



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, 2016

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Official Roster
As of June 30, 2016**

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STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Official Roster
As of June 30, 2016

BOARD OF DIRECTORS

Name	Agency Represented	Title
Larry Carver	Village of Milan	Chairman
Dezirie Gomez	McKinley County	Vice-Chairman
Linda Garcia	City of Gallup	Secretary-Treasurer
Tony Boyd	Cibola County	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. Timothy Keller
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, 2016, 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2016 beginning balance of net position has been restated due to adjustments in GASB 68 related calculations in fiscal year 2015.

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.

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

Other Information

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

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

the additional schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The *Schedule of Vendor Information*, listed as “*Other Supplemental Information (Unaudited)*” in the *table of contents*, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 17, 2016 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 17 2016

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
As of June 30, 2016**

	2016
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 2,624,923
Accounts receivable	501,260
Investments - restricted	1,169,995
Operations inventory	101,742
Prepaid expenses	17,274
Total Current Assets	4,415,194
Non-current Assets	
Capital assets	18,080,294
Less: accumulated depreciation	(11,727,109)
Net capital assets	6,353,185
Total Non-current Assets	6,353,185
Total Assets	10,768,379
Deferred Outflows of Resources	
Pension deferral	245,948
Total Deferred Outflows of Resources	245,948
Total Assets and Deferred Outflows of Resources	\$ 11,014,327
LIABILITIES AND NET POSITION	
Current Liabilities	
Accounts payable	\$ 72,456
Wages, payroll taxes, and benefits payable	44,096
Gross receipts taxes payable	12,907
Accrued interest and fees	5,810
Deferred revenue	10,411
Compensated absences-current portion	50,121
Current maturities of loans	325,730
Total Current Liabilities	521,531
Long-Term Liabilities	
Loans payable, net of current maturities	1,698,116
Compensated absences-non-current	12,530
Estimated liability for landfill closure costs	298,010
Net pension liability	1,515,106
Total Long-Term Liabilities	3,523,762
Total Liabilities	4,045,293
Deferred Inflows of Resources	
Pension deferral	38,943
Total Deferred Inflows of Resources	38,943
Net Position	
Net investment in capital assets	4,329,339
Restricted for:	
Debt service	427,822
Landfill closure	1,169,995
Unrestricted	1,002,935
Total Net Position	6,930,091
Total Liabilities and Net Position, Deferred Inflows of Resources and Net Position	\$ 11,014,327

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, 2016**

Operating Revenues:

Tipping fees	\$	4,278,768
Special projects		209,586
Miscellaneous income		148,369
<i>Total operating revenues</i>		<u>4,636,723</u>

Operating Expenses:

Personnel services		1,357,523
Employee benefits		574,337
Contractual services		222,739
Repairs and maintenance		438,220
Insurance		101,039
Utilities		74,283
Supplies		295,760
Fuel and oil		294,579
Rent of Equipment		17,633
Depreciation		818,275
Special project expenses		4,696
Other		218,565
Increase (decrease) in landfill liability		45,715
<i>Total operating expenses</i>		<u>4,463,364</u>

<i>Operating loss</i>		<u>173,359</u>
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Non-operating revenues (expenses)

Interest income		5,669
Gain (loss) on disposal of assets		(9,065)
Capital outlay		(270,066)
Debt service - interest		(37,120)
<i>Total non-operating revenues (expenses)</i>		<u>(310,582)</u>

<i>Net loss before contributions</i>		(137,223)
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<i>Contributions of capital</i>		<u>686,440</u>
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<i>Change in net position</i>		<u>549,217</u>
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<i>Net position, beginning of year</i>		6,582,933
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Restatement		(202,059)
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<i>Net position, beginning of year - restated</i>		<u>6,380,874</u>
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<i>Net position end of year</i>	\$	<u><u>6,930,091</u></u>
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**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2016**

Cash Flows from Operating Activities

Cash received from customers	\$ 4,539,226
Cash payments to employees and suppliers	<u>(3,808,792)</u>
<i>Net cash provided (used) by operating activities</i>	<u>730,434</u>

Cash Flows from Capital and Related Financing Activities

Capital contributed by members	686,440
Capital outlay expenditures	(270,066)
Purchase of capital assets	(554,544)
Repayment of long-term debt	(323,016)
Interest and fees paid on long-term debt	<u>(37,572)</u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(498,758)</u>

Cash Flows from Investing Activities

Purchase of investments	(86,071)
Interest on investments and deposits	<u>5,669</u>
<i>Net cash provided (used) by investing activities</i>	<u>(80,402)</u>

<i>Net increase (decrease) in cash and cash equivalents</i>	<u>151,274</u>
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<i>Cash and cash equivalents, beginning of period</i>	2,473,649
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<i>Cash and cash equivalents, end of period</i>	\$ <u><u>2,624,923</u></u>
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<i>Operating loss</i>	\$ 173,359
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***Adjustments to reconcile operating loss
to net cash provided by operating activities***

Pension expense	(138,230)
Depreciation	818,275
Increase in landfill closure and postclosure cost estimate	45,714
Changes in assets and liabilities	
Accounts receivable	(107,908)
Deferred revenue	10,411
Operations inventory	(22,070)
Prepaid expenses	(2,603)
Accounts payable	6,550
Accrued expenses	(57,271)
Compensated absences	<u>4,207</u>
<i>Total adjustments</i>	<u>557,075</u>
<i>Net cash provided by operating activities</i>	<u>\$ 730,434</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, 2016

NOTE 1—NATURE OF ACTIVITIES

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Business Type Activities

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

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2016

income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

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

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2016**

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

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

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

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

E. Encumbrances

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

F. Accounts Receivable

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

G. Prepaid Items

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

H. Capital Assets

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

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

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

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

<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

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2016

I. Compensated Absences

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

J. Long-term Obligations

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

K. Net Position

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

Net investment in capital investments

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

Restricted net position

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

Unrestricted net position

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

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Authority's financial statements include management's estimate of the useful lives of capital assets and the estimated liability for landfill closure costs.

M. Risk Management

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

N. Revenues

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

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2016

O. Budgets and Budgetary Accounting

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then. The Northwest New Mexico Regional Solid Waste Authority has the following deferred outflows of resources during fiscal year 2016.

<u>Deferred Outflows of Resources</u>		<u>2016</u>
Pension deferrals	\$	<u>245,948</u>
Total deferred outflows of resources	\$	<u><u>245,948</u></u>

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position/fund balance that applied to a future period and so will not be recognized until then. The Northwest New Mexico Regional Solid Waste Authority has the following deferred outflows of resources during fiscal year 2016.

<u>Deferred Inflows of Resources</u>		<u>2016</u>
Pension deferrals	\$	<u>38,943</u>
Total deferred inflows of resources	\$	<u><u>38,943</u></u>

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, 2016.

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.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Notes to Financial Statements
For the Year Ended June 30, 2016

The collateral pledged is listed in the table of contents of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, authority or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions were fully guaranteed, regardless of dollar amount.

A. Deposits

Custodial Credit Risk

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

The Authority's policy requires collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least 100% of the amount on deposit with the institution that is considered uninsured, and the collateral is held by pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements as well as the requirements of the Authority's policy in reporting the insured portion of the deposits.

	Washington Federal Bank	US Bank	Grants State Bank	Total
Total amount of deposits	\$ 1,652,625	389,252	1,322,770	3,364,647
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	<u>\$ 1,402,625</u>	<u>139,252</u>	<u>1,072,770</u>	<u>2,614,647</u>
Collateral requirement (100% of uninsured public funds)	\$ 1,402,625	139,252	1,072,770	2,614,647
Pledged security	1,447,426	1,332,455	1,780,217	4,560,098
Total under (over) collateralized	<u>\$ (44,801)</u>	<u>(1,193,203)</u>	<u>(707,447)</u>	<u>(1,945,451)</u>

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	\$ 1,652,625	389,252	1,322,770	3,364,647
FDIC coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	1,402,625	139,252	1,072,770	2,614,647
Pledged security	1,447,426	1,332,455	1,780,217	4,560,098
Total uninsured and uncollateralized	<u>\$ (44,801)</u>	<u>(1,193,203)</u>	<u>(707,447)</u>	<u>(1,945,451)</u>

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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:

		<u>NMFA</u>
Reserve Funds Payable	\$	331,097
Debt Service Funds		<u>96,725</u>
Total NMFA Funds	\$	<u><u>427,822</u></u>

Concentration of Credit Risk

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

B. Fair Values Measurement (GASB 72)

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

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

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

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

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

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

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

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

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open

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market, actively traded mutual funds, and US treasuries)

Level 2

Are significant other observable inputs

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

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

Level 3

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

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

	Level 1
Washington Federal Bank - Certificate of Deposit	\$ 1,117,809
Washington Federal Bank - Money Market Account	26,980
US Bank- Post Closure CD for McKinley	12,603
US Bank- Post Closure CD for Cibola	12,603
Total	\$ 1,169,995

C. Washington Federal Bank

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

State of New Mexico Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Authority for at least one half of the amount on deposit with the institution, the amount of which is considered uninsured and the collateral is held by pledging bank's trust department in the Bank's name. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

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	Washington Federal Bank
Depository account	\$ 507,836
Certificate of Deposit	1,117,809
Money Market Account	26,980
Total Washington Federal Bank accounts	1,652,625
FDIC coverage	(250,000)
Total uninsured public funds	\$ 1,402,625
Collateral requirement (100% of uninsured public funds)	\$ 1,402,625
Pledged security	1,447,426
Total under (over) collateralized	\$ (44,801)

D. Credit Quality Risk

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

E. Custodial Credit Risk

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

	Washington Federal Bank
Depository account	\$ 507,836
Certificate of Deposit	1,117,809
Money Market Account	26,980
Total Washington Federal Bank accounts	1,652,625
FDIC coverage	(250,000)
Total uninsured public funds	1,402,625
Pledged security	1,447,426
Total uninsured and uncollateralized	\$ (44,801)

F. Interest Rate Risk

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

NOTE 4—ACCOUNTS RECEIVABLE

Accounts receivable are comprised of amounts due from credit customers in the amount of \$501,260, less \$- that is considered uncollectible and is included as an allowance for doubtful accounts. The net amount of accounts receivable at June 30, 2016 is \$501,260.

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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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, 2016 is \$17,274.

NOTE 7—CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows:

Capital Asset Description	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Construction in progress	\$ -	706	-	706
Total capital assets not being depreciated	-	706	-	706
Capital assets being depreciated:				
Landfill	10,062,438	-	-	10,062,438
Transfer stations	1,501,842	32,042	-	1,533,884
Buildings	596,947	-	-	596,947
Furnitures, fixtures and equipment	5,146,876	488,564	(12,600)	5,622,840
Vehicles	230,248	33,232	-	263,480
Total capital assets being depreciated	17,538,351	553,838	(12,600)	18,079,589
Less accumulated depreciation:				
Landfill	(6,475,582)	(381,279)	-	(6,856,861)
Transfer stations	(1,286,049)	(71,825)	-	(1,357,874)
Buildings	(265,010)	(20,272)	-	(285,282)
Furnitures, fixtures and equipment	(2,764,548)	(321,246)	3,535	(3,082,259)
Vehicles	(121,181)	(23,653)	-	(144,834)
Total accumulated depreciation	(10,912,370)	(818,275)	3,535	(11,727,110)
Total capital assets (net)	\$ 6,625,981	(263,731)	(9,065)	6,353,185

Depreciation expense for the year ended June 30, 2016 was \$818,275.

NOTE 8—LONG-TERM DEBT

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the statement of net position:

	2015	Additions	Retirements	Restatement	2016	Due within one year
NMFA loan	\$ 2,346,862	-	(323,016)	-	2,023,846	325,730
Compensated absences	58,444	83,921	(79,714)	-	62,651	50,121
Net pension liability	1,064,846	627,027	(151,024)	(25,743)	1,515,106	-
Total Long-Term Debt	\$ 3,470,152	710,948	(553,754)	(25,743)	3,601,603	375,851

NMFA Refunding Loan

The refunding loan balance outstanding at June 30, 2016 is with a blended interest rate of 1.623% and terms involving semi-annual interest payments, annual principal payments, with the final payment due May 1, 2022.

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

<u>Fiscal Year</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	325,730	34,859	360,589
2018		328,954	31,634	360,588
2019		333,264	27,325	360,589
2020		338,696	21,893	360,589
2021		344,962	15,627	360,589
2022		352,240	8,349	360,589
Total	\$	<u>2,023,846</u>	<u>139,687</u>	<u>2,163,533</u>

NOTE 9—ECONOMIC DEPENDENCE – CUSTOMER BASE

The Authority's five largest customers account for the following in tipping fee revenue as of June 30, 2016.

<u>Top 5 Customers</u>	<u>Percentage</u>
City of Gallup	20%
Waste Management	14%
Bio-Pappel International, Inc.	13%
Navajo Sanitation	8%
PRI/McKinley	5%
Total	<u>60%</u>

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 \$298,010 as of June 30, 2016, which is based on 22.21% usage of the landfill. The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,216,875 between the date of the statement of net position and the date the landfill stops accepting waste. The remaining estimated cost of closure and post closure care is based on the amount that would be paid if all equipment, facilities and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2016. 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, 2016, investments of \$1,169,995 are held for these purposes. These are reported as restricted assets on the statement of net position. The Authority expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined, due to changes in technology or applicable laws or regulations, for example, these costs may need to be covered by charges to future landfill uses or from future tax revenue.

NOTE 11—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.

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NOTE 12—PENSION PLAN AND POST EMPLOYMENT BENEFITS

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2016.pdf>.

Contributions. The contribution requirements of defined benefit plan members and the Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY16 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2016.pdf. The PERA coverage option that applies to the Authority is: Municipal General Division. Statutorily required contributions to the pension plan from the Authority were \$121,116 and employer paid member benefits that were “picked up” by the employer were \$124,833 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015. The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and

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Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division; Municipal General Division, at June 30, 2016, the Authority reported a liability of \$1,515,106 for its proportionate share of the net pension liability. At June 30, 2016, the Authority's proportion was 0.15 percent, which was increased by 0.01 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Authority recognized PERA Fund Division; Municipal General Division pension expense of \$138,230.

At June 30, 2016, the Authority reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

<u>Municipal General Division</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	33,560
Changes of assumptions	-	590
Net difference between projected and actual earnings on pension plan investments	-	4,793
Change in proportion and differences between the Authority's contributions and proportionate share of contributions	91,736	-
The Authority contributions subsequent to the measurement date	154,212	-
Total	<u>\$ 245,948</u>	<u>38,943</u>

The amount above reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2017	\$ 18,442
2018	18,442
2019	18,442
2020	(103,131)
2021	(4,988)
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

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The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	4.0%	4.15%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority's net pension liability in each Page 7 PERA Fund Division that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

<u>PERA Fund Division -</u>	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
<u>Municipal General Division</u>	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
The Authority's proportionate share of the net pension liability	\$ <u>2,579,624</u>	\$ <u>1,515,106</u>	\$ <u>630,031</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.nmpera.org/>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

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

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healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance and long-term care policies.

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

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

Funding Policy

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, 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, 2016, 2015 and 2014 were \$25,687, \$24,801 and \$22,187, respectively, which equal the required contributions for each year.

NOTE 14—RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, the Authority purchased fuel and supplies from a related party, Carver Oil Company. Expenditures related to this vendor totaled \$303,629 during the year ended June 30, 2016,

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and amounts payable at year end were \$782. In addition, the Authority sold recyclable material to a related party in the amount of \$825 accounts receivable at year end was \$715.

NOTE 15—RESTATEMENT

A restatement was made per GASB 68 recalculations as follows for June 30:

Description	2015
Reduction of net pension liability	\$ 25,743
Reduction of deferred inflows	10,054
Reduction of deferred outflows	(237,856)
Change in fund balance	\$ (202,059)

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 17, 2016 which is the date the financial statements were available to be issued.

At the beginning of FY17, the Authority applied for an additional bond loan for the expansion of the landfill. Provided that the loan is approved, the total additional amount borrowed will be \$498,600 for 5 years.

**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, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>(Cash Basis) Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:				
Tipping fees	\$ 4,000,000	4,000,000	4,209,416	209,416
Miscellaneous income	60,000	60,000	124,792	64,792
Special projects, net	50,000	50,000	6,390	(43,610)
<i>Total operating revenues</i>	<u>4,110,000</u>	<u>4,110,000</u>	<u>4,340,598</u>	<u>230,598</u>
Operating Expenses:				
Personnel services	1,550,000	1,550,000	1,495,749	54,251
Employee benefits	665,000	665,000	584,034	80,966
Contractual services	175,000	175,000	224,172	(49,172)
Repairs and maintenance	375,000	375,000	496,619	(121,619)
Insurance	90,000	90,000	101,039	(11,039)
Utilities	58,000	58,000	75,482	(17,482)
Supplies	155,000	155,000	298,822	(143,822)
Fuel and Oil	500,000	500,000	295,148	204,852
Rent	50,000	50,000	10,723	39,277
Other	185,500	185,500	222,574	(37,074)
Increase (decrease) in landfill liability	60,000	60,000	45,715	14,285
<i>Total operating expenses</i>	<u>3,863,500</u>	<u>3,863,500</u>	<u>3,850,077</u>	<u>13,423</u>
<i>Operating gain (loss)</i>	<u>246,500</u>	<u>246,500</u>	<u>490,521</u>	<u>244,021</u>
Non-operating revenues (expenses)				
Interest income	5,000	5,000	5,669	669
Capital outlay	(610,000)	(610,000)	(548,147)	61,853
Debt service - interest	(361,500)	(361,500)	(37,120)	324,380
<i>Total non-operating revenues (expenses)</i>	<u>(966,500)</u>	<u>(966,500)</u>	<u>(579,598)</u>	<u>386,902</u>
<i>Net loss before contributions</i>	(720,000)	(720,000)	(89,077)	630,923
<i>Contributions of capital</i>	<u>720,000</u>	<u>720,000</u>	<u>686,440</u>	<u>(33,560)</u>
<i>Change in net position</i>	<u>\$ -</u>	<u>-</u>	<u>597,363</u>	<u>597,363</u>

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

Change in net position-budget basis	597,363
Difference between cash and accrual basis	485,651
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	284,478
Subtract depreciation that was recorded on the statement of revenue, expenses and changes in net position but not on non-GAAP Budget Basis	(818,275)
Change in net position-business type activity - full accrual basis	<u>\$ 549,217</u>

Note: This budget is based on modified accrual basis of accounting as noted with the reconciling items above.

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

	2016	2015
The Authority's proportion of the net pension liability (asset) (%)	0.15%	0.13%
The Authority's proportionate share of the net pension liability (asset) (\$)	\$ <u>1,515,106</u>	<u>1,039,103</u>
The Authority's covered-employee payroll	\$ <u>1,335,937</u>	<u>1,401,400</u>
The Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	113.41%	74.15%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Authority will present information for those years for which information is available.

Notes to Required PERA Supplementary Information

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

Additional Note: The Contribution amounts in fiscal year 2015 have been updated due to a restatement. See Note 15 in the Notes to the Financial Statements for more information.

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

	2016	2015
Contractually required contribution	\$ 115,746	108,718
Contributions in relation to the contractually required contribution	245,948	237,849
Contribution deficiency (excess)	\$ (130,202)	(129,131)
The Authority's covered-employee payroll	\$ 1,335,937	1,401,400
Contributions as a percentage of covered-employee payroll	18.41%	16.97%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority will present information for those years for which information is available.

Notes to Required PERA Supplementary Information

Changes of benefit terms. *The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf.*

Changes of assumptions. *The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.*

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF DEPOSITS AND INVESTMENTS
As of June 30, 2016

<u>Name/Account Type</u>	<u>Balance Per Bank June 30, 2016</u>	<u>Add Deposits in Transit</u>	<u>Less Outstanding Checks</u>	<u>Balance Per Books June 30, 2016</u>
Depository Accounts:				
US Bank				
Operating, non-interest bearing checking	\$ 359,270	-	(9,559)	349,711
Payroll, non-interest bearing checking	37,922	-	(24,600)	13,322
Cash Bond, interest bearing savings	1,013	-	-	1,013
Grants State Bank				
EGRT, interest bearing checking	370,939	-	(46,514)	324,425
Grants State Bank Operating	998,345	-	-	998,345
Washington Federal				
EAA, interest bearing savings	507,836	-	-	507,836
Total Depository Accounts	2,275,325	-	(80,673)	2,194,652
Restricted Accounts:				
NMFA Refunding Loan - Reserve Account	331,097	-	-	331,097
NMFA Refunding Loan - Debt Service Account	96,725	-	-	96,725
Total Restricted Accounts - NMFA	427,822	-	-	427,822
Petty Cash and Undeposited Funds	2,449	-	-	2,449
Total Cash and Cash Equivalents	2,705,596	-	(80,673)	2,624,923
Washington Federal-Restricted				
Landfill Post Closure - Certificate of Deposit	1,117,809	-	-	1,117,809
Landfill Post Closure - Money Market	26,980	-	-	26,980
Total Washington Federal	1,144,789	-	-	1,144,789
US Bank-Restricted				
Landfill Post Closure - Certificate of Deposit	25,206	-	-	25,206
Total US Bank	25,206	-	-	25,206
Total Investments	\$ 1,169,995	-	-	1,169,995

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO
REGIONAL SOLID WASTE AUTHORITY
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
As of June 30, 2016**

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Market / Par Value June 30, 2016</u>	<u>Name and Location of Safekeeper</u>
Grants State Bank	FHLMC 775209 VR CUSIP #31348PYE4 2.106%, Due 03/01/2018	\$ <u>8</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Gadsden NM ISD #16 CUSIP #362550MN2 2% , Due 08/15/2020	<u>208,788</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Gallup McKinley Co NM SD #1 BQ CUSIP #364010RH3 2%, Due 08/01/2019	<u>51,625</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	LOS LUNAS NM SD#1 BQ CUSIP #545562QE3 2%, Due 07/15/2018	<u>102,132</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Grant Co NM Gross Receipts Tax CUSIP #387770BM1 3%, due 07/01/2021	<u>164,376</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Grant Co NM Gross Receipts Tax CUSIP #387770BN9 3%, due 07/01/2022	<u>170,357</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Grants & Cibola CNTYS NM SD #1 CUSIP #388240HA4 2% Due 10/01/2021	<u>240,175</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Grants & Cibola CNTYS NM SD #1 CUSIP #388240HB2 2% Due 10/01/2022	<u>251,086</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Ventana W NM Public IMPT DIST CUSIP #92276PAP3 4% Due 8/1/2021	<u>287,752</u>	The Independent Bankers Bank Dallas TX
Grants State Bank	Ventana W NM Public IMPT DIST CUSIP #92276PAQ1 4% Due 8/1/2022	<u>303,918</u>	The Independent Bankers Bank Dallas TX
Total, Grants State Bank		\$ <u>1,780,217</u>	
US Bank	FHLMC FGLMC C78401 CUSIP #31288HKN9 Due 04/01/2033	<u>566,976</u>	
US Bank	FHLMC GOLD POOL E99159 CUSIP #3128H7E81 Due 09/01/2018	<u>152,341</u>	
US Bank	FNMA GOLD POOL G18549 CUSIP #3128MMTfo Due 4/01/2030	<u>250,114</u>	
US Bank	FHLMC GOLD REMIC 4193 AP CUSIP #3137B1H21 Due 04/15/2043	<u>363,024</u>	
US Bank	FHLMC GOLD POOL G18556 CUSIP #3128MMTN3 Due 6/1/2030	<u>93,049</u>	
US Bank	FHLMC GOLD REMIC 4212 QF CUSIP #3137B2SK7 Due 6/15/2043	<u>22,565</u>	
Total, US Bank		\$ <u>1,332,455</u>	
Washington Federal	GNMA2 G2895800 CUSIP #3620EoNW2 2.12%, Due 08/20/2061 FNMA PL#AL3899 CUSIP #3138ELKM4 4% Due 10/1/2042	<u>1,447,426</u>	
Total, Washington Federal		\$ <u>1,447,426</u>	
Total Pledged Collateral		\$ <u>4,560,098</u>	

See Independent Auditor's Report

STATE OF NEW MEXICO
 NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
 SCHEDULE OF VENDOR INFORMATION (UNAUDITED)

Agency Number	Agency Name	Agency Type	RFB#/RFP# (if applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
4029	North West New Mexico Regional Solid Waste Authority	Special Districts	N/A	Competitive (RFP or RFB)	BCA Industries	Winner	\$192,500.00	\$198,500.00	BCA Industries 4330 W. Green Tree Rd. Milwaukee WI 53223	No	No	Tire Shredder	N/A
4029	North West New Mexico Regional Solid Waste Authority	Special Districts	N/A	Competitive (RFP or RFB)	Ed's Recycling	Winner	\$35 a ton		Ed's Recycling 605 S. Prince Clovis NM	No	No	Remove recyclable white goods	N/A
					Megastructure	Loser	\$40 a ton		Megastructure 2923 Trellis dr. NW Albuquerque, NM 87107	No	No	Remove recyclable white goods	

Note: Megastructure was originally awarded the contract but did not respond to award notification

**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. Timothy Keller
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, 2016, 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 17, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and

material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item: 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. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, P.C.
Albuquerque, NM
November 17, 2016

**STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2016**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding</u>
Prior Year Findings			
2014-001	Lack of Controls Over Cash Deposits	RESOLVED	C, D
2014-005	Disposal of Property	Repeated	D
2015-001	Chief Procurement Officer	RESOLVED	D
Current Year Findings			

*** 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 Non-compliance with State Audit Rule, NM State Statutes Annotated 1978 and other NM Administrative Code or other entity compliance

PRIOR YEAR FINDINGS

2014-005 Disposal of Property

Type of Finding: D

Statement of Condition

During fiscal year 2016, the Authority disposed of property without notifying the New Mexico State Auditor's office at least thirty days prior to the disposition of property. Management has not effectively implemented the prior year correction action plan to notifying the New Mexico State Auditor's Office at least thirty days prior to the disposition of property.

Progress of Finding

There does not appear to be any change compared to the prior year.

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.

STATE OF NEW MEXICO
NORTHWEST NEW MEXICO REGIONAL SOLID WASTE AUTHORITY
Schedule of Findings and Responses
For the Year Ended June 30, 2016

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 the Chief Procurement Officer will submit notification of property dispositions to the NM 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, 2016

An exit conference was held in a closed session on November 17, 2016. Present at the exit conference were:

For the Northwest New Mexico Regional Solid Waste Authority:

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

For Hinkle + Landers, P.C.:

Farley Vener, CPA, CFE, Managing Shareholder

PREPARATION OF THE FINANCIAL STATEMENTS

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