HINKLE + LANDERS

Certified Public Accountants + Business Consultants

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY

FINANCIAL STATEMENTS

For The Year Ended June 30, 2017

2500 9th St. NW, Albuquerque, NM 87102 · 505.883.8788 · www.HL-cpas.com

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
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As of June 30, 2017

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STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Official Roster
As of June 30, 2017

BOARD OF DIRECTORS

Name	Agency Represented	Title
Larry Carver	Village of Milan	Chairman
Dezirie Gomez	McKinley County	Vice-Chairman
Linda Garcia	City of Gallup	Secretary-Treasurer
Robert Windhorst	Cibola County	Member
Mody Hicks	City of Grants	Member
Carol Bowman-Muskett	McKinley County	Member
Dennis Romero	City of Gallup	Member

ADMINISTRATIVE OFFICIALS

Name	Title
Billy Moore	Executive Director
Martha Briggs	Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Directors
State of New Mexico
Northwest New Mexico Regional Solid Waste Authority
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Northwest New Mexico Regional Solid Waste Authority (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Authority as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2017 beginning balance of net position has been restated due to implementation of GASB 82.

Other Matters

Required Supplemental Information

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

Accounting principles generally accepted in the United States of America require that the Schedules related to PERA and Net Pension Liabilities, listed as "*Required Supplemental Information*" in the table of contents on pages 25 and 26, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The *"Other Supplemental Information"* as identified in the table of contents required and presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional *schedules, listed as "Other Supplemental Information" in the table of contents, required by Section 2.2.2 NMAC,* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

<u>Other Reporting Required by *Government Auditing Standards*</u>

In accordance with *Government Auditing Standards*, we have also issued a report dated October 12, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
October 12, 2017

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
As of June 30, 2017

		2017
ASSETS		
Current Assets		
Cash and cash equivalents - unrestricted	$	2,479,712
Cash and cash equivalents - restricted		468,837
Accounts receivable, net of allowance for doubtful accounts amount of $22,244		457,960
Investments - restricted		1,212,030
Operations inventory		104,997
Prepaid expenses		19,510
Total Current Assets		4,743,046
Non-current Assets		
Capital assets		18,264,953
Less: accumulated depreciation		(11,918,704)
Net capital assets		6,346,249
Total Non-current Assets		6,346,249
Total Assets		11,089,295
Deferred Outflows of Resources		
Pension deferral		873,023
Total Deferred Outflows of Resources		873,023
Total Assets and Deferred Outflows of Resources	**$**	11,962,318
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	**$**	37,255
Wages, payroll taxes, and benefits payable		52,813
Gross receipts taxes payable		12,056
Accrued interest and fees		5,272
Unearned revenue		9,638
Compensated absences-current portion		79,974
Current maturities of loans		467,366
Total Current Liabilities		664,374
Long-Term Liabilities		
Loans payable, net of current maturities		1,475,914
Compensated absences-non-current		19,994
Estimated liability for landfill closure costs		322,205
Net pension liability		2,273,475
Total Long-Term Liabilities		4,091,588
Total Liabilities		4,755,962
Deferred Inflows of Resources		
Pension deferral		72,342
Total Deferred Inflows of Resources		72,342
Net Position		
Net investment in capital assets		4,402,969
Restricted for:		
Debt service		468,837
Landfill closure		1,212,030
Unrestricted		1,050,178
Total Net Position		7,134,014
Total Liabilities and Net Position, Deferred Inflows of Resources and Net Position	$	11,962,318

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For The Year Ended June 30, 2017

Operating Revenues:		
Tipping fees	$	4,340,643
Miscellaneous income		124,162
Total operating revenues		4,464,805
Operating Expenses:		
Personnel services		1,809,416
Employee benefits		546,207
Contractual services		111,028
Repairs and maintenance		454,678
Insurance		118,383
Utilities		78,524
Supplies		218,564
Fuel and oil		358,992
Rent of equipment		18,950
Depreciation		749,695
Other		208,614
Increase (decrease) in landfill liability		24,195
Total operating expenses		4,697,246
Operating loss		(232,441)
Non-operating revenues (expenses)		
Interest income		13,302
Gain (loss) on disposal of assets		9,201
Capital outlay		(35,189)
Debt service - interest		(36,406)
Total non-operating revenues (expenses)		(49,092)
Net loss before contributions		(281,533)
Contributions of capital		610,289
Change in net position		328,756
Net position, beginning of year		6,930,091
Restatement		(124,833)
Net position, beginning of year - restated		6,805,258
Net position end of year	*$*	7,134,014

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2017

Cash Flows from Operating Activities		
Cash received from customers	$	4,507,332
Cash payments to employees and suppliers		(3,879,005)
Net cash provided (used) by operating activities		628,327
Cash Flows from Capital and Related Financing Activities		
Capital contributed by members		610,289
Capital outlay expenditures		(35,189)
Purchase of capital assets		(1,090,558)
Proceeds from insurance proceeds		350,000
Proceeds from debt issuance		278,635
Repayment of long-term debt		(359,201)
Interest and fees paid on long-term debt		(36,944)
Net cash provided (used) by capital and related financing activities		(282,968)
Cash Flows from Investing Activities		
Purchase of investments		(93,196)
Sale of investments		31,181
Interest on investments and deposits		13,302
Net cash provided (used) by investing activities		(48,713)
Net increase (decrease) in cash and cash equivalents		296,646
Cash and cash equivalents, beginning of period		2,651,903
Cash and cash equivalents, end of period	$	2,948,549
Operating loss	$	(232,441)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Pension expense		39,860
Depreciation		749,695
Increase in landfill closure and postclosure cost estimate		24,195
Changes in assets and liabilities		
Accounts receivable		43,300
Deferred revenue		(773)
Operations inventory		(3,255)
Prepaid expenses		(2,236)
Accounts payable		(35,201)
Accrued expenses		7,866
Compensated absences		37,317
Total adjustments		860,768
Net cash provided (used) by operating activities	$	628,327

The accompanying notes are an integral part of these financial statements

NOTE 1—NATURE OF ACTIVITIES

Northwest New Mexico Regional Solid Waste Authority (the "Authority") was established on June 1, 1993, under a joint powers agreement entered into by the County of McKinley, the City of Gallup, the County of Cibola, the City of Grants, and the Village of Milan. It was the desire of the parties to form a Bi-County, regional solid waste disposal Authority in order to fully comply with the Solid Waste Act, to provide for disposition of solid waste by establishing modern, and where possible, state of the art facilities for recycling and disposition of solid waste. Each entity of this agreement contributed two dollars per person, based on Census numbers. This is recorded as contributed capital. The term of the joint powers agreement is forty years and may be renewed. The Authority has no component units.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Standard 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:

A. Reporting Entity

In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14 and GASB 61.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that made up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for government organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden exists if the primary government:

1. Is entitled to the organization's resources.
2. Is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to the organization; or
3. Is obligated on some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependence on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

B. Business Type Activities

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities and Changes in Net Position) report information on all of the non-fiduciary activities of the primary government. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and / or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Property taxes are recognized as revenues in the year for which they are levied.

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues are charges to customers who purchase or use or directly benefit from the goods or services provided by the Authority.

The proprietary fund is accounted for on a cost of services of “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and net position components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

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.

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 enterprise fund is charges for customer services. Operating expenses for enterprise funds 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.

D. Assets, Deferred Outflows, Less Liabilities, Deferred Inflows, and Net Position or Equity
Cash and Temporary Investments

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

State statutes authorize the Authority to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures in order to reserve that portion of the applicable appropriation, is not employed

F. Accounts Receivable

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

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

H. Capital Assets

Per Section 12-6-10 NMSA 1978, capital assets are defined as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the costs of capital assets under construction.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Years
Auto	7
Landfill	20
Landfill - Land	99
Transfer Station	20
Buildings	30
Equipment and Machinery	5,7 ,10 and 15

I. Compensated Absences

Full time employees of the Authority are entitled to accumulate vacation and sick leave. Leave is granted according to a graduated leave schedule, depending on length of service, the employee's hire date and the employee's employment status. Upon termination, employees will be paid for accrued annual leave, but not for sick leave. Vested benefits are calculated using the employee pay rates and applicable employer payroll taxes.

J. Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

K. Net Position

In the Statement of Net Position, net position is displayed in three components:

Net investment in capital investments

Consists of capital assets included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted net position

All other items of net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

L. 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 affecting the Authority's financial statements include management's estimate of the useful lives of capital assets and the estimated liability for landfill closure costs.

M. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; injuries to employees; and natural disasters. The Authority is insured through a commercial insurance agency for all insurable risks and employee benefits. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage.

N. Revenues

The Authority opened the McKinley County transfer station on October 1, 1996. The tipping fee at this site is $42.00 per ton, with a minimum charge of $7.00. The Red Rock Landfill was opened by the Authority on January 2, 1996. The tipping fee at this site is $35.00 per ton with a minimum charge of $7.00. The Authority opened the Cibola County transfer station in July 1997. The tipping fee at this site is $42.00 per ton, with a minimum charge of $7.00. The Authority operates convenience centers in Cibola County. The Authority considers tipping fees and other solid waste related revenue as operating revenue.

O. Budgets and Budgetary Accounting

The annual budget is adapted based on the cash basis of accounting. An annual appropriated budget was adopted for the proprietary fund. The budget was approved by the Board of Directors and the New Mexico Department of Finance and Administration. Any amendments would be approved by both the Board of Directors by resolution and the New Mexico Department of Finance and Administration. Formal budgetary integration is employed as a management control device during the year for the proprietary fund. The budgetary control is performed by the Authority at the fund level.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Northwest New Mexico Regional Solid Waste Authority has the following deferred outflows of resources during fiscal year 2017.

Deferred Outflows of Resources		2017
Pension deferrals	$	873,023
Total deferred outflows of resources	$	873,023

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The Northwest New Mexico Regional Solid Waste Authority has the following deferred outflows of resources during fiscal year 2017.

Deferred Inflows of Resources		2017
Pension deferrals	$	72,342
Total deferred inflows of resources	$	72,342

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 pool, money market accounts, and United States Government obligations. All invested funds of the Authority property followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Authority. 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 statements.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposits.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States Government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The collateral pledged is listed in the table of contents 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, authority or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, 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 $250,000 coverage for public unit demand deposits at the same institution. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions were fully guaranteed, regardless of dollar amount.

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority has adopted its own formal policy on managing custodial credit risk, the requirements of which exceeds state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The Authority's policy requires 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 100% of the amount on deposit with the institution that is considered uninsured, and the collateral is held by pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements as well as the requirements of the Authority's policy in reporting the insured portion of the deposits.

		Washington Federal Bank	US Bank	Grants State Bank	Total
Total amount of deposits	$	1,756,716	142,237	1,827,622	3,726,575
FDIC coverage		(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	$	1,506,716	(107,763)	1,577,622	2,976,575
Collateral requirement (100% of uninsured public funds)	$	1,506,716	(107,763)	1,577,622	2,976,575
Pledged security		1,807,868	-	1,941,656	3,749,524
Total under (over) collateralized	$	(301,152)	(107,763)	(364,034)	(772,949)

Depository accounts in financial institutions which are exposed to custodial credit risk are as follows:

		Washington Federal Bank	Grants State Bank	Total
Total amount of deposits	$	1,756,716	1,827,622	3,584,338
FDIC coverage		(250,000)	(250,000)	(500,000)
Total uninsured public funds		1,506,716	1,577,622	3,084,338
Pledged security		1,807,868	1,941,656	3,749,524
Total under (over) collateralized	$	(301,152)	(364,034)	(665,186)

Additionally, the Authority has accounts restricted for debt service which are managed by the New Mexico Finance Authority (NMFA), and are on deposit with the State Treasurer's office in the name of NMFA for the benefit of the Authority.

These accounts are exposed to custodial credit risk as follows:

	NMFA
Reserve Funds Payable	$ 331,903
Debt Service Funds	100,901
Total NMFA Funds	$ 432,804

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The Authority has no formal policy limiting the amount of investments or deposits at any single institution or with any single issuer, but is not susceptible to concentration of credit risk.

B. Fair Values Measurement (GASB 72)

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

The Authority holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Authority's mission, the Authority determines that the disclosures related to these investments only need to be disaggregated by major type. The Authority chooses a table format for the fair value disclosures.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1
Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

Level 2
Are significant other observable inputs

a) Quoted prices for similar assets or liabilities in active markets.
b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
c) Inputs other than quoted prices that are observable for the asset or liability, such as:
    1. Interest rates and yield curves observable at commonly quoted intervals,
    2. Implied volatilities, and
    3. Credit spreads.
b) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3
Are significant unobservable inputs for an asset or liability (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

The Authority has the following recurring fair value measurements as of June 30:

		Level 1
Washington Federal Bank - Certificate of Deposit	$	1,212,030
Total	$	1,212,030

C. Washington Federal Bank

The Washington Federal Bank accounts are restricted for landfill post-closure and closure costs.

State of New Mexico 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, the amount of which is considered uninsured and the collateral is held by pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

		Washington Federal Bank
Depository account	$	508,653
Certificate of deposit		1,212,030
Money market account		36,033
Total Washington Federal Bank accounts		1,756,716
FDIC coverage		(250,000)
Total uninsured public funds	$	1,506,716
Collateral requirement (100% of uninsured public funds)	$	1,506,716
Pledged security		1,807,868
Total under (over) collateralized	$	(301,152)

D. Credit Quality Risk

This is the risk related to the credit worthiness of the institution. The Authority's investments in Washington Federal Bank are unrated.

E. Custodial Credit Risk

This is the risk that in the event of the failure of the bank, the Authority will not be able to recover the value of its investment. The Authority is exposed to custodial credit risk as follows:

	Washington Federal Bank
Depository account	$ 508,653
Certificate of deposit	1,212,030
Money market account	36,033
Total Washington Federal Bank accounts	1,756,716
FDIC coverage	(250,000)
Total uninsured public funds	1,506,716
Pledged security	1,807,868
Total under (over) collateralized	$ (301,152)

F. Interest Rate Risk

This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investment maturities for the Authority's Washington Federal Bank accounts are one year or less.

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable are comprised of amounts due from credit customers in the amount of $482,204, less $24,244 that is considered uncollectible and is included as an allowance for doubtful accounts. The net amount of accounts receivable at June 30, 2017 is $457,960.

NOTE 5—INVENTORY

The operation inventory consists of filters, hoses, and miscellaneous parts needed on a regular basis for repair and maintenance of all Authority owned vehicles, trucks and equipment. The inventory also includes stock fuel and lubricants. Upon receipt of the items, they are entered into current inventory stock at cost. When an item is used, it is deducted from the current stock. The Authority uses the First-In First-Out (FIFO) method for inventory valuation.

NOTE 6—PREPAID EXPENSES

The Authority has insurance policies that are paid in advance and are expensed monthly. The portion of insurance expense not used by June 30, 2017 is $19,510.

NOTE 7—CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows:

Capital Asset Description	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Construction in progress	$ 706	99,805	-	**100,511**
Total capital assets not being depreciated	706	99,805	-	**100,511**
Capital assets being depreciated:				
Landfill	10,062,438	-	-	**10,062,438**
Transfer stations	1,533,884	36,842	-	**1,570,726**
Buildings	596,947	-	-	**596,947**
Furniture, fixtures and equipment	5,622,840	914,658	(905,900)	**5,631,598**
Vehicles	263,480	39,253	-	**302,733**
Total capital assets being depreciated	18,079,589	990,753	(905,900)	**18,164,442**
Less accumulated depreciation:				
Landfill	(6,856,861)	(288,594)	-	**(7,145,455)**
Transfer stations	(1,357,874)	(29,249)	-	**(1,387,123)**
Buildings	(285,282)	(20,272)	-	**(305,554)**
Furniture, fixtures and equipment	(3,082,259)	(381,895)	558,101	**(2,906,053)**
Vehicles	(144,834)	(29,685)	-	**(174,519)**
Total accumulated depreciation	(11,727,110)	(749,695)	558,101	**(11,918,704)**
Total capital assets (net)	$ 6,353,185	340,863	(347,799)	**6,346,249**

Depreciation expense for the year ended June 30, 2017 was $749,695.

NOTE 8—LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the statement of net position:

	2016	Additions	Retirements	2017	Due within one year
NMFA loan	$ 2,023,846	-	(325,730)	**1,698,116**	**328,954**
Compactor loan	-	278,635	(33,471)	**245,164**	**138,412**
Compensated absences	62,651	82,808	(45,491)	**99,968**	**79,974**
Net pension liability	1,515,106	874,783	(116,414)	**2,273,475**	**-**
Total Long-Term Debt	$ 3,601,603	1,236,226	(521,106)	**4,316,723**	**547,340**

NMFA Refunding Loan

The refunding loan balance outstanding at June 30, 2017 is with a blended interest rate of 1.623% and terms involving semi-annual interest payments, annual principal payments, with the final payment due May 1, 2022.

Compactor Loan

The compactor loan balance outstanding at June 30, 2017 is with an interest rate of 3.2% and terms involving monthly interest payments and principal payments, with the final payment due April 1, 2019.

Annual debt service requirements to maturity for the refunding loan are as follows:

Fiscal Year		Principal	Interest	Total
2018	$	467,366	37,230	504,596
2019		440,016	28,581	468,597
2020		338,696	21,893	360,589
2021		344,962	15,627	360,589
2022		352,240	8,348	360,588
Total	$	1,943,280	111,679	2,054,959

NOTE 9—<u>ECONOMIC DEPENDENCE – CUSTOMER BASE</u>
The Authority's five largest customers account for the following in tipping fee revenue as of June 30, 2017.

Top 5 Customers	Percentage
City of Gallup	18%
Bio-Pappel International, Inc.	18%
Waste Management	12%
Navajo Sanitation	6%
CHM2	5%
Total	59%

NOTE 10—<u>CLOSURE AND POST-CLOSURE CARE COSTS</u>
State and federal laws and regulations require the Authority to place a final cover on its regional landfill site when it stops accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure and post-closure care costs are recognized throughout the initial 20-year period of operation based on the amount of the landfill used during the year.

In accordance with GASB Statement No. 18, the estimated liability for landfill closure and post closure care costs has a balance of $322,205 as of June 30, 2017, which is based on 23.76% usage of the landfill. The Authority will recognize the remaining estimated cost of closure and post-closure care of $1,239,315 between the date of the statement of net position and the date the landfill stops accepting waste. The remaining estimated cost of closure and post closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2017. Actual costs may be higher 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 a trust to finance closure and post-closure care. Management believes the Authority is in compliance with these requirements, and, at June 30, 2017, investments of $1,212,030 are held for these purposes. These are reported as restricted assets on the statement of net position. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined, due to changes in technology or applicable laws or regulations, for example, these costs may need to be covered by charges to future landfill uses or from future tax revenue.

NOTE 11—<u>RISK MANAGEMENT</u>
The Authority is exposed to various risks of loss related to torts; theft or damage to and destruction of assets, errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 12—PENSION PLAN AND POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description – *Public Employees Retirement Fund* is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the Public Employees Retirement Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

Benefits provided – Benefits are generally available at age 65 with five or Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's publicly available financial report and comprehensive annual financial report obtained at http://saonm.org/ using the Audit Report Search function for agency 366, for the employer and employee contribution rates in effect for fiscal year 2017.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – Municipal General Division;** At June 30, 2017, the Authority reported a liability of $2,273,475 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Authority's proportion was 0.15%, which was an increase of 0.01% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized PERA Fund Division; Municipal General Division pension expense of $246,543. At June 30, 2017, the Authority reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	113,592	22,188
Changes of assumptions		133,313	378
Net difference between projected and actual earnings on pension plan investments		418,315	-
Change in proportion and differences between the Authority's contributions and proportionate share of contributions		88,155	49,776
The Authority contributions subsequent to the measurement date		119,648	-
Total	$	873,023	72,342

$119,648**242,743**242,743 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		Amount
2018	$	(163,553)
2019		(163,553)
2020		(249,531)
2021		(104,396)
2022		-
Thereafter		-

Actuarial assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair Value
Actuarial assumptions	
Investment rate of return	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25 annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	Includes inflation at 2.25% for the first 10 years and 2.75% thereafter
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

Discount rate – A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This rate was an increase from the fiscal year 2016 rate of 7.45%. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate – The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the employer name's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

PERA Fund Division - Municipal General Division	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
The Authority's proportionate share of the net pension liability	$ 3,389,550	$ 2,273,475	$ 1,347,747

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial reports, available at http://www.nmpera.org/.

NOTE 13—POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing Authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2017, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2017, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Authority's contributions to the RHCA for the years ended June 30, 2017, 2016 and 2015 were $25,573, $25,687 and $24,801, respectively, which equal the required contributions for each year.

NOTE 14—RELATED PARTY TRANSACTIONS
During the year ended June 30, 2017, the Authority purchased fuel and supplies from a related party, Carver Oil Company. Expenditures related to this vendor totaled $348,371 during the year ended June 30, 2017, and amounts payable at year end were $686.

NOTE 15—RESTATEMENT
The following restatement was made:

Description		2017
GASB Statement No. 82 requires a restatement of employer "pickup" contributions that are now considered employee contributions for purposes of calculations of the employer allocation percentage in GASB Statement No. 68 entries. As a result, Deferred Outflows were restated	$	(124,833)
Total restatement	$	(124,833)

NOTE 16—EVALUATION OF SUBSEQUENT EVENTS
Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Authority recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Authority's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Authority has evaluated subsequent events through October 12, 2017 which is the date the financial statements were available to be issued.

The Authority experienced a fire at the McKinley Transfer station on August 18, 2017. Damage to the building is estimated to be $150,000. Damage to the equipment is estimated to be $50,000. The building and equipment were covered by insurance, which should be sufficient to cover all costs incurred. There was not any loss of revenue.

The Authority is installing a new cell in FY 18, which should be operational by FY 19. The amount budgeted is $1,000,000. No new debt is expected to be incurred for the new cell.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
PROPORTIONATE SHARE OF NET PENSION LIABILITY OF PERA FUND DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
Last 10 Fiscal Years*

		2017	2016	2015
		Measurement Date as of		
		June 30, 2016	June 30, 2015	June 30, 2014
The Authority's proportion of the net pension liability (asset) (%)		0.14%	0.15%	0.13%
The Authority's proportionate share of the net pension liability (asset) ($)	$	2,273,475	1,515,106	1,039,103
The Authority's covered payroll	$	1,335,937	1,401,400	1,236,057
The Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		170.18%	108.11%	84.07%
Plan fiduciary net position as a percentage of the total pension liability		69.18%	76.99%	81.29%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement’s requirements became effective

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
Last 10 Fiscal Years*

		2017	2016	2015
Contractually required contribution	$	119,648	121,116	116,914
Contributions in relation to the contractually required contribution		119,648	121,116	116,914
Contribution deficiency (excess)	$	-	-	-
The Authority's covered payroll	$	1,444,752	1,335,937	1,401,400
Contributions as a percentage of covered payroll		8.28%	9.07%	8.34%

**Governmental Accounting Standards Board Statement 68* requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2017

Changes of Benefit Terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. https://www.saonm.org

Changes of Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at http://www.nmpera.org/

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF DEPOSITS AND INVESTMENTS
As of June 30, 2017

Name/Account Type		Balance Per Bank June 30, 2017	Add Deposits in Transit	Less Outstanding Checks	Balance Per Books June 30, 2017
Depository Accounts:					
US Bank					
Operating, non-interest bearing checking	$	133,791	-	(47,488)	86,303
Payroll, non-interest bearing checking		60,960	-	(6,059)	54,901
Cash Bond, interest bearing savings		1,033	-	-	1,033
Grants State Bank					
EGRT, interest bearing checking		410,835	-	-	410,835
Grants State Bank Operating		1,427,894	2,842	(13,949)	1,416,787
Washington Federal					
EAA, interest bearing savings		508,653	-	-	508,653
Total Depository Accounts		**2,543,166**	**2,842**	**(67,496)**	**2,478,512**
Restricted Accounts:					
NMFA Refunding Loan - Reserve Account		331,903	-	-	331,903
NMFA Refunding Loan - Debt Service Account		100,901	-	-	100,901
Landfill Post Closure - Money Market		36,033	-	-	36,033
Total Restricted Accounts - NMFA		**468,837**	**-**	**-**	**468,837**
Petty Cash and Undeposited Funds		1,200	-	-	1,200
Total Cash and Cash Equivalents		**3,013,203**	**2,842**	**(67,496)**	**2,948,549**
Washington Federal-Restricted					
Landfill Post Closure - Certificate of Deposit		1,212,030	-	-	1,212,030
Total Washington Federal		**1,212,030**	**-**	**-**	**1,212,030**
Total Investments	$	**1,212,030**	**-**	**-**	**1,212,030**

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
As of June 30, 2017

Name of Depository	Description of Pledged Collateral	Market / Par Value June 30, 2017	Name and Location of Safekeeper
Grants State Bank	FHLMC 775209 VR CUSIP #31348PYE4 2.08%, Due 03/01/2018	$ 2	The Independent Bankers Bank Dallas TX
Grants State Bank	Gadsden NM ISD #16 CUSIP #362550MN2 2% , Due 08/15/2020	204,756	The Independent Bankers Bank Dallas TX
Grants State Bank	Gallup McKinley Co NM SD #1 BQ CUSIP #364010RH3 2%, Due 08/01/2019	50,802	The Independent Bankers Bank Dallas TX
Grants State Bank	LOS LUNAS NM SD#1 BQ CUSIP #545562QE3 2%, Due 07/15/2018	100,793	The Independent Bankers Bank Dallas TX
Grants State Bank	Grant Co NM Gross Receipts Tax CUSIP #387770BM1 3%, due 07/01/2021	159,792	The Independent Bankers Bank Dallas TX
Grants State Bank	Grant Co NM Gross Receipts Tax CUSIP #387770BN9 3%, due 07/01/2022	166,470	The Independent Bankers Bank Dallas TX
Grants State Bank	Grants & Cibola CNTYS NM SD #1 CUSIP #388240HA4 2% Due 10/01/2021	235,147	The Independent Bankers Bank Dallas TX
Grants State Bank	Grants & Cibola CNTYS NM SD #1 CUSIP #388240HB2 2% Due 10/01/2022	245,849	The Independent Bankers Bank Dallas TX
Grants State Bank	Grants & Cibola CNTYS NM SD #1 CUSIP #388240EJ8 4.35% Due 11/15/2017	202,255	The Independent Bankers Bank Dallas TX
Grants State Bank	Ventana W NM Public IMPT DIST CUSIP #92276PAP3 4% Due 8/1/2021	280,283	The Independent Bankers Bank Dallas TX
Grants State Bank	Ventana W NM Public IMPT DIST CUSIP #92276PAQ1 4% Due 8/1/2022	295,507	The Independent Bankers Bank Dallas TX
Total, Grants State Bank		**$ 1,941,656**	
Washington Federal	FNMA PL#BC2636 CUSIP #3140EW4W2 3%, Due 11/1/2046	1,807,868	
Total, Washington Federal		**$ 1,807,868**	
Total Pledged Collateral		**$ 3,749,524**	

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
State of New Mexico
Northwest New Mexico Regional Solid Waste Authority
and
Mr. Wayne Johnson
New Mexico State Auditor
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and budgetary comparison presented as supplemental information of Northwest New Mexico Regional Solid Waste Authority (the Authority) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Purpose of this Report

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

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.
Albuquerque, NM
October 12, 2017

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2017

Reference #	Finding	Status of Current and Prior Year Findings	Type of Finding
	Prior Year Findings		
2014-005	Disposal of Property	**RESOLVED**	D
	Current Year Findings		
NONE			

<u>* Legend for Type of Findings</u>

A	Material Weakness in Internal Control Over Financial Reporting
B	Significant Deficiency in Internal Control Over Financial Reporting
C	Other Matters Involving Internal Control Over Financial Reporting
D	Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None

Exit Conference
For the Year Ended June 30, 2017

An exit conference was held in a closed session on October 12, 2017. Present at the exit conference were:

For the Northwest New Mexico Regional Solid Waste Authority:

Larry Carver, Chairman
Billy Moore, Executive Director
Martha Briggs, Accountant

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE, CGMA, Managing Shareholder

PREPARATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements of the Authority have been prepared by Hinkle + Landers, P.C., the Authority's independent public auditors, however, the financial statements are the responsibility of management.