



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, 2014

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Independent Auditor's Report and
Financial Statements
For The Year Ended June 30, 2014**

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**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Official Roster
As Of June 30, 2014**

BOARD OF DIRECTORS

Name	Agency Represented	Title
Larry Carver	Village of Milan	Chairman
Dezirie Gomez	McKinley County	Vice-Chairman
Anthony Gonzalez	Cibola County	Secretary-Treasurer
Linda Garcia	City of Gallup	Member
Mody Hicks	City of Grants	Member
Carol Bowman-Muskett	McKinley County	Member
Adrian Maruffo	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. 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, 2014, 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, 2014, 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, 2014, 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 20, 2014, 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 20, 2014

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
June 30, 2014**

	Business-Type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,213,966
Accounts receivable, less allowance for uncollectible amounts of \$16,313	435,384
Investments - restricted	1,034,729
Operations inventory	89,830
Prepaid expenses	13,138
Total Current Assets	3,787,047
Noncurrent Assets	
Capital assets	17,007,300
Less: accumulated depreciation	(10,201,098)
Net capital assets	6,806,202
Total Noncurrent Assets	6,806,202
Total Assets	\$ 10,593,249
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 52,463
Wages, payroll taxes, and benefits payable	84,689
Gross receipts taxes payable	8,103
Accrued interest and fees	6,572
Deferred revenue	14,309
Current maturities of accrued compensated absences	42,034
Current maturities of loans	321,154
Total Current Liabilities	529,324
Long-Term Liabilities	
Loans payable, net of current maturities	2,346,862
Accrued compensated absences	10,508
Estimated liability for landfill closure costs	208,073
Total Long-Term Liabilities	2,565,443
Total Liabilities	3,094,767
Net Position	
Net investment in capital assets	4,138,186
Restricted for:	
Debt service	329,774
Landfill closure	1,034,345
Unrestricted	1,996,177
Total Net Position	7,498,482
Total Liabilities and Net Position	\$ 10,593,249

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, 2014**

<i>Operating Revenues:</i>	
Tipping fees	\$ 3,911,763
Miscellaneous income	<u>52,044</u>
<i>Total operating revenues</i>	<u>3,963,807</u>
 <i>Operating Expenses:</i>	
Personnel services	1,376,634
Employee benefits	481,235
Contractual services	91,726
Repairs and maintenance	283,427
Insurance	79,447
Utilities	60,184
Supplies	155,733
Fuel and Oil	545,449
Rent	5,751
Depreciation	871,710
Other	140,477
Increase (decrease) in landfill liability	<u>30,609</u>
<i>Total operating expenses</i>	<u>4,122,382</u>
 <i>Operating loss</i>	 <u>(158,575)</u>
 <i>Non-operating revenues (expenses)</i>	
Interest income	6,263
Gain on disposal of assets	3,000
Capital outlay	-
Debt service - interest	<u>(40,475)</u>
<i>Total non-operating revenues (expenses)</i>	<u>(31,212)</u>
 <i>Net loss before contributions</i>	 <u>(189,787)</u>
 <i>Contributions of capital</i>	 <u>673,177</u>
 <i>Change in net position</i>	 <u>483,390</u>
 <i>Net position beginning of year</i>	 <u>7,015,092</u>
 <i>Net position end of year</i>	 <u>\$ 7,498,482</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014**

<i>Cash Flows from Operating Activities</i>	
Cash received from customers	\$ 4,021,173
Cash payments to employees and suppliers	<u>(3,175,512)</u>
<i>Net cash provided by operating activities</i>	<u>845,661</u>
 <i>Cash Flows from Capital and Related Financing Activities</i>	
Capital contributed by members	673,177
Purchase of capital assets	(175,045)
Proceeds from sale of equipment	3,000
Repayment of long-term debt	(319,906)
Interest and fees paid on long-term debt	<u>(40,683)</u>
<i>Net cash used by capital and related financing activities</i>	<u>140,543</u>
 <i>Cash Flows from Investing Activities</i>	
Purchase of investments	(4,109)
Interest on investments and deposits	<u>6,263</u>
<i>Net cash provided by investing activities</i>	<u>2,154</u>
 <i>Net decrease in cash and cash equivalents</i>	 <u>988,358</u>
 <i>Cash and cash equivalents, beginning of period</i>	 1,225,608
 <i>Cash and cash equivalents, end of period</i>	 <u><u>\$ 2,213,966</u></u>
 <i>Operating loss</i>	 \$ (158,575)
 <i>Adjustments to reconcile operating loss to net cash provided by operating activities</i>	
Depreciation	871,710
Bad debt expense	16,457
Other noncash adjustments	(4,603)
Increase in landfill closure and postclosure cost estimate	30,610
Changes in assets and liabilities	
Accounts receivable	43,057
Deferred revenue	14,309
Operations inventory	5,751
Prepaid expenses	618
Accounts payable	33,552
Accrued expenses	(5,842)
Compensated absences	<u>(1,383)</u>
<i>Total adjustments</i>	<u>1,004,236</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 845,661</u></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, 2014

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

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

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.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

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.

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.

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:

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

<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.

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.

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.

Reclassifications: Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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

STATE OF NEW MEXICO
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Notes to Financial Statements
For the Year Ended June 30, 2014

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.

H. 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 no deferred outflows of resources during fiscal year 2014.

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 no deferred outflows of resources during fiscal year 2014.

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, 2014.

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.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

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.

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. The Authority has no formal policy on managing 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).

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	US Bank	Grants State Bank	Total
Total amount of deposits	\$ 281,868	1,166,174	416,006	1,864,048
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	<u>31,868</u>	<u>916,174</u>	<u>166,006</u>	<u>1,114,048</u>
Collateral requirement (50% of uninsured public funds)	15,934	458,087	83,003	557,024
Pledged security	811,064	1,072,154	102,931	1,986,149
Total under (over) collateralized	<u>\$ (795,130)</u>	<u>(614,067)</u>	<u>(19,928)</u>	<u>(1,429,125)</u>

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

	Washington Federal Bank	US Bank	Grants State Bank	Total
Total amount of deposits	\$ 281,868	1,166,174	416,006	1,864,048
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	31,868	916,174	166,006	1,114,048
Pledged security	811,064	1,072,154	102,931	1,986,149
Total uninsured and uncollateralized	<u>\$ (779,196)</u>	<u>(155,980)</u>	<u>63,075</u>	<u>(872,101)</u>

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:

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

	NMFA
Reserve Funds Payable	\$ 329,390
Debt Service Funds	92,002
Total NMFA Funds	\$ 421,392

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.

Investments

As of June 30, 2014, the Authority had the following investments:

Washington Federal Bank - Certificate of Deposit	\$ 1,032,621
Washington Federal Bank - Money Market Account	1,724
State Treasurer LGIP - Landfill Closure Fund and Reserve Contingency Fund Account	384
Total	\$ 1,034,729

State Treasurer Local Government Investment Pool (LGIP)

The Authority has \$384 on deposit with the LGIP Reserve Contingency Fund. As such, The LGIP Reserve Contingency Fund is not rated and is a non-performing asset and, as such, a WAM cannot be calculated. The LGIP amount on deposit is a closure sinking fund and is restricted for debt service. At June 30, 2014, a summary of disclosures related to the Authority's LGIP deposits are as follows:

New Mexico LGIP, AAAM Rated, \$384 [48.6] day WAR (R); [116.20] day WAM (F).

Deposits with the State Treasurer LGIP are 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 auditor's report, together with the financial statements, the accompanying notes to the financial statements, and the independent auditor's 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.

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.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

	Washington Federal Bank
Depository account	\$ 281,868
Certificate of Deposit	1,032,621
Money Market Account	1,724
Total Washington Federal Bank accounts	1,316,213
FDIC coverage	(250,000)
Total uninsured public funds	\$ 1,566,213
Collateral requirement (50% of uninsured public funds)	\$ 783,106
Pledged security	811,064
Total under (over) collateralized	\$ (27,958)

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.

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	\$ 281,868
Certificate of Deposit	1,032,621
Money Market Account	1,724
Total Washington Federal Bank accounts	1,316,213
FDIC coverage	(250,000)
Total uninsured public funds	1,066,213
Pledged security	811,064
Total uninsured and uncollateralized	\$ 255,149

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.

Concentration of credit risk: This is the risk of a loss attributed to the magnitude of a government's investment in a single issuer. The Authority does not have a formal investment policy that limits investments in a single issuer. The Authority is exposed to concentration of credit risk as noted in custodial credit risk.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are comprised of amounts due from credit customers in the amount of \$451,697, less \$16,313 that is considered uncollectible and is included as an allowance for doubtful accounts. The net amount of accounts receivable at June 30, 2014 is \$435,384.

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.

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Notes to Financial Statements
For the Year Ended June 30, 2014

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, 2014 is \$13,138.

NOTE 7 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows:

Capital Asset Description	Balance June 30, 2013	Additions	Deletions	Adjustments	Balance June 30, 2014
Capital assets being depreciated:					
Landfill	\$ 9,963,708	-	-	-	9,963,709
Transfer stations	1,440,855	32,079	-	-	1,472,934
Buildings	587,215	9,732	-	-	596,947
Furnitures, fixtures and equipment	4,639,250	133,234	(22,631)	-	4,749,853
Vehicles	223,858	-	-	-	223,858
Total capital assets being depreciated	<u>16,854,886</u>	<u>175,045</u>	<u>(22,631)</u>	<u>-</u>	<u>17,007,301</u>
Less accumulated depreciation:					
Landfill	(5,536,339)	(467,264)	-	-	(6,003,602)
Transfer stations	(1,137,851)	(73,112)	-	-	(1,210,963)
Buildings	(224,790)	(19,948)	-	-	(244,738)
Furnitures, fixtures and equipment	(2,345,071)	(286,997)	22,631	-	(2,609,437)
Vehicles	(107,969)	(24,390)	-	-	(132,359)
Total accumulated depreciation	<u>(9,352,020)</u>	<u>(871,710)</u>	<u>22,631</u>	<u>-</u>	<u>(10,201,098)</u>
Total capital assets (net)	<u>\$ 7,502,866</u>	<u>(696,665)</u>	<u>-</u>	<u>-</u>	<u>6,806,202</u>

Depreciation expense for the year ended June 30, 2014 was \$871,710.

NOTE 8 – LONG-TERM DEBT

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due within one year
Loans:					
NMFA refunding loan	\$ 2,987,922	-	(319,906)	2,668,016	321,154
Compensated absences	<u>53,925</u>	<u>72,295</u>	<u>(73,678)</u>	<u>52,542</u>	<u>42,034</u>
Total Long-Term Debt	<u>\$ 3,041,847</u>	<u>72,295</u>	<u>(393,584)</u>	<u>2,720,558</u>	<u>363,188</u>

NMFA Refunding Loan

During the year ended June 30, 2013, 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 of \$36,362. Finally, the refunding provided additional funds to allow the Authority to construct a new waste disposal cell.

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Notes to Financial Statements
For the Year Ended June 30, 2014

The refunding loan balance outstanding at June 30, 2014 is \$2,668,016, 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.

Annual debt service requirements to maturity for the refunding loan, including interest of \$216,693 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	333,264	27,325	360,589
2020-2022	1,035,898	45,867	1,081,765
Total	\$ 2,668,016	216,693	2,884,709

Compensated Absences

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 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 64% of the tipping fee revenue as of June 30, 2014. These customers are City of Gallup, Bio-Pappel International, Waste Management of NM, Navajo Sanitation and Zuni Transfer Station.

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.

In accordance with GASB Statement No. 18, the estimated liability for landfill closure and post closure care costs has a balance of \$208,073 as of June 30, 2014, which is based on 19.26% usage of the landfill. The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,080,145 between the date of the balance sheet 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, 2014. 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, 2014, investments of \$1,034,345 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 determine, 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.

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Notes to Financial Statements
For the Year Ended June 30, 2014

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.

Funding Policy. Plan members are required to contribute 13.15% of their gross salary for annual salaries less than \$20,000 and 14.65% of their gross salary for annual salaries greater than \$20,000, under the municipal general member coverage, plan 3. 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 the contributions of 75% of the employees' member contributions as defined above. 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, 2014, 2013 and 2012 were \$205,302, \$179,179 and \$190,430 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 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

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NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
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For the Year Ended June 30, 2014

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 not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, 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, 2014, 2013 and 2012 were \$22,187, \$20,524 and \$18,906, respectively, which equal the required contributions for each year.

NOTE 14 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2014, the Authority purchased fuel and supplies from a related party, Carver Oil Company. Expenditures related to this vendor totaled \$520,375 during the year ended June 30, 2014 and amounts payable at year end were \$1,735. In addition, the Authority sold recyclable material to a related party in the amount of \$1,732 and accounts receivable at year end was \$586.

NOTE 15 – IMPLEMENTATION OF NEW GASB STANDARDS

In June 2012, The Governmental Accounting Standards Board (GASB) approved Statement No. 67, Financial Reporting for Pension Plans, which applies to pension plans that administer pension benefits and Statement No. 68, Accounting and Financial Reporting for Pensions, which applies to governments that provide pension benefits to their employees. The Public Employees Retirement Association (PERA) administers the pension for the Authority.

GASB 67 Financial Reporting for Pension Plans

Requires changes to presentation in financial statements, notes to the financial statements, and required supplementary information in PERA's financial report. GASB 67 will be implemented in FY 2014 by PERA.

GASB 68 Accounting and Financial Reporting for Pensions

Applies the changes implemented at the pension plan level (PERA) under GASB 67 and segregates and divides, or allocates, the pension liability to each participating employer (state, municipal, judicial, magistrate, volunteer firefighters, and legislative). The statement implementation date is FY 2015.

PERA's Current Implementation and Timeline

Implement GASB 67

GASB 67 will require the net pension liability to be disclosed in PERA's FY 2014 financial report. The total "collective" pension liability will then be allocated to the participant employers for FY 2015 financial reporting.

PERA plans to separately issue an audited report, referred to as the "Schedule of Employer Allocations" that

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NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2014

will allocate the total pension liability *by employer*. The report will also include other required information that will be used by each employer participant for disclosure in each employer's FY 2015 financial reports.

Anticipated process and timeline is as follows:

1. The "Schedule of Employer Allocations" is provided to PERA's external auditor in January of 2015.
2. PERA's external auditor's will audit the "Schedule of Employer Allocations" in February of 2015 and submit that report to the State Auditor's Office for review in March of 2015. *(See also 2.2.2.10 NMAC Sections CC and DD)*
3. The "Schedule of Employer Allocations" will be provided to employers in April of 2015, allowing enough time for incorporation into financial reports as required by GASB 68, after the June 30, 2015 year end.

In FY 15, the Authority will report a net pension liability based on its proportion of the collective net pension liability of all of the governments participating.

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 November 20, 2014 which is the date the financial statements were available to be issued.

**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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Operating Revenues:</i>				
Tipping fees	3,750,000	3,750,000	3,911,763	161,763
Miscellaneous income	60,000	60,000	52,044	(7,956)
Special projects revenue	50,000	50,000	-	(50,000)
<i>Total operating revenues</i>	<u>3,860,000</u>	<u>3,860,000</u>	<u>3,963,807</u>	<u>103,807</u>
<i>Operating Expenses:</i>				
Personnel services	1,470,000	1,470,000	1,376,634	93,366
Employee benefits	645,000	645,000	481,235	163,765
Contractual services	165,000	135,000	91,726	43,274
Repairs and maintenance	960,000	1,010,000	283,427	726,573
Insurance	95,000	95,000	79,446	15,554
Utilities	58,000	58,000	60,184	(2,184)
Supplies	137,500	158,500	155,733	2,767
Fuel and Oil	-	-	545,449	(545,449)
Rent	100,000	5,000	5,751	(751)
Other	147,500	29,000	140,477	(11,477)
Increase (decrease) in landfill liability	-	-	30,609	(30,609)
<i>Total operating expenses</i>	<u>3,778,000</u>	<u>3,605,500</u>	<u>3,250,671</u>	<u>354,829</u>
<i>Operating gain (loss)</i>	<u>82,000</u>	<u>254,500</u>	<u>713,136</u>	<u>458,636</u>
<i>Non-operating revenues (expenses)</i>				
Interest income	5,000	5,000	6,263	1,263
Gain on disposal of assets	-	-	3,000	3,000
Capital Outlay	(140,000)	(165,000)	(175,045)	(10,045)
Debt service - interest	-	-	(40,475)	(40,475)
<i>Total non-operating revenues (expenses)</i>	<u>(135,000)</u>	<u>(160,000)</u>	<u>(206,257)</u>	<u>(46,257)</u>
<i>Net loss before contributions</i>	(53,000)	94,500	506,879	412,379
<i>Contributions of capital</i>	<u>720,000</u>	<u>720,000</u>	<u>673,177</u>	<u>(46,823)</u>
<i>Change in net position</i>	<u>667,000</u>	<u>814,500</u>	<u>1,180,056</u>	<u>365,556</u>

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

Change in net position-budget basis	1,180,056
Add capital outlay that was not recorded on the statement of revenue, expenses and changes in net position but is on non-GAAP Budget Basis	175,045
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis	(871,710)
Rounding	(1)
Change in net position-business type activity - full accrual basis	<u>\$ 483,390</u>

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF DEPOSITS AND INVESTMENTS
JUNE 30, 2014

<u>Name/Account Type</u>	<u>Balance Per Bank June 30, 2014</u>	<u>Add Deposits in Transit</u>	<u>Less Outstanding Checks</u>	<u>Balance Per Books June 30, 2014</u>
Depository Accounts:				
US Bank				
Operating, non-interest bearing checking	\$ 1,165,172	1,994	(24,601)	1,142,564
Cash Bond, interest bearing savings	1,003	-	-	1,003
Grants State Bank				
EGRT, interest bearing checking	416,006	-	(71,053)	344,953
Washington Federal				
EAA, interest bearing savings	281,868	20,000	-	301,868
Total Depository Accounts	1,864,048	21,994	(95,654)	1,790,387
Restricted Accounts:				
NMFA Refunding Loan - Reserve Account	329,390	-	-	329,390
NMFA Refunding Loan - Debt Service Account	92,002	-	-	92,002
Total Restricted Accounts - NMFA	421,392	-	-	421,392
Petty Cash and Undeposited Funds	2,187	-	-	2,187
Total Cash and Cash Equivalents	2,287,626	21,994	(95,654)	2,213,966
State Treasurer's Office				
Debt Service Reserve Fund - LGIP	384	-	-	384
Total State Treasurer's Office - LGIP	384	-	-	384
Washington Federal				
Landfill Post Closure - Certificate of Deposit	1,032,621	-	-	1,032,621
Landfill Post Closure - Money Market	1,724	-	-	1,724
Total Washington Federal	1,034,345	-	-	1,034,345
Total Investments	\$ 1,034,729	-	-	1,034,729

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
JUNE 30, 2014**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Market / Par Value June 30, 2014</u>	<u>Name and Location of Safekeeper</u>
Grants State Bank	FHLMC 775209 VR CUSIP #31348PYE4 2.199%, Due 03/01/2016	<u>\$ 22</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	LOS LUNAS NM SD#1 BQ CUSIP #545562QE3 2%, Due 07/15/2018	<u>\$ 102,909</u>	The Independent Bankers Bank Dallas TX
Total, Grants State Bank		<u>\$ 102,931</u>	
US Bank	FHLMC FGLMC C78401 CUSIP #31288HKN9 Due 04/01/2033	<u>\$ 544,268</u>	
US Bank	FHLMC GOLD POOL E99159 CUSIP #3128H7E81 Due 09/01/2018	<u>\$ 472,918</u>	
US Bank	FNMA POOL AE1620 CUSIP #31419BYS8 Due 10/01/2025	<u>\$ 53,968</u>	
US Bank	Certificate of Deposit Due 03/26/2019	<u>\$ 1,000</u>	
Total, US Bank		<u>\$ 1,072,154</u>	
Washington Federal	FHLMC GOLD PC A94288 CUSIP #3620EoNW2 2.50%, Due 08/20/2061	<u>\$ 811,064</u>	
Total, Washington Federal		<u>\$ 811,064</u>	
Total Pledged Collateral		<u>\$ 1,986,149</u>	

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. 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, 2014, 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 20, 2014.

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 responses that we considered to be significant deficiencies: FS 07-06, 2014-002, 2014-003 and 2014-004.

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 responses as items: 2014-001, 2014-003 and 2014-005.

The Authority's Response to Findings

The Authority's responses 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 20, 2014

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2014**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding</u>
Prior Year Findings			
2007-006	Disaster Recovery Plan	Repeated	B
13-01	Retiree Health Care Deductions and Reporting	Resolved	C, D
13-02	Procurement Code	Resolved	B, D
13-03	Purchase Approval of Loan Payments and GRT Payments (Routine Transactions)	Resolved	B
Current Year Findings			
2014-001	Lack of Controls Over Cash Deposits	Current	C, D
2014-002	Controls Over Entity Owned Credit Cards	Current	B
2014-003	Lack of Compliance with Per Diem & Mileage Act	Current	B, D
2014-004	Controls Over Debit Cards	Current	B
2014-005	Disposal of Property	Current	D

*** Legend for Type of Findings**

- 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 Compliance with State Audit Rule

PRIOR YEAR FINDINGS

2007-006 – DISASTER RECOVERY PLAN – MODIFIED/REPEATED

Type of Finding: B

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.

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.

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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 has entered into a contract with POD, Inc. for the technical support of our computer system. They have installed a tape backup system for our data. The tapes are taken off site every Friday, and placed in a fireproof safe box at Mr. Moore's home and replaced weekly. We have an offsite backup of our data. The MCTS and Cibola historical ticket information is also stored at those locations. The bank information is stored by each bank, and is available online. We have a contract with OnePay HR, for payroll services and they have our payroll data, and it is also available online. Management will develop a written list of instructions, to reestablish financial operations in case of a disaster.

2014-001 Lack of Controls over Cash Deposits

Type of Finding: C, D

Statement of Condition

During the testing of transactions, the following control deficiency was noted related to cash receipt testing:

- Six of the cash receipts, in the amount of \$903, of the twenty-eight cash receipts tested were not deposited into a banking institution by the close of the next business day.

Criteria

Per Section 6-10-3, NMSA 1978, all public money obtained or received must be deposited before the close of the next succeeding business day after the receipt of the money.

Cause

The Authority has several remote locations in which there is a lack in adequate personnel to make daily bank deposits.

Effect

The lack of adequate internal controls over current cash deposit processes increases the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner.

Recommendation

We recommend the Authority implement controls and develop accounting policies requiring adequate controls to ensure compliance with Section 6-10-3, NMSA 1978.

Management's Response

Management has diligently attempted to make timely deposits of all cash receipts, however due to the remote locations of the 5 convenience centers in Cibola County, it is not practical to have the monies delivered to the business office on a daily basis. To ensure, that the cash is accounted for in a timely manner, we will require the convenience center attendant to purchase money order's every day, and remit them to the business office weekly. At which time the money orders will be deposited in the bank within 1 business day.

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NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2014

2014-002 Controls Over Entity Owned Credit Cards

Type of Finding: **B**

Statement of Condition

During the testing of transactions, the following control deficiencies were noted related to credit card testing:

- For one statement tested a receipt totaling \$54 did not appear to be attached to the support the transaction.
- The Authority has two credit cards issued to an employee and no formal policy on the use of credit cards.

Criteria

Proper internal controls require that supporting documentation should be remitted to include all original receipts to properly document and support the transaction. In addition, the Authority does not appear to have a formal policy on the use of credit cards to include limits on transactions, i.e., no personal charges allowed, purchase limits, etc. and controls over those transactions, i.e., prior approvals, authorized purchases only, etc.

Cause

The Authority did not appear to have adequate documentation to support the transaction. The Authority does not appear to have a formal policy on the use of credit cards.

Effect

There is an increased risk of the possibility of misstated financial statements due to a loss from fraud or error.

Recommendation

We recommend the Authority maintain its records to ensure all supporting receipts are attached to the supporting credit card statement. In addition, we recommend the Authority establish a formal credit card policy which would include limits on the use of the credits cards and internal controls over those transactions.

Management Response

Management will formalize our policy on credit cards. Currently, all receipts are delivered to the Accounts Payable Clerk, in a timely manner. A reconciliation with the bank statement is done weekly. The Executive Director is the only person with a credit card tied to the US Bank operating account. Personal charges are not allowed.

2014-003 Lack of Compliance With Per Diem & Mileage Act

Type of Finding: **B, G**

Statement of Condition

During the testing of transactions, the following control deficiencies were noted related to the travel and per diem disbursement testing for the five transactions tested:

- For two transactions tested totaling \$393, adequate supporting documentation was not included with the request for mileage reimbursement.
- For one transaction tested totaling \$250, the payment for a travel advance was made payable to the Authority and not to the individual traveler.

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For the Year Ended June 30, 2014

- For one transaction tested totaling \$250, the travel advance exceeded 80% of estimated expenditures.
- For two transactions tested totaling \$490, an agenda for the training or other documentary evidence to support attendance at the training did not appear to be included in the supporting documentation.
- For two transactions tested totaling \$490, the time of arrival and the time of departure was not indicated along with supporting documentation.

Criteria

Per the Per Diem & Mileage Act of the New Mexico Administrative Code (NMAC 2.42.2.1), the approval for travel should be documented prior the individual's departure, the time of departure, time of arrival, and business purpose should be included along with supporting documentation. In instances of reimbursement for mileage, the beginning and ending odometer reading should be recorded and included with the supporting documentation. Additionally, a travel advance should not exceed 80% of estimated expenses and should be made payable to the individual traveling.

Cause

The supporting documentation as described above, does not appear to be in compliance with the Per Diem & Mileage Act, as described in NMAC 2.24.2.1.

Effect

The Authority does not appear to be in compliance with the Per Diem & Mileage Act, as described in NMAC 2.24.2.1.

Recommendation

The Authority should implement proper internal controls to ensure compliance with the Per Diem & Mileage Act, NMAC 2.24.2.1.

Management Response

Management has been documenting the amounts for mileage by using Google Maps, we have the certifications for the employee training's, but have not included it in the reimbursement packet, which we will do in the future. We have prepaid the travel and per diem amounts at 100%, due to the inability of most employee's to travel without it. The one instance where the check was written to the company was due to a change at the last minute of an employee leaving for training, and there wasn't a way for him to cash a check. Management currently uses a travel and per diem form, for reimbursements and payments. We will update the form to include odometer readings, and a check list of documentation for the reimbursements, to include time of departure, time of arrival and business purpose, and odometer readings, we will also continue to require the Executive Director, Supervisor and Employee signatures before payment is made.

2014-004 Lack of Controls Over Debit Cards

Type of Finding: B

Statement of Condition

During the audit, we discovered the Authority has three debit cards issued to employees which are directly linked the Authority's main operating account. The following deficiencies in internal control were identified related to debit cards:

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- Three debit cards issued to employees which are linked directly to the Authority's main checking account, which had a balance of \$1,165,172 on June 30, 2014.
- The debit cards have a set at a daily limit of up to \$10,000 for two of the cards and a daily limit of up to \$5,000 for one of the cards.
- The Authority does not appear to have a formal policy on the use of debit cards to include limits on transactions, i.e., no personal charges allowed, purchase limits, etc. and controls over those transactions, i.e., prior approvals, authorized purchases only, etc.

Criteria

Proper internal controls over debit cards require the Authority to have a formal policy on the use of debit cards to include limits on transactions, i.e., no personal charges allowed, purchase limits, etc. and controls over those transactions, i.e., prior approvals, authorized purchases only, etc.

Cause

The Authority does not appear to have a formal policy on the use of debit cards. In addition, the debit cards are linked to the main checking account.

Effect

Even with the daily limits on the cash transactions for debit cards, these cards could potentially have access to the entire balance on hand for the Authority's main check accounting, and there is an opportunity for abuse with the debit card, as controls over purchases do not exist prior to making purchases. There is also an increased risk of the possibility of misstated financial statements due to a loss from fraud or error.

Recommendation

We recommend that the debit card be removed and a P-Card process be used in place. The P-Card should have a limit of \$5,000 or some other amount determined to be reasonable based upon anticipated usage related to proper business purpose. The P-Card statement should be reconciled to the general ledger and signed and dated by the reconciler and then reviewed by a responsible official.

Management Response

Currently, the three debit cards are in the possession of Mr. Moore, Mr. Ford, and David Rico. They are necessary for purchases, where the Authority does not have a line of credit, such as when they are traveling out of the area on company business, or purchases are made for parts and supplies and a vendor requires payment prior to shipping. Mr. Rico, MCTS Supervisor, utilizes his debit card to purchase gas for his company vehicle. The debit cards require a PIN #, which means that only the employee with the PIN can use the card. Management will formalize the policy by developing a written policy which outlines purchase limits, scope of purchases, and the authority needed for purchases.

2014-005 Disposal of Property

Type of Finding: D

Statement of Condition

During fiscal year 2014, the Authority disposed of property without notifying the New Mexico State Auditor's office at least thirty days prior to the disposition of property.

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Schedule of Findings and Responses
For the Year Ended June 30, 2014

Criteria

New Mexico Administrative Code section 2.2.2.10 V requires notification to the New Mexico State Auditor's office at least thirty days prior to the disposition of property.

Cause

The Authority does not appear to have procedures to ensure compliance with the New Mexico Administrative Code for the disposition of property.

Effect

The Authority does not appear to be in compliance with the New Mexico Administrative Code for the disposition of property. Property could be disposed of without proper compliance.

Recommendation

We recommend that the Authority establish procedures for disposition of property in compliance with the New Mexico Administrative Code.

Management Response

The Authority is in agreement with this finding and will submit notification of property disposition to the New Mexico State Auditor's office at least 30 days prior to any planned auction or dispositions.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Exit Conference
For the Year Ended June 30, 2014

An exit conference was held on November 20, 2014. Present at the exit conference were:

For the Northwest New Mexico Regional Solid Waste Authority:

Larry Carver	Chairman
Carol Bowman-Muskett	Member
Sara Keeler	Alternate Member
Billy Moore	Executive Director
Martha Briggs	Accountant

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE	Managing Shareholder
Misty L. Crawford, CPA, CGMA, CFE	Audit Manager

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.