



**KRIEGEL/GRAY/SHAW & CO., P.C.**  
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# **STATE OF NEW MEXICO**

## **SOUTHWEST SOLID WASTE AUTHORITY**

### **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2017**

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

OFFICIAL ROSTER  
JUNE 30, 2017

**BOARD OF DIRECTORS**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Entity Represented</u></b>
<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>

**ADMINISTRATIVE OFFICIALS**

<i>Danny Legarreta</i>	<i>Operations Supervisor</i>
<i>Dora Gonzales</i>	<i>Business Operations/Personnel Officer</i>
<i>Carol Grijalva</i>	<i>Accounting Specialist</i>

## **INDEPENDENT AUDITORS' REPORT**

Mr. Wayne Johnson, 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, 2017, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements 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. Wayne Johnson, State Auditor and  
The Board of Directors  
Southwest Solid Waste Authority  
Silver City, New Mexico  
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## **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, 2017, 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.

## **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 29 and 30 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.

Mr. Wayne Johnson, State Auditor and  
The Board of Directors  
Southwest Solid Waste Authority  
Silver City, New Mexico  
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**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017 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

December 11, 2017

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**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, 2017.

**Financial Highlights**

Key events for the Fiscal Year 2017 are:

- The assets and deferred outflows exceeded liabilities and deferred inflows of the Authority at the close of the most recent fiscal year by \$331,381 (*total net position*). The components of net position include net investment in capital assets \$693,154, restricted \$0, and unrestricted deficit net position (\$361,773).
- The Authority's total net position increased by \$699,370 compared to the prior year. This increase results primarily from a state grant received from the Colonias Infrastructure fund to be used for the closure of landfill cells 1-4.
- As of June 30, 2017, the Authority had current and noncurrent assets totaling \$168,726 and \$1,238,807, respectively. Capital assets, net of accumulated depreciation totaled \$1,194,048. Current liabilities include \$98,149 in accounts payable, \$28,177 in payroll liabilities, \$812 in interest payable, and \$261,843 in current portion of long-term debt. Noncurrent liabilities included notes payable of \$106,040 and bonds payable of \$112,000, leases payable of \$21,011, net pension liability of \$679,007, landfill closure and post closure costs of \$1,066,597, and accrued compensated absences of \$102,858.

**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 - 11 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.

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*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 12 - 28 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, net position balance (assets exceeding liabilities) of \$331,381 is reported at the close of the most recent fiscal year.

For the years ended June 30, 2017 and 2016, the Authority reported \$331,381 and \$367,989 net position and deficit in net position as unrestricted, respectively.

	2017	2016 (restated)
<b>Assets:</b>		
Current assets	\$168,726	\$216,746
Noncurrent assets	1,238,807	458,958
Capital assets, net	1,194,048	1,383,879
<u>Total assets</u>	2,601,581	2,059,583
<b>Deferred outflows</b>	226,183	33,537
<b>Liabilities:</b>		
Current liabilities	388,981	420,895
Noncurrent liabilities	2,087,513	2,026,686
<u>Total liabilities</u>	2,476,494	2,447,581
<b>Deferred inflows</b>	19,889	13,528
<b>Net Position:</b>		
Net investment in capital assets	693,154	744,232
Unrestricted	(361,773)	(1,112,221)
<u>Total net position</u>	\$331,381	(\$367,989)



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

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

	<b>2017</b>	<b>2016 (restated)</b>
<b>Revenues:</b>		
Charges for services	\$1,712,823	\$1,624,292
<i>Total revenues</i>	1,712,823	1,624,292
<b>Expenses:</b>		
Operating expenses	1,765,684	1,678,490
<i>Total expenses</i>	1,765,684	1,678,490
<i>Operating income (loss)</i>	(52,861)	(54,198)
Non-operating revenue/(expenses)	752,231	(24,402)
Capital contribution	0	0
<i>Increase (decrease) in net position</i>	699,370	(78,600)
Net position – beginning of year	(367,989)	(289,389)
<i>Net position – end of year</i>	\$331,381	(\$367,989)

**Financial Analysis of the Authority's Funds and Fiscal Year 2017 Budgetary Highlights**

As noted above, net position increased by \$699,370 from fiscal year 2016 to fiscal year 2017. Operating revenues increased by \$88,531, mainly due to recycling fees and solid waste fees. Total operating expenses increased in fiscal year 2017 to \$1,765,684, an increase of \$87,194 from the fiscal year 2016 operating expenses of \$1,678,490. The major factor in this increase in spending was due to landfill monitoring and closure costs.

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 \$97,944.

**Long-Term Debt**

The Authority entered into a new loan agreement, of \$75,072 during the year for the closure costs for cells 1-4. Principal payments made on bonds payable during the year were \$228,000.

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**SOUTHWEST SOLID WASTE AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017

**Capital Asset Administration**

The Authority's investment in capital assets for business-type activities as of June 30, 2017 totals \$693,154 (net of accumulated depreciation). The changes in capital assets for the year besides depreciation expense were from the purchase of two assets totaling \$172,450.

Additional information on the Authority's capital assets can be found on page 19 of this report.

**Financial Outlook for Next Year**

The Authority received the authorization of the new solid waste permit in early 2017. 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, 2017

	<u>Business-Type Activities</u>
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash	\$50,383
Receivables, net of allowance for doubtful accounts:	
Accounts, net of allowance of \$3,660	110,793
Intergovernmental	0
Prepays	7,550
<i>Total current assets</i>	168,726
<b>Noncurrent Assets:</b>	
Restricted cash	1,117,907
Restricted investments	120,900
Capital assets:	
Capital assets, not being depreciated	234,798
Other capital assets, being depreciated	959,250
<i>Total non current assets</i>	2,432,855
<b>Deferred outflows of resources</b>	226,183
<b><i>Total assets and deferred outflows of resources</i></b>	<b>\$2,827,764</b>
<b>LIABILITIES AND NET POSITION</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$98,149
Accrued salaries	12,468
Accrued payroll liabilities	15,709
Accrued interest	812
Current maturities of liabilities:	
Notes payable	14,711
Bonds payable	236,000
Leases payable	11,132
<i>Total current liabilities</i>	388,981
<b>Noncurrent Liabilities:</b>	
Notes payable	106,040
Bonds payable	112,000
Lease payable	21,011
Net pension liability	679,007
Compensated absences	102,858
Landfill closure and post-closure	1,066,597
<i>Total noncurrent liabilities</i>	2,087,513
<i>Total liabilities</i>	2,476,494
<b>Deferred inflows of resources</b>	19,889
<b>Net Position:</b>	
Net investment in capital assets	693,154
Restricted for financial assurance	1,117,907
Unrestricted	(1,479,680)
<i>Total net position</i>	331,381
<b><i>Total liabilities, deferred inflows of resources, and net position</i></b>	<b>\$2,827,764</b>

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, 2017

	<b>Business-Type Activities</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$1,712,823
<hr/>	
<b>OPERATING EXPENSES</b>	
Administration:	
Personnel services	235,638
Office operations	108,568
Landfill:	
Personnel services	505,467
Operating expense	351,938
Recycling:	
Personnel services	136,544
Operating expense	65,248
Depreciation expense	362,281
Bad debt expense	0
<i>Total operating expenses</i>	<b>1,765,684</b>
<i>Operating income (loss)</i>	<b>(52,861)</b>
<b>NON-OPERATING REVENUE AND (EXPENSES)</b>	
Intergovernmental - state	775,414
Intergovernmental support - local	0
Intergovernmental - local	0
Interest income	564
Permit amendment	(6,635)
Interest expense and other charges	(17,112)
<i>Total non-operating revenue and (expenses)</i>	<b>752,231</b>
<i>Income (loss) before contributions</i>	<b>699,370</b>
Capital contributions	<b>0</b>
<i>Change in net position</i>	<b>699,370</b>
Total net position, beginning of year, as previously stated	(373,383)
Restatements	5,394
<i>Total net position, beginning of year, as restated</i>	<b>(367,989)</b>
<b><i>Total net position, end of year</i></b>	<b>\$331,381</b>

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, 2017

	<u>Business-Type Activities</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$1,747,036
Cash payments to employees for services	(501,211)
Cash payments to suppliers for goods and services	(920,215)
<i>Net cash provided by operating activities</i>	<u>325,610</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Intergovernmental revenues	768,779
<i>Net cash provided by noncapital financing activities</i>	<u>768,779</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Bond principal payments	(228,000)
Lease proceeds	100,293
Lease payments	(11,046)
Acquisition of capital assets	(172,450)
Interest and other charges on capital debt	(17,708)
<i>Net cash used by capital and related financing activities</i>	<u>(328,911)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	564
Purchase of investments	(282)
<i>Net cash provided by investing activities</i>	<u>282</u>
<i>Net increase (decrease) in cash</i>	765,760
Cash and cash equivalents - beginning of year	402,530
<b><i>Cash and cash equivalents - end of year</i></b>	<b><u>\$1,168,290</u></b>
Displayed as:	
Cash	\$50,383
Restricted cash	1,117,907
	<u>\$1,168,290</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (loss)	(\$52,861)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	362,281
Landfill closure and post-closure	(10,271)
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	34,213
Increase (decrease) in accounts payable	34,814
Increase in accrued salaries	(26,748)
Increase in payroll taxes liability	(62,181)
Increase in compensated absences	10,416
Net change in pension contributions and liabilities	35,947
<i>Total adjustments</i>	<u>378,471</u>
<b><i>Net cash provided (used) by operating activities</i></b>	<b><u>\$325,610</u></b>

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, 2017

**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, 2017

**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 1<sup>st</sup> to the New Mexico Department of Finance and Administration (DFA) Local Government Division for approval. DFA certifies a pending budget by July 1<sup>st</sup>, 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**  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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



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**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:

<b><u>Length of Employment</u></b>	<b><u>Full-Time Employees</u></b>
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.

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**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.

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**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:

<b>2017</b>	<b>Per Institution</b>	<b>Reconciling Items</b>	<b>Per Financial Statements</b>
Cash on hand	\$0	\$115	\$115
Western Bank	434,172	(18,067)	416,105
AmBank	120,900	0	120,900
Cash held with Trustee	752,070	0	752,070
<i>Total cash deposits</i>	1,307,142	(17,952)	1,289,190
Less amounts shown as investments	(120,900)	0	(120,900)
	<b>\$1,186,242</b>	<b>(\$17,952)</b>	<b>\$1,168,290</b>

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

	<b>2017</b>
Statement of Net Position:	
Cash	\$50,383
Restricted cash	1,117,907
	<b>\$1,168,290</b>

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**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.

2017	<u>Western Bank</u>	<u>AmBank</u>
Checking accounts	\$434,172	\$0
Savings and time deposits	0	120,900
<i>Total cash deposits</i>	434,172	120,900
Less: FDIC coverage	(250,000)	(120,900)
<b><i>Total uninsured public funds</i></b>	<b>\$184,172</b>	<b>\$0</b>
Pledged securities	\$313,702	\$0
Collateral requirements (50% of uninsured public funds)	(92,086)	0
<b><i>Over (under) collateralization</i></b>	<b>\$221,616</b>	<b>\$0</b>

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, 2017, \$0 of the Authority's bank balance of \$555,072 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, 2017 is \$1,238,807. The Authority has accumulated \$365,837 to offset the landfill closure and post-closure liability. At June 30, 2017, cash was held and invested by the New Mexico Finance Authority (NMFA). As part of the loan agreement with NMFA, \$750,725 is held for program funds, and \$1,345 as debt service 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, 2017 is \$120,900.

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**NOTE 4. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2017:

	Balance June 30, 2016	Increases	Decreases/ Transfers	Balance June 30, 2017
Business Assets:				
Capital assets, not being depreciated:				
Land	\$234,798	\$0	\$0	\$234,798
Construction in progress	0	0	0	0
<i>Total capital assets, not being depreciated</i>	234,798	0	0	234,798
Other capital assets, being depreciated:				
Landfill improvements	3,129,475	0	0	3,129,475
Buildings	808,839	0	0	808,839
Building improvements	203,651	0	0	203,651
Equipment	1,824,834	172,450	0	1,997,284
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>	6,510,704	172,450	0	6,683,154
Less accumulated depreciation:				
Landfill improvements	(2,527,371)	(201,941)	0	(2,729,312)
Buildings	(599,325)	(40,142)	0	(639,467)
Building improvements	(147,876)	(9,219)	0	(157,095)
Equipment	(1,634,927)	(93,193)	0	(1,728,120)
Office equipment	(11,357)	0	0	(11,357)
Office furniture	(2,022)	0	0	(2,022)
Vehicles	(438,745)	(17,786)	0	(456,531)
<i>Total accumulated depreciation</i>	(5,361,623)	(362,281)	0	(5,723,904)
<i>Other capital assets, being depreciation, net</i>	1,149,081	(189,831)	0	959,250
<b><i>Total capital assets, net</i></b>	<b>\$1,383,879</b>	<b>(\$189,831)</b>	<b>\$0</b>	<b>\$1,194,048</b>

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**NOTE 5. ACCRUED LIABILITIES**

Accrued payroll liabilities consist of the following:

	<b>2017</b>
Health insurance	\$14,200
State unemployment tax	571
NM income tax withheld	938
Miscellaneous	0
	<b>\$15,709</b>

**NOTE 6. LONG-TERM OBLIGATIONS**

Changes in long-term debt during the year ended June 30, 2017, were as follows:

	<b>Balance</b>		<b>Balance</b>		<b>Amounts</b>
	<b>June 30, 2016</b>	<b>Restatement</b>	<b>Additions</b>	<b>Deletions</b>	<b>Due Within</b>
					<b>One Year</b>
Notes payable	\$50,378	\$0	\$75,072	(\$4,699)	\$14,711
Bonds payable	576,000	0	0	(228,000)	236,000
Leases payable	13,269	0	32,500	(13,626)	11,132
Net pension liability	456,775	0	222,232	0	0
Landfill closure and post-closure liability	1,076,868	0	0	(10,271)	0
Compensated absences	111,472	(19,030)	50,959	(40,543)	0
	<b>\$2,284,762</b>	<b>(\$19,030)</b>	<b>\$380,763</b>	<b>(\$297,139)</b>	<b>\$261,843</b>

**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.

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**NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)**

**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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$127,000	\$4,445	\$131,445

**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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$109,000	\$5,525	\$114,525
2019	112,000	5,525	117,525
	\$221,000	\$11,050	\$232,050

**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, 2017 was \$4,998.

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$4,998	\$66	\$5,064

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**NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)**

**Lease Payable – Indian Ink Leasing, Inc.**

The Association purchased a walking floor trailer utilizing a capital lease. The lease requires 60 monthly payments of \$615 with an interest rate of 5.113%.

Annual debt service requirements are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$6,135	\$1,246	\$7,381
2019	6,456	924	7,380
2020	6,794	586	7,380
2021	7,149	231	7,380
2022	611	3	614
	<u>\$27,145</u>	<u>\$2,990</u>	<u>\$30,135</u>

**NMFA Note Payable - 3469 PP**

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:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$8,087	\$48	\$8,135
2019	13,159	40	13,199
2020	13,172	26	13,198
2021	13,186	13	13,199
	<u>\$47,604</u>	<u>\$127</u>	<u>\$47,731</u>



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**NOTE 6. LONG-TERM OBLIGATIONS (CONTINUED)**

**Landfill Closure and Post-Closure Costs**

State and federal laws require that the Authority perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. In 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 \$1,066,597 as of June 30, 2017. These liabilities are based upon a percentage of usage (filled) of the landfill. As of June 30, 2017, the Authority has set aside cash of \$486,737 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. During the year, quarterly installments of \$16,342 have been made.

The total current estimated cost of the landfill closure, assessment and post-closure care is \$2,577,864, 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, 2017. 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.

**NMFA Note Payable - 3516 CIF**

Note payable of \$75,072 received from NMFA on December 16, 2016 to partially finance the closure of landfill cells 1-4. The loan bears no interest and requires annual principal payments.

Annual debt service requirements are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$3,850	\$0	\$3,850
2019	3,850	0	3,850
2020	3,850	0	3,850
2021	3,850	0	3,850
2022	3,850	0	3,850
2023 - 2027	19,250	0	19,250
2028 - 2032	19,250	0	19,250
2033 - 2037	15,397	0	15,397
	<b>\$73,147</b>	<b>\$0</b>	<b>\$73,147</b>

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**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, 2016 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY16 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.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 \$34,245 for the year ended June 30, 2017.

**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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

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**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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 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, 2017, the Southwest Solid Waste Authority reported a liability of \$679,007 for its proportionate share of the net pension liability. At June 30, 2016, the Southwest Solid Waste Authority’s proportion was .0425 percent, which was changed from its proportion measured as of June 30, 2015 of .0448 percent.

For the year ended June 30, 2017, the Southwest Solid Waste Authority recognized PERA Fund Division Municipal General pension expense of \$69,484. At June 30, 2017, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$27,299	\$0
Changes of assumptions	39,703	0
Net difference between projected and actual earnings on pension plan investments	124,936	0
Changes in proportion and differences between Southwest Solid Waste Authority contributions and proportionate share of contributions	0	19,889
Southwest Solid Waste Authority contributions subsequent to the measurement date	34,245	0
<b>Total</b>	<b>\$226,183</b>	<b>\$19,889</b>

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

\$34,245 reported as deferred outflows of resources related to pensions resulting from Southwest Solid Waste Authority contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense.

Year ended June 30:

2018	\$35,201
2019	35,201
2020	70,564
2021	31,083
2022	0
	<b>\$172,049</b>

**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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Payroll, Open
Payroll growth rate	3.50%
Remaining amortization period	30 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.75%
Administrative expenses	0.45% of payroll
Projected salary increases*	4.00% - 14.25%
Post-retirement benefit increases	2.00% compounded annually (2.50% for certain retirees and disabled participants with annual benefits less than \$20,000)

\* Includes inflation at 3.00%

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**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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Client Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.0%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.48 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 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
<b>PERA Fund Division Municipal General</b>			
Southwest Solid Waste Authority’s proportionate share of the net pension liability	\$1,012,339	\$679,007	\$402,525

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY16 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, 2017, the Authority had paid all required contributions and therefore, there is no payable to the pension plan.

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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 A and B Series bonds principal and interest payments of \$126,357.50 and \$110,087.50 due June 1, 2017 were paid June 29, 2017 and June 7, 2017, respectively.
- 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. 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 11. 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.

**NOTE 12. RESTATEMENTS**

Beginning net position was restated for the following:

June 30, 2016 accounts receivable was corrected to exclude internal accounting receivables	(\$13,636)
<u>June 30, 2016 accrued compensation was corrected</u>	<u>19,030</u>
	<u>\$5,394</u>

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE SOUTHWEST SOLID WASTE AUTHORITY'S  
PROPORATIONATE 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, 2016 <b>2017</b>	June 30, 2015 <b>2016</b>	June 30, 2014 <b>2015</b>
Southwest Solid Waste Authority's proportion of the net pension liability (asset)	0.0425%	0.0448%	0.0451%
Southwest Solid Waste Authority's proportionate share of the net pension liability (asset)	\$679,007	\$456,775	\$351,828
Southwest Solid Waste Authority's covered-employee payroll (at measurement date)	\$453,146	\$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	149.84%	94.60%	77.80%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

\*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\*

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$34,245	\$33,537	\$35,712
Contributions in relation to the contractually required contribution	\$34,245	\$33,537	\$35,712
Contribution deficiency (excess)	\$0	\$0	\$0
Southwest Solid Waste Authority's covered-employee payroll	\$462,767	\$453,146	\$482,595
Contributions as a percentage of covered-employee payroll	7.40%	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, 2017

**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 FY16 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2016.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2016.pdf).

**Changes of assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) provides summary information for each division.

OTHER SUPPLEMENTARY INFORMATION

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

SCHEDULE OF PLEDGED COLLATERAL

JUNE 30, 2017

<b>Banking Institution</b>	<b>Security</b>	<b>CUSIP</b>	<b>Maturity</b>	<b>Market Value</b>
Western Bank P.O. Box 490 Lordsburg, NM 88045-0490	Hobbs NM Muni. Sch.	433866GA2	9/15/2023	\$313,702

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, 2017

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	\$55,738	(\$5,678)	\$50,060
SW Solid Waste Authority	Savings	208	0	208
SW Solid Waste Authority	Savings	378,226	(12,389)	365,837
		\$434,172	(\$18,067)	\$416,105
Am Bank				
P.O. Box 2677				
Silver City, NM 88062-2677	Time Deposit	\$120,900	\$0	\$120,900

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, 2017**

<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 6/30/2017</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	\$1,452,377	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.

**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. Wayne Johnson, 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements of the Authority, and have issued our report thereon dated December 11, 2017.

**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. Given these instructions, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Mr. Wayne Johnson, 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 2017-001, 2016-001, 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

December 11, 2017



**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**CURRENT YEAR FINDINGS:**

**2017-001 PERA Payments Incorrect – Other Matter**

**Statement of Condition** – During our testwork, we noted that two of 27 PERA remittances were incorrectly calculated.

- February 24, 2017      paid \$241.68 should have paid \$127.20
- August 12, 2016      paid \$6.91 should have paid \$57.65

**Criteria** – PERA requires statutory contributions from both the employer and the employee (through payroll withholding).

**Cause** – Human error inputting PERA numbers into the system used to calculate PERA.

**Effect** – One employee over contributed and one employee under contributed.

**Recommendation** – The Authority should implement a review process of PERA calculations prior to submittal.

**Management's Response** – The Authority staff will implement a review process to ensure that all payments are correct before submitting PERA payments. The Personnel Officer will complete the PERA forms and the Accounting Specialist will review prior to submittal and or payment.

Responsible Position: Business Operations/Personnel Officer      Time Line: January 2018

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**CURRENT STATUS ON PRIOR YEAR FINDING:**

**2016-001 Legal Compliance with Budget – Other Non Compliance**

Repeated with modification.

**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	\$1,351,218	\$1,360,222	\$11,910

(Improved from prior year finding as less over expended (\$39,371) in operating expenses and non-operating not over expended in current year.)

**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 Authority staff will properly monitor and maintain the annual budget. Quarterly adjustments will be made to ensure compliance and non over expenditures.

Responsible Position: Business Operations/Personnel Officer      Time Line: January 2018

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**CURRENT STATUS ON PRIOR YEAR FINDING (CONTINUED):**

**2015-001 – Personnel File Maintenance – Significant Deficiency**

Resolved and not repeated.

**2015-003 – Terminated Employees – Non Compliance**

Resolved and not repeated.

**2015-005 – Bond Debt Payments – Non Compliance**

Repeated with modification.

**Statement of Condition** – The 2013 Series A and Series B Bonds principal and interest payment of \$126,357.50 and \$110,087.50 due June 1, 2017 were paid June 29, 2017 and June 7, 2017, respectively. (This condition remains essentially the same as the prior year.)

**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 Authority will manage the budget and cash flow accordingly to ensure that the bond debt payment is made on a time.

Responsible Position: Business Operations/Personnel Officer      Time Line: May 2018

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**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, 2017, no reserve and debt service funds have been established. (This condition remains the same as in prior years.)

**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** – Authority staff will review the bond documents and set up the correct accounts to ensure compliance with the bond debt.

Responsible Position: Business Operations/Personnel Officer      Time Line: May 2018

**STATE OF NEW MEXICO**  
**SOUTHWEST SOLID WASTE AUTHORITY**  
EXIT CONFERENCE  
JUNE 30, 2017

**EXIT CONFERENCE:**

The exit conference was held December 12, 2017 and was attended by the following:

**Representing Southwest Solid Waste Authority:**

Alex Brown, Chairman  
Dora Gonzales, Budget Operations/Personnel Officer  
Carol Grijalva, Accounting Specialist

**Representing Kriegel/Gray/Shaw & Co., P.C.:**

Debbie A. Gray, CPA/Shareholder  
Jesus Cortez, 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.