Authority had an engine rebuilt on a scraper. The cost of the repair was \$69,219. The Authority did not bid the project as they state only one vendor in the Albuquerque and Las Cruces, New Mexico and El Paso, Texas area was qualified to perform the repairs. The Authority failed to document certain items required by the New Mexico Procurement Code.
- The Authority is in the process of renewing its permit to accept solid waste and is using the services of an engineering firm to assist in the application process. During the fiscal year, the Authority remitted \$46,004 and has outstanding invoices at the end of the fiscal year in the amount of \$150,678. The Authority did recently solicit bids for engineering services claiming the award for engineering services made in October 2008 should suffice.

Criteria – The purpose of the New Mexico Procurement Code, Chapter 13 NMSA 1978, is to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity. The New Mexico Administrative Code (NMAC) provides further guidance to assist the state and local governments meet the requirements of the procurement code embodied within state statutes.

According to 1.4.1.57 NMAC, the Authority must retain the following information on file regarding sole source procurements.

- The contractor’s name and address;
- The amount and term of the contract;
- A listing of the service, construction or items of tangible personal property procured under the contract;
- The justification for the procurement method which shall include any written determinations and written approvals required by any provisions of 1.4.1.53 through 1.4.1.57 NMAC.

Section 13-1-120 NMSA 1978 requires the Authority to evaluate statements of qualifications and performance data submitted by at least three businesses in regard to a particular project such as the renewal of the permit application.

Effect – The Authority failed to maintain written documentation as required by the NMAC regarding the purchase of services from a sole source. Additionally, the Authority engaged an engineering firm to perform assistance in the application process using a response to a bid issued in October 2008. The 2008 bid was stale and the Authority should have issued a bid request in order to evaluate current pricing.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2014-001 – Other – Procurement Code (continued)

Effect (continued) – Section 13-1-196 NMSA 1978 states “Any person, firm or corporation that knowingly violates any provision of the Procurement Code [Sections 13-1-28 through 13-1-199 NMSA 1978] is subject to a civil penalty of not more than one thousand dollars (\$1,000) for each procurement in violation of any provision of the Procurement Code.” Additionally, Section 13-1-199 NMSA 1978 states, “Any business or person that willfully violates the Procurement Code is guilty of: (A) a misdemeanor if the transaction involves fifty thousand dollars (\$50,000) or less; or (B) a fourth degree felony if the transaction involves more than fifty thousand dollars (\$50,000).”

Cause – The administrative staff failed to document the necessary information within the Authority records for the sole source procurement and secure bids for engineering services for the renewal of the permit issued by the New Mexico Environment Department.

Recommendation – We recommend the Authority staff review the provisions of the procurement code in regards to construction contracts, and establish procedures to ensure compliance with the code.

Views of Responsible Officials and Planned Corrective Actions – The Authority agrees with the auditor’s recommendation and will do so.

Item 2014-002 – Other – Bond Ordinance and Agreement

Statement of Condition – On August 9, 2013, the Authority issued revenue refunding bonds series 2013A and 2013B in the amount of \$593,000 and \$633,000 respectively. On May 7, 2012, the Authority issued ordinance number 1201 that details the legal obligations of the Authority regarding the bond issuance. Ordinance 1201 requires the establishment of an income, debt reserve and debt service funds. The Authority did not establish any of the funds. On July 24, 2013, the Board of Directors passed a resolution related to the bonds series 2013A and 2013B which required the Authority to deposit \$1,193 into the debt service fund. The Authority failed to fund the debt service fund as required.

Criteria – Ordinance 1201 Section 17 states, “So long as any of the bonds are outstanding either as to principal or interest, or both, the Authority shall credit all revenues to the income fund.” Section 18 states, “So long as any of the Bonds shall be outstanding, either as to principal or interest or both, the following payments shall be made monthly from the income fund. (B) Debt Service Fund. – Second, subject and subordinate to, the aforesaid paragraph A of this Section and on parity with any monthly deposits for payment of principal and interest on Parity Obligations, from any moneys remaining in the income fund there shall be credited to the debt service fund the following amounts: (1) Monthly, commencing on the first day of the month immediately succeeding the delivery of any of the bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on the bonds then outstanding, from moneys thereafter commencing on said interest payment date one-sixth of the amount necessary to pay the next maturing installment of interest on the outstanding bonds.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2014-002 – Other – Bond Ordinance and Agreement (continued)

Criteria (continued) – (2) *Monthly, commencing on the first day of the month immediately succeeding the delivery of the bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of principal on the Bonds then outstanding (including any mandatory sinking fund redemption installment) and monthly thereafter commencing on said principal payment date, one-twelfth of the amount necessary to pay the next maturing installment of principal on the bonds (including any mandatory sinking fund redemption installment)."*

Ordinance 1201 Section 18 C discusses the reserve fund and states, *"Immediately upon the sale and delivery of the bonds, a deposit in an amount equal to the reserve requirement will be made into the reserve fund from proceeds of the bonds or in the form of a credit instrument..."* Section 21 A (2) explains the requirements of the debt service and reserve stating, *"The net revenues received by the Authority for the fiscal year immediately preceding the date of the issuance of such additional parity obligations shall have been sufficient to pay an amount representing at least 150% of the combined maximum annual principal and interest coming due in any subsequent fiscal year on the then outstanding bonds, all other than outstanding parity obligations and the parity obligations proposed to be issued (exceeding any reserves thereof)."*

Effect – Ordinance 1201 Section 26 provides events of default. Paragraph 26 (D) states, *"default by the Authority in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the bonds or in the bond ordinance on its part to be performed..."* Section 27 of the bond ordinance states in the event of default the holder of the bonds may proceed against the Authority, the Board and its agents, officers and employees.

Cause – The proper funds did not get established as required by the bond ordinance. One of the three following reasons caused the failure, (1) the investment bankers who assisted the Authority did not properly instruct the Authority as to what was required; (2) the staff did not properly create the funds as instructed by the investment bankers; (3) the Authority failed to read and implement the correct procedures required by the bond ordinance or bond agreement.

Recommendation – We recommend the Authority review the bond documents including the ordinance, resolution, and agreement to determine what administrative requirements are needed. If the staff is unable to properly interpret the documents then a consultant should be engaged to assist the staff. The Authority must implement the proper funds as required by the documents.

Views of Responsible Officials and Planned Corrective Actions – The Authority agrees with the auditor's recommendation and will do so.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014 and 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR’S FINDINGS

Item 2010-01 – Travel and Per Diem – The audit finding noted several errors in the recording keeping of travel and per diem reimbursements to employees and a board member. During the current year’s testing of travel and per diem reimbursements we did not detect errors as reflected in the audit finding. The audit finding is considered resolved.

Item 2011-03 – Untimely Federal Payroll Tax Deposits – The audit finding noted the Authority failed to remit payroll tax liabilities on a timely basis. The test of current year’s tax deposits revealed the Authority resolved the problem and the tax liabilities were remitted on a timely basis. The audit finding is considered resolved.

Item 2011-06 – Financial Assurance for Closure/Post Closure – The finding disclosed the insufficient funding of the closure and post closure liability as required by the New Mexico Environmental Department. The deficiency in the funding of the liability has not been resolved and the finding has been updated and repeated as item 2011-006.

Item 2011-07 – Authorized Budget – The audit finding noted violations of state of New Mexico statutes regarding the adoption of the original and final budget as the Authority budgeted an anticipated deficit cash balance. While that particular budget problem did not exist for the current year the Authority expenditures exceeded appropriations. The finding has been modified and repeated as item 2011-007.

Item 2012-02 – Stale Checks – The finding noted the Authority had issued checks that were stale and not returned to the vendor or to the state of New Mexico as unclaimed property. During the current fiscal year the Authority resolved the finding by properly disposing of the outstanding checks. The audit finding is considered resolved.

Item 2012-03 – Board of Directors Minutes – The finding revealed two separate instances where the Board of Directors official minutes of meetings were not prepared in compliance with the Open Meetings Act. A similar instance occurred in the current fiscal year. The finding has been modified and updated and repeated as item 2012-003.

Item 2012-04 – Violation of the New Mexico Constitution – The audit finding noted the Authority expended public funds that violated the anti-donation of the State constitution. No expenditures were noted in the current year that violated the State constitution. The finding is considered resolved.

Item 2013-01 – Wage and Contribution Reports by Employing Units to New Mexico Workforce Solutions Department - The finding noted errors in wages reported to Workforce Department. The reconciliation of payroll reports with the general ledger indicates the problem in the reporting has been corrected. The finding is considered resolved.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
EXIT CONFERENCE & FINANCIAL STATEMENT PREPARATION
JUNE 30, 2014 and 2013

EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2014, was discussed during the exit conference held on December 1, 2014. Present for the Authority was Alex Brown, chairman, board of directors; Danny Legarreta, interim manager; and Diana Temple, executive assistant. Present for the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Authority as of and for the year ended June 30, 2014. 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.