

STATE OF NEW MEXICO
ESTANCIA VALLEY SOLID WASTE AUTHORITY
Independent Auditors' Report and
Annual Financial Statements
June 30, 2009

Calhoon Accounting & Tax Services
PO Box 945
Estancia, New Mexico 87016

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
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June 30, 2009

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State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
FUNCTION OF ENTITY AND OFFICIAL ROSTER
June 30, 2009

FUNCTION OF THE ENTITY

The Estancia Valley Solid Waste Authority was formed on June 30, 1996, by Joint Powers Agreement entered into by the Torrance County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, Village of Willard to serve a public use and promote health, safety, prosperity, security and general welfare of the inhabitants of the said Authority. The Special District was created for the purpose of purchasing, acquiring, establishing or construction of a solid waste disposal services to the citizens of the Authority.

BOARD OF DIRECTORS

Bill R. Williams	Chairman
Joe Barnes	Vice Chairman
Shelia Murphy	Secretary
Danny Chavez	Member
Marvin Fulfer	Member
Larry Irvin	Member
Phillip Johnson	Member
John Phillips	Member
Emily Sanchez	Member
Jeff Snyder	Member
Linda Warren	Member

ADMINISTRATIVE OFFICIALS

Joseph Ellis	General Manager
Danette Cabber	Office Manager
Adrienne Luetjens	Operations Supervisor
Larry Carter	Landfill Supervisor

**CALHOON ACCOUNTING & TAX SERVICES
PO BOX 945
ESTANCIA, NEW MEXICO 87016**

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas, State Auditor
And the Board of Directors
Estancia Valley Solid Waste Authority
Estancia, New Mexico

We have audited the accompanying financial statements of the business type activities of the Estancia Valley Solid Waste Authority as of and for the year ended June 30, 2009, which collectively comprise the agency's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison statement presented as supplementary information as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Estancia Valley Solid Waste Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities of the Estancia Valley Solid Waste Authority as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2009, on our consideration of the Estancia Valley Solid Waste Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* and should be considered in assessing the results of our audit.

The Estancia Valley Solid Waste Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Calhoon Accounting & Tax Services
Calhoon Accounting & Tax Services

December 1, 2009

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS	<u>Business Type Activities</u>
Current assets:	
Cash and investments	\$ 688,306
Receivables, net	119,296
Total Current Assets	<u>807,602</u>
Noncurrent assets:	
Capital assets:	
Equipment	1,286,177
Landfill	4,331,086
Less: accumulated depreciation	<u>(3,335,738)</u>
Total capital assets	<u>2,281,525</u>
Total assets	<u>3,089,127</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	80,387
Payroll taxes and benefits payable	7,306
Accrued compensation	18,189
Accrued interest	689
Compensated absences	22,242
Current Portion of Long-term Debt	39,313
Total Current Liabilities	<u>168,126</u>
Noncurrent Liabilities	
Accrued landfill closure costs	253,056
Notes Payable	1,099,411
Less: Current Portion of Long-term Debt	<u>(39,313)</u>
Total Noncurrent Liabilities	<u>1,313,154</u>
Total Liabilities	<u>1,481,280</u>
Net Assets	
Invested in capital assets, net of related debt	1,213,884
Unrestricted	393,963
Total Net Assets	<u>\$ 1,607,847</u>

See accompanying notes to the financial statements.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

	Total
Operating Revenues	
Charges for services	\$ 1,448,020
Total Operating Revenues	1,448,020
Operating Expenses	
Salaries and benefits	636,021
Administrative expenses	187,769
Operating expenses	686,060
Landfill closure costs	34,856
Depreciation expense	233,876
Total Operating Expenses	1,778,582
Operating Income (Loss)	(330,562)
Non-Operating Revenues (Expenses)	
Interest income	8,870
Environmental gross receipts	238,108
Interest expense	(8,280)
State and Local grant revenue	33,200
Other revenue	476,132
Total Non-Operating Revenue (Expense)	748,030
Net Income (Loss)	417,468
Net Assets, Beginning	1,183,985
Restatement	6,394
Net Assets, Beginning as restated	1,190,379
Net Assets, Ending	\$ 1,607,847

See accompanying notes to the financial statements.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

	<u>Business Type Activities</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,412,116
Cash paid to suppliers and employees	<u>(1,539,387)</u>
Net Cash Provided by Operating Activities	<u>(127,271)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from loan activities	882,467
Capital grant revenues	33,200
Other revenue sources	500,000
Cash received from taxes	238,108
Interest paid	(8,280)
Principal payments	<u>(111,109)</u>
Net Cash Provided From Financing Activities	<u>1,534,386</u>
Cash Flows From Investing Activities	
Interest earned	8,870
Capital outlay	<u>(1,177,945)</u>
Net Cash Provided (Used) For Investing Activities	<u>(1,169,075)</u>
Net Increase (Decrease) in Cash	238,040
Cash, July 1, 2008	450,266
Cash, June 30, 2009	<u>\$ 688,306</u>
Reconciliation of Net Income to Net Cash provided by Operating Activities	
Net operating income (loss)	\$ (354,430)
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	233,876
(Increase) decrease in receivables	(12,036)
Increase (decrease) in accounts payables	(24,496)
Increase (decrease) in other payables	(5,041)
Increase (decrease) in landfill closure costs	34,856
Net cash used by operating activities	<u>\$ (127,271)</u>

See accompanying notes to the financial statements.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Overview. The Estancia Valley Solid Waste Authority (Authority) was formed on June 30, 1996 by Joint Powers Agreement entered into by the Torrance County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, and Village of Willard. The purpose of the inter-governmental cooperative agreement was to acquire, construct and operate a comprehensive solid waste landfill disposal system for the citizenry of the Authority.

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the Authority's accounting policies are described below.

Government-Wide and Fund Financial Statements. The Authority is a single purpose government entity and has only business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets, and receivable as well as long-term debt and obligations.

In previous fiscal years the Authority reported two separate funds on the Financial Statements; landfill and collections. The separation was due to a joint power agreement with Bernalillo County that is no longer in effect and therefore the Authority is now reporting only one fund.

Measurement Focus, Basis of Accounting and Basis of Presentation. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred. Operating income reported in the financial statements includes revenues and expenses related to the primary and continuing operation of the fund. Principal operating revenues are charges to customers for sales and services. Principal operating expenses are the cost of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The Authority receives non-operating revenue including grants and environmental gross receipts tax which is recorded as revenue when the underlying transaction takes place.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Authority's is charges to customers for tipping fees. Operating expenses for the Authority include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. Significant estimates in these financial statements include the provision for annual depreciation and the estimated landfill liability for closure and post closure costs.

Policy on Use of Restricted and Unrestricted Resources. 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.

Cash and Investments. The Authority's maintains cash resources in multiple demand accounts, money market accounts, certificates of deposits, and the State Treasurer's Investment Pool. The Authority does not currently have cash in excess of FDIC insured amounts or current security pledging requirements.

Investments for the Authority are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

Capital Assets. All purchased capital assets are valued at cost. Assets purchased from the joint powers participants were recorded at appraised value. Donated fixed assets, if received, will be valued at their historical value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Depreciation of buildings, improvements, equipment and furnishings in the proprietary fund types is computed using the straight-line method over the estimated useful lives as follows:

Landfill	30 years
Landfill Cell Improvements	3 years
Buildings and improvements	30 years
Equipment and furnishings	7 years
Light vehicles	5 years

The Authority is required to capitalize construction interest in all business type funds. The capitalized interest is depreciated over the useful life of the constructed asset.

The Authority capitalizes all assets purchases or trades with an initial cost of \$5,000 or more. The Authority capitalizes and depreciates the cost of software over its estimated useful life.

Revenues: The Authority recognizes grant revenue at the time the eligibility restrictions have been met. Such restrictions include 1) the authority should have the characteristics specified by the provider, 2) the time requirements specified by the enabling legislation or provider have been met, 3) if applicable, the provider offers the resources on a reimbursement basis and the recipient has incurred allowable costs under the program and 4) the provider's contingencies have been met.

Compensated Absences. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statements of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Accrued Liabilities. Accrued liabilities consist primarily of accrued salaries, wages, benefits and interest.

Long-term Obligations. Long-term debt is reported as a liability of the Authority on the balance sheet. Long-term financing lease purchases are recorded as a liability.

Net Assets. The government-wide fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets, restricted and unrestricted.

Investment in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted Net Assets – represent the excess of total assets over total liabilities and net assets invested in capital assets, net of related debt. These are amounts not restricted for any purpose.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 2. BUDGET BASIS OF ACCOUNTING

An annual budget of the Authority is prepared prior to July 1 and must be legally enacted through a formal adoption by the Board of Directors, and approved by the Local Government Division of the State Department of Finance and Administration. The budget is adopted on cash basis. The level of budgetary control is by fund total. Budgetary information is presented as originally adopted and amended, the amendments being adopted in a legally prescribed manner. All appropriations lapse at year-end.

The accompanying Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Actual expenditures exceeded budgeted expenses in total by \$760,785; however, actual revenues exceeded actual expenses in total resulting in a \$238,040 excess of revenues over expenses.

NOTE 3. CASH AND INVESTMENTS

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2009.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The State Treasurer Local Government Investment Pool (LGIP) is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or agencies sponsored by the United States government. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts the funds were invested. Any realized gain or less on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2009. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

The following is a summary of the cash and investments held by the Estancia Valley Solid Waste Authority. In accordance with Section 6-10-17, NMSA, 1978 all public entities are required to secure collateralization of deposits in excess of the FDIC insurance amounts. The statute requires that deposits of public monies are to be collateralized in an aggregate amount equal to 50% of deposits in excess of Federal Deposit Insurance Corporation insurance coverage.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 3. CASH AND INVESTMENTS
(Continued)

<u>Depository</u>	Balance <u>Per Depository</u>	<u>Reconciling items</u>		Balance Per <u>Financial Statements</u>
		<u>Outstanding Checks</u>	<u>Deposits</u>	
First Community Bank				
Checking account	\$ 14,791	\$ -	\$ -	\$ 14,791
Money market account	17,434	-	-	17,434
Certificate of deposit	80,478	-	-	80,478
NM Educators Federal Credit Union				
Money market account	100,226	-	-	100,226
Permaculture Credit Union				
Certificate of deposit	81,711	-	-	81,711
Sandia Area Federal Credit Union				
Checking account	5	-	-	5
Money market account	17,043	-	-	17,043
Certificate of deposit	90,007	-	-	90,007
State Employees Credit Union				
Checking account	50	-	-	50
Certificate of deposit	102,605	-	-	102,605
Wells Fargo	<u>206,023</u>	<u>(39,287)</u>	<u>467</u>	<u>167,203</u>
Total amounts of deposits	<u>\$710,373</u>	<u>(\$ 39,287)</u>	<u>\$ 467</u>	<u>\$671,653</u>
Petty cash				<u>770</u>
Total cash on hand and deposit				<u>\$672,323</u>
 <u>Investments</u>				
NM State Treasurer	\$ 11,613	\$ -	\$ -	\$ 11,613
NM State Treasurer LGIP	<u>4,370</u>	<u>-</u>	<u>-</u>	<u>4,370</u>
Total investments	<u>\$ 15,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,983</u>
 Total cash and investments on hand and deposit				<u>\$688,306</u>

The following is a summary of Pledged Collateral as of June 30, 2009:

Wells Fargo Bank:							
FNCL 886061	WF-Trust	07/01/36	\$ 42,476	6.00%	\$ 44,495	022396	31410DHJ6
FNCL 886061	WF-Trust	05/01/36	\$ 79,171	6.00%	82,933	021021	3141099a4
FNCL 886061	WF-Trust	12/20/32	<u>20,056</u>	6.00%	<u>20,917</u>	006547	36202DVNS
			\$141,703		\$148,345		
Total deposits					206,023		
Less FDIC Insurance					<u>(250,000)</u>		
Over insured					\$ 43,977		

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 3. CASH AND INVESTMENTS
(Continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk, other than following the state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). As of June 30, 2009, the Authority was over insured and collateralized.

Interest rate risk is the risk that interest rate variations may adversely affect an investments fair value. The prices of securities fluctuate with market interest rates and the securities held in portfolio will decline in market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. As of June 30, 2009, the Authorities investment at New MexiGROW LGIP had a value of \$15,983 and WAM of 43 days.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable of \$119,296 represents billings to service recipients and tipping fees to third party users through June 30, 2009. At June 30, 2009, management believes that receivable balances are collectible in full. Therefore, no allowance for bad debts has been recorded.

Waste Management	\$ 11,118
City of Moriarty	7,745
Town of Estancia	2,968
NM Waste Services	2,047
Town of Mountainair	2,008
Other	9,140
Service recipients	<u>84,270</u>
Total	\$119,296

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 5. CAPITAL ASSETS

<u>Business Type Activities:</u>	<u>06/30/08</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/09</u> <u>Balance</u>
Capital assets being depreciated:				
Collections-Equipment	\$ 832,871	\$ 24,326	\$ -	\$ 857,197
Collections-Waste Stations	325,184	17,224	-	342,408
Collections-Building	85,547	-	-	85,547
Collections-Other	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>1,197</u>
Total Collections	<u>1,244,627</u>	<u>41,550</u>	<u>-</u>	<u>1,286,177</u>
Landfill	1,942,376	1,136,396	-	3,078,772
Landfill Equipment	<u>1,252,314</u>	<u>-</u>	<u>-</u>	<u>1,252,314</u>
Total Landfill	<u>3,194,691</u>	<u>1,136,396</u>	<u>-</u>	<u>4,331,086</u>
Total Capital Assets	4,439,317	1,177,946	-	5,617,263
Less: Accumulated Depreciation:				
Collections-Equipment	(595,107)	(40,263)	-	(635,370)
Collections-Waste Stations	(287,783)	(9,189)	-	(296,972)
Collections-Building	(5,703)	(2,852)	-	(8,555)
Collections-Other	<u>(1,025)</u>	<u>-</u>	<u>-</u>	<u>(1,025)</u>
Total Collections	<u>(889,618)</u>	<u>(52,304)</u>	<u>-</u>	<u>(941,922)</u>
Landfill	(1,071,637)	(150,151)	-	(1,221,788)
Landfill Equipment	<u>(1,140,607)</u>	<u>(31,420)</u>	<u>-</u>	<u>(1,172,027)</u>
Total Landfill	<u>(2,212,244)</u>	<u>(181,572)</u>	<u>-</u>	<u>(2,393,815)</u>
Total Accumulated Depreciation	(3,101,861)	(233,876)	-	(3,335,737)
Total	<u>\$1,337,456</u>	<u>\$ 944,070</u>	<u>\$ -</u>	<u>\$ 2,281,526</u>

Depreciation expense for capital assets for the fiscal year ended June 30, 2009 was \$233,876.

NOTE 6. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

Capital Leases - The Authority is obligated under certain lease purchase agreements accounted for as capital leases. The leased assets are included in capital assets on the statement of net assets sheet, and each is depreciated accordingly. The lease obligations are included in the respective liability sections of the balance sheet, with imputed interest reflected as an expense. Assets under capital leases totaled \$105,467. The following is a schedule of changes in liability and future minimum lease payments under capital leases, with initial or remaining lease terms in excess of one year at June 30, 2009.

	Acquisition Date	Cost	Leases Payable 06/30/08	Lease Payments	New Leases Acquired	Leases Payable 06/30/09
2004 Mack Truck	01/09/04	\$105,467	\$11,803	\$(11,803)	0	0

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 6. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES
(Continued)

Notes Payable - The following is a summary of Notes Payable:

	Balance 06/30/2008	Additions	(Reductions)	Balance 06/30/2009	Due Within One Year
Variable interest note payable to the New Mexico Finance Authority, interest payable semi-annually and principal payable annually. Interest rates range from 3.30% to 6.45%, matures May 1, 2009.	\$ 71,161	\$ -	(\$ 71,161)	\$ -	\$ -
Variable interest note payable to the New Mexico Finance Authority, interest payable semi-annually and principal payable annually. Interest rate is 2.75%, matures May 1, 2016.	80,209	-	(9,018)	71,191	9,289
Fixed interest note payable to the New Mexico Finance Authority, interest payable semi-annually and principal payable annually. Interest rate is 3.00%, matures May 1, 2027.	82,452	-	(3,280)	79,172	3,380
Fixed interest installment note payable to the New Mexico Taxation and Revenue, payable in 60 variable monthly payments. Interest rate is 8.00%, matures July 20, 2010.	59,419	-	(27,650)	31,769	26,644
Fixed interest installment note payable to the New Mexico Environment Department, payable in 20 yearly payments. Interest rate is 3.00%.	<u>34,812</u>	<u>882,467</u>	<u>-</u>	<u>917,279</u>	<u>-</u>
Total	\$328,053	\$882,467	(\$111,109)	\$1,099,411	\$39,313

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 6. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES
(Continued)

The following is a summary of the debt service requirements for the Notes Payable above as of June 30, 2009:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 39,313	4,135	43,448
2011	16,448	3,879	20,327
2012	59,100	31,135	90,235
2013	59,396	29,487	88,883
2014	59,702	27,833	87,535
2015-2019	269,088	25,964	295,052
2020-2024	246,220	17,891	264,111
2025-2029	226,000	10,504	236,504
2030-2032	<u>124,144</u>	<u>3,724</u>	<u>127,868</u>
Total	\$1,099,411	\$154,552	\$1,253,963

The Authority entered into an installment agreement in the amount of \$1,050,000 with the New Mexico Environment Department, payable in 20 yearly payments with a 3% interest rate. The initial payment shall be made one year after the issuance of the final warrant for the loan amount and thereafter on such date until the principal and interest are fully paid; however, repayment shall begin no later than four years after the date of this contract. The loan agreement was entered into on April 30, 2008 to pay for capital landfill closure costs. The first drawdown was made on June 26, 2008 and as of June 30, 2009 the final warrant for the loan has not been made.

Compensated Absences - Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid on an employee's termination. Amounts accrued as of June 30, 2009 was \$22,242. A summary of changes in this liability are as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>7/01/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/2009</u>	<u>One Year</u>
Compensated Absences	\$18,936	\$19,364	(\$16,058)	\$22,242	\$22,242

Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 7. RELATED PARTY TRANSACTIONS

The County of Torrance obtained a revenue bond in 1993 to open and begin operations of the county landfill. The County of Torrance is responsible for this debt and all members of the Joint powers agreement have pledged environmental gross receipts to service this debt. The County has expended \$1,105,228 to purchase land, design the landfill and acquire equipment. The amounts expended are considered contributed capital to the Authority. All assets acquired and contributed to the Authority are depreciated over their expected useful lives. The landfill construction was completed and approval was received to open on August 4, 1998. Since the Authority is responsible for the debt, the liability has been recorded on the books of the Authority since July 1, 2000.

Members of the landfill joint powers agreement owed landfill usage fees to the Authority on June 30, 2009 in the amount of \$13,010.

NOTE 8. RISK MANAGEMENT

The Authority is exposed to various risk of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained insurance through the New Mexico Self-Insurer's Fund. The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. The Authority contributed \$121,344 to the fund during the June 30, 2009 fiscal year.

NOTE 9. PERA PENSION PLAN

Plan Description. The Estancia Valley Solid Waste Authority full time employees participate in a public employees 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, 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. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 9. PERA PENSION PLAN
(Continued)

Funding Policy. Plan members are required to contribute 2.15% of their gross salary. The Estancia Valley Solid Waste Authority is required to contribute 16.15% of the gross covered salary.

Contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority was accepted to participate in the plan in February, 1998. The Authority's contributions to PERA for those employees covered for the year ended June 30, 2009, 2008, and 2007 was \$63,952, \$61,318, and \$60,151 respectively.

NOTE 10. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Authority has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

NOTE 11. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require 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. Closure and post closure care costs are recognized throughout the initial twenty year period of operation based on the amount of the landfill used during the year.

In addition to operating expenses related to current activities of the landfill, an expense provision and 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. The recognition of these landfill closure and post closure costs is based on the amount of the landfill used during the year. Currently, it is estimated that utilized airspace at June 30, 2009 was 28%. The most recent estimated liability for landfill closure and post closure care costs was obtained during the current fiscal year. The estimated cost for closure and post closure cost were estimated at \$915,310 at the estimated closure date in 2016.

The Authority accrued \$34,856 in closure costs for the current year. Total accrued liability as of June 30, 2009 was \$253,056 or 28% of the total estimated closure and post closure costs of \$915,310 at the date the landfill is expected to be filled to capacity. The total estimated closure and post closure costs are based on the amount that would be paid if all equipment and facilities, and services required to close, monitor, and maintain the landfill. However, the actual cost of closure and post closure care may vary due to inflation, changes in technology, or changes in landfill laws and regulations.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2009

NOTE 11. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS
(Continued)

The Authority is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The Authority has currently restricted \$253,056 in cash to fund the current accrued liability.

NOTE 12. JOINT POWERS AGREEMENT

The Estancia Valley Solid Waste Authority was formed on June 30, 1996, by Joint Powers Agreement entered into by the Torrance County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, Village of Willard to serve a public use and promote health, safety, prosperity, security and general welfare of the inhabitants of the said Authority.

NOTE 13. CONTINGENT LIABILITIES

The Authority is party to various claims and lawsuits arising in the normal course of business. The Authority is insured through the New Mexico Self-Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Authority.

NOTE 14. REINSTATEMENT OF NET ASSETS

The Authority made a correction of an error in the financial statements of a prior period. The error was caused by incorrectly recording the balance of a note payable, which was overstated by \$6,394, causing net assets to be understated.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN CASH BALANCE
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2009

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Operating revenue				
Charges for collection services	\$ 768,900	\$ 748,512	\$ 634,346	\$ (114,166)
Charges for landfill services	711,755	766,255	777,770	11,515
Other landfill revenue	80,000	80,000	500,000	420,000
Environmental gross receipts tax	150,000	150,000	238,108	88,108
Grant revenue	15,000	30,152	33,200	3,048
Loan proceeds	0	300,000	882,467	582,467
Interest income	6,500	8,180	8,871	691
Total revenue	1,732,155	2,083,100	3,074,762	991,662
 Operating expenses				
Administrative expense	117,202	112,094	187,769	(75,675)
Collection expense	328,550	338,765	296,353	42,412
Landfill expense	392,086	638,503	434,599	203,904
Personnel expense	666,277	668,277	628,947	39,330
Capital outlay	55,000	150,000	1,177,945	(1,027,945)
Debt Service	168,298	168,298	111,109	57,189
Total operating expenses	1,727,413	2,075,937	2,836,722	(760,785)
 Excess (Deficiency) of Revenues Over Expenses	\$ 4,742	\$ 7,163	238,040	\$ 230,878
 Cash, Beginning			450,266	
 Cash, Ending			\$ 688,306	
 Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis	\$ 3,074,762			
Change in Accounts Receivable	12,036			
NMFA loan proceeds	(882,467)			
Revenues GAAP	2,204,331			
 Expenditures budgetary Basis	2,836,722			
Reclassification of debt service	(111,109)			
Capital Outlay	(1,177,945)			
Depreciation	233,876			
Landfill closure costs	34,856			
Change in accounts payable	(24,496)			
Change in other payables and accruals	(5,041)			
Expenditures GAAP	1,786,863			
 Change in Net Assets	\$ 417,468			

See accompanying notes to the financial statements.

**CALHOON ACCOUNTING & TAX SERVICES
PO BOX 945
ESTANCIA, NEW MEXICO 87016**

**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**

Mr. Hector H. Balderas, State Auditor
And the Board of Directors
Estancia Valley Solid Waste Authority
Estancia, New Mexico

We have audited the financial statements of the business type activities and the budgetary comparisons presented as supplemental information of the Estancia Valley Solid Waste Authority, as of and for the year ended June 30, 2009, and have issued our report thereon dated December 1, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Estancia Valley solid Waste Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of Estancia Valley Solid Waste Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Estancia Valley Solid Waste Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Estancia Valley Solid Waste Authority's financial Statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-5-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 09-01, 09-02 and 09-03

The Estancia Solid Waste Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Estancia Solid Waste Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Estancia Solid Waste Authority, the Board of Directors, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Calhoon Accounting & Tax Services
Calhoon Accounting & Tax Services

December 1, 2009

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
AND EXIT CONFERENCE
June 30, 2009

RESOLUTION OF PRIOR YEAR FINDINGS

08-01 Ineffective Oversight - Resolved

CURRENT YEAR FINDINGS

09-01 Bank Reconciliation

Criteria: Per NMAC 2.20.5.8C, all account records shall be reconciled on a monthly basis.

Condition: During our review of the Authorities documents, we noted that many of the bank accounts reconciliation's were not performed all year.

Cause: The cause is that the Authority did not reconcile the bank accounts timely at year end.

Effect: The Authority is in violation of NMAC 2.20.5.8C as of June 30, 2009.

Auditor's Recommendation: We recommend that each bank statement be reconciled to the general ledger balances on a monthly basis and all supporting documentation be maintained.

Management's Recommendation: Beginning with FY10, bank statements will be reconciled to general ledger balances monthly, with supporting documentation readily available for review.

09-02 Budget Reports and Budget Compliance

Criteria: Per the requirements of 6-3-1 to 6-3-25 NMSA 1978, budget reports should reflect the current financial position of the Authority.

Condition: Budget reports did not reflect current financial position of the Authority and funds were over expended. Expenditures in excess of the budgeted amounts were expended by \$760,785.

Cause: Poor accounting procedures.

Effect: Inaccurate financial records and budget reports.

Auditor's Recommendation: Develop accounting procedures that will generate accurate financial information in a timely manner.

Management's Response: We recognize the mispostings and other poor accounting procedures that resulted in inaccurate financial records, and understand they must be corrected. The Authority will remedy these problems during FY10 so that accurate financial information can be generated in a timely manner.

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
AND EXIT CONFERENCE
June 30, 2009

09-03 Untimely Audit Report

Criteria: Per 2.2.2.9A NMAC, a special district is required to deliver the annual financial audit report to the state auditor on or before the date specified in the audit contract, or December 1 for the Authority.

Condition: The audit report was filed with the State Auditor's Office after the December 1st deadline.

Cause: Financial records are not maintained and kept current in order to provide a timely trial balance for the auditor.

Effect: Late audit report submitted to the state auditor.

Auditor's Recommendation: The Authority needs to reconcile accounts monthly. Also, additional training for the bookkeeping staff will help them to record all transactions properly and timely.

Management's Response: The Authority has implemented the practice of reconciling accounts as the statements are received. In addition, a consultant has been retained for bookkeeping staff training for FY10.

EXIT CONFERENCE

An exit conference was held in the offices of the Estancia Valley Solid Waste Authority in Estancia, New Mexico on December 1, 2009. Those attending were Linda Warren, Member of the Board, Joseph Ellis, Manager, Danette Cabber, Office Manager and Renea L. Calhoon CPA. The financial statements, audit report and findings were discussed.

The financial statements presented in this report were prepared by the auditors, Calhoon Accounting and Tax Services.