

**LEA COUNTY SOLID WASTE AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2016**

## **INTRODUCTORY SECTION**

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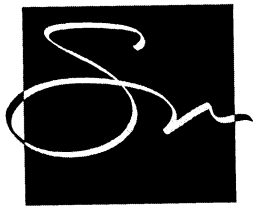
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**LEA COUNTY SOLID WASTE AUTHORITY  
OFFICIAL ROSTER  
JUNE 30, 2016**

**BOARD OF DIRECTORS**

<b>Name</b>	<b>Title</b>	<b>Representing</b>
Todd Randall	Chairman	Hobbs
Garry Buie	Member	Hobbs
J. J. Murphy	Member	Hobbs
James Williams	Member	Lovington
Bernard Butcher	Member	Lovington
Cheryl Chase	Member	Jal
Gregory Fulfer	Member	Lea County
Mike Gallagher	Member	Lea County
Danny Rawlinson	Member	Eunice
Leisha Joiner	Member	Tatum

## **FINANCIAL SECTION**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Timothy Keller, New Mexico State Auditor, and  
Board of Directors of  
Lea County Solid Waste Authority  
Lovington, New Mexico

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of Lea County Solid Waste Authority (the Authority), as of and for the year ended June 30, 2016, which comprise the Authority's basic financial statements as listed in the table of contents and the related notes to the financial statements. We have also audited the budget comparison statement presented as supplemental information for the year ended June 30, 2016.

### 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 misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

## Opinion

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of Lea County Solid Waste Authority as of June 30, 2016, and the respective changes in financial position and its cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Schedule of Revenues and Expenses – Budget and Actual presents fairly, in all material respects, the respective budgetary comparison for the Authority for the year ended June 30, 2016, in conformity with the budgetary basis described in Note A.

## Other Matters

### *Required Supplemental Information*

Management has elected to omit the management's discussion and analysis (MD&A). Accounting principles generally accepted in the United States of America require that the MD&A be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Our opinion on the basic financial statements is not affected by this missing information.

### *Other Information*


The Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The financial statements for Lea County Solid Waste Authority as of June 30, 2015 and for the fiscal year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated November 30, 2015.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
September 16, 2016

**LEA COUNTY SOLID WASTE AUTHORITY  
STATEMENTS OF NET POSITION  
JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents		
Operating	\$ 6,005,601	\$ 5,265,521
Sinking Fund	2,052,670	902,760
Accounts Receivable	<u>292,616</u>	<u>352,888</u>
<b>TOTAL CURRENT ASSETS</b>	<u>8,350,887</u>	<u>6,521,169</u>
<b>NONCURRENT ASSETS</b>		
Capital Assets, Net	<u>2,351,132</u>	<u>2,324,826</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>2,351,132</u>	<u>2,324,826</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 10,702,019</u></u>	<u><u>\$ 8,845,995</u></u>
<b>LIABILITIES AND NET POSITION</b>		
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	<u>\$ 235,924</u>	<u>\$ 272,281</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>235,924</u>	<u>272,281</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued Closure and Post-Closure Costs	<u>914,529</u>	<u>476,417</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>914,529</u>	<u>476,417</u>
<b>TOTAL LIABILITIES</b>	<u>1,150,453</u>	<u>748,698</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	2,351,132	2,324,826
Restricted - Landfill Closure	1,138,141	426,343
Unrestricted	<u>6,062,293</u>	<u>5,346,128</u>
<b>TOTAL NET POSITION</b>	<u>9,551,566</u>	<u>8,097,297</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 10,702,019</u></u>	<u><u>\$ 8,845,995</u></u>

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



**LEA COUNTY SOLID WASTE AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>OPERATING REVENUES</b>		
Charges for Service	\$ 3,530,642	\$ 3,650,409
Rental Fees	1,200	1,200
Interest Income	1,051	1,958
Other Income	2,580	3,722
	<u>3,535,473</u>	<u>3,657,289</u>
<b>OPERATING EXPENSES</b>		
Wages and Salaries	40,149	16,069
Payroll Taxes	3,039	1,257
Retirement and OPEB Retiree Health Care	6,234	2,595
Other Employee Benefits	7,513	2,717
Auto and Travel	7,838	13,991
Office and Administrative Expense	9,537	5,903
Professional and Contracted Services	1,473,326	1,773,349
Training and Employee Development	750	1,141
Repairs and Maintenance	28,930	14,897
Occupancy	8,808	14,286
Minor Equipment	4,076	-
Closure and Post-Closure Costs	438,112	44,085
Depreciation and Amortization	52,892	270,114
	<u>2,081,204</u>	<u>2,160,404</u>
<b>CHANGE IN NET POSITION</b>	<b>1,454,269</b>	<b>1,496,885</b>
<b>NET POSITION, BEGINNING OF YEAR</b>	<b>8,097,297</b>	<b>6,600,412</b>
<b>NET POSITION, END OF YEAR</b>	<b>\$ 9,551,566</b>	<b>\$ 8,097,297</b>

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

**LEA COUNTY SOLID WASTE AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	3,595,745	4,065,735
Payments to and on Behalf of Employees	(56,935)	(22,638)
Payments to Suppliers and Contractors	<u>(1,569,622)</u>	<u>(2,085,134)</u>
Net Cash Provided by Operating Activities	<u>1,969,188</u>	<u>1,957,963</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Asset Purchases	<u>(79,198)</u>	<u>-</u>
Net Cash Used by Investing Activities	<u>(79,198)</u>	<u>-</u>
<b>NET CHANGE IN CASH</b>	1,889,990	1,957,963
<b>CASH AT BEGINNING OF YEAR</b>	<u>6,168,281</u>	<u>4,210,318</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 8,058,271</u></u>	<u><u>\$ 6,168,281</u></u>

**Reconciliation of Change in Net Position to Net Cash**

**Provided by Operating Activities**

Change in Net Position	\$ 1,454,269	1,496,885
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**Adjustments to Reconcile Change in Net Position to**

**Net Cash Provided by Operating Activities**

Depreciation	52,892	270,114
Closure and Post-closure Costs	438,112	44,085

**Changes in**

Accounts Receivable	60,272	108,446
Accounts Payable	<u>(36,357)</u>	<u>38,433</u>

Cash Provided by Operating Activities	<u><u>\$ 1,969,188</u></u>	<u><u>\$ 1,957,963</u></u>
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**Reconciliation to Statement of Net Position**

**Cash and Cash Equivalents**

Operating	\$ 6,005,601	\$ 5,265,521
Sinking Fund	<u>2,052,670</u>	<u>902,760</u>

Total Cash and Cash Equivalents	<u><u>\$ 8,058,271</u></u>	<u><u>\$ 6,168,281</u></u>
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**LEA COUNTY SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Lea County Solid Waste Authority (the Authority) was established on March 6, 1995 under a joint powers agreement entered into by and between the Lea County and the Cities of Lovington, Jal, Eunice, Tatum, and Hobbs. It was the desire of the parties to form a solid waste disposal authority in order to collectively address the immediate and future solid waste disposal needs of the citizens of Lea County.

**Reporting Entity** - In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity.

**Financial Statement Presentation, Basis of Accounting, and Measurement Focus**

**Fund 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 on the accrual basis of accounting with a separate set of accounts that comprise the Authority's assets, liabilities, net position, deferred inflows and deferred outflows of resources, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) 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 (iii) 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 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 net position (i.e., total assets and deferred outflows less total liabilities and deferred inflows) are segregated into net investment in capital assets, restricted, and unrestricted components. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Deposits and Investments** - For purposes of the statement of cash flows, the Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Restricted Cash** - The Authority restricts an amount of cash into a sinking fund designated for the eventual closure and post closure maintenance of the landfill owned by the Authority.

**LEA COUNTY SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Use of Restricted Assets** - Restricted assets are assets which have third-party limitation on their use. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Receivables** - Substantially all of the Authority's outstanding receivables are due from its customers for the collection of solid waste. Collateral is generally not required on receivables.

**Allowance for Doubtful Accounts** - It is the opinion of management that no allowance for doubtful accounts was necessary as of June 30, 2016 and 2015, respectively, because services may be suspended should an account become delinquent.

**Concentration of Credit Risk** - The Authority grants credit without collateral to its customers for its services, but the customers are subject to service suspension or termination if the receivables are not settled within a reasonable time frame.

**Property and Equipment** - The Authority's policy is to capitalize all expenditures for furniture, equipment and software in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Expenditures related to routine repairs and maintenance are expensed in the current period.

Assets acquired under capital leases are amortized over the life of the respective leases or the service lives of the assets using the straight-line method and the amortization is included with depreciation expense. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest paid on loans for construction purposes is capitalized until the asset becomes available for use and amortized over the life of the related asset. Land owned by the Authority is always capitalized.

Assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold Improvements	40
Site Improvements	20-40
Office and Maintenance Equipment	5-7
Vehicles	5

**Analysis of Impairments** - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the years ended June 30, 2016 or 2015, respectively.

**Net Position** - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Any remaining balance is reported as unrestricted net position.

**LEA COUNTY SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Operating and Non-operating Revenues** - Revenues are classified as operating or non-operating according to the following criteria:

*Operating revenue* - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

*Non-operating revenues* - include activities which have the characteristics of non-exchange transactions, such as operating transfers.

**Expenses** - Expenses are classified as operating or non-operating according to the following criteria:

*Operating expenses* - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Authority capital assets.

*Non-operating expenses* - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

**Pensions and Other Post-Employment Benefits** - The Authority utilizes Lea County employees to handle operations from which the Authority incurs the payroll and related benefits expense. These employees are reported as County employees to the New Mexico Public Employees Retirement Association, the New Mexico Retiree Health Care Authority and to the federal and state taxing agencies. Therefore, the Authority does not directly participate in the retirement plans and is not required to implement the following GASB statements:

- GASB Statement No. 68 - Financial Reporting for Pension Plans – An Amendment to GASB Statement 27
- GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date
- GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits other than Pensions.

**Accrued Vacation** - Accrued vacation for Authority employees is reported at the County level, and therefore, no vacation accrual is recorded in the Authority's financial statements.

**Income Taxes** - The Authority operates as a special-purpose governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Budgetary Compliance** - The annual budget is adopted based on the cash basis of accounting. Annual budgets of the Authority are prepared prior to June 1 and must be approved by resolution of the Board, and submitted for approval by the State of New Mexico. The Board of Directors of the Authority considered many factors when setting the fiscal year budget. One of those factors is the local economy and the impact that landfill fees have on the community. Once the budget has been formally approved, any amendments must also be approved by the Board and the State.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis. The legal level of budgetary control is the fund level.

**LEA COUNTY SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Risk Management** - The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters to protect the contractor and the Authority. Settled claims have not exceeded this commercial coverage in any preceding years.

**Subsequent Events** - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

The Authority's cash balances were maintained in trust by the County of Lea, State of New Mexico (the County). The Authority's cash deposits are pooled with cash balances of other funds maintained by the County and are reported as Agency Funds in the County's audited financial statements. The County has signature authority over the Authority's revenues and expenditures and acts as the Authority's fiscal agent. The Authority's deposits are collectively collateralized by the County's depository institutions and therefore, the Authority is not subject to custodial credit risk at June 30, 2016 and 2015, or any time during the respective fiscal years.

**NOTE C - RELATED PARTY TRANSACTIONS**

**Receivables** - The Authority contracts with residential, commercial and governmental customers for solid waste collection and disposal. Included in the accounts receivable at year end are the following tipping fees charged in the normal course of business to the member agencies:

<b>Authority Member</b>	<b>2016</b>	<b>2015</b>
Lea County	\$ 20,564	\$ 20,244
City of Hobbs	19,207	23,765
City of Lovington	2,649	-
City of Eunice	805	1,768
City of Jal	<u>-</u>	<u>1,640</u>
Total Related Party Receivables	<u>\$ 43,225</u>	<u>\$ 47,417</u>

**Payables** - Accounts payable at year end, relating to goods and services provided, includes amounts payable to members as follows:

<b>Authority Member</b>	<b>2016</b>	<b>2015</b>
Lea County	\$ -	\$ 112,936
City of Eunice	<u>564</u>	<u>-</u>
Total Related Party Payables	<u>\$ 564</u>	<u>\$ 112,936</u>

**LEA COUNTY SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2016 and 2015 was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>Assets Not Subject to Depreciation</b>							
Land	\$ 17,000	\$ -	\$ -	\$ 17,000	\$ -	\$ -	\$ 17,000
Cell 4 – Not in Service	<u>1,487,408</u>	-	-	<u>1,487,408</u>	-	-	<u>1,487,408</u>
<b>Total Non-Depreciable Assets</b>	1,504,408	-	-	1,504,408	-	-	1,504,408
<b>Depreciable Assets</b>							
Permit	353,114	-	-	353,114	-	-	353,114
Buildings	199,975	-	-	199,975	-	-	199,975
Site Improvements	725,653	-	-	725,653	26,650	-	752,303
Cells	5,512,224	-	-	5,512,224	-	-	5,512,224
Equipment	<u>126,899</u>	-	-	<u>126,899</u>	<u>52,548</u>	-	<u>179,447</u>
<b>Total Depreciable Assets</b>	<u>6,917,865</u>	-	-	<u>6,917,865</u>	<u>79,198</u>	-	<u>6,997,063</u>
<b>Total Capital Assets</b>	8,422,273	-	-	8,422,273	79,198	-	8,501,471
<b>Less Accumulated Depreciation</b>							
Permit	(73,561)	(4,904)	-	(78,465)	(4,904)	-	(83,369)
Buildings	(74,986)	(4,999)	-	(79,985)	(4,999)	-	(84,984)
Site Improvements	(351,581)	(47,924)	-	(399,505)	(36,146)	-	(435,651)
Cells	(5,302,507)	(209,717)	-	(5,512,224)	-	-	(5,512,224)
Equipment	<u>(24,698)</u>	<u>(2,570)</u>	-	<u>(27,268)</u>	<u>(6,843)</u>	-	<u>(34,111)</u>
<b>Total Accumulated Depreciation</b>	<u>(5,827,333)</u>	<u>(270,114)</u>	-	<u>(6,097,447)</u>	<u>(52,892)</u>	-	<u>(6,150,339)</u>
<b>Capital Assets, Net</b>	<u>\$ 2,594,940</u>	<u>\$ (270,114)</u>	<u>\$ -</u>	<u>\$ 2,324,826</u>	<u>\$ 26,306</u>	<u>\$ -</u>	<u>\$ 2,351,132</u>

Depreciation and amortization expense for the 2016 and 2015 fiscal years was \$52,892 and \$270,114, respectively.

**NOTE E – LANDFILL CLOSURE AND POST-CLOSURE CARE**

State and federal laws and regulations require that the Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the Lea County Landfill. An expense provision and the related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste. Based upon a joint powers agreement between the members of the Authority, the closure and post-closure care costs will be shared in the following percentages:

<b>Authority Member</b>	<b>Percent</b>
City of Hobbs	52.20%
Lea County	21.07
City of Lovington	16.70
City of Eunice	4.79
City of Jal	3.86
Town of Tatum	<u>1.38</u>
	<u>100.00%</u>

**LEA COUNTY SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016 AND 2015**

**NOTE E – LANDFILL CLOSURE AND POST-CLOSURE CARE (Cont.)**

The recognition of these landfill closure and post-closure care costs is based on the amount of landfill used during the year. The landfill began accepting waste on July 1, 1999. The total estimated liability for landfill closure costs is \$1,469,174, which is based on the cumulative capacity of 5,699,000 cubic yards to be used over its estimated life of 36 years. It is estimated that an additional \$582,731 of post-closure care costs will be recognized over 30 years after the landfill is closed. The estimated total current cost of the landfill closure and post-closure care of \$2,051,905 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2016 and 2015, respectively. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations.

The following calculations detail the amount recognized for landfill closure and post-closure care reflected in the financial statements of the Authority:

	<b>2016</b>	<b>2015</b>
Estimated Landfill Closure Cost	\$ 1,469,174	\$ 565,147
Estimated Landfill Post-Closure Cost	<u>582,731</u>	<u>582,973</u>
Total Estimated Closure and Post-Closure Costs	<u>\$ 2,051,905</u>	<u>\$ 1,148,120</u>
Total Capacity (Cubic Yards)	5,699,000	5,699,000
Capacity Used to Date (Cubic Yards)	2,540,029	2,364,822
Percent Used	44.57%	41.50%
Estimated Closure and Post-Closure Costs (Total x Percent Used)	\$ 914,529	\$ 476,417
Prior Year Recognized	<u>476,417</u>	<u>432,332</u>
Estimated Liability Increase	<u>\$ 438,112</u>	<u>\$ 44,085</u>

The members of the Authority are required by the State of New Mexico Environmental Regulation Board to demonstrate financial assurance for the closure and post-closure costs. The Board of Directors authorized a transfer of \$1,147,330 from the operations account to the Sinking Fund in April 2016 to fully fund the estimated closure and post-closure costs.



## **SUPPLEMENTAL INFORMATION**

**LEA COUNTY SOLID WASTE AUTHORITY  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Service	\$ 3,000,000	\$ 3,000,000	\$ 3,590,914	\$ 590,914
Rental Fees	1,200	1,200	1,200	-
Interest Income	1,500	1,500	1,051	(449)
Other Income	750	750	2,580	1,830
<b>Total Revenues</b>	<u>3,003,450</u>	<u>3,003,450</u>	<u>3,595,745</u>	<u>592,295</u>
<b>EXPENDITURES</b>				
Wages and Salaries	74,040	75,040	40,149	34,891
Payroll Taxes	5,685	5,685	3,039	2,646
Retirement and OPEB Retiree Health Care	8,705	8,705	6,234	2,471
Other Employee Benefits	23,030	23,030	7,513	15,517
Auto and Travel	17,500	17,500	8,300	9,200
Office and Administrative Expense	12,750	14,250	9,371	4,879
Professional and Contracted Services	1,838,600	1,851,100	1,507,028	344,072
Training and Employee Development	3,600	3,600	750	2,850
Repairs and Maintenance	25,000	39,000	31,917	7,083
Occupancy	22,000	22,000	8,181	13,819
Capital Outlay	1,945,000	1,945,000	83,273	1,861,727
<b>Total Operating Expenditures</b>	<u>3,975,910</u>	<u>4,004,910</u>	<u>1,705,755</u>	<u>2,299,155</u>
<b>Change in Net Position</b>	(972,460)	(1,001,460)	<u>\$ 1,889,990</u>	<u>\$ 2,891,450</u>
<b>Other Financing Sources (Uses)</b>				
Prior Year Cash Balance	<u>1,027,460</u>	<u>1,056,460</u>		
<b>Total Other Financing Sources (Uses)</b>	<u>1,027,460</u>	<u>1,056,460</u>		
<b>Net Change in Fund Position</b>	<u>\$ 55,000</u>	<u>\$ 55,000</u>	<u>\$ 1,889,990</u>	
<b>Reconciliation to GAAP Basis</b>				
Depreciation			(52,892)	
Closure and Post-Closure Costs			(438,112)	
Change in Receivables, Net			(60,272)	
Change in Payables, Net			36,357	
Capital Purchases			<u>79,198</u>	
<b>Net Change in Net Position - GAAP</b>			<u>\$ 1,454,269</u>	

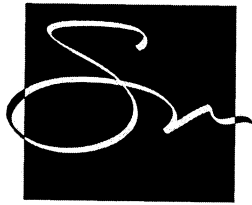
**LEA COUNTY SOLID WASTE AUTHORITY  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BASIS)  
YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Charges for Service	\$ 3,000,000	\$ 3,000,000	\$ 3,758,855	\$ 758,855
Rental Fees	1,200	1,200	1,200	-
Interest Income	1,500	1,500	1,958	458
Other Income	750	750	3,722	2,972
<b>Total Revenues</b>	<u>3,003,450</u>	<u>3,003,450</u>	<u>3,765,735</u>	<u>762,285</u>
<b>EXPENDITURES</b>				
Wages and Salaries	17,246	17,246	16,069	1,177
Payroll Taxes	1,281	1,281	1,257	24
Retirement and OPEB Retiree Health Care	2,991	2,991	2,595	396
Other Employee Benefits	2,816	2,816	2,717	99
Auto and Travel	17,500	17,500	12,859	4,641
Office and Administrative Expense	11,930	11,930	5,260	6,670
Professional and Contracted Services	1,838,600	1,838,600	1,740,083	98,517
Training and Employee Development	3,600	3,600	1,141	2,459
Repairs and Maintenance	20,120	20,120	11,910	8,210
Occupancy	30,600	30,600	13,881	16,719
Capital Outlay	1,945,000	1,945,000	-	1,945,000
<b>Total Operating Expenditures</b>	<u>3,891,684</u>	<u>3,891,684</u>	<u>1,807,772</u>	<u>2,083,912</u>
<b>Operating Income</b>	(888,234)	(888,234)	1,957,963	2,846,197
<b>TRANSFERS</b>				
Transfers In	-	-	300,000	300,000
Transfers Out	-	-	(300,000)	(300,000)
<b>Net Transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in Net Position After Transfers</b>	(888,234)	(888,234)	<u>\$ 1,957,963</u>	<u>\$ 2,846,197</u>
<b>Other Financing Sources (Uses)</b>				
Prior Year Cash Balance	888,234	888,234		
<b>Total Other Financing Sources (Uses)</b>	<u>888,234</u>	<u>888,234</u>		
<b>Net Change in Fund Position</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,957,963</u>	
<b>Reconciliation to GAAP Basis</b>				
Depreciation			(270,114)	
Closure and Post-Closure Costs			(44,085)	
Change in Receivables, Net			(108,446)	
Change in Payables, Net			(38,433)	
Capital Purchases			-	
<b>Net Change in Net Position</b>			<u>\$ 1,496,885</u>	

**LEA COUNTY SOLID WASTE AUTHORITY  
SCHEDULE OF VENDOR INFORMATION  
PURCHASES OVER \$60,000 (Excluding GRT)  
YEAR ENDED JUNE 30, 2016  
(UNAUDITED)**

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of <u>ALL</u> Vendor(s) that responded</i>	<i>In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
LCSWA 2015-02	RFP	GORDON ENVIRONMENTAL, INC	As-needed, Assigned by Task Orders	N / A	Gordon Environmental 213 S Camino del Pueblo Bernalillo, NM 87004	Y	N	As-Needed Landfill Engineering Services
DUE DATE: 6-27-16					SCS Engineers 3351 Candelaria Road NE Albuquerque, NM 87107			
AWARDED: 9-14-16					Souder Miller & Assoc 3409 N. Grimes Street Hobbs, NM 88240			

## **INTERNAL CONTROL AND COMPLIANCE**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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, New Mexico State Auditor, and  
Board of Directors of  
Lea County Solid Waste Authority  
Lovington, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the business-type activities and related budgetary comparison presented as supplemental information of Lea County Solid Waste Authority (the Authority), as of and for the year ended June 30, 2016, and have issued our report thereon dated September 16, 2016.

**Internal Control over Financial Reporting**

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

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

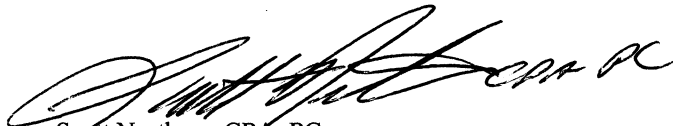
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

**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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
September 16, 2016

**LEA COUNTY SOLID WASTE AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2016 AND 2015**

**FINANCIAL STATEMENT FINDINGS**

*CURRENT YEAR FINDINGS:*

NONE

*PRIOR YEAR FINDINGS:*

NONE



**LEA COUNTY SOLID WASTE AUTHORITY  
EXIT CONFERENCE  
JUNE 30, 2016**

The contents of this report were discussed with Lea County Solid Waste Authority representatives on September 16, 2016. The following individuals were present for the conference:

**Lea County Solid Waste Authority**

Tai Echeverry, Assistant Finance Director for Lea County  
Mike Gallagher, Board Member

**Scott Northam, CPA, PC**

Scott Northam, CPA

The financial statements of Lea County Solid Waste Authority were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Authority.

Although standards strongly emphasize the Authority prepare its own financial statements, the consensus between the Authority management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Authority designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Authority reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, supplemental schedules, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.