

**STATE OF NEW MEXICO  
NORTH CENTRAL SOLID WASTE AUTHORITY**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2013 and 2012**

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
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June 30, 2013 and 2012

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**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
Directory of Officials  
June 30, 2013 and 2012

**Board of Directors - June 30, 2013**

<u>Member</u>	<u>Position</u>	<u>Entity Represented</u>
Tomas Campos	Chairman	Rio Arriba County
Bernardino Chavarria	Vice-Chairman	Santa Clara Pueblo
Pedro Valdez	Secretary	City of Española
Ben Lujan	Member	Ohkay Owingeh Pueblo
Vacant	Member	Community Member

**Administrative Staff**

Gino Romero	Manager
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**Board of Directors - June 30, 2012**

<u>Member</u>	<u>Position</u>	<u>Entity Represented</u>
Tomas Campos	Chairman	Rio Arriba County
Bernardino Chavarria	Vice-Chairman	Santa Clara Pueblo
Pedro Valdez	Secretary	City of Española
Charles Lujan	Member	Ohkay Owingeh Pueblo
Alfred Herrera	Member	Community Member

**Administrative Staff**

Gino Romero	Manager
Michelle Martinez	Administrator

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www.fierrocpa.comIndependent Auditors' ReportTimothy Keller, State Auditor  
and  
Board of Directors  
North Central Solid Waste Authority  
Española, New Mexico**Report on Financial Statements**

We were engaged to audit the accompanying financial statements of North Central Solid Waste Authority (Authority), as of and for the year ended June 30, 2013, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We were also engaged to audit the budgetary comparison for the year ended June 30, 2013 presented as supplementary information as listed in the table of contents. We have audited the accompanying financial statements of the Authority as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison for the year ended June 30, 2012 presented as supplementary information, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on the 2013 financial statements based on conducting an 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 of America. Because of the matters discussed in the Basis for Disclaimer of Opinion section, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an opinion.

Our responsibility is to express an opinion on the 2012 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 adverse audit opinion.

### **Basis for Disclaimer of Opinion**

For the 2013 financial statements, the Authority did not maintained adequate accounting records to support amounts reported within the statements. The Authority failed to record financial data needed for the financial statements. The Authority failed to reconcile the cash reported on the financial statements with the cash held by the financial institutions. As of June 30, 2013, the Authority has reported a cash balance, on the statement of net position, of \$459,943. The bank statements reflect a balance of \$702,192.

The Authority has not reconciled the accounts receivable with the subsidiary ledgers. As of June 30, 2013, the Authority reported on the statement of net position gross accounts receivables as \$6,041,985, while the subsidiary records reflect a total of \$4,787,909. The Authority has not recorded any adjustments to the allowance for doubtful accounts for the fiscal year. Management has not recorded bad debts expense based on historical collection of customer revenues, as required by generally accepted accounting principles. The accounts receivable subsidiary ledgers contain many delinquent accounts that have not had any financial activity in several years. The Authority accrues penalties and interest to delinquent accounts including the inactive accounts.

The Authority has not capitalized purchased assets on the statement of net position. The Authority has reported expenditures for capital assets of \$418,661 as expenses on the statement of changes in net position. The Authority has not maintained capital assets subsidiary records that indicate the depreciation expense for the accounting period. The Authority has not recorded depreciation expense for the fiscal year ended June 30, 2013.

The Authority reports a negative balance of \$52,727 as accounts payable on the statement of net position. The Authority has not reconciled the general ledger with the accounts payable subsidiary ledger. Errors in the vendor accounts have not been resolved within the accounts payable subsidiary ledger. The Authority has not determined the accrued salaries or compensated liabilities as of and for the year ended June 30, 2013. The Authority has failed to reconcile accrued liabilities accounts at June 30, 2013 with supporting documents to determine if adjustments are necessary. A substantial number of customers remit payment in advance for services at the beginning of each calendar year and the Authority failed to determine the amount of unearned revenues as of June 30, 2013. The Authority finances the purchase of insurance with private financial institutions. The Authority has not recorded any of those obligations within their accounting records.

### **Basis for Adverse Opinion**

The Authority has presented accounts receivable as \$5,004,822, net of an allowance for doubtful accounts of \$668,016, as of June 30, 2012. Based on our testing of the individual customer information we have concluded accounts receivable and net position on the statement of net position are overstated. We cannot determine the amount that accounts receivable is overstated. Verification of individual accounts has not occurred regarding the original customer data maintained by Rio Arriba County and utilized by the Authority. Management has not recorded a bad debts expense based on historical collections of annual customer revenues as required by accounting principles generally accepted in the United States of America, thereby overstating accounts receivables and understating bad debt expense. Additionally, the Authority recorded penalties and interest charges on customer accounts in the amount of \$519,834 for the year ended June 30, 2012, the majority of which was assessed on stale and inactive accounts, which overstated revenues and net position.

The Authority has presented miscellaneous expenses as \$215,006, as of June 30, 2012. The Authority voided numerous old and old stale checks posting them to the 2012 general ledger accounts with numerous journal entries to rectify prior year's errors in their accounting. We were unable to attain sufficient documents to support the validity of amounts posted as miscellaneous expense.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Accordingly, we do not express an opinion on the financial statements of the Authority referred to in the first paragraph as of and for the year ended June 30, 2013. Additionally, we do not express an opinion on the budgetary comparison statement for the year ended June 30, 2013.

### **Adverse Opinion**

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the financial statements referred to above do not present fairly the financial position of the Authority, as of June 30, 2012 or the changes in financial position, cash flows and budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

We were engaged for the purpose of forming an opinion on the basic financial statements and the budgetary comparison as of and for the year ended June 30, 2013. However, the scope of our audit of the financial statements was not sufficient to enable us to express an opinion because of the reasons described above in the Basis for Disclaimer of Opinion section and accordingly we did not express an opinion on such financial statements. The schedule of cash accounts is presented for purposes of additional analysis and is not a required part of the financial statements.

The 2013 schedule of cash accounts required by section 2.2.2 of the New Mexico Administrative Code is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement 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 auditing standards generally accepted in the United States of America. Because of the significance of the matters discussed above, it is inappropriate to and we do not express an opinion on the schedule of cash accounts required by 2.2.2 NMAC referred to above.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements and the budgetary comparison as of and for the year ended June 30, 2012. The schedule of cash accounts is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 2012 schedule of cash accounts required by section 2.2.2 of the New Mexico Administrative Code is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement 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 auditing standards generally accepted in the United States of America. In our opinion, the 2012 schedule of cash accounts is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017 on our consideration of the Authority 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.

*Fierro + Fierro, P.A.*

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

October 5, 2017

## **BASIC FINANCIAL STATEMENTS**



**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
STATEMENT OF NET POSITION  
JUNE 30, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 459,943	\$ 328,790
Receivables, net	5,373,944	4,336,806
Total current assets	5,833,887	4,665,596
Non-Current Assets:		
Capital assets being depreciated, net	575,030	575,030
Total assets	\$ 6,408,917	\$ 5,240,626
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	\$ (52,727)	\$ 211,587
Accrued salaries	-	29,343
Accrued liabilities	196,756	14,280
Customer deposits payable	547	-
Unearned revenues	-	371,005
Current maturities of liabilities:		
Notes payable	-	9,894
Compensated absences	-	90,261
Total current liabilities	144,576	726,370
Non-Current Liabilities:		
Notes payable	1,054,467	1,054,467
Compensated absences	-	54,064
Total non-current liabilities	1,054,467	1,108,531
Total liabilities	1,199,043	1,834,901
<b>NET POSITION</b>		
Net investment in capital assets	575,030	575,030
Unrestricted	4,634,844	2,830,695
Total net position	5,209,874	3,405,725
Total liabilities and net position	\$ 6,408,917	\$ 5,240,626

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

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>Operating Revenues:</b>		
Charges for services	\$ 5,225,199	\$ 4,378,967
<b>Operating Expenses:</b>		
Personnel services	1,179,763	1,190,215
Employee benefits	673,655	683,450
Tipping and hauling fees	572,949	783,959
Repairs and maintenance	402,549	159,805
Fuel	383,585	178,800
Small equipment and tools	99,742	20,500
Payroll taxes	94,007	128,068
Insurance	85,647	115,917
Administration expenses	55,992	33,557
Leases	34,812	42,970
Office supplies and equipment	34,222	17,668
Operational expenses	27,995	36,334
Professional services	26,967	110,304
Uniforms	17,132	644
Printing and advertising	9,876	2,375
Utilities	9,568	9,295
Mileage and per diem	510	500
Miscellaneous	14	215,006
Depreciation	-	220,174
Taxes and licenses	(59,279)	86,166
	3,649,706	4,035,707
Total operating expenses		
	3,649,706	4,035,707
Operating income	1,575,493	343,260
<b>Non-Operating Revenues (Expenses):</b>		
County operating subsidy	600,000	759,205
City operating subsidy	100,000	75,000
Interest income	208	28
Lien/release charges	1,009	6,159
Capital outlay	(418,661)	-
Penalties	(53,900)	-
Interest expense	-	(1,060)
	228,656	839,332
Total non-operating revenues (expenses)		
	228,656	839,332
Change in net position	1,804,149	1,182,592
Net position, beginning of year	3,405,725	2,223,133
Net position, end of year	\$ 5,209,874	\$ 3,405,725

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

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers	\$ 3,357,113	\$ 3,732,619
Cash payments to employees for services	(988,915)	(1,309,930)
Cash payments to suppliers for goods and services	(2,455,807)	(2,964,552)
Net cash (used) by operating activities	(87,609)	(541,863)
<b>Cash Flows from Non-Capital and Financing Activities:</b>		
County operating subsidy	600,000	759,205
City operating subsidy	100,000	75,000
Note proceeds	-	55,834
Lien/release charges	1,009	6,159
Penalties	(53,900)	-
Principal payments	(9,894)	(57,501)
Interest expense	-	(1,060)
Net cash provided by non-capital and financing activities	637,215	837,637
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(418,661)	(141,270)
<b>Cash Flows From Investing Activities:</b>		
Interest income	208	28
Net increase in cash	131,153	154,532
Cash, beginning of year	328,790	174,258
Cash, end of year	\$ 459,943	\$ 328,790

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

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**(CONTINUED)**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	2013	2012
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Used by Operating Activities:</b>		
Operating income	\$ 1,575,493	\$ 343,260
Adjustment to Reconcile Operating Income to Net Cash (Used) by Operating Activities:		
Depreciation	-	220,174
Change in Assets and Liabilities:		
(Increase) in accounts receivable	(1,037,138)	(645,243)
Decrease in prepaid expenses	-	5,510
(Decrease) in accounts payable	(264,314)	(381,602)
(Decrease) in accrued salaries	(29,343)	(51,967)
Increase (decrease) in accrued liabilities	182,476	(18,482)
Increase in customer deposits	547	-
(Decrease) in compensated absences	(144,325)	(16,877)
Increase (decrease) in unearned revenues	(371,005)	3,364
Total adjustments	(1,663,102)	(885,123)
Net cash (used) by operating activities	\$ (87,609)	\$ (541,863)

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

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

North Central Solid Waste Authority (Authority) provides solid waste collection services to the City of Española, New Mexico, Rio Arriba County, Santa Clara Pueblo, and Ohkay Owingeh Pueblo for residents and commercial properties. The Authority also operates convenience centers where residents and businesses can dump trash.

The Authority was formed pursuant to a joint powers agreement between the City of Española, Rio Arriba County, Santa Clara Pueblo, and Ohkay Owingeh Pueblo, which was signed on November 27, 2002. The Authority began operations on October 1, 2004. The agreement is for an indefinite period of time. None of the members have an equity interest in the Authority. The Authority was formed pursuant to the New Mexico Joint Powers Agreement Act, Sections 11-1-1 etseq. NMSA 1978. The Authority is an instrumentality of its members operated for public purposes. The Authority is not considered a solid waste authority, a political subdivision of the state or a local public body.

The Authority is governed by a board, which acts as the fiscal agent for the Authority, and is comprised of one member appointed by each participating party. Each board member in good standing has one vote on all matters of business affecting the Authority.

The financial statements of the Authority have been prepared on the accrual basis of accounting. The Authority desires to prepare its financial statements in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units; however, the financial statements are lacking necessary financial information. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

**A. Reporting Entity**

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A. Reporting Entity (continued)

Based upon the application of these criteria, the Authority has no component units. The determination of the Authority would be considered a component unit of one of its members has not been made by the Authority as that is the responsibility of the members.

B. Basis of Presentation and Accounting

The Authority's basic financial statements are presented on the accrual basis of accounting.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenue is charges for services. Operating expenses include the cost of operations, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating grant 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, total assets net of total liabilities, are segregated into three components; net investment in capital assets, net of related debt; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net position.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

C. Budgets

The budget for the one enterprise fund is prepared by management and approved by the board of directors. The general manager is responsible for preparing the budget, from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; 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 by resolution.

The New Mexico Department of Finance and Administration Local Government Division (LGD) does not review or approve the annual budget of the Authority because it is not a solid waste authority, a political subdivision of the state or a local body as defined by the Local Government Finance Act, Sections 6-6-1 etseq. NMSA 1978. Rather, the Authority is a joint powers agreement entity pursuant to the Joint Powers Agreement Act, Section 11-1-1 etseq. NMSA 1978. The Authority is not directly under the regulatory authority of LGD except for issues directly related to LGD's regulatory authority over its constituent members which would be the City of Española, New Mexico and Rio Arriba County.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended as circumstances change. If a budget transfer is necessary within expenses, this may be accomplished with board approval. If a budget increase is required, approval must be obtained from the board of directors. The Authority's level of budgetary control is at the total fund level.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as certificates of deposit as applicable. 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. If required, collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

E. Receivables

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

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond year end, are recorded as prepaid items.

G. Capital Assets

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

Convenience stations	10 years
Containers	10 years
Equipment, computer hardware and software, furniture, and fixtures	5 years
Vehicles	5 years

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reflected as a liability of the Authority. In accordance with the provisions of the Governmental Accounting Standards Board, Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Annual leave is earned according to the following schedule:



**STATE OF NEW MEXICO  
NORTH CENTRAL SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

H. Compensated Absences (continued)

Length of Employment	Full-Time Employee
1st year	3.69 hrs/pay period
2nd to 5th year	4.62 hrs/pay period
6th to 15th year	5.54 hrs/pay period
16th+	6.15 hrs/pay period

Annual leave for all employees can be carried over from year to year. There is no limit as to the total number of annual leave hours an employee can retain. Upon termination, any unused annual leave shall be paid.

Authority employees with five or less years of service accumulate sick leave at a rate of 4.00 hours per pay period. Employees with six or more years of service accumulate sick leave at a rate of 5.54 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 hundred sixty (160) hours at the end of the calendar year. Employees who have accrued two hundred forty (240) hours of vacation pay and one hundred sixty (160) hours of sick leave may convert up to forty (40) hours sick leave each year to forty (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 one hundred sixty (160) hours of accumulated sick leave. Retiring employees are to be paid the cash equivalent of up to one hundred sixty (160) hours of accumulated sick leave.

I. Unearned Revenues

The Authority reports unearned revenue on its statement of net position, when applicable. Unearned revenues may also arise when the Authority receives resources before it has a claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

J. Short-Term Obligations

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

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

K. Long-Term Obligations

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

L. Net Position

Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position are 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 on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net position component as the unspent proceeds.

**Restricted** – This component of net position consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

**Unrestricted** – This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

M. 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.

N. 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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**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS**

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 Española, New Mexico. The Authority's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institutions.

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>2013</b>	<u>Per Institution</u>	<u>Unexplained Items</u>	<u>Balance</u>
Century Bank	\$ 348,998	\$ (35,053)	\$ 313,945
Community Bank	353,194	(207,196)	145,998
Total cash deposits	<u>\$ 702,192</u>	<u>\$ (242,249)</u>	<u>\$ 459,943</u>
<b>2012</b>	<u>Per Institution</u>	<u>Reconciling Items</u>	<u>Per Financial Statements</u>
Century Bank	\$ 124,273	\$ (65,879)	\$ 58,394
Community Bank	270,396	-	270,396
Total cash deposits	<u>\$ 394,669</u>	<u>\$ (65,879)</u>	<u>\$ 328,790</u>

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

	<u>2013</u>	<u>2012</u>
Statement of Net Position:		
Cash	<u>\$ 459,943</u>	<u>\$ 328,790</u>

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**2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)**

*Cash Deposited with Financial Institutions (continued)*

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. None of the deposits were 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 demand deposits. Such collateral, as permitted by the state statutes would have been 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.

	Century Bank	Community Bank
<b>2013</b>		
Checking accounts	\$ 348,998	\$ 353,194
Less: FDIC coverage	(250,000)	(250,000)
Total uninsured public funds	\$ 98,998	\$ 103,194
<b>2012</b>		
Checking accounts	\$ 124,273	\$ 270,396
Less: FDIC coverage	(124,273)	(250,000)
Total uninsured public funds	\$ -	\$ 20,396

*Custodial Credit Risk – Deposits* – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$202,192 of the Authority's bank balance of \$702,192 was exposed to custodial credit risk. As of June 30, 2012, \$20,396 of the Authority's bank balance of \$394,669 was exposed to custodial credit risk.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

	2013	2012
Charges for services	\$ 6,041,960	\$ 5,004,822
Allowance for doubtful accounts	(668,016)	(668,016)
	\$ 5,373,944	\$ 4,336,806

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

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**4. CAPITAL ASSETS**

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

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Convenience stations	\$ 104,631	\$ -	\$ -	\$ 104,631
Buildings	5,000	-	-	5,000
Equipment	1,871,470	-	-	1,871,470
Containers	130,994	-	-	130,994
Vehicles	64,216	-	-	64,216
Office furniture and equipment	32,073	-	-	32,073
Total other capital assets, being depreciated	2,208,384	-	-	2,208,384
Less accumulated depreciation:				
Convenience stations	(52,540)	-	-	(52,540)
Buildings	(208)	-	-	(208)
Equipment	(1,404,311)	-	-	(1,404,311)
Containers	(90,421)	-	-	(90,421)
Vehicles	(53,801)	-	-	(53,801)
Office furniture and equipment	(32,073)	-	-	(32,073)
Total accumulated depreciation	(1,633,354)	-	-	(1,633,354)
Total capital assets, net	<u>\$ 575,030</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 575,030</u>

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

	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Convenience stations	\$ 104,631	\$ -	\$ -	\$ 104,631
Building	-	5,000	-	5,000
Equipment	1,746,850	124,620	-	1,871,470
Containers	130,994	-	-	130,994
Vehicles	52,566	11,650	-	64,216
Office furniture and equipment	32,073	-	-	32,073
Total other capital assets, being depreciated	2,067,114	141,270	-	2,208,384
Less accumulated depreciation:				
Convenience stations	(42,077)	(10,463)	-	(52,540)
Buildings	-	(208)	-	(208)
Equipment	(1,210,122)	(194,189)	-	(1,404,311)
Containers	(77,322)	(13,099)	-	(90,421)
Vehicles	(51,586)	(2,215)	-	(53,801)
Office furniture and equipment	(32,073)	-	-	(32,073)
Total accumulated depreciation	(1,413,180)	(220,174)	-	(1,633,354)
Total capital assets, net	<u>\$ 653,934</u>	<u>\$ (78,904)</u>	<u>\$ -</u>	<u>\$ 575,030</u>

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**5. ACCRUED LIABILITIES**

Accrued liabilities consisted of the following:

	<u>2013</u>	<u>2012</u>
Health insurance premiums	\$ 173,115	\$ 2,347
Employee benefits payable	23,641	-
Governmental sales tax	-	8,372
State payroll tax	-	3,561
	<u>\$ 196,756</u>	<u>\$ 14,280</u>

**6. SHORT-TERM OBLIGATIONS**

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

	<u>Balance 06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>	<u>Amounts Due Within One Year</u>
Short-term notes	<u>\$ 11,561</u>	<u>\$ 61,344</u>	<u>\$ (63,011)</u>	<u>\$ 9,894</u>	<u>\$ 9,894</u>

The Authority borrowed cash from Western Commerce Bank, located in Carlsbad, New Mexico, to finance insurance premiums. Details regarding the notes are described as follows:

**2012**

- On July 1, 2011, the Authority borrowed \$13,532 from Western Commerce Bank. The note accrued interest at a rate of 7.45 percent per annum. The proceeds were used to purchase insurance for the collection of solid waste. The loan was paid in full on April 4, 2012.
- On December 5, 2011, the Authority borrowed \$31,400 from Western Commerce Bank. The note accrued interest at a rate of 6.50 percent per annum. The proceeds were used to purchase general liability insurance. As of June 30, 2011, the outstanding balance of the loan was \$10,752. The note was paid in full on September 5, 2012.

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**7. LONG-TERM OBLIGATIONS**

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

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13	Amounts Due Within One Year
Notes payable	\$ 1,054,467	\$ -	\$ -	\$ 1,054,467	\$ -

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

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13	Amounts Due Within One Year
Notes payable	\$ 354,205	\$ 700,262	\$ -	\$ 1,054,467	\$ -
Compensated absences	161,202	106,936	(123,813)	144,325	90,261
	<u>\$ 515,407</u>	<u>\$ 807,198</u>	<u>\$ (123,813)</u>	<u>\$ 1,198,792</u>	<u>\$ 90,261</u>

**Note Payable – Rio Arriba County**

North Central Solid Waste Authority signed a loan agreement on June 30, 2011 with Rio Arriba County (County) in the amount of \$1,054,205. The loan was given to relieve the Authority of its sizable delinquent obligations to the Internal Revenue Service, New Mexico Taxation and Revenue Department and the General (Risk Management) Services Division of the State of New Mexico.

The loan agreement noted the following:

- The Authority had previously requested financial assistance from the County.
- The County had established financial resources to provide additional fiscal assistance to the Authority.
- The loan is interest free.
- As of June 30, 2013, no repayment schedule had been established.
- A clause stating that at the County's discretion any portion, up to and including the entire amount, of this financial assistance loaned to the Authority may be forgiven.

**8. SPECIAL FINANCE AGREEMENT**

On September 3, 2010, the Authority and Rio Arriba County entered into a loan agreement with the New Mexico Finance Authority (NMFA) to borrow \$143,238. The proceeds of the loan were used to finance equipment purchased for the Authority. The loan accrues interest at a rate that ranges from 1.12% and 2.85% through the life of the loan. Rio Arriba County has pledged County Local Option Environmental Gross Receipts Tax to service the debt.

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**8. SPECIAL FINANCE AGREEMENT (continued)**

The debt obligation is not recorded on the Authority's general ledger as the obligation is serviced with sales taxes assessed and pledged by Rio Arriba County. The obligation is reflected in the financial statements of the Rio Arriba County. The balance of the loan at June 30, 2013 was \$142,387.

**9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

*Plan Description*

All of the full-time employees of the Authority participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy*

Plan members are required to contribute from 13.15% to 16.30% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The Authority is required to contribute from 8.15% to 9.15% of the gross covered salary. The contribution requirements of plan members and the Authority are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the fiscal years ended June 30, 2013, 2012, and 2011 were \$91,709, \$92,155, and \$90,428, respectively, equal to the amount of the required contributions for each year.

**10. POST-EMPLOYMENT BENEFITS**

*Plan Description*

The Authority contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance, and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan, and is also authorized to designate optional, and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.



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**10. POST-EMPLOYMENT BENEFITS (continued)**

*Plan Description (continued)*

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years. The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment healthcare plan. That report, and further information, can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

*Funding Policy*

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims, and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us).

The Retiree Health Care Act (Section 10-&C-15 NMSA 1978) is the statutory authority tax establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of the participating employee's annual salary and each participating employee is required to contribute 1.0% of their salary. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary and each participating employee is required to contribute 0.917% of their salary.

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2013, 2012, and 2011 were \$20,012, \$17,623, and \$15,721, respectively, which equaled the required contributions each year.

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**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 purchased insurance from commercial vendors and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

**12. SUBSEQUENT EVENTS**

*Note Agreement – Rio Arriba County*

On May 25, 2017, the Authority remitted a principal payment of \$400,000 to Rio Arriba County to reduce the outstanding balance of the note payable. The Authority and County have agreed to the remittance of monthly principal payments of \$4,417 to the County until the debt is retired.

*Joint Power Agreement*

On July 20, 2015, Rio Arriba County board of commission passed a resolution stating their desire to withdraw from the Joint Powers agreement. After further consideration, the members are negotiating a new joint powers agreement.

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**WITH RECONCILIATION TO GAAP**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis
	Original	Final				Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>						
Charges for services	\$ 4,313,800	\$ 4,313,800	\$ 5,225,199	\$ -	\$ 5,225,199	\$ 911,399
<b>Operating Expenses:</b>						
Personnel services	1,459,000	1,459,000	1,179,763	-	1,179,763	279,237
Employee benefits	812,480	812,480	673,655	-	673,655	138,825
Tipping and hauling fees	1,100,000	850,000	572,949	-	572,949	277,051
Repairs and maintenance	200,000	200,000	402,549	-	402,549	(202,549)
Fuel	350,000	350,000	383,585	-	383,585	(33,585)
Small equipment and tools	133,000	133,000	99,742	-	99,742	33,258
Payroll taxes	108,620	108,620	94,007	-	94,007	14,613
Insurance	104,500	104,500	85,647	-	85,647	18,853
Administration expenses	54,200	54,200	55,992	-	55,992	(1,792)
Leases	46,000	46,000	34,812	-	34,812	11,188
Office supplies and equipment	25,000	25,000	34,222	-	34,222	(9,222)
Operational expenses	13,000	13,000	27,995	-	27,995	(14,995)
Professional services	150,000	150,000	26,967	-	26,967	123,033
Uniforms	10,000	15,000	17,132	-	17,132	(2,132)
Printing and advertising	10,000	10,000	9,876	-	9,876	124
Utilities	14,000	14,000	9,568	-	9,568	4,432
Mileage and per diem	2,000	2,000	510	-	510	1,490
Miscellaneous	279,000	24,000	14	-	14	23,986
Taxes and licenses	-	-	(59,279)	-	(59,279)	59,279
Total operating expenses	<u>4,870,800</u>	<u>4,370,800</u>	<u>3,649,706</u>	<u>-</u>	<u>3,649,706</u>	<u>721,094</u>
Operating income (loss)	(557,000)	(57,000)	1,575,493	-	1,575,493	1,632,493
<b>Non-Operating Revenues (Expenses):</b>						
County operating subsidy	600,000	600,000	600,000	-	600,000	-
City operating subsidy	100,000	100,000	100,000	-	100,000	-
Interest income	-	-	208	-	208	208
Lien/release charges	2,000	2,000	1,009	-	1,009	(991)
Capital outlay	(90,000)	(340,000)	(418,661)	-	(418,661)	(78,661)
Penalties	(55,000)	(55,000)	(53,900)	-	(53,900)	1,100
Total non-operating revenues (expenses)	<u>557,000</u>	<u>307,000</u>	<u>228,656</u>	<u>-</u>	<u>228,656</u>	<u>(78,344)</u>
Net change	-	250,000	1,804,149	-	1,804,149	1,554,149
Net position, beginning of year	<u>3,405,725</u>	<u>3,405,725</u>	<u>3,405,725</u>	<u>-</u>	<u>3,405,725</u>	<u>-</u>
Net position, end of year	<u>\$ 3,405,725</u>	<u>\$ 3,655,725</u>	<u>\$ 5,209,874</u>	<u>\$ -</u>	<u>\$ 5,209,874</u>	<u>\$ 1,554,149</u>

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

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary
	Original	Final				Variance With Final Budget Over (Under)
<b>Operating Revenues:</b>						
Charges for services	\$ 3,949,828	\$ 3,949,828	\$ 3,736,748	\$ 642,219	\$ 4,378,967	\$ (213,080)
<b>Operating Expenses:</b>						
Personnel services	1,828,535	1,828,535	1,256,145	(65,930)	1,190,215	572,390
Employee benefits	674,444	674,444	687,921	(4,471)	683,450	(13,477)
Payroll taxes	149,870	149,870	119,014	9,054	128,068	30,856
Tipping and hauling fees	1,175,000	1,175,000	930,460	(146,501)	783,959	244,540
Professional services	80,000	80,000	121,701	(11,397)	110,304	(41,701)
Fuel	400,000	400,000	296,898	(118,098)	178,800	103,102
Insurance	97,500	97,500	94,609	21,308	115,917	2,891
Operational expenses	25,500	25,500	41,307	(4,973)	36,334	(15,807)
Repairs and maintenance	182,000	182,000	200,364	(40,559)	159,805	(18,364)
Small equipment and tools	22,000	22,000	20,535	(35)	20,500	1,465
Taxes and licenses	-	-	138,696	(52,530)	86,166	(138,696)
Printing and advertising	10,000	10,000	2,285	90	2,375	7,715
Leases	57,000	57,000	43,627	(657)	42,970	13,373
Miscellaneous	2,000	2,000	249,574	(34,568)	215,006	(247,574)
Uniforms	10,000	10,000	644	-	644	9,356
Utilities	14,000	14,000	9,198	97	9,295	4,802
Mileage and per diem	2,000	2,000	500	-	500	1,500
Office supplies and equipment	17,000	17,000	23,107	(5,439)	17,668	(6,107)
Administration expenses	59,200	59,200	47,536	(13,979)	33,557	11,664
Asset management	60,000	60,000	-	-	-	60,000
Depreciation	-	-	-	220,174	220,174	-
<b>Total operating expenses</b>	<b>4,866,049</b>	<b>4,866,049</b>	<b>4,284,121</b>	<b>(248,414)</b>	<b>4,035,707</b>	<b>581,928</b>
Operating income (loss)	(916,221)	(916,221)	(547,373)	890,633	343,260	368,848
<b>Non-Operating Revenues (Expenses):</b>						
County operating subsidy	1,200,000	1,200,000	759,205	-	759,205	(440,795)
City operating subsidy	-	-	75,000	-	75,000	75,000
State operating grant	34,000	34,000	-	-	-	(34,000)
Interest income	-	-	28	-	28	28
Lien/release charges	(3,000)	(3,000)	6,159	-	6,159	9,159
Capital outlay	(210,000)	(210,000)	(141,270)	141,270	-	68,730
Principal payments	-	-	(57,501)	57,501	-	(57,501)
Interest expense	-	-	(1,060)	-	(1,060)	(1,060)
<b>Total non-operating revenues (expenses)</b>	<b>1,021,000</b>	<b>1,021,000</b>	<b>640,561</b>	<b>198,771</b>	<b>839,332</b>	<b>(380,439)</b>
Income before loan proceeds	104,779	104,779	93,188	1,089,404	1,182,592	(11,591)
<b>Loan Proceeds:</b>						
Loan proceeds	-	-	61,344	(61,344)	-	61,344
Net change	104,779	104,779	154,532	\$ 1,028,060	\$ 1,182,592	49,753
Cash, beginning of year	174,258	174,258	174,258			-
Cash, end of year	\$ 279,037	\$ 279,037	\$ 328,790			\$ 49,753
<b>Explanation of Differences:</b>						
Change in receivables				\$ 645,243		
Change in prepaid expenses				(5,510)		
Change in accounts payable				381,602		
Change in accrued salaries				51,967		
Change in accrued liabilities				18,482		
Change in compensated absences				16,877		
Change in unearned revenues				(3,364)		
Note proceeds				(61,344)		
Principal payments				63,011		
Capital outlay purchases				141,270		
Depreciation				(220,174)		
				\$ 1,028,060		

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO  
NORTH CENTRAL SOLID WASTE AUTHORITY  
SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2013 AND 2012**

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Unexplained Items	Balance
<b>2013</b>				
Century Bank 460 N. Riverside Drive Española, NM	Checking	<u>\$ 348,998</u>	<u>\$ (35,053)</u>	<u>\$ 313,945</u>
Community Bank 411 Carr Lane Española, NM	Checking	<u>\$ 353,194</u>	<u>\$ (207,196)</u>	<u>\$ 145,998</u>
<b>2012</b>				
Century Bank 460 N. Riverside Drive Española, NM	Checking	<u>\$ 124,273</u>	<u>\$ (65,879)</u>	<u>\$ 58,394</u>
Community Bank P.O. Box 1290 Española, NM	Checking	<u>\$ 270,396</u>	<u>\$ -</u>	<u>\$ 270,396</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**



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Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards*

Timothy Keller, State Auditor  
and  
Board of Directors  
North Central Solid Waste Authority  
Española, New Mexico

We were engaged to audit the statement of net position of North Central Solid Waste Authority (Authority), as of and for the years ended June 30, 2013 and the related statements of revenues, expenses, and changes in net position, cash flows, and budgetary comparison for the year then ended, and have issued our report thereon dated October 5, 2017. Our responsibility is to express an opinion on the 2013 financial statements based on conducting an 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. We were unable obtain sufficient audit evidence to provide an opinion on the 2013 financial statements.

We have audited the statement of net position of Authority, as of and for the years ended June 30, 2012 and the related statements of revenues, expenses, and changes in net position, cash flows, and budgetary comparison for the year then ended, and have issued our report thereon dated October 5, 2017. 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. Our report expresses an adverse opinion on such statements because accounts receivable are overstated, revenues are overstated, bad debt expense is understated, and net position is overstated.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the North Central Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Central Solid Waste Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2005-001, 2005-002, 2005-004, 2005-005, 2005-006, 2007-001, 2007-002, 2007-004, 2007-005, 2007-010, and 2010-004 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2005-002, 2005-004, 2005-005, 2007-002, 2007-004, 2007-005, 2007-009, 2007-010, 2010-004, and 2012-001.

### **The Authority's Response to Findings**

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

### **Purpose of this Report**

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



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

October 5, 2017

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-001 – Material Weakness – Segregation of Duties and Documentation of Payroll Expenditures*

**Statement of Condition** – During our evaluation of internal controls related to payroll, we noted one employee was responsible for the entire payroll function. Her duties included entering data into the computer system for new hires, updating and maintaining employee records, preparation of payroll calculations and payments (checks and direct deposits). Her duties also included the preparation and submission of the various payroll reports to the appropriate government agencies. This prior year finding is repeated and modified. The Authority has not addressed an adequate corrective action plan.

**Criteria** – Statement on Auditing Standards Number 115, *Communicating Internal Control Related Matters Identified in an Audit*, issued by the American Institute of Certified Public Accountants provides examples of deficiencies in the design of internal controls. One such example provided in the standards is absent or inadequate segregation of duties within a significant account or process.

The principal of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department.

**Effect** – Unintentional payroll errors or intentional misappropriation of assets, not detected in a timely basis, could occur because the Authority lacks segregation of duties. Without this separation in key processes, fraud and error risks are less manageable.

**Cause** – With limited qualified personnel, optimum segregation of duties was difficult to implement.

**Recommendation** – We recommend management review their segregation of duties practices currently in place to verify adequate segregation of duties exist given the limited staff and resources. Where it is not possible to have adequate preventive internal controls including segregation of duties, it is important to implement a compensating control. An example of this could be increased periodic oversight, by an employee from another department, or by the board of directors.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA payroll issues are noted and will be resolved in the FY18 audit. The CFO will put into place policy and procedures for the segregations of duties to include NCSWA's office manager to back up the accounts payable clerk and also to create an approval form for the office manager and CFO to complete and approve. Payroll reconciliations will be the duty of the CFO with the manager's review of the completed reconciliations.

*Item 2005-002 – Material Weakness and Compliance - Bank Reconciliations*

**Statement of Condition** – The Authority did not reconcile cash reflected on the general ledger with cash reflected on the bank statements during the fiscal year ending June 30, 2013.

**STATE OF NEW MEXICO  
NORTH CENTRAL SOLID WASTE AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-002 – Material Weakness and Compliance - Bank Reconciliations (continued)*

**Statement of Condition (continued)** – The Authority’s cash balances reflected on the general ledger at June 30, 2013 differs from cash balances reflected on the bank statements as follows:

	Balance Per Bank	Unexplained Difference	Per Financial Statements
Century Bank	\$ 348,998	\$ (35,053)	\$ 313,945
Community Bank	353,194	(207,196)	145,998
	<u>\$ 702,192</u>	<u>\$ (242,249)</u>	<u>\$ 459,943</u>

This finding from the prior fiscal year is repeated and modified.

**Criteria** – Section 6-6-3(A) NMSA 1978 requires every local public body to “keep all the books, records and accounts in their respective offices in the form prescribed by the local government division” of the New Mexico Department of Finance and Administration. The Authority is not a local public body, however; it is as an instrumentality of the members and, as such, the Authority is required to maintain accounting records in a manner that allows for the preparation of financial statements and accurate reports for other New Mexico governmental agencies. The general ledger must be able to substantiate accurate detail as to the financial activity of the Authority.

Statement on Auditing Standards Number 115, *Communicating Internal Control Related Matters Identified in an Audit*, issued by the American Institute of Certified Public Accountants, provides examples of deficiencies in the design of internal controls. One such item is “Inadequate design of control over a significant account or process.” The Authority does not have any control of the proper recording of cash transactions within the general ledger.

Daily cash records should reflect the public money on hand at the close of each day’s business as required by the Public Monies Act, Section 6-10-2 NMSA 1978.

**Effect** – The Authority has failed to comply with New Mexico State Statutes and sound accounting procedures. The Authority has not employed an accountant, or a bookkeeper, to maintain control of the general ledger. The Authority staff is simply recording daily activity and not reconciling the financial activity within the general ledger with other documents such as bank statements. Noncompliance with New Mexico State Statutes subjects the governing board and management to penalties and punishment defined by State statute.

**Cause** – Due to various factors, including mismanagement and financial difficulties in the early years of the Authority, current management has had numerous issues to overcome. Operations of the retrieving and disposal of trash has had the first priority, while administrative functions such as the accounting function have not received proper attention. The Authority has not filled the position of chief finance officer other than a brief period with a qualified accountant or bookkeeper. No past or current employee at the Authority has had sufficient accounting experience to reconcile the cash accounts reflected on the general ledger with the bank activity. The Authority engaged a certified public accounting firm to assist with consulting; however, the scope of the work did not include the cash reconciliation procedures.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-002 – Material Weakness and Compliance - Bank Reconciliations (continued)*

**Recommendation** – We recommend management focus on hiring a qualified accountant to manage the fiscal affairs of the Authority. Until a qualified individual can be located and hired, we recommend the Authority engage an external contractor to fill the role of chief financial officer.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA bank reconciliation issues are noted and will be resolved in the FY18 audit. The CFO will put into place procedures for the bank reconciliation duties. The CFO will create a completed and approval form for the CFO to complete the bank reconciliation and the manager to approve. Bank reconciliations will be the duty of the CFO with the manager’s review and approval of the completed reconciliations.

*Item 2005-004 – Material Weakness and Compliance - Submission of Audit Report*

**Statement of Condition** – The audit report for the fiscal year ended June 30, 2013, was due to the New Mexico State Auditor’s office by December 2, 2013. Submittal of the audit report occurred on October 18, 2017. The submittal of late audit reports has been a recurring problem since June 30, 2005 indicating that a weakness in internal control policies and procedures. The Authority engaged a certified public accounting firm to audit the three fiscal years ended June 30, 2009 with completion of those audits occurring during the summer of 2015. Completion of the following three years audits occurred during the summer of 2016. Completion of the three years ended June 30, 2015 occurred in October 2017. This finding from the prior fiscal year is repeated and modified.

**Criteria** – Section 12-6-12 1978 NMSA requires the state auditor promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* (2.2.2 NMAC) requires the Authority submit its audit report by the first working day of December following the end of each fiscal year.

**Effect** – Delays in submission of the audit report affect the reporting of independently verified financial information to the governing board, other state agencies and local governments. Audit reports reveal potential problems and weaknesses in internal control and timely reporting of those deficiencies allows management to correct the issues on a timely basis.

**Cause** – The current manager, hired in June 2011, inherited an organization that was in effect insolvent and dealing with personnel issues and community dissatisfaction regarding services provided, forcing him to deal with many issues. Realizing that many problems existed in the accounting records, the Authority engaged the services of a certified public accounting firm to assist with the accounting issues. After a period of three and one-half years, the Authority advertised for audit services. The audits for the nine years has taken a substantial amount of time from Authority personnel as records had to be retrieved and sorted, by year, for the auditors.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
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*Item 2005-004 – Material Weakness and Compliance - Submission of Audit Report (continued)*

**Recommendation** – With the submission of the 2013 through 2015 audit reports, the Authority is one year delinquent on its required submittal of annual audits. We recommend the Authority engage a certified public accounting firm to audit the 2016 and 2017 fiscal years, as soon as possible. With the completion of the 2017, the Authority can focus on their accounting records for the fiscal year end June 30, 2018 with the desire to submit that report on a timely basis as required by 2.2.2 NMAC.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer. This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA's late submission of annual audit report issues are noted and will be resolved in the FY18 audit. The CFO and office manager will work together to organize all financial records for submittal of the audit reports timely.

*Item 2005-005 – Material Weakness and Compliance  
– Records Management and Accounting Data*

**Statement of Condition** – The Authority did not maintain sufficient accounting records and reports required by the state of New Mexico. The Authority failed to establish proper accounting policies. The Authority failed to perform accounting practices and procedures in order to allow the preparation of financial statements. The condition of the accounting records did not allow the auditors to express an opinion on the financial statements. The Authority did not employ a qualified accountant or bookkeeper to maintain the general ledger. The Authority failed to provide substantiation of amounts recorded on the general ledger. This prior year finding is repeated and modified. The deficiencies noted are as follows:

- The Authority failed to reconcile cash reflected in the general ledger as \$459,943 with the \$702,192 reported by the banks.
- The Authority did not reconcile their account receivables recorded in the general ledger with their subsidiary records. The general ledger reflects receivables at June 30, 2013 as \$6,041,985 while the subsidiary ledgers reflect \$4,787,909. The general ledger reflects \$668,016 as the allowance for doubtful accounts at June 30, 2013 and June 30, 2012. The Authority did not record changes to the allowance for doubtful accounts or bad debts expense based on the historical activity. The Authority failed to identify worthless accounts within the account receivable subsidiary ledgers. The Authority continues to accrue penalties and interest on all accounts, including inactive accounts, thereby overstating receivables and revenues.
- The Authority failed to capitalize assets purchased during the fiscal year ended June 30, 2013. The Authority improperly reported capital asset expenditures as expenses rather than adding those purchases to the capital assets subsidiary ledgers. The Authority failed to record depreciation expense.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-005 – Material Weakness and Compliance*  
*– Records Management and Accounting Data (continued)*

**Statement of Condition (continued) –**

- The Authority reports a negative balance of \$52,727 as of June 30, 2013 in the accounts payable within the statement of net position. The Authority failed to perform monthly and annual reconciliations between the general ledger and the subsidiary records.
- The Authority did not record accrued wages or compensated absences liabilities at June 30, 2013.
- The Authority did reconcile accrued liabilities with supporting documents throughout the year and at year-end.
- The Authority failed to record unearned revenues on the statement of net position at June 30, 2013. Some customers remit payments for annual services at the beginning of the calendar year. The Authority failed to calculate the unearned revenues at the end of the fiscal year.
- The Authority failed to record debt obligations within the general ledger, incurred as the result of financing insurance premiums.
- There was no evidence that senior management was approving journal entries.
- The Authority did not post the adjusting entries proposed from previous audit to its general ledger. This compounds the misstatements in the Authority's accounting data going forward, and makes it almost impossible to prepare and present current financial statements to those in charge of governance. Without reliable financial information, decisions or the lack thereof, makes management of the organization difficult at best.

This audit finding from the prior fiscal year is repeated and modified.

**Criteria** – Section 6-6-3(A) NMSA 1978 requires every local public body to “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. Although the Authority is not a local public body, it is as an instrumentality of the public members and as such, the Authority is required to maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. The general ledger must be able to substantiate accurate detail as to the financial activity of the Authority.

Statement on Auditing Standards Number 115, *Communicating Internal Control Related Matters Identified in an Audit*, issued by the American Institute of Certified Public Accountants provides examples of deficiencies in the design of internal controls. Examples of circumstances that apply to the problems identified above are: (1) inadequate design of controls over a significant account or process, and (2) employees or management who lack the qualifications and training to fulfill their assigned functions.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-005 – Material Weakness and Compliance*  
*– Records Management and Accounting Data (continued)*

**Criteria (continued)** – Additional examples of deficiencies, significant deficiencies or material weaknesses in the operation of controls discussed within the statement would include failure to perform reconciliations such as reconciling accounts receivable, capital assets and accounts payable recorded on the general ledger with subsidiary records.

**Effect** – The Authority has failed to comply with State statutes and sound accounting practices and procedures. State statutes provide for penalties for when agencies fail to comply. The inability to maintain proper accounting records inhibits the auditor to perform necessary tests of the accounting records in order to express an opinion on the financial statements. Flawed financial information, due to poor record keeping, prohibits management and the governing board to make prudent financial decisions. Properly maintained accounting records deters unintentional and intentional errors to occur. Further, properly maintained records allow irregularities to be detected a timely manner.

**Cause** – Due to various factors, including mismanagement and financial difficulties in the early years of the Authority, current management has had numerous issues to overcome. Operations of the retrieving and disposal of trash had the first priority, while administrative functions such as the accounting function have not received proper attention. The Authority has not filled the position of chief financial officer other than a brief period with a qualified accountant or bookkeeper. No past or current employee at the Authority has had sufficient accounting experience to maintain general ledger including reconciliations of subsidiary records. The Authority engaged a certified public accounting firm to assist with consulting, payroll issues, financial reporting to the governing board and preparation of the annual budget; however, neither the Authority personnel, nor the consultant, completed many of the vital accounting tasks needed for compliance with State statutes or financial reporting.

**Recommendation** – We recommend management focus on hiring a qualified individual to manage the fiscal affairs of the Authority. Until a qualified individual can be located and hired, we recommend the Authority engage an external contractor to fill the role of chief financial officer.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA records management & accounting data issues are noted and will be resolved in the FY18 audit. The CFO and office manager will work together to resolve the noted issues.

*Item 2005-006 – Material Weakness - Financial Statements and Disclosures*

**Statement of Condition** – The Authority relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). During the audit period, Authority's management and staff lacked the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements.



**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-006 – Material Weakness - Financial Statements and Disclosures (continued)*

**Statement of Condition (continued)** – During July 2011, the Authority engaged a certified public accounting firm to assist with the filing of payroll reports to the federal and state governments, consulting with accounting issues, preparation of internal financial reports for the governing board, preparation of the annual budget and necessary budget adjustments. The consultants did not perform any routine accounting reconciliations between the general ledger, subsidiary records and supporting documents. This condition is a material weakness in the internal control. This finding from the prior fiscal year is repeated and modified.

**Criteria** – Statement on Auditing Standards Number 115, *Communicating Internal Control Related Matters Identified in an Audit*, issued by the American Institute of Certified Public Accountants, provides examples of deficiencies in the design of internal controls. Two examples that apply are, (1) *“Inadequate design of controls over the preparation of the financial statements being audited”* and (2) *“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements with general accepted auditing principles (GAAP), the person responsible for the accounting and reporting function lacks the skills and knowledge to apply GAAP in recording the entity’s financial transactions or preparing its financial statements.”*

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, changes in financial position, changes in cash flows and notes.

Ineffective oversight of the Authority in regards to financial reporting and associated internal controls by those charged with governance is an indication of a material weakness in internal control.

**Effect** – There is an increased risk that a undetected misstatement of the Authority’s financial statements, which is more than inconsequential, could occur as the result of no qualified individuals to oversee the accounting function and in particular the financial statement preparation.

**Cause** – The Authority’s staff employed, during the 2013 fiscal year and up to the present time, have not been qualified to understand financial statements prepared in accordance with GAAP. The consultant accounting firm is qualified to understand governmental financial reporting in accordance with GAAP; however, the scope of their work was limited to other matters discussed in the statement of condition.

**Recommendation** – We recommend management focus on hiring a qualified individual to manage the fiscal affairs of the Authority. Until a qualified individual can be located and hired, we recommend the Authority engage an external contractor to fill the role of chief financial officer. A qualified employee or contracted individual will be able to prepare the financial statements or assist the auditor with that function.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

*Item 2005-006 – Material Weakness - Financial Statements and Disclosures (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA financial statements and disclosures issues are noted and will be resolved in the FY18 audit. CFO will create and implement procedures. The CFO work to resolve the noted issues.

*Item 2007-001 – Material Weakness - Organizational Formation and Oversight*

**Statement of Condition** – Established on November 27, 2002, pursuant to a joint powers agreement (JPA) between its four regional governments, North Central Solid Waste Authority operates and manages a solid waste management system for citizens of Rio Arriba County. The JPA states; *“the agreement is made under the authority of the “Joint Powers Agreement Act” Sections 11-1-1 et seq NMSA 1978 and the Solid Waste Act, Section 74-9-1 et seq NMSA 1978.”*

The JPA details the powers and duties of the Authority necessary to carry out the operations of a regional landfill. Duties include, but not limited to, administrative and operational requirements such as management of the organization; personnel rules and regulations; proper development, distribution and accounting of funds; financial requirements related to debt and procurement; preparation and submission of an annual budget to the New Mexico Department of Finance and Administration.

The JPA, as written, has conflicting language within the document. The JPA begins by stating the agreement is made under the authority of Section 11-1-1 et seq NMSA 1978 (Joint Powers Act) and Section 74-9-1 et seq NMSA 1978 (Solid Waste Authority Act). The JPA continues by stating, the parties desire to establish an authority, which is not a political subdivision of the state. Such as described in Section 74-10-1 et al, NMSA 1978.

Further, the JPA states the Authority must seek DFA approval for all budget and financial reports; however, DFA determined they have no authority to review the items as the Authority has been established under the Joint Powers Act. This prior year finding is repeated and modified.

**Criteria** – Internal Revenue Service Publication 963 defines Local Political Subdivisions as, *“Local governments are generally political subdivisions of states. They differ from state and federal governments in that their authority is not based on a constitution. Each state constitution governs the procedure for the establishment of local governments. In most cases, the state legislature must approve the creation or incorporation of a local government.”*

The publication goes on further to explain Instrumentalities as, *“An instrumentality is an organization separate from, but affiliated with, a state or local government. It may or may not be created by or pursuant to state statute, but it is operated for public purposes. Generally, an instrumentality performs governmental functions, but does not have the full powers of a government, such as police authority, taxation, and eminent domain (sovereign powers).”*

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*Item 2007-001 – Material Weakness - Organizational Formation and Oversight (continued)*

**Criteria (continued)** – Further, the Internal Revenue Service Revenue Ruling 57-128 established various relevant factors to determine if the instrumentality would be considered a “government” for the purposes of taxation.

On June 3, 2010, Deputy Secretary of the New Mexico Department of Finance and Administration (DFA) and Director of the Local Government Division (LGD) of DFA, wrote a letter to the governing board members explaining DFA’s position in regards to the Authority. Part of the letter states, “NCSWA was formed pursuant to a joint powers agreement (“JPA”) between its members dated November 27, 2002. NCSWA is a JPA entity formed pursuant the Joint Powers Agreement Act, Sections 11-1-1 etseq. NMSA 1978. NCSWA is not a “solid waste authority” as defined by and formed pursuant the Solid Waste Authority Act; is not a political subdivision of the state; and is not a “local public body” as defined by the Local Government Finance Act, Sections 6-6-1 etseq. NMSA 1978. For these reasons, LGD does not review and approve the budget of NCSWA, or the audits or financial statements of NCSWA, and NCSWA is not directly under the regulatory authority of LGD except as these issues relate to LGD’s regulatory authority over its constituent members, the City and the County.”

Based upon the Internal Revenue Service’s Publication 963, Revenue Ruling 57-128 and DFA’s position, the Authority is a governmental instrumentality of the governing board members (county, municipality and sovereign Indian nations) who established the Authority.

**Effect** – Commencing in 2010, DFA officially ceased reviewing and approving financial statements and the budgets of the Authority. DFA has failed to investigate the Authority’s financial situation. Presently, there is no external oversight of the Authority’s financial operations. The Authority’s financial situation continued to worsen until Rio Arriba County was forced to loan \$1.2 million by the end of July 2011, and continues to make annual cash contributions to subsidize the operations of the Authority.

**Cause** – The Authority began operating the solid waste management system for its members on October 1, 2004. Since the inception, the Authority has struggled financially for various reasons. The two main reasons for the financial difficulties have been the mismanagement of the Authority’s financial and operational activities, from the inception until June 2011 and the lack of proper external oversight of the financial affairs of the Authority. Within the official minutes of the governing board, there are repeated requests from board members for the status of the audits of the Authority and the Authority’s financial condition. Management, on numerous occasions, provided assurance to the governing board that the financial situation was under control and the securing of an auditor was underway.

**Recommendation** – We recommend the Authority resolve the oversight issue with the New Mexico Department of Finance and Administration, Local Government Division. As the Authority is presently structured, DFA will not review the financial affairs of the Authority.

Regardless of the decision by DFA, the Authority has the responsibility to get their financial house in order. This would begin with the submittal of delinquent audit reports to the New Mexico State Auditor’s office. The Authority needs to employ a chief financial officer. If the Authority is unable to find a qualified individual to fill that position, the Authority should consider contracting with a qualified individual or accounting firm to bridge the gap that exists now.

**STATE OF NEW MEXICO**  
**NORTH CENTRAL SOLID WASTE AUTHORITY**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
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*Item 2007-001 – Material Weakness - Organizational Formation and Oversight (continued)*

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA has formed a subcommittee for finance, policy & procedures and operations. NCSWA organizational formation and oversight issues are noted and will be resolved in the FY18 audit. The CFO will work closely with NCSWA’s manager and subcommittee to resolve the issue.

*Item 2007-002 – Material Weakness and Compliance - Procurement Code*

**Statement of Condition** – During our review of the Authority’s compliance with the New Mexico procurement code, we noted the following discrepancies:

- The Authority purchased two refuse trucks without obtaining competitive bids. The total purchase of the vehicles was \$91,000.
- The Authority purchased a 32-yard rear loader garbage truck. Rather than seeking competitive bids, the Authority deemed the purchase an emergency/sole source purchase. The Authority did not post the award information to its web site and the New Mexico General Services Department sunshine portal. The total purchase was \$48,900.
- The Authority purchased two 2009 Travis trailers each with a purchase price of \$42,500. The Authority failed to obtain competitive bids for the trailer purchases.
- The Authority purchased a 2012 Mack roll-off truck without obtaining competitive bids. The total purchase was \$150,049.

This prior year finding is repeated and modified.

**Criteria** – The purpose of the New Mexico Procurement Code, Chapter 13 NMSA 1978, is to provide for the fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintaining a procurement system of quality and integrity. The New Mexico Administrative Code (NMAC) provides further guidance to assist the state and local governments meet the requirements of the procurement code embodied within state statutes. As per NMAC 1.4.1.15, all procurement shall be achieved by competitive sealed bids except procurement achieved pursuant to the following methods:

- competitive sealed proposals
- small purchases; NMAC1.4.1.51
- sole source procurement; NMAC1.4.1.54
- emergency procurement; NMAC1.4.1.58 through 1.4.1.64
- procurement under existing contracts; and
- purchases from anti-poverty program businesses

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*Item 2007-002 – Material Weakness and Compliance - Procurement Code (continued)*

**Effect** – Willful violations of the New Mexico procurements code subjects officials and employees to fourth degree felony if the transaction involves more than \$50,000 and a misdemeanor if the transaction involves \$50,000 or less.

**Cause** – We were unable to determine the reason for noncompliance with the procurement code.

**Recommendation** – We recommend management and those who procure goods and services for the Authority, review the provisions of the procurement code (Chapter 13 NMSA 1978) and the New Mexico Administrative Code (Title 1 Chapter 4, Part 1) and establish procedures to ensure compliance with state statutes and the code.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA procurement code issues are noted and will be resolved in the FY18 audit. The CFO, manager and operations supervisor will work together to resolve the noted issues to ensure the procurement code will not be in violation in the future.

*Item 2007-004 – Material Weakness and Compliance - Credit Card Transactions*

**Statement of Condition** – The Authority has established credit for the purchase of fuel from a distributor and the purchase of supplies and small office equipment from two national retail stores. For the months of July 2012 through December 2012, the Authority staff failed to maintain individual receipts for purchase of fuel. For the months of January 2013 through June 2013, there was an attempt to retain the source documents; however, there were many missing receipts and the Authority did not retain the receipts in a manner to allow verification and reconciliation to the monthly statements. As a result, we were unable to test fuel charges.

We tested five transactions from the two retail stores resulting in one instance where the invoice was misfiled and could not be located. The Authority purchased computer equipment with a cost of \$244.97 and did not retain the original invoice with the vendor file. The Authority remitted payment using the monthly statement. This prior year finding is repeated and modified.

**Criteria** – Section 6-6-3(A) NMSA 1978 requires every local public body to “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. As an instrumentality of the members, the Authority is required to maintain accounting records as local public body. That would include cancelled invoices or receipts, which provide substantiation for the expenditure of public funds in order to comply with New Mexico State Statutes.

**Effect** – Missing receipts or invoices to support the purchase, could allow errors to occur. Payment from invoices along with verification of the goods received would prevent errors.

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*Item 2007-004 – Material Weakness and Compliance - Credit Card Transactions (continued)*

**Cause** – Prior to the commencement of the audits for the three years ended June 30, 2009, the Authority staff assumed credit card statements would provide sufficient supporting documentation to support the credit charges such as fuel, rather than retaining all original receipts. The Authority staff began the process of retaining original fuel tickets in 2013.

**Recommendation** – We recommend the Authority retain all original invoices and receipts for the purchase of fuel and other items. For vehicle fuel purchases, we recommend the recording of the description of the vehicle and the mileage on the invoice or receipt. Further, we recommend the maintenance of separate logs indicating odometer reading, thereby allowing management to monitor potential misuse of the fuel purchases.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA credit card transaction issues are noted and will be resolved in the FY18 audit. The CFO, operations supervisor and accounts payable clerk will work together to resolve the issues.

*Item 2007-005 – Material Weakness and Compliance - Indebtedness*

**Statement of Condition** – During the fiscal year, the Authority financed insurance premiums of \$53,687 by obtaining a loan from Western Commerce Bank. The Authority financed additional insurance premiums through First Insurance Funding Corporation. The Authority obligated to make ten monthly payments of \$1,997 commencing in March 2013. The Authority did not retain documentation indicating the amount financed.

As discussed in audit finding 2005-005 the Authority has not recorded the legal obligations within the general ledger and as such has not reflected the amount within the statement of net position as of June 30, 2013. This prior year finding is repeated and modified.

**Criteria** – Article IX of the New Mexico Constitution prohibits state agencies, counties and municipalities from borrowing debt unless under certain circumstances. The Authority considered an instrumentality of the City of Espanola, and Rio Arriba County, must comply with the debt prohibition established by the New Mexico Constitution.

Section 6-6-3(A) NMSA 1978 requires every local public body to “*keep all the books, records and accounts in their respective offices in the form prescribed by the local government division*” of the New Mexico Department of Finance and Administration. Although the Authority is not a local public body, it is an instrumentality of the public members and as such, the Authority is required to maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. The general ledger must be able to substantiate accurate detail as to the financial activity of the Authority.

**Effect** – Noncompliance with the state of New Mexico Constitution subjects officials and employees to penalties and provisions established by the constitution.

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*Item 2007-005 – Material Weakness and Compliance – Indebtedness (continued)*

**Effect (continued)** – The inability to maintain proper accounting records inhibits the auditor to perform necessary tests of the accounting records in order to express an opinion on the financial statements. Flawed financial information, due to poor record keeping, prohibits management and the governing board to make prudent financial decisions.

**Cause** – The Authority did not have sufficient cash to remit the entire insurance premium at one time. The employees of the Authority did not have the expertise to record the debt obligation within the general ledger.

**Recommendation** – We recommend the Authority remit payment in full to the insurance company for insurance policies. We recommend management focus on hiring a qualified individual to manage the fiscal affairs of the Authority. Until a qualified individual can be located and hired, we recommend the Authority engage an external contractor to fill the role of chief financial officer.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA indebtedness issues are noted and will be resolved in the FY18 audit. The CFO and the manager will work together to resolve the notes issue.

*Item 2007-009 – Other Matters - IPA Recommendation Form & Audit Contract*

**Statement of Condition** – The New Mexico State Auditor’s Rule requires the Authority to submit their Independent Public Accountant (IPA) Recommendation Form, and signed audit contract for the audit for the fiscal year ended June 30, 2013, no later than May 15, 2013. The Authority failed to submit the IPA Recommendation Form by the required due date. This prior year finding is repeated and modified.

**Criteria** – Section 2.2.2.8(G)(6)(c) of the 2013 New Mexico State Auditor’s Rule states, “*The agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the deadlines shown below. If a completed IPA Recommendation Form and audit contract are not delivered to the State Auditor by these deadlines, the auditor must include a finding of noncompliance with Paragraph (6) of Subsection G of Section 2.2.2.8 NMAC in the audit report.*”

**Effect** – This requirement instituted by State Auditor’s office in an effort to ensure the timely execution of audit contracts for state and local governmental entities. Issuance of timely contracts allows governmental agencies and auditing firms to begin the audit process aiding in the submission of timely audit reports.

**Cause** – The Authority was delinquent in regards to the submission of audit reports to the State Auditor’s office. During May 2013, delinquent audit reports included fiscal years from June 30, 2007 through June 30, 2012. The Authority was preoccupied dealing with accounting issues and delinquent reports as they chose not to comply with the requirement.

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*Item 2007-009 – Other Matters - IPA Recommendation Form & Audit Contract (continued)*

**Recommendation** – We recommend the Authority become current with the submission of audits. Once that is completed, the Authority can comply with the timely selection of auditing firms specified in the New Mexico State Auditor’s Rule.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA’s IPA recommendation form & audit contract issues are noted and will be resolved in the FY18 audit. The CFO will work diligently to resolve the issue.

*Item 2007-010 – Material Weakness and Compliance*  
*- Capital Assets – Subsidiary Records and Inventory*

**Statement of Condition** – The Authority did not update its capital assets subsidiary records for the year ended June 30, 2013. For the fiscal year, the Authority expensed purchases of equipment and vehicles with a cost greater than \$5,000. The Authority did not calculate depreciation expense. The Authority did not maintain any documentation indicating they had performed an annual physical inventory of capital assets. The Authority did not place identification tag numbers on purchased assets. This prior year finding is repeated and modified.

**Criteria** – New Mexico State Statutes Section 12-6-10(c) NMSA 1978 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies. The New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, 2.20.1.8, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department requires the Authority implement a systematic and well documented system for accounting of capital assets. The subsidiary ledgers should contain the following information:

- 1) Agency name or commonly used initials used to identify the agency.
- 2) Capital asset number.
- 3) A description using words meaningful for identification.
- 4) Location, specifically a building and room number.
- 5) Manufacturer’s name.
- 6) Model number or model name.
- 7) Serial number, or vehicle identification number.
- 8) Estimated useful life.
- 9) Date acquired.
- 10) Cost.
- 11) Fund and organization that purchased the asset.

The system must be capable of generating lists of capital assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation, betterments and dispositions. It must generate all necessary accounting entries to the agency’s general ledger.



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*Item 2007-010 – Material Weakness and Compliance*  
*- Capital Assets – Subsidiary Records and Inventory (continued)*

**Criteria (continued)** – Section 12-6-10(A) NMSA 1978 requires the Authority at the end of each fiscal year to conduct a physical inventory of movable chattels and equipment costing more than \$5,000 that is under the control of the Authority. Additionally, New Mexico State Administrative Code, Title 2, Chapter 20, Part 1, section 15 A (3) requires governments tag all capital assets. Section 2.20.1.16 requires the Authority to conduct a physical inventory of its capital assets at the end of each fiscal year.

**Effect** – The inability to keep detailed information as described above, allows the opportunity for errors to occur. Timely detection of errors will not occur as the result of poorly maintained records. By not tagging all assets, it allows the possibility for errors to occur between actual assets owned and the subsidiary ledger. Finally, not conducting an annual physical inventory could allow assets that are no longer on site, for whatever reason, to be included in the subsidiary ledger.

**Cause** – Given the small accounting staff and the difficulties in maintaining other accounting records, the maintenance of the capital assets subsidiary records has not been a high priority. We could not determine the reasoning of not conducting an annual inventory, as required by state statutes.

**Recommendation** – We recommend the Authority maintain its capital assets subsidiary ledgers as prescribed by the New Mexico State Administrative Code, and institute policies and procedures to conduct an annual inventory of all assets owned by the Authority.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA capital assets-subsidiary records and inventory issues are noted and will be resolved in the FY18 audit. The CFO and operations supervisor will work to resolve the issue and also create and implement procedures.

*Item 2010-004 – Material Weakness and Compliance - Pledged Collateral*

**Statement of Condition** – We noted during our testing of New Mexico Statutes pertaining to cash, the failure by the Authority to ensure the proper collateralization of balances in excess of the Federal Deposit Insurance Corporation (FDIC) insurance amounts. The uninsured, uncollateralized amount at Century Bank amounted to \$98,998 and Community Bank amounted to \$103,194. This prior year finding is repeated and modified.

**Criteria** – Section 6-10-17 NMSA 1978 requires pledged securities delivered collateralize public funds “shall have an aggregate value equal to one-half the amount of public money to be received in accordance with Subsection B of section 6-10-16 NMSA 1978.

**Effect** – Failure to have pledged collateral arrangements puts the Authority’s deposits in excess of \$250,000 at risk should the bank fail. Failure to comply with state statutes subjects one to punishment specific by state statutes.

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*Item 2010-004 – Material Weakness and Compliance - Pledged Collateral (continued)*

**Cause** – Management was unaware of the requirement to obtain pledged collateral for uninsured public funds.

**Recommendation** – We recommend management comply with state statutes dealing with the collateral of cash uninsured public funds.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA's pledged collateral issues are noted and will be resolved in the FY18 audit. The CFO will work diligently to resolve the issue.

*Item 2012-001 – Other Matters - Travel and Per Diem Reimbursements*

**Statement of Condition** – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size of two transactions represents the entire travel reimbursements for the fiscal year. Travel expense reported on the general ledger were \$510. This prior year finding is repeated and modified. We noted the following discrepancies during our testing:

- There was no documentation indicating the departure and return times of the two travel disbursements and as such it could not be determined if the employee was entitled to partial day per diem. The travel reimbursement did not contain any partial day per diem.
- In both instances, the Authority gave the two employees a 100% advance on the travel.
- In both travel reimbursements, the employee and the supervisor failed to sign the travel request forms.

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

Section 2.42.2.11(B) of the Travel and Per Diem regulations states, “80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately owned vehicle.”

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

**Cause** – The Authority did not understand and apply the Per Diem and Mileage Act and DFA regulations correctly. Upper management failed to review the travel reimbursement requests prior to the issuance of the advance or reimbursement.

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*Item 2012-001 – Other Matters - Travel and Per Diem Reimbursements (continued)*

**Recommendation** – We recommend the current staff review the Per Diem and Mileage Act and the administrative code. The establishment of procedures that adhere to requirements will aid in ensuring compliance with the act and the administrative code.

**Views of Responsible Officials and Planned Corrective Actions** – In October 2017, North Central Solid Waste Authority (NCSWA) hired a chief financial officer (CFO). This employee has been directed to oversee the financial aspects for NCSWA. NCSWA has also hired an office manager to oversee supervision of staff. NCSWA's travel and per diem reimbursements issues are noted and will be resolved in the FY18 audit. The CFO, office manager and accounts payable clerk will work together to resolve the issues and create and implement procedures.

**STATUS OF PRIOR YEAR'S FINDINGS**

*Item 2005-001 – Segregation of Duties and Documentation of Payroll Expenditures* – The prior year's finding noted a lack of segregation of duties within the payroll function and other items discovered during testing of payroll transactions. The lack of segregation of duties was not resolved during the fiscal year ended June 30, 2013. The prior year discrepancies noted during the testing of payroll transactions were resolved in the current fiscal year. The audit finding is repeated and modified.

*Item 2005-002 – Bank Reconciliations* – The prior year's audit finding noted the Authority failed to reconcile the cash accounts reflected on the general ledger with the bank activity. The same issue occurred in the fiscal year ended June 30, 2013. The audit finding is repeated and modified.

*Item 2005-004 – Submission of Audit Report* – As in the prior year, the Authority did not submit its audit for the fiscal year ended June 30, 2013 to the Office of the State Auditor on a timely basis. The prior audit finding is repeated and modified.

*Item 2005-005 – Records Management and Accounting Data* – The prior year finding noted deficiencies in the record keeping of accounting data and supporting documents. The Authority did not improve their accounting system in 2013. The current year finding details deficiencies discovered. The prior audit finding is repeated and modified.

*Item 2005-006 – Financial Statements and Disclosures* – The prior year audit finding noted a material weakness in internal control regarding the preparation of financial statements. The condition has not changed. The prior audit finding is repeated and modified.

*Item 2007-001 – Organizational Formation and Oversight* – The prior year audit finding noted conflicting language in the joint powers agreement used to establish the Authority. The New Mexico Department of Finance and Administration concluded they did not have any responsibility for direct oversight of the Authority's budgets and financial statements. No changes to the joint powers agreement or DFA oversight occurred during the fiscal year ended June 30, 2013. The prior audit finding is repeated and modified.

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**STATUS OF PRIOR YEAR'S FINDINGS (continued)**

Item 2007-002 – Procurement Code – The prior year audit finding noted the Authority failed to obtain sealed bids required by State statutes for the purchase of a large piece of equipment. The finding was not resolved. The prior audit finding it is repeated and modified.

Item 2007-004 – Credit Card Transactions – The prior year's audit finding disclosed discrepancies noted during the testing of credit card transactions used for the purchase of goods and services. During the current year, we noted similar discrepancies. The prior audit finding is repeated and modified.

Item 2007-005 – Indebtedness – The prior year's audit finding noted the Authority borrowed money from a financial institution in order to pay for insurance premiums which is a violation of the State Constitution. The Authority continued the same practice during the current year. The prior audit finding is repeated and modified.

Item 2007-009 – IPA Recommendation Form and Audit Contract – The prior year audit finding noted the Authority failed to make a timely selection of an independent public accountant (IPA) for the audit engagement for the fiscal year ended June 30, 2012. At June 30, 2013, the Authority was delinquent in completing their audit since 2006. The Authority was preoccupied with accounting issues and delinquent reports, as they were preparing the accounting records for audits commencing with the fiscal year ended June 30, 2007. The prior audit finding is repeated and modified.

Item 2007-010 – Capital Assets – Subsidiary Records and Inventory – The prior year audit finding noted discrepancies between the depreciation schedule and assets on hand. For the current fiscal year, the Authority failed to update their subsidiary capital assets records including the depreciation schedule. The prior audit finding is repeated and modified.

Item 2010-002 – Board Minutes – The prior year audit finding stated the governing board failed to approve board of director's minutes as required by State statute. Additionally, the Authority failed to document the approval of debt issuance received from Rio Arriba County. During the current fiscal year, we did not detect any non-compliance issues. The prior year finding is resolved.

Item 2010-003 – Pre-Tax Deductions – The prior year audit finding stated the Authority had not applied pre-tax deductions from gross compensation prior to applying social security (FICA), Medicare taxes and federal and state withholdings. During the current year testing, we did not discover any employee payroll transactions incorrectly prepared as in the prior year. The prior year finding is resolved.

Item 2010-004 – Pledged Collateral – The prior year audit finding stated the Authority did not comply with State statutes regarding the pledging of authorized securities as collateral to secure uninsured funds held by the various financial institutions. The condition did not change in the fiscal year ended June 30, 2013. The prior finding is repeated and modified.

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**STATUS OF PRIOR YEAR'S FINDINGS (continued)**

*Item 2011-001 – Unrecorded Loan* – The prior year audit finding noted the Authority had not recorded in the accounting records of the Authority, the loan activity associated with the loan obligation to Rio Arriba County. For the current year, the Authority reflected the note payable within the statement of net position. The audit finding is resolved.

*Item 2012-001 – Travel and Per Diem* – The prior year audit finding noted the Authority made errors in the reimbursement of travel and per diem for employees traveling on behalf of the Authority. During the current year, fewer employees traveled for the Authority; however, our tests discovered errors in the reimbursement calculations. The prior finding is repeated and modified.

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EXIT CONFERENCE & FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2013 AND 2012

**Exit Conference**

The audit report for the fiscal years ended June 30, 2013 and 2012, was discussed during the exit conference held on October 18, 2017. Present for the Authority was Pedro Valdez, board member; David Trujillo, board member; Jerome Broyles, interim manager; Audrey Gonzalez, CFO; and Gavina Velarde, executive assistant; . Present for the auditing firm was Ed Fierro, CPA.

**Financial Statement Preparation**

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the Authority as of and for the year ended June 30, 2013 and 2012. The Authority's upper management has reviewed and approved the financial statements and related notes, and they believe the Authority's books and records adequately support them.