



# 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, 2013**



**STATE OF NEW MEXICO**  
**NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY**  
**Independent Auditors' Report and**  
**Financial Statements**  
**For The Year Ended June 30, 2013**

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**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY  
Official Roster  
As Of June 30, 2013**

<b>Name</b>	<b>Title</b>
<b>BOARD OF DIRECTORS</b>	
Larry Carver	Chairman
Josie Blea	Treasurer
Sara Keeler	Vice-Chairman
Lance Allgood	Member
Tony Gallegos	Member
Cecil Garcia	Member
Joe Murietta	Member
Carol Muskett	Member
<b>ADMINISTRATIVE OFFICIALS</b>	
Billy Moore	Executive Director
Martha Briggs	Accountant

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
State of New Mexico  
Northwest New Mexico Regional Solid Waste Authority  
and  
Mr. Hector H. Balderas  
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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the *Government Accounting Standards Board*, as of and for the year ended June 30, 2013, 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.

### **Auditors' 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 auditors' 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, 2013, 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.

**Other Matters**

**Required Supplementary 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.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the budgetary comparison. The other schedules required by 2.2.2.NMAC listed as “other supplemental information” in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The other schedules required by 2.2.2.NMAC listed as “other supplemental information” 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 the auditing standards generally accepted in the United States of America. In our opinion, the additional schedules listed as “other supplemental information” are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated November 21, 2013, 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.  
Albuquerque, NM  
November 21, 2013

**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO  
REGIONAL SOLID WASTE AUTHORITY  
STATEMENT OF NET POSITION  
June 30, 2013**

	<b>Business-Type Activities</b>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	\$ 804,588
Accounts receivable, less allowance for uncollectible amounts of \$24,577	478,441
Investments - restricted	1,451,639
Operations inventory	95,581
Prepaid expenses	13,756
Total Current Assets	2,844,005
Noncurrent Assets	
Capital assets	16,854,886
Less: accumulated depreciation	(9,352,020)
Net capital assets	7,502,866
Total Noncurrent Assets	7,502,866
Total Assets	\$ 10,346,871
 <b>LIABILITIES AND NET POSITION</b>	
Current Liabilities	
Accounts payable	\$ 18,911
Wages, payroll taxes, and benefits payable	72,834
Gross receipts taxes payable	13,944
Accrued interest and fees	6,780
Current maturities of accrued compensated absences	53,925
Current maturities of loans	319,906
Total Current Liabilities	486,300
Long-Term Liabilities	
Loans payable, net of current maturities	2,668,016
Estimated liability for landfill closure costs	177,463
Total Long-Term Liabilities	2,845,479
Total Liabilities	3,331,779
Net Position	
Investment in capital assets	4,514,944
Restricted for:	
Debt service	329,310
Landfill closure	1,030,236
Unrestricted	1,140,602
Total Net Position	7,015,092
Total Liabilities and Net Position	\$ 10,346,871

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, 2013**

***Operating Revenues:***

Tipping fees	\$ 3,594,972
Miscellaneous income	77,854
State revenue - special projects	22,437
<i>Total operating revenues</i>	3,695,263

***Operating Expenses:***

Personnel services	1,236,839
Employee benefits	451,978
Contractual services	72,251
Repairs and maintenance	355,595
Insurance	81,318
Utilities	57,570
Supplies	168,045
Fuel and Oil	570,394
Rent	13,262
Depreciation	807,335
Other	213,611
<i>Total operating expenses</i>	4,028,198

*Operating loss* (332,935)

***Non-operating revenues (expenses)***

Interest income	6,136
Gain on disposal of assets	89,500
Debt service - interest	(42,099)
<i>Total non-operating revenues (expenses)</i>	53,537

*Net loss before contributions* (279,398)

*Contributions of capital* 715,255

*Change in net position* 435,857

*Net position beginning of year* 6,579,235

*Net position end of year* \$ 7,015,092



**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO  
REGIONAL SOLID WASTE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013**

<b><i>Cash Flows from Operating Activities</i></b>	
Cash received from customers	\$ 3,698,256
Cash payments to employees and suppliers	<u>(3,152,030)</u>
<i>Net cash provided by operating activities</i>	<u>546,226</u>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
Capital contributed by members	715,255
Purchase of capital assets	(2,127,145)
Repayment of long-term debt	(356,874)
Interest and fees paid on long-term debt	(38,758)
<i>Net cash used by capital and related financing activities</i>	<u>(1,807,522)</u>
<b><i>Cash Flows from Investing Activities</i></b>	
Interest on investments and deposits	<u>6,136</u>
<i>Net cash provided by investing activities</i>	<u>6,136</u>
<i>Net decrease in cash and cash equivalents</i>	<u>(1,255,160)</u>
<i>Cash and cash equivalents, beginning of period</i>	3,511,387
<i>Cash and cash equivalents, end of period</i>	<u>\$ 2,256,227</u>
<i>Operating loss</i>	\$ (332,935)
<b><i>Adjustments to reconcile operating loss to net cash provided by operating activities</i></b>	
Depreciation	807,335
Increase in landfill closure and postclosure cost estimate	-
Changes in assets and liabilities	
Accounts receivable	2,993
Operations inventory	(14,801)
Prepaid expenses	(1,217)
Other noncurrent assets	105,982
Accounts payable	(26,013)
Accrued expenses	2,955
Other noncurrent liabilities	1,927
<i>Total adjustments</i>	<u>879,161</u>
<i>Net cash provided by operating activities</i>	<u>\$ 546,226</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
**NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**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.

**STATE OF NEW MEXICO**  
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**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**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, deferred outflows, liabilities, and deferred inflows resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows 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-

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**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

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, 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.

**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

**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

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

**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.

**STATE OF NEW MEXICO**  
**NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

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:

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

**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.

**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. Bond premiums and discounts, are expensed per guidance of GASB 65.

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

**Investment in capital assets, net of related debt:** 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.

**Deferred Outflows/Inflows of Resources:** In addition to assets, the statement of net position for the business-type fund 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 that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority had no deferred outflows of resources during fiscal year 2013.

In addition to liabilities, the statement of net position for the business-type fund 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 that applies to a future period and so will not be recognized until then. The Authority had no deferred inflows of resources during fiscal year 2013.

**STATE OF NEW MEXICO**  
**NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

***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.

**E. 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.

**F. 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.

**G. 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.

**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, 2013.

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.

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**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

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 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.

All of the investments of the Authority at June 30, 2013 were in short-term investments with a maturity date within a year of the date acquired by the Authority or in the State Treasurer's pooled investments. The investments are stated at cost, which also approximates market value.

**Deposits**

*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, 2013, \$291,332 of the Authority's bank balance of \$942,661 was exposed to custodial credit risk as the amount was uninsured and the collateral was held by the pledging bank's trust department, but not in the Authority's name. The carrying amount of deposits was \$801,244, and the total cash on hand plus undeposited cash was \$3,344. NM 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. 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.

	<b>Washington Federal Bank</b>	<b>US Bank</b>	<b>Grants State Bank</b>	<b>Total</b>
Total amount of deposits	\$ 151,329	532,081	259,251	942,661
FDIC coverage	(151,329)	(250,000)	(250,000)	(651,329)
Total uninsured public funds	<u>-</u>	<u>282,081</u>	<u>9,251</u>	<u>291,332</u>
Collateral requirement (50% of uninsured public funds)	-	141,041	4,626	145,667
Pledged security	699,695	385,759	100,030	1,185,484
Total under (over) collateralized	<u>\$ (699,695)</u>	<u>(244,718)</u>	<u>(95,404)</u>	<u>(1,039,817)</u>

*Credit Risk* - The Authority has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better ratings, asset backed obligations with an AAA or better rating, or repurchase agreements.

*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.

**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY  
Notes to Financial Statements  
For the Year Ended June 30, 2013**

**Investments**

As of June 30, 2013, the Authority had the following investments:

Certificate of deposit, US Bank	\$	1,075
Certificate of deposit, Washington Federal Bank		1,015,524
Savings account, Washington Federal Bank		14,712
State Treasurer, landfill closure fund and reserve account		384
Bank of New York, NMFA investment accounts		419,944
Total	\$	1,451,639

Some of the investments held at the Bank of New York are restricted for debt service (\$328,927). The investments held by the State Treasurer are restricted for debt service (\$384), and certain disclosures related to the State Treasurer Local Government Investment Pool (LGIP) have not been disclosed due to the immateriality of the account. The Washington Federal Bank accounts are restricted for landfill closure costs (\$1,030,236).

The closure sinking fund is invested with the LGIP, which is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Section 6-10-10 I through 6-10-10 O and Sections 6-10-10-1 A and E, NMSA 1978. The investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

LGIP does not have unit shares. Per Section 6-10-10.1 F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in this pool is voluntary. The independent auditors' report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditors' report on compliance and internal controls are available from the New Mexico State Treasurer, 2019 Galisteo Street, Building K, Santa Fe, New Mexico 87504, upon written request.

*Interest rate risk* is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if 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. The LGIP's policy is to invest in securities with an average maturity of less than 182 days, or a 0.5 yearly average term. At June 30, 2013, the Authority's investment of New MexiGROW LGIP had a credit risk rating of AAAM and a 59-day WAM(R) and a 90-day WAM(F).

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are comprised of amounts due from credit customers in the amount of \$503,018, less \$24,577 that is considered uncollectible and is included as an allowance for doubtful accounts. The net amount of accounts receivable at June 30, 2013 is \$478,441.

**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.



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**Notes to Financial Statements**  
**For the Year Ended June 30, 2013**

**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, 2013 is \$13,756.

**NOTE 7 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows:

<b>Capital Asset Description</b>	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Balance June 30, 2013</b>
<b>Capital assets being depreciated:</b>					
Construction in Progress	\$ 933	-	-	(933)	-
Landfill	8,373,415	1,589,359	-	933	9,963,708
Transfer stations	1,440,855	-	-	-	1,440,855
Buildings	587,215	-	-	-	587,215
Furnitures, fixtures and equipment	4,238,611	531,184	(187,690)	57,145	4,639,250
Vehicles	127,757	96,101	-	-	223,858
Total capital assets being depreciated	<u>14,768,786</u>	<u>2,216,644</u>	<u>(187,690)</u>	<u>57,145</u>	<u>16,854,886</u>
Less accumulated depreciation:					
Landfill	(5,118,772)	(417,567)	-	-	(5,536,339)
Transfer stations	(1,065,808)	(72,043)	-	-	(1,137,851)
Buildings	(205,678)	(19,112)	-	-	(224,790)
Furnitures, fixtures and equipment	(2,200,697)	(274,919)	187,690	(57,145)	(2,345,071)
Vehicles	(84,275)	(23,694)	-	-	(107,969)
Total accumulated depreciation	<u>(8,675,230)</u>	<u>(807,335)</u>	<u>187,690</u>	<u>(57,145)</u>	<u>(9,352,020)</u>
Total capital assets (net)	<u>\$ 6,093,556</u>	<u>1,409,309</u>	<u>-</u>	<u>-</u>	<u>7,502,866</u>

Depreciation expense for the year ended June 30, 2013 was \$807,335.

**NOTE 8 – LONG-TERM DEBT**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the statement of net position:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>	<b>Due within one year</b>
<b>Loans:</b>					
NMFA refunding loan	\$ 3,280,632	-	(292,710)	2,987,922	319,906
<b>Capital leases:</b>					
Compactor capital lease	64,164	-	(64,164)	-	-
<b>Compensated absences</b>	<u>51,998</u>	<u>73,492</u>	<u>(71,565)</u>	<u>53,925</u>	<u>53,925</u>
<b>Total Long-Term Debt</b>	<u>\$ 3,396,794</u>	<u>73,492</u>	<u>(428,439)</u>	<u>3,041,847</u>	<u>373,831</u>

**NMFA Refunding Loan**

During the year ended June 30, 2012, the Authority issued \$3,280,632 in refunding bonds, with a blended interest rate of 1.623 percent, to advance refund \$2,090,496 of outstanding bonds, with interest rates ranging from 3.0 to 5.8822 percent. This advance refunding was undertaken to reduce debt service payments in the short term to improve operational cash flow. The refunding also resulted in net present value savings

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of \$36,362. Finally, the refunding provided additional funds to allow the Authority to construct a new waste disposal cell.

The refunding loan balance outstanding at year-end is in the amount of \$2,987,922, with a blended interest rate of 1.623% and terms involving semi-annual interest payments, annual principal payments, with the final payment due in May 2022.

Annual debt service requirements to maturity for the refunding loan, including interest of \$257,375 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 319,906	40,683	360,589
2015	321,154	39,435	360,589
2016	323,016	37,572	360,588
2017	325,730	34,859	360,589
2018	328,954	31,635	360,589
2019-2022	1,369,162	73,191	1,442,353
Total	<u>\$ 2,987,922</u>	<u>257,375</u>	<u>3,245,297</u>

In 2008, the Authority entered into a lease purchase agreement for the lease purchase of a compactor to be used in operations. The purchase price of the compactor was \$778,245; the Authority financed \$500,000. The lease was paid in full during the fiscal year.

The Authority employees are paid for vacation time and absence due to sickness by prescribed formulas. The employees accrue sick and vacation leave each pay period. Employees must be employed by the Authority for one year to accrue vacation leave. Vacation leave vests with employees, sick leave does not. Vested benefits as of June 30, 2013 were \$53,925. Vested benefits are calculated using the employee pay rates and applicable employer payroll taxes.

**NOTE 9 – ECONOMIC DEPENDENCE – CUSTOMER BASE**

The Authority’s five largest customers account for approximately 66% of the tipping fee revenue as of June 30, 2013. These customers are City of Gallup, Bio Pappel, Souers Construction, Navajo Sanitation and Waste Management.

**NOTE 10 – CLOSURE AND POST-CLOSURE CARE COSTS**

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.

The estimated liability for landfill closure and post closure care costs has a balance of \$177,463 as of June 30, 2013, which is based on 17.74% usage of the landfill. The Agency will recognize the remaining estimated cost of closure and post-closure care (total of \$1,000,560) between the date of the balance sheet and the date the landfill stops accepting waste. The estimated total current cost of the landfill closure and post closure care of \$1,000,560 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, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

In accordance with GASB Statement No. 18, the estimated total current cost of closure and post-closure care is applied to the percentage of the landfill consumed to date (17.74% as of June 30, 2013), resulting in a liability for landfill closure costs of \$177,463 as of June 30, 2013.

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The Agency 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 Agency is in compliance with these requirements, and, at June 30, 2013, investments of \$1,030,236 are held for these purposes. These are reported as restricted assets on the balance sheet. The Agency 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 – RISK MANAGEMENT**

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 – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

***Plan Description.*** Substantially all of the Northwest New Mexico Regional Solid Waste Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (PERA) (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico, 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.*** The Authority is affiliated under Municipal General Member Coverage Plan 3. Plan members are required to contribute 13.15% of their gross salary. The Northwest New Mexico Regional Solid Waste Authority is required to contribute 9.15% of the gross covered salary. The Authority passed a resolution electing to be responsible for making contributions of 75% of the employees' member contributions (9.86%). The contribution requirements of plan members and the Northwest New Mexico Regional Solid Waste Authority are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The Authority's contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$196,814, \$190,430 and \$183,954, respectively, which equal the amount of the required contributions for each fiscal year.

**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

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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](http://www.nmrhca.state.nm.us).

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. During the fiscal year ending June 30, 2013, the statute required each participating employer to contribute 2.000% of each participating employee's annual salary; each participating employee was required to contribute 1.000% of their salary.

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Authority's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$20,524, \$18,906 and \$13,665, respectively, which equal the required contributions for the years.

**NOTE 14 – RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2013, the Authority purchased fuel and supplies from a related party, Carver Oil Company. Expenditures related to this vendor totaled \$636,886 during the year ended June 30, 2013 and amounts payable at year end were \$975.

**NOTE 15 – CONTINGENT LIABILITIES**

**Lawsuits** - The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Authority's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

**NOTE 16 – COMMITMENTS**

Below is a summary list of the Authority's projects.

<u>Project</u>	<u>Contract Type</u>	<u>Price</u>	<u>% of Completion</u>
Gordon Environmental Inc.	Professional services	\$ <u>28,000</u>	51%

**NOTE 17 – 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,

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**For the Year Ended June 30, 2013**

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 November 21, 2013, which is the date the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO  
REGIONAL SOLID WASTE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION, BUDGET TO ACTUAL (NON GAAP BASIS)  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues:</b>				
Tipping fees	\$ 3,550,000	\$ 3,550,000	3,594,972	\$ 44,972
Miscellaneous income	50,000	50,000	77,854	27,854
Special projects revenue	150,000	150,000	22,437	(127,563)
<i>Total operating revenues</i>	<u>3,750,000</u>	<u>3,750,000</u>	<u>3,695,263</u>	<u>(54,737)</u>
<b>Operating Expenses:</b>				
Personnel services	1,400,000	1,400,000	1,236,839	163,161
Employee benefits	590,000	590,000	451,978	138,022
Contractual services	240,000	163,800	72,251	91,549
Repairs and maintenance	960,000	1,150,000	355,595	794,405
Insurance	95,000	95,000	81,318	13,682
Utilities	58,000	58,000	57,570	430
Supplies	137,500	137,500	168,045	(30,545)
Fuel and Oil	-	-	570,394	(570,394)
Rent	100,000	15,000	13,262	1,738
Other	239,000	239,000	213,611	25,389
Increase (decrease) in landfill liability	-	-	-	-
<i>Total operating expenses</i>	<u>3,819,500</u>	<u>3,848,300</u>	<u>3,220,863</u>	<u>627,437</u>
<i>Operating gain (loss)</i>	<u>(69,500)</u>	<u>(98,300)</u>	<u>474,400</u>	<u>572,700</u>
<b>Non-operating revenues (expenses)</b>				
Interest income	5,000	5,000	6,136	1,136
Gain on disposal of assets	-	-	89,500	-
Debt service - interest	(162,300)	(133,500)	(42,099)	91,401
<i>Total non-operating revenues (expense)</i>	<u>(157,300)</u>	<u>(128,500)</u>	<u>53,537</u>	<u>92,537</u>
<i>Net loss before contributions</i>	<u>(226,800)</u>	<u>(226,800)</u>	<u>527,937</u>	<u>665,237</u>
<i>Contributions of capital</i>	<u>660,000</u>	<u>660,000</u>	<u>715,255</u>	<u>55,255</u>
<i>Change in net position</i>	<u>\$ 433,200</u>	<u>\$ 433,200</u>	<u>\$ 1,243,192</u>	<u>\$ 720,492</u>

**Reconciliation to Statement of Revenue, Expenses and Changes in Net Position**

Change in net position-budget basis	1,243,192
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis	(807,335)
Change in net position-business type activity - full accrual basis	<u>\$ 435,857</u>

**OTHER SUPPLEMENTAL INFORMATION**



**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO  
REGIONAL SOLID WASTE AUTHORITY  
SCHEDULE OF DEPOSITS AND INVESTMENTS  
JUNE 30, 2013**

<b>Bank Account Type / Name</b>	<b>US Bank</b>	<b>Grants State Bank</b>	<b>Washington Federal Bank</b>	<b>New Mexico LGIP Fund</b>	<b>Bank of New York</b>	<b>Totals</b>
<b>Deposit Accounts:</b>						
US Bank Operating, non-interest bearing	\$ 532,081	\$ -	\$ -	\$ -	\$ -	\$ 532,081
EGRT, interest bearing	-	259,251	-	-	-	259,251
EAA, interest bearing	-	-	151,329	-	-	151,329
Total On Deposit	<u>\$ 532,081</u>	<u>\$ 259,251</u>	<u>\$ 151,329</u>	<u>\$ -</u>	<u>\$ -</u>	942,661
Reconciling Items						(141,417)
Reconciled Deposit Accounts						<u>\$ 801,244</u>
<b>Investment Accounts:</b>						
NMFA Refunding Loan	\$ -	\$ -	\$ -	\$ -	\$ 60,969	\$ 60,969
NMFA Refunding Loan	-	-	-	-	328,927	328,927
Certificate of Deposit	-	-	1,015,524	-	-	1,015,524
Savings Account	-	-	14,712	-	-	14,712
LGIP - Reserve Fund	-	-	-	384	-	384
Certificate of Deposits	1,075	-	-	-	-	1,075
Total On Deposit	<u>\$ 1,075</u>	<u>\$ -</u>	<u>\$ 1,030,236</u>	<u>\$ 384</u>	<u>\$ 389,895</u>	1,421,590
Reconciling Items						30,049
Reconciled Investment Accounts						<u>\$ 1,451,639</u>
Petty Cash and Undeposited Funds						3,344
Reconciled Cash and Investments, June 30, 2013						<u>\$ 2,256,227</u>

**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO  
REGIONAL SOLID WASTE AUTHORITY  
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY  
FOR PUBLIC FUNDS  
JUNE 30, 2013**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Market / Par Value June 30, 2013</u>	<u>Name and Location of Safekeeper</u>
Grants State Bank	FHLMC 775209 VR CUSIP #31348PYE4 2.449%, Due 03/01/2018	<u>\$ 30</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Los Lunas NM SD #1 BQ GO CUSIP #545562QE3 2.0%, Due 07/15/2018	<u>\$ 100,000</u>	The Independent Bankers Bank Dallas TX
Total, Grants State Bank		<u>\$ 100,030</u>	
US Bank	FHLMC FGLMC C78401 CUSIP #31288HKN9 Due 04/01/2033	<u>\$ 237,753</u>	
US Bank	FHLMC GOLD POOL E99159 CUSIP #3128H7E81 Due 09/01/2018	<u>\$ 148,006</u>	
Total, US Bank		<u>\$ 385,759</u>	
Washington Federal	FHLMC GOLD PC A94288 CUSIP #3620EoNW2 2.50%, Due 08/20/2061	<u>\$ 699,695</u>	
Total, Washington Federal		<u>\$ 699,695</u>	
Total Pledged Collateral		<u><u>\$ 1,185,484</u></u>	

**INDEPENDENT AUDITORS' 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. Hector H. Balderas  
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, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 21, 2013.

**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 and therefore, material weakness or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we considered to be significant deficiencies: FS 07-06, 13-02, and 13-03 .

**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. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items: FS 07-06, 13-01, 13-02, and 13-03.

**The Authority's Response to Findings**

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

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
November 21, 2013

**STATE OF NEW MEXICO  
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY  
Schedule of Findings and Responses  
For the Year Ended June 30, 2013**

<b>Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>Financial Statement Finding</b>	<b>State Auditor Rule</b>	<b>Material Weakness</b>	<b>Significant Deficiency</b>	<b>Other Matter</b>
<b>Prior Year Findings</b>						
FS 02-04 Internal Controls - Receipts	<b>Resolved</b>	yes	no	no	yes	no
FS 07-01 Internal Controls - Disbursements	<b>Resolved</b>	yes	no	no	yes	no
FS 07-05 Late Audit Report	<b>Resolved</b>	no	no	no	no	no
FS 07-06 Disaster Recovery Plan	Modified/ Repeated	no	no	no	yes	yes
FS 08-01 Internal Controls - Payroll	<b>Resolved</b>	yes	no	no	yes	no
FS 2011-01 Internal Controls - Journal Entries	<b>Resolved</b>	yes	no	no	yes	no
FS 2012-01 Capital Assets	<b>Resolved</b>	yes	no	no	yes	no
FS 2012-02 Outdated Personnel Policies	<b>Resolved</b>	no	no	no	no	no
<b>Current Year Findings</b>						
13-01 Retiree Health Care Deductions and Reporting	Current	yes	no	no	no	yes
13-02 Procurement Code	Current	yes	no	no	yes	yes
13-03 Purchase Approval of Loan Payments and GRT Payments (Routine Transactions)	Current	yes	no	no	yes	yes

**PRIOR YEAR FINDINGS**

**FS 07-06 – DISASTER RECOVERY PLAN – MODIFIED/REPEATED**

**Type of Finding: Significant Deficiency and Other Matter**

**Statement of Condition**

Although a disaster recovery plan has been implemented, it should also be a map for reestablishing finance and accounting operations after a disaster. This map should include details of, at a minimum, the following:

- Backup and recovery procedures for data.
- The locations of the offsite data backups.
- A detailed list of instructions to be followed in order to reestablish financial operations.

**Criteria**

Section 12-6-5, NMSA 1978, requires the annual financial and compliance audit of agencies to detail any violation of law or good accounting practices found by the audit. An adequate disaster recovery plan is a requirement of continuing financial operations after a disaster.

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**Effect**

The Authority may not be able to continue operations in the event of a disaster or financial data corruption or loss.

**Cause**

The Authority's disaster recovery plan is in progress.

**Recommendation**

The Authority should prepare a detailed disaster recovery plan that includes the above mentioned key components, with a focus on financial system and accounting operations.

**Management Response**

Management is developing a plan to store digitized backups of all financial data off site and concurrently developing a plan for implementation of reestablishment of financial operations in case of a disaster.

**13-01—Retiree Health Care Deductions and Reporting**

**Type of Finding: Other Matter**

**Statement of Condition**

During our review of the retiree health care reports, (RHC) we noted a retiree health care deduction was improperly calculated for one employee. This employee was a "return to work employee" and therefore does not appear to be a common occurrence. The Authority has subsequently corrected this RHC calculation for the employee

Also, RHC reports were not provided for 2 payrolls out of 26 payroll we reviewed.

**Criteria**

RHC calculations are required to be calculated as required by the Retiree Health Care Authority. Also, RHC reports should be retained as part of the organization's record retention policies.

**Effect**

RHC deductions were improperly calculated resulting in improper payments to the RHCA and support for RHC payments was not available for review.

**Cause**

The Authority's review process did not catch these errors.

**Recommendation**

While it appears that the Authority's general controls are working properly for RHC deductions, the Authority may want to consider improving controls over more unusual transactions. Also, the Authority should ensure that RHC reports are properly retained.

**Management Response**

The corrections were made to the employee account along with payment to bring the account current. Periodic reviews of historical records are being made to insure compliance.

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**13-02—Procurement Code**

**Type of Finding: Significant Deficiency and Other Matter**

**Statement of Condition**

During our procurement test-work, we noted that the Authority was not in compliance with the NM State procurement code. We selected 7 “Request for Proposal” type purchases and noted the following:

- A purchase from one vendor in the amount of \$7,082.31 did not have supporting documentation showing that three competitive quotes were collected prior to the purchase.

**Criteria**

Per the State Auditor Rule *2.2.210 G. State Compliance*, the auditors are required to test that the Procurement Code (section 13-1-1 to 13-1-199 NMSA 1978) is properly followed.

**Effect**

The Authority was not in compliance with state statutes and improper procurement of vendors’ services may have taken place.

**Cause**

The Authority may need to review the procurement rules and ensure proper design and implementation of these rules.

**Recommendation**

We recommend the Authority review the procurement rules and ensure proper design and implementation of these rules.

**Management Response**

The purchase from the vendor identified in the statement of condition was a dealer only part/service.

**13-03—Purchase Approval of Loan Payments and GRT Payments (Routine Transactions)**

**Type of Finding: Significant Deficiency and Other Matter**

**Statement of Condition**

While we noted that purchase approvals were not properly documented for transactions of loan payments and GRT payments.

**Criteria**

The Authority is required to follow the requirements of the State of New Mexico Procurement Code (section 13-1-1 to 13-1-199 NMSA 1978).

**Effect**

Certain transactions may occur that were not approved.

**Cause**

The Authority has certain routine transaction where it may not have considered it necessary to document the approval for payment.

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**Recommendation**

We recommend the Authority implement approval for certain routine payments to meet the requirement of the Procurement Code.

**Management Response**

PO's will be generated for routine payments where no invoice or statement is received.



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**Exit Conference**  
**For the Year Ended June 30, 2013**

An exit conference was held on November 21, 2013. Present at the exit conference were:

For the Northwest New Mexico Regional Solid Waste Authority:

Larry Carver	Chairman
Tony Gallegos	Treasurer
Deziree Gomez	Vice- Chairman
Lance Allgood	Member
Joe Murietta	Member
Billy Moore	Executive Director
Martha Briggs	Accountant

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	Managing Shareholder
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**PREPARATION OF THE FINANCIAL STATEMENTS**

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