

STATE OF NEW MEXICO

SOUTHWEST SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2016

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
TABLE OF CONTENTS
JUNE 30, 2016

	<u>Page</u>
OFFICIAL ROSTER	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
NOTES TO FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION	
Public Employees Retirement Association (PERA) Plan:	
Municipal General:	
Schedule of the Southwest Solid Waste Authority's Proportionate Share of the Net Pension	
Liability of PERA Fund Division	30
Schedule of Southwest Solid Waste Authority's Contributions	31
Notes to Required Supplementary Information	32
SUPPLEMENTARY INFORMATION	
Statement of Revenues and Expenses, and Changes in Net Position – Budget (GAAP Budgetary Basis) and Actual (Cash Basis):	33
OTHER SUPPLEMENTARY INFORMATION	
Schedule of Pledged Collateral	34
Schedule of Cash Accounts	35
Schedule of Joint Powers Agreements	36
Schedule of Vendor Information	37
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39
Schedule of Findings and Responses	41
Exit Conference	47

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

OFFICIAL ROSTER
JUNE 30, 2016

<u>Name</u>	<u>Title</u>	<u>Entity Represented</u>
<i>Alex Brown</i>	<i>Chairman</i>	<i>Town of Silver City</i>
<i>Charlene Webb</i>	<i>Vice-Chairman</i>	<i>Grant County</i>
<i>Mike Morones</i>	<i>Treasurer</i>	<i>Town of Silver City</i>
<i>Richard Bauch</i>	<i>Director</i>	<i>Village of Santa Clara</i>
<i>Edward Encina</i>	<i>Director</i>	<i>Village of Hurley</i>
<i>Charles Kelley</i>	<i>Director</i>	<i>City of Bayard</i>
<i>Brett Kasten</i>	<i>Director</i>	<i>Grant County</i>
<i>Danny Legarreta</i>	<i>Operations Supervisor</i>	
<i>Dora Gonzales</i>	<i>Business Operations/Personnel Officer</i>	
<i>Carol Zuzueta</i>	<i>Accounting Specialist</i>	

INDEPENDENT AUDITORS' REPORT

Mr. Tim Keller, State Auditor and
The Board of Directors
Southwest Solid Waste Authority
Silver City, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of Southwest Solid Waste Authority, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons presented as supplementary information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2016, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Mr. Tim Keller, State Auditor and
The Board of Directors
Southwest Solid Waste Authority
Silver City, New Mexico
Page Two

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Southwest Solid Waste Authority, as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 and pension liability schedules on pages 30 and 31 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The other schedules required by 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules 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 schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of vendor information on page 37 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mr. Tim Keller, State Auditor and
The Board of Directors
Southwest Solid Waste Authority
Silver City, New Mexico
Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Authority's internal control over financial reporting and compliance.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 26, 2016

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Introduction

As management of the Southwest Solid Waste Authority (the "Authority"), the Board of Directors offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2016.

Financial Highlights

Key events for the Fiscal Year 2016 are:

- The liabilities and deferred inflows exceeded assets and deferred outflows of the Authority at the close of the most recent fiscal year by \$373,383 (*total net position*). The components of net position include net investment in capital assets \$744,232, restricted \$0, and unrestricted net position (\$1,117,615).
- The Authority's total net position decreased by \$83,994 compared to the prior year. This decrease results primarily from a deficit in net operating income.
- As of June 30, 2016, the Authority had current and noncurrent assets totaling \$180,372 and \$1,892,847, respectively. Capital assets, net of accumulated depreciation totaled \$1,383,879. Current liabilities include \$63,335 in accounts payable, \$117,106 in payroll liabilities, \$1,408 in interest payable, and \$239,046 in current portion of long-term debt. Noncurrent liabilities included notes payable of \$47,604 and bonds payable of \$348,000, leases payable of \$4,997, net pension liability of \$456,775, landfill closure and post closure costs of \$1,076,868, and accrued compensated absences of \$111,472.

Overview of the Financial Statements

The Authority is a special purpose government agency engaged only in business-type activities. Therefore, in accordance with GASB Statement No. 34, the Authority's financial statements are comprised of two components:

1. Government-wide enterprise fund financial statements consisting of:
 - a. Statement of net position;
 - b. Statement of revenues, expenses and changes in fund net position;
 - c. Statement of cash flows: and.
 - d. Notes to the financial statements
2. Budgetary comparison statement is presented as supplementary information

These financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The enterprise fund financial statements can be found on pages 9 - 12 of this report.

The Statement of Net Position presents information on all of the Authority's assets and deferred outflows, and liabilities and deferred inflows, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (e.g., accounts receivable and accounts payable).

The Statement of Cash Flows presents information on how the Authority's cash was used. It shows net cash used by or provided by operating activities, capital financing activities, noncapital financing activities and investing activities. It also reconciles beginning cash balances to ending cash balances.

The Notes to the Financial Statements provide additional information that is essential to full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 13 - 30 of this report.

The Budgetary Comparison Statement compares current period activity on a budgetary basis of accounting to the legally adopted budget. The amounts presented in the budgetary comparison statement may differ from amounts presented in the statement of revenues, expenses and changes in fund net position. The budgetary comparison statement has been presented as supplementary information to demonstrate compliance with NMAC 2.2.2.10 O (3).

Government-Wide Financial Analysis (Broad Overview of Finance)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, a negative net position balance (liabilities exceeding assets) of (\$373,383) is reported at the close of the most recent fiscal year.

For the years ended June 30, 2016 and 2015, the Authority reported (\$373,383) and (\$289,389) deficits in net position as unrestricted, respectively.

	2016	2015
Assets:		
Current assets	\$180,372	\$196,327
Noncurrent assets	508,968	458,614
Capital assets, net	1,383,879	1,690,356
<u>Total assets</u>	2,073,219	2,345,297
Deferred outflows	33,537	66,592
Liabilities:		
Current liabilities	420,895	450,726
Noncurrent liabilities	2,045,716	2,112,669
<u>Total liabilities</u>	2,466,611	2,563,395
Deferred inflows	13,528	137,883
Net Position:		
Net investment in capital assets	744,232	893,356
Unrestricted	(1,117,615)	(1,182,745)
<u>Total net position</u>	(\$373,383)	(\$289,389)

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Overview of the Statement of Revenues, Expenses and Changes in Net Position

	2016	2015
Revenues:		
Charges for services	\$1,637,928	\$1,666,614
<i>Total revenues</i>	1,637,928	1,666,614
Expenses:		
Operating expenses	1,697,520	1,761,241
<i>Total expenses</i>	1,697,520	1,761,241
<i>Operating income (loss)</i>	(59,592)	(94,627)
Non-operating revenue/(expenses)	(24,402)	(9,456)
Capital contribution	0	0
<i>Increase (decrease) in net position</i>	(83,994)	(104,083)
Net position – beginning of year	(289,389)	(185,306)
<i>Net position – end of year</i>	(\$373,383)	(\$289,389)

Financial Analysis of the Authority's Funds and Fiscal Year 2016 Budgetary Highlights

As noted above, net position decreased by \$83,994 from fiscal year 2015 to fiscal year 2016. Total revenues decreased by \$28,686, mainly due to a decrease in sludge revenue. Total operating expenses decreased in fiscal year 2016 to \$1,697,520, a decrease of \$25,931 from the fiscal year 2015 operating expenses of \$1,761,241. The major factor in this decrease in spending was a concerted effort to decrease expenses.

The original budget was amended to include a small increase to operating revenues and various increases and decreases in operating expenses for a net increase in operating expenditures of \$3,400.

Long-Term Debt

The Authority entered into a new loan agreement, of \$50,378 during the year for the purchase of a roll-off truck. Principal payments made on bonds payable during the year were \$221,000.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Capital Asset Administration

The Authority's investment in capital assets for business-type activities as of June 30, 2016 totals \$744,232 (net of accumulated depreciation). The changes in capital assets for the year besides depreciation expense were from the purchase of four assets totaling \$30,321 (the roll-off truck financed with new debt was not received until next fiscal year) and \$71,315 of additions to CIP for the repermitting process.

Additional information on the Authority's capital assets can be found on page 20 of this report.

Financial Outlook for Next Year

The Authority received the authorization of the new solid waste permit in early 2016. The Authority has received grant funding for the closure of cells 1-4 which will decrease landfill closure and post closure liability as well as the financial assurance set-asides required.

Requests for Information

This financial report is designed to provide a general overview of the Southwest Solid Waste Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Southwest Solid Waste Authority, P.O. Box 2617, Silver City, New Mexico 88061.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Business-Type Activities</u>
ASSETS	
Current Assets:	
Cash	\$14,180
Receivables, net of allowance for doubtful accounts:	
Accounts, net of allowance of \$3,660	166,192
Intergovernmental	0
<i>Total current assets</i>	180,372
Noncurrent Assets:	
Restricted cash	388,350
Restricted investments	120,618
Capital assets:	
Capital assets, not being depreciated	234,798
Other capital assets, being depreciated	1,149,081
<i>Total non current assets</i>	1,892,847
Deferred outflows of resources	33,537
<i>Total assets and deferred outflows of resources</i>	\$2,106,756
LIABILITIES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$63,335
Accrued salaries	39,216
Accrued payroll liabilities	77,890
Accrued interest	1,408
Current maturities of liabilities:	
Notes payable	2,774
Bonds payable	228,000
Lease payable	8,272
<i>Total current liabilities</i>	420,895
Noncurrent Liabilities:	
Notes payable	47,604
Bonds payable	348,000
Lease payable	4,997
Net pension liability	456,775
Compensated absences	111,472
Landfill closure and post-closure	1,076,868
<i>Total noncurrent liabilities</i>	2,045,716
<i>Total liabilities</i>	2,466,611
Deferred inflows of resources	13,528
Net Position:	
Net investment in capital assets	744,232
Restricted for financial assurance	508,968
Unrestricted	(1,626,583)
<i>Total net position</i>	(373,383)
<i>Total liabilities, deferred inflows of resources, and net position</i>	\$2,106,756

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities
OPERATING REVENUES	
Charges for services	\$1,637,928
<hr/>	
OPERATING EXPENSES	
Administration:	
Personnel services	156,730
Office operations	125,824
Landfill:	
Personnel services	554,309
Operating expense	172,248
Recycling:	
Personnel services	185,902
Operating expense	92,023
Depreciation expense	408,112
Bad debt expense	2,372
<i>Total operating expenses</i>	1,697,520
<i>Operating income (loss)</i>	(59,592)
NON-OPERATING REVENUE AND (EXPENSES)	
Intergovernmental - state	444
Intergovernmental support - local	37,790
Intergovernmental - local	(37,790)
Interest income	374
Interest expense and other charges	(25,220)
<i>Total non-operating revenue and (expenses)</i>	(24,402)
<i>Income (loss) before contributions</i>	(83,994)
Capital contributions	0
<i>Change in net position</i>	(83,994)
Total net position, beginning of year	(289,389)
<i>Total net position, end of year</i>	(\$373,383)

The Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$1,642,946
Cash payments to employees for services	(423,246)
Cash payments to suppliers for goods and services	(875,245)
<i>Net cash provided by operating activities</i>	344,455
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental revenues	444
<i>Net cash provided by noncapital financing activities</i>	444
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond principal payments	(221,000)
Lease proceeds	50,378
Lease payments	(7,912)
Acquisition of capital assets	(101,635)
Interest and other charges on capital debt	(25,687)
<i>Net cash used by capital and related financing activities</i>	(305,856)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	374
Purchase of investments	(242)
<i>Net cash provided by investing activities</i>	132
<i>Net increase (decrease) in cash</i>	39,175
Cash and cash equivalents - beginning of year	363,355
<i>Cash and cash equivalents - end of year</i>	\$402,530
Displayed as:	
Cash	\$14,180
Restricted cash	388,350
	\$402,530

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH (USED)	
BY OPERATING ACTIVITIES	
Operating Income (loss)	(\$59,592)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	408,112
Landfill closure and post-closure	23,475
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	5,018
Increase (decrease) in accounts payable	(54,254)
Increase in accrued salaries	17,987
Increase in payroll taxes liability	(3,231)
Increase in compensated absences	(6,707)
Net change in pension contributions and liabilities	13,647
<i>Total adjustments</i>	<u>404,047</u>
<i>Net cash provided (used) by operating activities</i>	<u><u>\$344,455</u></u>

The Notes to Financial Statements are an integral part of these statements.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 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 expired on December 15, 2014. The Authority is operating on an extension of the permit pending the new permit process and approval. 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:

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.

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, deferred outflows of resources, liabilities, deferred inflows of resources, net assets, revenues and expenses.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 and deferred outflows net of total liabilities and deferred inflows, 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.

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.

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.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Receivables

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

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.

Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

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

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

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

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Employees</u>
1 year	3.39 hours/pay period
2 years	3.70 hours/pay period
3 years	4.00 hours/pay period
4 years	4.31 hours/pay period
5 to 9 years	4.62 hours/pay period
10 to 14 years	5.62 hours/pay period
15 years +	6.15 hours/pay period

Annual leave for all employees can be carried over from year to year. There is no limit as to the total number of annual leave hours an employee can 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.

Long-Term Obligations

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 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:

2016	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$0	\$115	\$115
Western Bank	353,535	(1,130)	352,405
AmBank	120,618	0	120,618
Cash held with Trustee	50,010	0	50,010
<i>Total cash deposits</i>	524,163	(1,015)	523,148
<u>Less amounts shown as investments</u>	<u>(120,618)</u>	<u>0</u>	<u>(120,618)</u>
	<u>\$403,545</u>	<u>(\$1,015)</u>	<u>\$402,530</u>

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

	2016
Statement of Net Assets:	
Cash	\$14,180
Restricted cash	388,350
	<u>\$402,530</u>

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. CASH (CONTINUED)

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.

2016	Western Bank	AmBank
Checking accounts	\$353,328	\$0
Savings and time deposits	207	120,598
<i>Total cash deposits</i>	353,535	120,598
Less: FDIC coverage	(250,000)	(120,598)
<i>Total uninsured public funds</i>	\$103,535	\$0
Pledged securities	250,675	0
Collateral requirements (50% of uninsured public funds)	(51,768)	0
<i>Over (under) collateralization</i>	\$198,907	\$0

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, 2016, \$103,535 of the Authority's bank balance of \$474,133 was exposed to custodial credit risk.

NOTE 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 and Investment

The balance of the restricted cash at June 30, 2016 is \$388,350. The Authority has accumulated \$338,340 to offset the landfill closure and post-closure liability. At June 30, 2016, cash was held and invested by the New Mexico Finance Authority (NMFA). As part of the loan agreement with NMFA, \$50,010 is held for program funds.

The Authority has also accumulated funds in a non-marketable certificate of deposit to offset the landfill closure and post-closure liability. The restricted investment balance at June 30, 2016 is \$120,598.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Increases	Decreases/ Transfers	Balance June 30, 2016
Business Assets:				
Capital assets, not being depreciated:				
Land	\$234,798	\$0	\$0	\$234,798
Construction in progress	317,220	71,315	(388,535)	0
<i>Total capital assets, not being depreciated</i>	552,018	71,315	(388,535)	234,798
Other capital assets, being depreciated:				
Landfill improvements	2,723,438	17,502	388,535	3,129,475
Buildings	808,839	0	0	808,839
Building improvements	198,136	5,515	0	203,651
Equipment	1,817,531	7,303	0	1,824,834
Office equipment	11,357	0	0	11,357
Office furniture	2,022	0	0	2,022
Vehicles	530,526	0	0	530,526
<i>Total capital assets, being depreciated</i>	6,091,849	30,320	388,535	6,510,704
Less accumulated depreciation:				
Landfill improvements	(2,280,270)	(247,101)	0	(2,527,371)
Buildings	(558,229)	(41,096)	0	(599,325)
Building improvements	(136,857)	(11,019)	0	(147,876)
Equipment	(1,548,275)	(86,652)	0	(1,634,927)
Office equipment	(11,357)	0	0	(11,357)
Office furniture	(2,022)	0	0	(2,022)
Vehicles	(416,501)	(22,244)	0	(438,745)
<i>Total accumulated depreciation</i>	(4,953,511)	(408,112)	0	(5,361,623)
<i>Other capital assets, being depreciation, net</i>	1,138,338	(377,792)	388,535	1,149,081
<i>Total capital assets, net</i>	\$1,690,356	(\$306,477)	\$0	\$1,383,879

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. ACCRUED LIABILITIES

Accrued payroll liabilities consist of the following:

	2016
Health insurance	\$68,944
State unemployment tax	5,220
NM income tax withheld	748
Miscellaneous	2,978
	\$77,890

NOTE 6. LONG-TERM OBLIGATIONS

Changes in long-term debt during the year ended June 30, 2016, were as follows:

	Balance			Balance	Amounts
	June 30, 2015	Additions	Deletions	June 30, 2016	Due Within
					One Year
Notes payable	\$0	\$50,378	\$0	\$50,378	\$2,774
Bonds payable	797,000	0	(221,000)	576,000	228,000
Lease payable	21,181	0	(7,912)	13,269	8,272
Net pension liability	351,828	104,947	0	456,775	0
Landfill closure and post-closure liability	1,053,393	23,475	0	1,076,868	0
Compensated absences	118,179	45,519	(52,226)	111,472	0
	\$2,341,581	\$224,319	(\$281,138)	\$2,284,762	\$239,046

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.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

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:

	Principal	Interest	Total
2017	\$122,000	\$8,715	\$130,715
2018	127,000	4,445	131,445
	<u>\$249,000</u>	<u>\$13,160</u>	<u>\$262,160</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:

	Principal	Interest	Total
2017	\$106,000	\$8,175	\$114,175
2018	109,000	5,525	114,525
2019	112,000	5,525	117,525
	<u>\$327,000</u>	<u>\$19,225</u>	<u>\$346,225</u>

Lease Payable – Wells Fargo Equipment Finance

On February 4, 2015, the Authority entered into a capital lease agreement with Wells Fargo Equipment Finance for a 2014 Yale forklift for \$24,375. The lease bears interest at 4.450% and requires thirty-six monthly payments of \$725. The lease payable balance at June 30, 2016 was \$13,269.

	Principal	Interest	Total
2017	\$8,271	\$423	\$8,694
2018	4,998	66	5,064
	<u>\$13,269</u>	<u>\$489</u>	<u>\$13,758</u>

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)

NMFA Note Payable

Note payable of \$50,378 received from NMFA June 17, 2016 for the purchase of a roll-off truck. The loan bears interest at 0.10% and requires annual principal and interest payments.

Annual debt service requirements are as follows:

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 \$1,076,868 as of June 30, 2016. These liabilities are based upon a percentage of usage (filled) of the landfill. As of June 30, 2016, the Authority has set aside cash of \$458,958 for the liability.

The Authority has entered into an agreement with the Solid Waste Bureau to fund the financial assurance requirements with a Colonias Grant of \$747,732 and annual deposits of \$65,370 paid in quarterly installments over 20 years. The first two quarterly installments of \$16,342 on July 1, 2016 and October 1, 2016 have been made.

The total current estimated cost of the landfill closure, assessment and post-closure care is \$2,692,169, 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, 2016. 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.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Contributions. The contribution requirements of defined benefit plan members and the Southwest Solid Waste Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage option that applies to Southwest Solid Waste Authority is: Municipal General. Statutorily required contributions to the pension plan from the Southwest Solid Waste Authority were \$33,537.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Southwest Solid Waste Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2016, the Southwest Solid Waste Authority reported a liability of \$456,775 for its proportionate share of the net pension liability. At June 30, 2016, the Southwest Solid Waste Authority's proportion was .0448 percent, which was changed from its proportion measured as of June 30, 2015 of .0451 percent.

For the year ended June 30, 2016, the Southwest Solid Waste Authority recognized PERA Fund Division Municipal General pension expense of \$16,927. At June 30, 2016, the Southwest Solid Waste Authority reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$10,118
Changes of assumptions	0	178
Net difference between projected and actual earnings on pension plan investments	0	1,445
Changes in proportion and differences between Southwest Solid Waste Authority contributions and proportionate share of contributions	0	1,787
Southwest Solid Waste Authority contributions subsequent to the measurement date	33,537	0
Total	\$33,537	\$13,528

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

\$33,537 reported as deferred outflows of resources related to pensions resulting from Southwest Solid Waste Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (excluding deferred inflows for changes in proportionate share of \$1,787) as follows:

Year ended June 30:	
2017	(\$12,098)
2018	(12,098)
2019	(12,098)
2020	24,554
2021	0
	(\$11,740)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% annual rate

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Southwest Solid Waste Authority’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Southwest Solid Waste Authority’s net pension liability in each PERA Fund Division that Southwest Solid Waste Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PERA Fund Division Municipal General			
Southwest Solid Waste Authority’s proportionate share of the net pension liability	\$777,706	\$456,775	\$189,942

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. The Authority is legally required to make defined contributions to the cost sharing pension plan on behalf of its’ participant employees. At June 30, 2016, the Authority had paid all required contributions and therefore, there is no payable to the pension plan.

NOTE 8. 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.

NOTE 9. 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, 2014. The Authority did not remit payment until July 21, 2014. The December 1, 2014 interest payment of \$6,637 was not paid until January 21, 2015.
- 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.

NOTE 10. CONTINGENCY

As of June 30, 2016, the Authority is actively disputing various penalties and interest with the Internal Revenue Service as follows:

2010 W-2 Penalty	\$61,362
2012 W-2 Penalty	158,156
September 2015 - 941	4,758
March 2016 - 941	2,229
	<hr/>
	<hr/> \$226,505

The Authority believes all penalties should be abated for good cause.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 11. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operates as a common risk management and insurance program for local governments. The Authority pays an annual premium to New Mexico Self-Insured Fund for its general insurance coverage, and all risk of loss is transferred.

NOTE 12. 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.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SOUTHWEST SOLID WASTE AUTHORITY'S
PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY OF PERA FUND DIVISION
MUNICIPAL GENERAL**

Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	As of Measurement Date	
	June 30, 2015	June 30, 2016
	2016	2015
Southwest Solid Waste Authority's proportion of the net pension liability (asset)	0.0448%	0.0451%
Southwest Solid Waste Authority's proportionate share of the net pension liability (asset)	\$456,775	\$351,828
Southwest Solid Waste Authority's covered-employee payroll (at measurement date)	\$482,595	\$452,473
Southwest Solid Waste Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.60%	77.80%
Plan fiduciary net position as a percentage of the total pension liability	76.90%	81.50%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Southwest Solid Waste Authority will present information for those years for which information is available.

**SCHEDULE OF SOUTHWEST SOLID WASTE AUTHORITY'S
CONTRIBUTIONS**

Public Employees Retirement Association (PERA) Plan

PERA FUND DIVISION - MUNICIPAL GENERAL

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$33,537	\$35,712
Contributions in relation to the contractually required contribution	\$33,537	\$35,712
Contribution deficiency (excess)	\$0	\$0
Southwest Solid Waste Authority's covered-employee payroll	\$453,146	\$482,595
Contributions as a percentage of covered-employee payroll	7.40%	7.40%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Southwest Solid Waste Authority will present information for those years for which information is available.

SOUTHWEST SOLID WASTE AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

Public Employee Retirement Association Plan (PERA)

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET (NON-GAAP) AND ACTUAL (CASH BASIS)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Approved Budget	Revised Budget	Actual on Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for services, net	\$1,615,350	\$1,615,350	\$1,625,125	\$9,775
OPERATING EXPENSES				
Administration:				
Personnel services	151,500	147,019	157,065	(10,046)
Office operations	103,820	114,675	114,422	253
Landfill:				
Personnel services	492,574	496,127	532,189	(36,062)
Operating expense	158,300	171,381	171,092	289
Recycling:				
Personnel services	206,317	189,945	195,786	(5,841)
Operating expense	110,200	100,164	100,038	126
Depreciation expense	0	0	0	0
<i>Total operating expenses</i>	1,222,711	1,219,311	1,270,592	(51,281)
<i>Operating income (loss)</i>	392,639	396,039	354,533	(41,506)
NON-OPERATING REVENUE (EXPENSES)				
Recycling grant - state	0	0	444	444
Intergovernmental revenues - local	18,400	39,716	37,790	(1,926)
Intergovernmental support - local	0	(32,316)	(37,790)	(5,474)
Interest income	0	150	364	214
Capital outlay	(88,500)	(80,975)	(80,942)	33
Retirement of debt	(244,670)	(244,595)	(244,595)	0
<i>Total non-operating revenue (expenses)</i>	(314,770)	(318,020)	(324,729)	(6,709)
Capital contributions	0	0	0	0
<i>Net income (loss)</i>	\$77,869	\$78,019	\$29,804	(\$48,215)

Budgetary - GAAP Reporting Reconciliation:

Net income (budgetary basis)	\$29,804
Adjustments for revenue accruals	12,812
Adjustments for expenditures - capital outlay, debt service, depreciation, and accruals	(126,610)
Change in net position (GAAP basis)	(\$83,994)

The Notes to Financial Statements are an integral part of these statements.

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2016

Banking Institution	Security	CUSIP	Maturity	Market Value
Western Bank P.O. Box 490 Lordsburg, NM 88045-0490	Carlsbad NM BRH	142723AYI	8/1/2016	\$250,675

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

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY

SCHEDULE OF CASH ACCOUNTS

JUNE 30, 2016

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Western Bank P.O. Box 2024 Silver City, NM 88062				
SW Solid Waste Authority	Checking	\$14,988	(\$1,130)	\$13,858
SW Solid Waste Authority	Savings	207	0	207
SW Solid Waste Authority	Savings	338,340	0	338,340
		\$353,535	(\$1,130)	\$352,405
Am Bank P.O. Box 2677 Silver City, NM 88062-2677				
	Time Deposit	\$120,618	\$0	\$120,618

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF JOINT POWERS AGREEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Participants</u>	<u>Responsible Party for Operations</u>	<u>Descriptions</u>	<u>Beginning and Ending dates</u>	<u>Total Estimated Amount of Project</u>	<u>Contribution 6/30/2016</u>	<u>Audit Responsibility</u>	<u>Revenues and Expenditures Reported on:</u>
Grant County Town of Silver City Town of Hurley Town of Santa Clara City of Bayard	Southwest Solid Waste Authority	Regional Solid Waste Disposal Services	July 19, 1995 and Continuing	N/A	\$1,435,564	SWSWA	Rev: Southwest Solid Waste Authority Exp: Grant County Town of Silver City Town of Hurley Town of Santa Clara City of Bayard

The Notes to Financial Statements are an integral part of these statements.

SOUTHWEST SOLID WASTE AUTHORITY

SCHEDULE OF VENDOR INFORMATION

for Purchases Exceeding \$60,000 (excluding GRT)

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: Dora Gonzales

Title: Executive Assistant

Date: October 21, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor win contract?
4020	Southwest Solid Waste Authority	Other Agencies	None			

SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF VENDOR INFORMATION
for Purchases Exceeding \$60,000 (excluding GRT) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by Agency Staff Name: Dora Gonzales

Title: Executive Assistant

Date: October 21, 2016

\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of Vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit

**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 Auditor's Report

Mr. Tim Keller, State Auditor and
The Board of Directors
Southwest Solid Waste Authority
Silver City, New Mexico

We have audited, in accordance with the 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 the business-type activities of the Southwest Solid Waste Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and related budgetary comparisons of the Authority, presented as supplemental information, and have issued our report thereon dated November 26, 2016.

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 audit 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies. 2015-001

Mr. Tim Keller, State Auditor and
The Board of Directors
Southwest Solid Waste Authority
Silver City, New Mexico
Page Two

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 matter that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-001, 2015-003, 2015-005, and 2014-002.

Southwest Solid Waste Authority's Response to Findings

Southwest Solid Waste Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The 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 Southwest Solid Waste Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kriegel/Gray/Shaw & Co., P.C.

Kriegel/Gray/Shaw & Co., P.C.
Las Cruces, New Mexico
November 26, 2016

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT YEAR FINDINGS:

2016-001 Legal Compliance with Budget – Other Non Compliance

Statement of Condition – The Authority’s authorized budget was exceeded by actual expenditures. The Authority violated state statutes by exceeding the authorized budget within the following funds:

Fund	Budget Amount	Actual Amount	Over Expended
General Fund – operating	\$1,219,311	\$1,270,592	\$51,281
General Fund – non operating	32,316	37,790	5,474
	<u>\$1,251,627</u>	<u>\$1,308,382</u>	<u>\$56,755</u>

Criteria – Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. Authority officials and governing authorities have the obligation to follow applicable state statutes.

Cause – Lack of due diligence.

Effect – Non compliance with the New Mexico State Statutes could jeopardize future funding opportunities.

Recommendation – The budget’s status should be monitored regularly to avoid any over expended funds.

Management’s Response – The Business Operations/Personnel Officer will properly monitor and maintain the annual budget. Quarterly adjustments will be made to ensure compliance to eliminate over expenditures.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDING:

2015-001 – Personnel File Maintenance – Significant Deficiency

Repeated with modification.

Statement of Condition – Personnel files are not being maintained as follows:

- Three of six employees tested did not have their current pay rate documented in the personnel file.
- Two of eight terminated employees tested did not have termination information documented in their file.

(This finding is essentially the same as prior year.)

Criteria – Good internal controls require clear and complete personnel file documentation in accordance with personnel policies.

Cause – Lack of due diligence.

Effect – Potential for employee dispute of pay.

Recommendation – All personnel files should be brought up to date and a periodic file review process should be established.

Management's Response – The Business Operations/Personnel Officer will review all personnel files on a monthly basis beginning January 2017 to ensure all required documents/information are reported and maintained properly.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2015-002 – Internal Controls – Disbursements – Significant Deficiency

Resolved and not repeated.

2015-003 – Terminated Employees – Non Compliance

Repeated with modification.

Statement of Condition – Two of three terminated employees were not paid within five days of termination.

(This finding is essentially the same as prior year.)

Criteria – NMSA 50-4-4 and Southwest Solid Waste Authority policy require involuntary terminated employees to be paid within five days of termination.

Cause – Lack of due diligence.

Effect – Violation of labor laws and potential for employee to dispute final pay.

Recommendation – The Authority should take greater care in the administration of personnel matters and strictly follow all personnel policies and labor laws.

Management's Response – The Business Operations/Personnel Officer will establish a termination exit process which will include a termination checklist to comply with personnel policies. The Authority will pay terminated employees on the date of termination their final paycheck beginning December 2016.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2015-004 – Accrued Compensated Absences – Policy Compliance – Significant Deficiency

Resolved and not repeated.

2015-005 – Bond Debt Payments – Non Compliance

Repeated with modification.

Statement of Condition – The 2013 Series A Bond principal and interest payment of \$124,422.50 due June 1, 2016 was paid June 20, 2016. As of June 30, 2016, the Authority is current on their debt payments.

Criteria – The bond ordinance requires principal and interest payments to be made by June 1 and interest only payments by December 1 each year until paid in full.

Cause – Lack of necessary cash flow to meet debt payment due dates.

Effect – Additional interest will be incurred as a result of late payments.

Recommendation – The Authority should plan and strictly manage the budget and cash flow to meet obligations.

Management's Response – The Business Operations/Personnel Officer will manage the budget and cash flow accordingly to ensure that the bond debt payment is made on time.

2015-006 – Public Employee Retirement Association (PERA) Reporting and Payments – Non Compliance

Resolved and not repeated.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2014-002 – Other - Bond Ordinance and Agreement – Non Compliance

Repeated.

Statement of Condition – The Authority has not established the income, debt reserve and debt service funds required by ordinance 1201 for the refunding Bonds Series 2013 A and 2013 B issued on August 9, 2013. As of June 30, 2016, no reserve and debt service funds have been established.

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. (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 then outstanding parity obligations and the parity obligations proposed to be issued (exceeding any reserves thereof).*”

Cause – The Authority has failed to establish income debt reserve and debt service funds likely due to cash flow constraints caused by the re-permitting process.

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.

Recommendation – We recommend the Authority review the bond documents including the ordinance, resolution, and agreement to determine what administrative requirements are needed. The Authority should implement the proper funds as required by the documents.

Management’s Response – The Business Operations/Personnel Officer and the Board Chairman will review the bond documents and set up the correct accounts to ensure compliance with the bond debt by June 30, 2017.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

CURRENT STATUS ON PRIOR YEAR FINDINGS (CONTINUED):

2011-006 – Financial Assurance for Closure/Post-Closure – Non Compliance

Resolved and not repeated.

STATE OF NEW MEXICO
SOUTHWEST SOLID WASTE AUTHORITY
EXIT CONFERENCE
JUNE 30, 2016

EXIT CONFERENCE:

The exit conference was held November 29, 2016 and was attended by the following:

From Southwest Solid Waste Authority:

Alex Brown, Chairman
Danny Legarreta, Operations Supervisor
Dora Gonzales, Budget Operations/Personnel Officer
Carol Zazueta, Accounting Specialist

From Kriegel/Gray/Shaw & Co., P.C.:

Debbie A. Gray, CPA/Shareholder
Rebecca Pott, Staff Auditor

FINANCIAL STATEMENTS PREPARATION

Preparation of financial statements is the responsibility of management. Although, Southwest Solid Waste Authority's personnel provided significant assistance in the preparation; the statements and related footnotes were prepared by Kriegel/Gray/Shaw & Co., P.C.