

STATE OF NEW MEXICO  
ESTANCIA VALLEY SOLID WASTE AUTHORITY  
Independent Auditors' Report and  
Annual Financial Statements  
June 30, 2010

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, 2010**

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**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**FUNCTION OF ENTITY AND OFFICIAL ROSTER**  
**June 30, 2010**

**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
Linda Warren	Secretary
Danny Chavez	Member
Marvin Fulfer	Member
Larry Irvin	Member
Phillip Johnson	Member
John Phillips	Member
Emily Sanchez	Member
Jeff Snyder	Member
Robin Spalding	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**

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**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 and agency fund of the Estancia Valley Solid Waste Authority as of and for the year ended June 30, 2010, which collectively comprise the Estancia Valley Solid Waste Authority'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, 2010, 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 and fiduciary fund of the Estancia Valley Solid Waste Authority as of June 30, 2010, and the respective changes in financial position and cash flows thereof 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 November 1, 2010, 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.

Our audit was conducted for the purpose of forming opinions on the Estancia Valley Solid Waste Authority's basic financial statements and budgetary comparisons presented as supplemental information. The accompanying schedule of pledged collateral is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Calhoon Accounting & Tax Services*

Calhoon Accounting & Tax Services

November 1, 2010

State of New Mexico  
ESTANCIA VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF NET ASSETS  
June 30, 2010

	<u>Business Type Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and temporary investments -unrestricted	\$ 269,202
Cash - restricted	631,025
Receivables, net	81,502
Total current assets	<u>981,729</u>
Noncurrent assets:	
Capital assets:	
Equipment	1,366,253
Landfill	4,391,795
Less: accumulated depreciation	<u>(3,535,428)</u>
Total capital assets	<u>2,222,620</u>
Total assets	<u><u>3,204,349</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	46,848
Payroll taxes payable	2,476
Sales tax payable	3,329
Accrued compensation	5,578
Accrued interest	49,424
Compensated absences	21,568
Current Portion of Long-term Debt	13,049
Total current liabilities	<u>142,272</u>
Noncurrent liabilities	
Accrued landfill closure costs	285,816
Notes payable	1,069,291
Less: current portion of long-term debt	<u>(13,049)</u>
Total noncurrent liabilities	<u>1,342,058</u>
Total liabilities	<u>1,484,330</u>
Net assets	
Invested in capital assets, net of related debt	1,153,329
Unrestricted	566,690
Total net assets	<u>1,720,019</u>
Total liabilities and net assets	<u><u>\$ 3,204,349</u></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, 2010

	Total
Operating Revenues	
Charges for services	\$ 1,167,514
Total Operating Revenues	1,167,514
Operating Expenses	
Salaries and benefits	679,050
Administrative expenses	119,217
Operating expenses	356,241
Landfill closure costs	32,760
Depreciation expense	199,690
Total Operating Expenses	1,386,958
Operating Income (Loss)	(219,444)
Non-Operating Revenues (Expenses)	
Interest income	12,496
Environmental gross receipts	150,289
Interest expense	(53,246)
State and Local grant revenue	210,615
Total Non-Operating Revenue (Expense)	320,154
Net Income (Loss)	100,710
Net Assets, Beginning	1,607,847
Restatement	11,462
Net Assets, Beginning as restated	1,619,309
	-
Net Assets, Ending	\$ 1,720,019

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, 2010

	<u>Business Type Activities</u>
Cash Flows From Operating Activities	
Cash received from customers	\$ 1,205,308
Cash paid to suppliers and employees	<u>(1,202,833)</u>
Net Cash Provided by Operating Activities	<u>2,475</u>
 Cash Flows From Noncapital Financing Activities	
Grant revenues	<u>210,615</u>
Net Cash Provided by Noncapital Financing Activities	<u>210,615</u>
 Cash Flows From Capital and Related Financing Activities	
Proceeds from loan activities	22,268
Cash received from taxes	150,289
Interest paid	(4,511)
Principal payments	<u>(40,926)</u>
Net Cash Provided From Financing Activities	<u>127,120</u>
 Cash Flows From Investing Activities	
Interest earned	12,496
Capital outlay	<u>(140,785)</u>
Net Cash Provided (Used) For Investing Activities	<u>(128,289)</u>
Net Increase (Decrease) in Cash	211,921
Cash, July 1, 2009	<u>688,306</u>
Cash, June 30, 2010	<u>900,227</u>
 Reconciliation of Net Income to Net Cash provided by Operating Activities	
Net operating income (loss)	(219,444)
Adjustment to reconcile net income to net cash provided by operating activities:	
Depreciation	199,690
(Increase) decrease in receivables	37,794
Increase (decrease) in accounts payables	(33,539)
Increase (decrease) in other payables	(14,786)
Increase (decrease) in landfill closure costs	32,760
Net cash used by operating activities	<u>\$ 2,475</u>

See accompanying notes to the financial statements.



State of New Mexico  
ESTANCIA VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	<u>\$ 1,212</u>
Total assets	<u><u>\$ 1,212</u></u>
LIABILITIES	
Due to other entities	<u>\$ 1,212</u>
Total liabilities	<u><u>\$ 1,212</u></u>

See accompanying notes to the financial statements.

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**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.

**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.

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.

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

***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 Temporary Investments.*** The Authorities 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.

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, 2010**

**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
Convenience Station Improvements	15 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 asset 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, interest and sales taxes.

**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.

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

*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.

**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. Budgeted expenditures exceeded actual expenditures in total by \$428,570. Actual revenues exceeded actual expenses in total resulting in a \$211,921 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, 2010.

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.

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3. CASH AND INVESTMENTS**  
**(Continued)**

The collateral pledged is listed on the Schedule of Collateral Pledged by Depository for Public Funds of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Shares Insurance Fund (NCUSIF), public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the coverage for public unit demand deposits at the same institution.

New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution. A detailed listing of the cash and investments is listed on the Schedule of Cash and Investment Accounts of this report. The following is a summary of the cash and investments held by the Authority.

<u>Depository</u>	<u>Balance Per Depository</u>
First Community Bank	
Checking account	\$ 110,923
Money market account	17,569
Certificate of deposit	<u>82,468</u>
Total Deposited	210,960
Less: FDIC Coverage	<u>(210,960)</u>
Over (Under) requirement	\$ -
NM Educators Federal Credit Union	
Money market account	\$ 100,984
Savings	<u>16</u>
Total Deposited	100,984
Less: NCUSIF Coverage	<u>(100,984)</u>
Over (Under) requirement	\$ -
Permaculture Credit Union	
Certificate of deposit	\$ 31,359
Certificate of deposit	<u>52,814</u>
Total Deposited	84,173
Less: NCUSIF Coverage	<u>(84,173)</u>
Over (Under) requirement	\$ -

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 3. CASH AND INVESTMENTS**  
**(Continued)**

<u>Depository</u>	<u>Balance</u> <u>Per Depository</u>
Sandia Area Federal Credit Union	
Checking account	\$ 5
Money market account	82,146
Certificate of deposit	41,043
Certificate of deposit	<u>51,529</u>
Total Deposited	174,723
Less: NCUSIF Coverage	<u>(174,723)</u>
Over (Under) requirement	\$ -
State Employees Credit Union	
Checking account	\$ 50
Certificate of deposit	53,213
Certificate of deposit	52,983
Certificate of deposit	50,444
Total Deposited	\$ 210,960
Less: NCUSIF Coverage	<u>210,960</u>
Over (Under) requirement	\$ -
Wells Fargo	
Checking account	\$ 159,822
Checking account -Agency	1,212
Savings	<u>21,314</u>
Total Deposited	\$ 182,348
Less: FDIC Coverage	<u>(182,348)</u>
Over (Under) requirement	\$ -
<u>Investments</u>	
NM Finance Administration	\$ 14,078
NM State Treasurer LGIP	<u>734</u>
Total investments	<u>\$ 14,812</u>

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

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 3. CASH AND INVESTMENTS**  
**(Continued)**

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, 2010. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

The Authority has restricted cash and investments for a particular purpose. The Authority has accumulated cash in the amount of \$631,025. The cash is designated by the Authority to offset the landfill closure and post-closure liability.

**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, 2010, 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, 2010, the Authorities investment at New MexiGROW LGIP had a credit risk rating of AAAM, value of \$734 and a 50-day WAM.

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable of \$81,502 represents billings to service recipients and tipping fees to third party users through June 30, 2010. At June 30, 2010, management believes that receivable balances are collectible in full. Therefore, no allowance for bad debts has been recorded.

Waste Management	\$ 14,974
East Mountain Disposal	10,182
NM Waste Services	8,024
City of Moriarty	6,071
Red J Environment Corp	3,303
Other	19,045
Service recipients	<u>19,903</u>
Total	\$ 81,502



**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 5. CAPITAL ASSETS**

<u>Business Type Activities:</u>	<u>06/30/09</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/10</u> <u>Balance</u>
Capital assets being depreciated:				
Collections-Equipment	\$ 857,197	\$ 39,101	\$ -	\$ 896,298
Collections-Waste Stations	342,408	40,975	-	383,383
Collections-Building	85,547	-	-	85,547
Collections-Other	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>1,025</u>
Total Collections	<u>1,286,177</u>	<u>80,076</u>	<u>-</u>	<u>1,366,253</u>
Landfill	3,078,772	47,272	-	3,126,044
Landfill Equipment	<u>1,252,314</u>	<u>13,437</u>	<u>-</u>	<u>1,265,751</u>
Total Landfill	<u>4,331,086</u>	<u>60,709</u>	<u>-</u>	<u>4,391,795</u>
Total Capital Assets	5,617,263	140,785	-	5,758,048
Less: Accumulated Depreciation:				
Collections-Equipment	( 635,370)	( 42,809)	-	( 678,179)
Collections-Waste Stations	( 296,972)	( 9,838)	-	( 306,810)
Collections-Building	( 8,555)	( 2,852)	-	( 11,407)
Collections-Other	<u>( 1,025)</u>	<u>-</u>	<u>-</u>	<u>( 1,025)</u>
Total Collections	<u>( 941,922)</u>	<u>( 55,499)</u>	<u>-</u>	<u>( 997,421)</u>
Landfill	(1,221,788)	( 118,753)	-	(1,340,541)
Landfill Equipment	<u>(1,172,027)</u>	<u>( 25,439)</u>	<u>-</u>	<u>(1,197,466)</u>
Total Landfill	<u>(2,393,815)</u>	<u>( 144,192)</u>	<u>-</u>	<u>(2,538,007)</u>
Total Accumulated Depreciation	(3,335,738)	( 199,690)	-	(3,535,428)
Total	<u>\$2,281,525</u>	<u>(\$ 58,905)</u>	<u>\$ -</u>	<u>\$ 2,222,620</u>

Depreciation expense for capital assets for the fiscal year ended June 30, 2010 was \$199,690.

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

**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, 2010 was \$21,568. A summary of changes in this liability are as follows:

	<u>Balance</u> <u>7/01/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2010</u>	<u>Due Within</u> <u>One Year</u>
Compensated Absences	\$22,242	\$15,700	(\$16,374)	\$21,568	\$21,568

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, 2010**

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

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

	<u>Balance</u> <u>06/30/2009</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>06/30/2010</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
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.	71,191	-	( 9,289)	61,902	9,568
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.	79,172	-	( 3,379)	75,793	3,481
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.	28,258	-	( 28,258)	-	-
Fixed interest installment note payable to the New Mexico Environment Department, payable in 20 yearly payments. Interest rate is 3.00%.	<u>909,328</u>	<u>22,268</u>	<u>-</u>	<u>931,596</u>	<u>-</u>
Total	\$1,087,949	\$ 22,268	(\$ 40,926)	\$1,069,291	\$13,049

The following is a summary of the debt service requirements for the Notes Payable above as of June 30, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	13,049	3,787	16,836
2012	48,111	31,376	79,487
2013	49,555	29,966	79,521
2014	51,043	28,514	79,557
2015	52,576	27,018	79,594
2016-2020	239,700	112,961	352,661
2021-2025	265,023	76,529	341,552
2026-2030	289,440	35,128	324,568
2031-2033	<u>60,794</u>	<u>1,823</u>	<u>62,617</u>
Total	\$ 1,069,291	\$347,102	\$ 1,416,393

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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 the construction of landfill expansion. The first drawdown was made on June 26, 2008 and as of June 30, 2010 the final warrant for the loan has not been made. The Authority expects to make the final warrant drawdown by January 2011 and therefore; will begin payment one year from that date.

**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, 2010 in the amount of \$10,766.

**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 \$72,331 to the fund during the June 30, 2010 fiscal year.

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 9. PENSION PLAN – Public Employees Retirement Association’s**

**Plan Description.** Substantially all of the Estancia Valley Solid Waste Authority’s 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 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, PO 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 2.15% of their gross salary. The Estancia Valley Solid Waste Authority is required to contribute 16.15% 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 those employees covered for the year ended June 30, 2010, 2009, and 2008 was \$70,795, \$63,952, and \$61,318 respectively, which equal the amount of the required contributions for each fiscal year.

**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

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

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

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, 2010 was 31%. The estimated cost for closure and post closure cost were estimated at \$915,310 at the estimated closure date in 2030.

The Authority accrued \$32,760 in closure costs for the current year. Total accrued liability as of June 30, 2010 was \$285,816 or 31% 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.

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 \$285,816 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. SUBSEQUENT EVENTS**

On September 24, 2010, the Authority entered into a loan agreement with New Mexico Finance Administration for the construction of a landfill building. The loan agreement amount was \$130,631 with an interest rate of 3.0%.

**State of New Mexico**  
**ESTANCIA VALLEY SOLID WASTE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2010**

**NOTE 15. RESTATEMENT**

The reinstatement pertains to corrections in the loan agreement with the New Mexico Environment Department which was previously overstated by \$7,951. The loan balance has been confirmed with the NMED and is being restated accordingly. Also, the installment note payable with the New Mexico Tax and Revenue was over stated by \$3,511. The loan balance previously included interest due and has been corrected per this audit. The balance of the loan has been paid off as of June 30, 2010.

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, 2010

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Operating revenue				
Charges for collection services	\$ 616,300	\$ 538,000	\$ 593,155	\$ 55,155
Charges for landfill services	694,600	810,000	612,153	(197,847)
Environmental gross receipts tax	150,000	160,000	150,289	(9,711)
Grant revenue	180,000	209,315	210,615	1,300
Loan proceeds	140,000	100,000	22,268	(77,732)
Interest income	8,250	5,500	12,496	6,996
Total revenue	<u>1,789,150</u>	<u>1,822,815</u>	<u>1,600,976</u>	<u>(221,839)</u>
Operating expenses				
Administrative expense	129,550	161,300	119,217	42,083
Collection expense	310,500	413,000	151,514	261,486
Landfill expense	381,000	370,500	240,122	130,378
Personnel expense	703,171	710,865	696,491	14,374
Capital outlay	87,000	116,000	140,785	(24,785)
Debt Service	125,960	45,960	40,926	5,034
Total operating expenses	<u>1,737,181</u>	<u>1,817,625</u>	<u>1,389,055</u>	<u>428,570</u>
Excess (Deficiency) of Revenues Over Expenses	<u>\$ 51,969</u>	<u>\$ 5,190</u>	211,921	<u>\$ 206,731</u>
Cash, Beginning			<u>688,306</u>	
Cash, Ending			<u>\$ 900,227</u>	
Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis	\$ 1,600,976			
Change in accounts receivable	(37,794)			
NMFA loan proceeds	(22,268)			
Revenues GAAP	<u>1,540,914</u>			
Expenditures budgetary Basis	1,389,055			
Reclassification of debt service	(40,926)			
Capital Outlay	(140,785)			
Depreciation	199,690			
Landfill closure costs	32,760			
Change in accounts payable	(33,539)			
Change in accrued interest payable	48,735			
Changes in accrued compensation	(12,611)			
Change in payroll taxes payable	(4,830)			
Change in compensated absences	(674)			
Change in sales taxes payable	3,329			
Expenditures GAAP	<u>1,440,204</u>			
Change in Net Assets	<u>\$ 100,710</u>			

See accompanying notes to the financial statements.

State of New Mexico  
ESTANCIA VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
Year Ended June 30, 2010

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<b>ASSETS</b>				
Cash	\$ 1,495	\$ 821	\$ 1,104	\$ 1,212
Total assets	<u>\$ 1,495</u>	<u>\$ 821</u>	<u>\$ 1,104</u>	<u>\$ 1,212</u>
<b>LIABILITIES</b>				
Due to other entities	\$ 1,495	\$ 821	\$ 1,104	\$ 1,212
Total liabilities	<u>\$ 1,495</u>	<u>\$ 821</u>	<u>\$ 1,104</u>	<u>\$ 1,212</u>

See accompanying notes to the financial statements.



State of New Mexico  
 ESTANCIA VALLEY SOLID WASTE AUTHORITY  
 SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
 FOR PUBLIC FUNDS  
 June 30, 2010

Name of Depository	Description of Pledged Collateral	Fair Market Value June 30, 2010	Name and Location of Safekeeper
Wells Fargo Bank	Fed Natl Mtg Assn Pool #256308 07/01/2036 Cusip 31371MU96 6.00%	\$ 6,527	Wells Fargo Bank Northwest, NA
Wells Fargo Bank	Fed Natl Mtg Assn Pool #995049 02/01/2038 Cusip 31416BL63 5.50%	18,022	Wells Fargo Bank Northwest, NA
	Total Pledged Collateral	<u>\$ 24,549</u>	

See accompanying notes to the financial statements.

State of New Mexico  
ESTANCIA VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF CASH AND TEMPORARY INVESTMENT ACCOUNTS  
JUNE 30, 2010

Depository	Account Type	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
			Outstanding Checks	Deposits	
Unrestricted Cash:					
Wells Fargo	Checking	\$ 159,822	\$ 24,037	\$ -	\$ 135,785
Wells Fargo	Savings	21,314			21,314
Wells Fargo	Reserve Account	-			-
Wells Fargo	Checking-Agency	1,212			1,212
First Community Bank	Safety Bonus	110,923			110,923
First Community	Money Market	17,569			17,569
First Community	36 mo. CD	82,468			82,468
NM Educators Federal Credit Union	Money Market	100,984			100,984
NM Educators Federal Credit Union	Savings	16			16
Permaculture Credit Union	24 mo. CD	31,359			31,359
Permaculture Credit Union	36 mo. CD	52,814			52,814
Sandia Area Federal Credit Union	Primary Savings	5			5
Sandia Area Federal Credit Union	Money Market	82,146			82,146
Sandia Area Federal Credit Union	36 mo. CD	41,043			41,043
Sandia Area Federal Credit Union	48 mo. CD	51,529			51,529
State Employees Credit Union	Savings	50			50
State Employees Credit Union	36 mo. CD	53,213			53,213
State Employees Credit Union	36 mo. CD	52,983			52,983
State Employees Credit Union	36 mo. CD	50,444			50,444
NM State Treasurer's Office	LGIP	460			460
NM State Treasurer's Office	Pool	274			274
NM Fiance Administration	Debt Service	1,133			1,133
NM Fiance Administration	Debt Service	12,945			12,945
Total On Deposit		<u>\$ 924,706</u>	<u>\$ 24,037</u>	<u>\$ -</u>	<u>\$ 900,669</u>
Petty Cash					<u>770</u>
Combined Balance Sheet Total June 30, 2010					<u>\$ 901,439</u>

See accompanying notes to the financial statements.

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

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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**

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, agency fund, and the budgetary comparisons presented as supplemental information of the Estancia Valley Solid Waste Authority, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 1, 2010. 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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

November 1, 2010

**State of New Mexico  
ESTANCIA VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
AND EXIT CONFERENCE  
June 30, 2010**

**RESOLUTION OF PRIOR YEAR FINDINGS**

09-01 Bank Reconciliation - Resolved

09-02 Budget Reports and Budget Compliance – Resolved

09-03 Untimely Audit – Resolved

**CURRENT YEAR FINDINGS**

None

**EXIT CONFERENCE**

An exit conference was held in the offices of the Estancia Valley Solid Waste Authority in Estancia, New Mexico on November 1, 2010. Those attending were Bill Williams, Board Chairman, Linda Warren, Board Secretary, Joseph Ellis, Manager, Danette Cabber, Office Manager and Renea L. Calhoon CPA. The financial statements and audit report were discussed.

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