



**LOFTIS GROUP** LLC  
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS ADVISORS



# **Northwest New Mexico Regional Solid Waste Authority**

Financial Statements  
and  
Independent Auditor's Report

June 30, 2019

# Northwest New Mexico Regional Solid Waste Authority

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# Northwest New Mexico Regional Solid Waste Authority

## Official Roster June 30, 2019

### Board of Directors

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Name	Agency Represented	Title
Larry Carver	Village of Milan	Chairman
Dezirie Gomez	McKinley County	Vice-Chairman
Linda Garcia	City of Gallup	Secretary/Treasurer
Robert Windhorst	Village of Milan	Member
Martin "Modey" Hicks	City of Grants	Member
Brian Money	McKinley County	Member
Adrian Marrufo	City of Gallup	Member

### Administrative Officials

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Name	Title
Billy Moore	Executive Director
Martha Briggs	Accountant

## Independent Auditor's Report

Honorable Members of the Board of Directors  
Northwest New Mexico Regional Solid Waste Authority  
and  
Mr. Brian S. Colón, Esq., New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements and the budgetary comparison of the Northwest New Mexico Regional Solid Waste Authority (the "Authority"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019, and the changes in its financial position, its cash flows, and budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the financial statements is not affected by this missing information

Accounting principles generally accepted in the United States of America require that the schedules for the Authority's participation in PERA and RHCA, as listed in the table of contents, be presented to supplement the 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 an opinion on the Authority's financial statements as a whole. The Other Schedules Required by 2.2.2 NMAC, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the financial statements. These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, 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 solely 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Loftis Group <sup>uc</sup>

Albuquerque, New Mexico  
November 21, 2019

## Financial Statements

# Northwest New Mexico Regional Solid Waste Authority

## Statement of Net Position

June 30, 2019

### Assets

#### Current assets

Cash and cash equivalents - unrestricted	\$ 1,709,445
Accounts receivable, net	536,773
Inventory	133,988
Prepaid expenses	<u>36,408</u>
Total current assets	<u>2,416,614</u>

#### Noncurrent assets

Cash and cash equivalents - restricted	451,868
Investments - restricted	1,258,324
Capital assets, net	<u>7,331,257</u>
Total noncurrent assets	<u>9,041,449</u>
Total assets	<u>11,458,063</u>

### Deferred Outflows of Resources

Deferred amounts related to pensions	717,867
Deferred amounts related to other post-employment benefits	<u>155,085</u>
Total deferred outflows of resources	<u>872,952</u>
Total assets and deferred outflows of resources	<u>\$ 12,331,015</u>

The accompanying notes are an integral part of these financial statements.



# Northwest New Mexico Regional Solid Waste Authority

## Statement of Net Position — continued

June 30, 2019

### Liabilities

#### Current liabilities

Accounts payable	\$	41,484
Payroll related liabilities		62,374
Other accrued liabilities		16,216
Unearned revenue		12,101
Compensated absences, current portion		21,039
Notes payable, current portion		338,696
Total current liabilities		<u>491,910</u>

#### Noncurrent liabilities

Compensated absences, net of current portion		84,154
Notes payable, net of current portion		697,202
Estimated liability for landfill closure costs		360,173
Net pension liability		2,447,358
Net post-employment benefit liability		1,464,526
Total noncurrent liabilities		<u>5,053,413</u>
Total liabilities		<u>5,545,323</u>

### Deferred Inflows of Resources

Deferred amounts related to pensions		95,884
Deferred amounts related to other post-employment benefits		378,406
Total deferred inflows of resources		<u>474,290</u>

### Net Position

Net investment in capital assets		6,295,359
Restricted for debt service		451,868
Restricted for landfill closure		1,258,324
Unrestricted (deficit)		<u>(1,694,149)</u>
Total net position		<u>6,311,402</u>
Total liabilities, deferred inflows of resources and net position	\$	<u>12,331,015</u>

The accompanying notes are an integral part of these financial statements.

**Northwest New Mexico Regional Solid Waste Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2019**

**Operating Revenues**

Tipping fees	\$ 4,681,868
Sale of recycled goods	23,856
Special projects	19,600
Other	86,383
Total operating revenues	4,811,707

**Operating Expenses**

Salaries, benefits and payroll taxes	2,711,552
Depreciation	708,850
Repairs and maintenance	485,122
Fuel and oil	438,217
Insurance	210,543
Supplies	203,619
Utilities	92,684
Contractual services	80,344
Other	74,116
Employee and board expenses	43,908
Compliance testing	34,354
Equipment rentals	24,080
Minor equipment	18,092
Landfill closure costs	18,051
Credit card and banking fees	11,837
Total operating expenses	5,155,369
Operating loss	(343,662)

**Nonoperating Revenues (Expenses)**

Interest income	26,917
Gain on disposal of capital assets	38,900
Interest expense	(28,263)
Total nonoperating revenues, net	37,554
Loss before capital contributions	(306,108)

**Capital Contributions**

Change in net position	299,250
Net position, beginning of year	6,012,152
<b>Net position, end of year</b>	<b>\$ 6,311,402</b>

**The accompanying notes are an integral part of these financial statements.**

# Northwest New Mexico Regional Solid Waste Authority

## Statement of Cash Flows For the Year Ended June 30, 2019

### Cash flows from operating activities

Cash received from customers	\$ 4,763,103
Other cash received	86,383
Cash paid to employees	(2,501,639)
Cash paid to suppliers for goods and services	<u>(1,734,566)</u>
Net cash provided by operating activities	<u>613,281</u>

### Cash flows from capital and related financing activities

Capital contributions received from members	605,358
Insurance proceeds received	85,622
Proceeds from the trade-in of capital assets	38,900
Acquisition and construction of capital assets	(593,577)
Principal payments on notes	(439,391)
Interest payments on notes	<u>(29,168)</u>
Net cash used by capital and related financing activities	<u>(332,256)</u>

### Cash flows from investing activities

Interest income received	26,917
Purchases of investments	<u>(15,768)</u>
Net cash provided by investing activities	<u>11,149</u>
Net increase in cash and cash equivalents	292,174
Cash and cash equivalents, beginning of year	<u>1,869,139</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,161,313</u></u>

### Financial statement presentation

Cash and cash equivalents - unrestricted	\$ 1,709,445
Cash and cash equivalents - restricted	<u>451,868</u>
	<u><u>\$ 2,161,313</u></u>

The accompanying notes are an integral part of these financial statements.

# Northwest New Mexico Regional Solid Waste Authority

## Statement of Cash Flows — continued

For the Year Ended June 30, 2019

### provided by operating activities

Operating loss	\$ (343,662)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	708,850
Increase in landfill closure cost liability	18,051
Changes in assets and liabilities:	
Accounts receivable	35,033
Inventory	(26,261)
Prepaid expenses	(3,658)
Accounts payable	10,488
Payroll related liabilities	6,774
Other accrued liabilities	1,781
Unearned revenue	2,746
Compensated absences	(6,081)
Net pension liability and related deferred amounts	215,754
Post-employment benefit liability and related deferred amounts	(6,534)
Total adjustments	<u>956,943</u>
Net cash provided by operating activities	<u>\$ 613,281</u>

The accompanying notes are an integral part of these financial statements.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

### June 30, 2019

#### 1) Nature of Operations and Reporting Entity

##### Nature of Operations

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 joint-powers agreement contributed two dollars per person, based on Census numbers. This is reported by the Authority as contributed capital each fiscal year. The term of the joint-powers agreement is forty years and may be renewed.

##### Reporting Entity

In evaluating the Authority as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Authority may be financially accountable and, as such, should be included within the Authority’s financial statements. The Authority (the primary government) is financially accountable if it appoints a voting majority of an organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority. Organizations for which the Authority is not financially accountable are also included when doing so is necessary in order to prevent the Authority’s financial statements from being misleading.

The financial statements are presented to allow the users to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government, component units are blended as though they are part of the primary government.

Based on the application of the criteria above, the Authority reports no component units in its primary government.

#### 2) Summary of Significant Accounting Policies

##### Accounting Standards

The financial statements of the Authority conform with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. As a governmental entity, the Authority follows applicable pronouncements of the Governmental Accounting Standards Board (GASB).

**Northwest New Mexico Regional Solid Waste Authority**  
**Notes to the Financial Statements**  
**June 30, 2019**

2) Summary of Significant Accounting Policies – continued

Measurement Focus and Basis of Accounting

The Authority follows proprietary fund accounting. Proprietary funds use the flow of economic resources measurement focus and the accrual basis of accounting. 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. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Proprietary funds distinguish operating revenues and expenses from nonoperating. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fair Value of Financial Instruments

Management believes that the fair value of all its financial instruments is not materially different from their carrying values.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Investments

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. State statutes authorize the Authority to invest in certificates of deposit, obligations of the U.S. government, and the Local Government Investment Pool (LGIP) maintained by the State Treasurer's Office.

Investments of 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 LGIP operates in accordance with appropriate state laws and regulations. The reported value of the LGIP is the same as the fair value of the LGIP shares.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

### 2) Summary of Significant Accounting Policies – continued

#### Accounts Receivable

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2019, all accounts receivable are considered to be fully collectible.

#### Prepaid Expenses

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

#### Capital Assets

According to Section 12-6-10 NMSA 1978, capital assets are defined as assets with an initial, individual cost of more than \$5,000 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Landfills and transfers stations	20
Buildings	30
Furniture, fixtures and equipment	5-15
Vehicles	7

#### 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.

#### Deferred Outflows /Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority's deferred outflows of resources is related to pensions and other post-employment benefits (OPEB).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Authority's deferred inflows of resources is related to pensions and OPEB.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

### June 30, 2019

#### 2) Summary of Significant Accounting Policies – continued

See Note 9 for details of deferred outflows and inflows of resources related to pensions and Note 10 for details of deferred outflows and inflows of resources related to OPEB.

#### Net Position

Net position is classified into the following three categories:

- ◆ *Net investment in capital assets.* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- ◆ *Restricted.* When constraints placed on an assets use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The basic concept is that restrictions are not unilaterally established by a reporting government itself and cannot be removed without the consent of those imposing the restrictions. This category of net position is intended to identify resources that were received or earned by the Authority with an explicit understanding between the Authority and the resource providers that the funds would be used for a specific purpose.
- ◆ *Unrestricted.* Net amount of the assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position may be used to meet the Authority's obligations.

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

#### Operating Revenue

The Red Rock Landfill was opened by the Authority on January 2, 1996. The tipping fee at this site is \$35 per ton with a minimum charge of \$7. The Authority opened the McKinley County transfer station on October 1, 1996. The tipping fee at this site is \$42 per ton, with a minimum charge of \$7. The Authority opened the Cibola County transfer station in July 1997. The tipping fee at this site is \$42 per ton, with a minimum charge of \$7. The Authority also operates convenience centers in Cibola County. The Authority considers tipping fees and other solid waste related revenue as operating revenue.



# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

### June 30, 2019

#### 2) Summary of Significant Accounting Policies – continued

##### Budgets and Budgetary Accounting

The annual budget is adapted based on the cash basis of accounting. An annual appropriated budget was adopted for the Authority. 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 entity level.

##### 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.

##### Post-Employment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (RHCA) and additions to and deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA. For this purpose, RHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

##### Recently Issued Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements which are not effective at June 30, 2019. The Authority will implement the new GASB pronouncements in the fiscal year no later than the required effective date of each pronouncement. Management believes that these recently issued GASB pronouncements will not significantly impact financial reporting of the Authority.

#### 3) **Cash, Cash Equivalents and Investments**

At June 30, 2019, the carrying amount of the Authority's deposits and investments was \$3,419,637 and the bank balance was \$3,527,934. The difference represents outstanding checks, deposits, and other reconciling items.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

3) Cash, Cash Equivalents and Investments – continued

Cash and investments for both restricted and unrestricted balances, were comprised of the following at June 30, 2019:

Cash on deposit with banks	\$	1,708,245
Cash on deposit with New Mexico Finance Authority - restricted for debt service		451,868
Certificates of deposit - restricted for landfill closure costs		1,258,324
Cash on hand		1,200
Total cash, cash equivalents and investments	\$	3,419,637

Included in the deposits above are accounts restricted for debt service. These accounts 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.

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). Such collateral is held by an independent third-party financial institution acceptable to the Authority. At June 30, 2019, the Authority’s deposits are subject to custodial credit risk as follows:

	Washington Federal Bank	U.S. Bank	TBK Bank	Total
Bank balance of deposits	\$ 1,317,055	\$ 262,320	\$ 269,216	\$ 1,848,591
Bank balance of certificates of deposit	1,258,324	1,051	-	1,259,375
Less: FDIC insurance coverage	(250,000)	(250,000)	(250,000)	(750,000)
Total uninsured public funds	2,325,379	13,371	19,216	2,357,966
Less: Pledged collateral, at fair value	(2,624,144)	-	-	(2,624,144)
Total under (over) insured public funds	\$ (298,765)	\$ 13,371	\$ 19,216	\$ (266,178)

At June 30, 2019, the Authority’s only investment is a non-negotiable certificate of deposit restricted for landfill closure costs. Non-negotiable certificates of deposits are considered to be deposits for purposes of disclosure under GASB Statement Nos. 40 and 72. Therefore, investment risk disclosure are not included for the Authority’s investments.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

### June 30, 2019

#### 4) Inventory

Inventory consists of filters, hoses, and miscellaneous parts needed on a regular basis for repair and maintenance of all Authority owned vehicles, trucks and equipment. The inventory also includes stock fuel and lubricants. Upon receipt of the items, they are entered into current inventory stock at cost. When an item is used, it is deducted from the current stock. Inventory is valued using the lower of cost or market value, with cost determined using the first-in first-out (FIFO) method.

#### 5) Capital Assets

Capital asset activity for the year ended June 30, 2019 is as follows:

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
<i>Capital assets not being depreciated</i>					
Unused landfill cell	\$ 1,253,520	\$ -	\$ -	\$ -	\$ 1,253,520
Total capital assets not being depreciated	<u>1,253,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,253,520</u>
<i>Capital assets being depreciated</i>					
Landfill	10,062,438	51,410	-	-	10,113,848
Transfer stations	1,783,976	25,140	-	-	1,809,116
Buildings	725,319	11,350	-	-	736,669
Furniture, fixtures and equipment	5,845,060	422,122	-	(116,775)	6,150,407
Vehicles	392,929	83,555	-	-	476,484
Total capital assets being depreciated	<u>18,809,722</u>	<u>593,577</u>	<u>-</u>	<u>(116,775)</u>	<u>19,286,524</u>
<i>Less accumulated depreciation</i>					
Landfill	(7,400,742)	(214,268)	-	-	(7,615,010)
Transfer stations	(1,398,284)	(29,111)	-	-	(1,427,395)
Buildings	(327,482)	(24,835)	-	-	(352,317)
Furniture, fixtures and equipment	(3,277,107)	(396,694)	-	116,775	(3,557,026)
Vehicles	(213,097)	(43,942)	-	-	(257,039)
Total accumulated depreciation	<u>(12,616,712)</u>	<u>(708,850)</u>	<u>-</u>	<u>116,775</u>	<u>(13,208,787)</u>
Total capital assets being depreciated, net	<u>6,193,010</u>	<u>(115,273)</u>	<u>-</u>	<u>-</u>	<u>6,077,737</u>
Capital assets, net	<u>\$ 7,446,530</u>	<u>\$ (115,273)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,331,257</u>

At June 30, 2018, the Authority completed construction of a new cell in the Red Rock Landfill. During fiscal year 2019, this new cell has not yet been placed into service and is not being depreciated.

**Northwest New Mexico Regional Solid Waste Authority**  
**Notes to the Financial Statements**  
**June 30, 2019**

**6) Long-Term Debt**

Long-term debt activity for the year ended June 30, 2019 is as follows:

	Beginning Balances	Additions	Deletions	Ending Balances	Amounts Due in One Year
NMFA loan	\$ 1,369,162	\$ -	\$ (333,264)	\$ 1,035,898	\$ 338,696
Compactor loan	106,127	-	(106,127)	-	-
Compensated absences	111,274	83,926	(90,007)	105,193	21,039
Total long-term debt	<u>\$ 1,586,563</u>	<u>\$ 83,926</u>	<u>\$ (529,398)</u>	<u>\$ 1,141,091</u>	<u>\$ 359,735</u>

NMFA Refunding Loan

The Authority's NMFA refunding loan is secured by a pledge of net revenues derived from the operations of the Authority as well as the environmental gross receipts tax contributed to the Authority by its members. The Authority has agreed to charge all users such reasonable rates as are sufficient to produce net revenues annually to pay 130% of the annual debt service requirements on the refunding loan. The refunding loan includes a blended interest rate of 1.623% and terms involving semi-annual interest payments and annual principal payments, with the final payment due May 1, 2022.

Compactor Loan

The compactor loan includes interest at 3.2% and terms involving monthly interest and principal payments, with the final payment made on April 1, 2019.

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

Year Ending June 30,	Principal	Interest	Totals
2020	\$ 338,696	\$ 21,893	\$ 360,589
2021	344,962	15,627	360,589
2022	352,240	8,349	360,589
	<u>\$ 1,035,898</u>	<u>\$ 45,869</u>	<u>\$ 1,081,767</u>

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

### 7) Economic Dependence

The five largest customers of the Authority account for the following in tipping fee revenue for the year-ended June 30, 2019.

Customer	Percentage
McKinley Paper Company	18%
City of Gallup	18%
Waste Management of New Mexico	12%
Zapata, Inc.	11%
Navajo Sanitation	7%
Total	66%

### 8) Closure and Post-Closure Care Costs

Federal laws and regulations require the Authority to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Authority reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each statement of net position date. The \$360,173 reported as a liability for landfill closure costs at June 30, 2019, represents the cumulative amount reported to date based on the use of 26.83% of the estimated capacity of the Red Rock Landfill.

The Authority will recognize the remaining estimated cost of closure and post-closure care of \$1,267,035 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2019. Actual cost may be higher due to inflation, change in technology, or change in regulations. The Authority has set aside \$1,258,324 for future post-closure costs. This amount is reported as a restricted investment 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 change in technology or applicable laws or regulations, for example); these costs may need to be covered by charges to future landfill users or from future contributions from its members.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

### June 30, 2019

#### 9) **Defined Benefit Pension Plan – PERA**

##### General Information About the Pension Plan

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

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

The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit.

**Northwest New Mexico Regional Solid Waste Authority**  
**Notes to the Financial Statements**  
**June 30, 2019**

9) Defined Benefit Pension Plan – PERA – continued

Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

*Contributions:* See PERA’s publicly available comprehensive annual financial report obtained at <http://www.nmpera.org/financialoverview>, for the employer and employee contribution rates in effect for fiscal year 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the Authority reported a liability of \$2,447,358 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The Authority’s proportion of the net pension liability was based on a projection of the Authority’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2018, the Authority’s proportion was 0.1535%, which was an increase of 0.011% from its proportion measured as of June 30, 2017.

**Northwest New Mexico Regional Solid Waste Authority**  
**Notes to the Financial Statements**  
**June 30, 2019**

9) Defined Benefit Pension Plan – PERA – continued

For the year ended June 30, 2019, the Authority recognized pension expense of \$347,062. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 70,734	\$ 64,255
Changes of assumptions	221,888	14,071
Net difference between projected and actual investment earnings on pension plan investments	181,508	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	112,376	17,558
The Authority's contributions subsequent to the measurement date	131,361	-
Total	\$ 717,867	\$ 95,884

Deferred outflows of resources totaling \$131,361 represent Authority contributions made subsequent to the measurement date and will be recognized as a reduction of net pension liability in the year ending June 30, 2020. 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:	
2020	\$ 287,352
2021	135,628
2022	58,192
2023	9,450
Total	\$ 490,622



**Northwest New Mexico Regional Solid Waste Authority**  
**Notes to the Financial Statements**  
**June 30, 2019**

9) Defined Benefit Pension Plan – PERA – continued

*Actuarial assumptions.* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	
- Investment rate of return	7.25% annual rate, net of investment expense
- Projected benefit payment	100 years
- Payroll growth	3.00%
- Projected salary increases	3.25% to 13.50%
- Includes inflation at	2.50% and 2.75% for all other years
- Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
- Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 to June 30, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 actuarial valuation.

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

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

9) Defined Benefit Pension Plan – PERA – continued

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

All Funds - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	43.50%	7.48%
Risk reduction and mitigation	21.50%	2.37%
Credit oriented fixed income	15.00%	5.47%
Real assets	<u>20.00%</u>	6.48%
Total	<u>100.00%</u>	

*Discount rate.* A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

*Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Authority’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
PERA Fund Division: Municipal General			
The Authority's proportionate share of the net pension liability	<u>\$ 3,771,215</u>	<u>\$ 2,447,358</u>	<u>1,352,979</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA financial reports.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

### 10) Other Post-Employment Benefits – RHCA

#### General Information About the Other Post-Employment Benefits (OPEB)

*Plan Description.* Employees of the Authority are provided with OPEB through the Retiree Health Care Fund (the “Fund”)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (RHCA). RHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the “Act”) of NMSA 1978, to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

RHCA is an independent agency of the State of New Mexico. The funds administered by RHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. RHCA’s financial information is included with the financial presentation of the State of New Mexico.

*Benefits Provided.* The Fund is a multiple-employer cost-sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

*Employees Covered by Benefit Terms.* At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefits	11,471
Current active members	93,349
	<hr/>
	156,025
	<hr/>
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	<hr/>
	93,349
	<hr/>

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

10) Other Post-Employment Benefits – RHCA – continued

*Contributions.* Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Authority were \$51,988 for the year ended June 30, 2019.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Authority reported a liability of \$1,464,526 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Authority’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year-ending June 30, 2018. At June 30, 2018, the Authority’s proportion was 0.03368%.

For the year ended June 30, 2019, the Authority recognized OPEB expense of \$24,409. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 86,709
Changes of assumptions	-	273,420
Net difference between projected and actual investment earnings on OPEB plan investments	-	18,277
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	124,403	-
The Authority's contributions subsequent to the measurement date	30,682	-
Total	\$ 155,085	\$ 378,406

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

10) Other Post-Employment Benefits – RHCA – continued

Deferred outflows of resources totaling \$30,682 represent Authority contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (69,788)
2021	(69,788)
2022	(69,788)
2023	(47,891)
2024	<u>3,252</u>
Total	<u>\$ (254,003)</u>

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percentage of pay, calculated on an individual basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
- Inflation	2.50% for ERB members; 2.25% for PERA members
- Projected payroll increases	3.50% to 12.50%, based on years of service, including inflation
- Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
- Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
- Mortality assumption	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2000 Combined Healthy Mortality

*Rate of Return.* The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

### June 30, 2019

10) Other Post-Employment Benefits – RHCA – continued

The best estimates for the long-term expected rate of return is summarized as follows:

All Funds - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. core fixed income	20.00%	2.10%
U.S. equity - large cap	20.00%	7.10%
Non-U.S. - emerging markets	15.00%	10.20%
Non-U.S. - developed equities	12.00%	7.80%
Private equity	10.00%	11.80%
Credit and structured finance	10.00%	5.30%
Real estate	5.00%	4.90%
Absolute return	5.00%	4.10%
U.S. equity - small/mid cap	<u>3.00%</u>	7.10%
Total	<u>100.00%</u>	

*Discount Rate.* The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% is the blended discount rate.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates.* The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	1% Decrease (3.08%)	Current Rate (4.08%)	1% Increase (5.08%)
RHC Fund Division: Municipal General	<u>(3.08%)</u>	<u>(4.08%)</u>	<u>(5.08%)</u>
The Authority's proportionate share of the net pension liability	<u>\$ 1,772,421</u>	<u>\$ 1,464,526</u>	<u>1,221,836</u>

# Northwest New Mexico Regional Solid Waste Authority

## Notes to the Financial Statements

June 30, 2019

### 10) Other Post-Employment Benefits – RHCA – continued

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

RHC Fund Division: Municipal General	1% Decrease	Current Rate	1% Increase
The Authority's proportionate share of the net pension liability	<u>\$ 1,238,038</u>	<u>\$ 1,464,526</u>	<u>1,642,098</u>

*OPEB Plan Fiduciary Net Position.* Detailed information about the OPEB plan's fiduciary net position is available in RHCA's audited financial statements for the year ended June 30, 2018.

### 11) 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.

## Required Supplementary Information



**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of the Proportionate Share of the Net Pension Liability of the**  
**PERA Municipal General Division**  
**Last 10 Fiscal Years\***

Fiscal year Measurement date	June 30,				
	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
The Authority's proportion of the net pension liability	0.15%	0.14%	0.14%	0.15%	0.13%
The Authority's proportionate share of the net pension liability	\$ 2,447,358	\$ 1,955,322	\$ 2,273,475	\$ 1,515,106	\$ 1,039,103
The Authority's covered payroll	\$ 1,373,649	\$ 1,444,752	\$ 1,335,937	\$ 1,401,400	\$ 1,236,057
The Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	178.16%	135.34%	170.18%	108.11%	84.07%
Plan fiduciary net position as a percentage of the total pension liability	71.13%	73.74%	69.18%	76.99%	81.29%

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of Contributions to the PERA Municipal General Division**  
**Last 10 Fiscal Years\***

	June 30,					
	Fiscal year Measurement date	2019 2018	2018 2017	2017 2016	2016 2015	2015 2014
Statutory required contribution	\$	131,183	\$ 123,673	\$ 119,648	\$ 121,116	\$ 116,914
Contributions in relation to the statutorily required contributions		<u>131,183</u>	<u>123,673</u>	<u>119,648</u>	<u>121,116</u>	<u>116,914</u>
Annual contribution deficiency (excess)	\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Authority's covered payroll	\$	1,373,649	\$ 1,352,023	\$ 1,444,752	\$ 1,335,937	\$ 1,401,400
Contributions as a percentage of covered payroll		9.55%	9.15%	8.28%	9.07%	8.34%

\*Governmental Accounting Standards Board Statement No. 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2015, the year the statement's requirements became effective.

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of the Proportionate Share of the Post-Employment Benefit Liability**  
**of the RHCA Municipal General Division**  
**Last 10 Fiscal Years\***

	Fiscal year Measurement date	June 30,	
		2019 2018	2018 2017
The Authority's proportion of the net pension liability		0.03368%	0.03097%
The Authority's proportionate share of the net OPEB liability		\$ 1,464,526	\$ 1,403,459
The Authority's covered payroll		\$ 1,445,080	\$ 1,290,101
The Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll		101.35%	108.79%
Plan fiduciary net position as a percentage of the total pension liability		13.14%	11.34%

\*Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of Contributions to the RHCA Municipal General Division**  
**Last 10 Fiscal Years\***

	June 30,	
	Fiscal year Measurement date	2019 2018
Statutory required contribution	\$ 52,631	\$ 98,344
Contributions in relation to the statutorily required contributions	<u>51,988</u>	<u>49,358</u>
Annual contribution deficiency (excess)	<u>\$ 643</u>	<u>\$ 48,986</u>
The Authority's covered payroll	\$ 1,445,080	\$ 1,290,101
Contributions as a percentage of covered payroll	3.60%	3.83%

\*Governmental Accounting Standards Board Statement No. 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the Authority is not available prior to fiscal year 2018, the year the statement's requirements became effective.

## Other Schedules Required by 2.2.2 NMAC

**Northwest New Mexico Regional Solid Waste Authority**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Tipping fees	\$ 4,655,000	\$ 4,655,000	\$ 4,681,868	\$ 26,868
Sale of recycled goods	60,000	60,000	23,856	(36,144)
Special projects	60,000	60,000	19,600	(40,400)
Other	72,000	72,000	86,383	14,383
Capital contributions	650,000	650,000	605,358	(44,642)
Interest income	12,000	12,000	26,917	14,917
Total budgeted revenues	<u>5,509,000</u>	<u>5,509,000</u>	<u>5,443,982</u>	<u>(65,018)</u>
<b>Expenses</b>				
Salaries, benefits and payroll taxes	2,605,000	2,605,000	2,711,552	(106,552)
Repairs and maintenance	500,000	500,000	485,122	14,878
Fuel and oil	500,000	500,000	438,217	61,783
Insurance	225,000	225,000	210,543	14,457
Supplies	247,500	247,500	203,619	43,881
Utilities	87,000	87,000	92,684	(5,684)
Contractual services	165,000	165,000	80,344	84,656
Other	99,000	99,000	74,116	24,884
Employee and board expenses	48,500	48,500	43,908	4,592
Compliance testing	50,000	50,000	34,354	15,646
Equipment rentals	60,000	60,000	24,080	35,920
Minor equipment	10,000	10,000	18,092	(8,092)
Credit card and banking fees	15,000	15,000	11,837	3,163
Capital outlay	330,000	330,000	593,577	(263,577)
Debt service	482,000	482,000	467,654	14,346
Other	85,000	85,000	-	85,000
Total budgeted expenses	<u>\$ 5,509,000</u>	<u>\$ 5,509,000</u>	<u>5,489,699</u>	<u>\$ 19,301</u>

**Changes to Conform to GAAP**

Depreciation	(708,850)
Principal payments on loans	439,391
Capital outlay	593,577
Landfill closure costs	(18,051)
Gain on disposal of capital assets	<u>38,900</u>
Net changes to conform to GAAP	<u>344,967</u>
Change in net position	<u>\$ 299,250</u>

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of Deposits and Investments by Financial Institution**  
**June 30, 2019**

Name/Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<i>Washington Federal Bank</i>				
Checking account - operating	\$ 983,841	\$ 2,984	\$ (9,985)	\$ 976,840
Money market deposit account - EAA	300,114	-	-	300,114
Money market deposit account - landfill post-closure	33,100	-	-	33,100
Certificate of deposit - landfill post-closure	1,258,324	-	-	1,258,324
<i>U.S. Bank</i>				
Checking account - payroll	235,072	-	(31,033)	204,039
Checking account - operating	27,248	-	(103)	27,145
Certificate of deposit	1,051	-	-	1,051
<i>TBK Bank</i>				
Checking account - environmental gross receipts tax	258,303	-	(70,160)	188,143
Checking account - operating	10,913	-	-	10,913
<i>New Mexico Finance Authority</i>				
Reserve fund	335,239	-	-	335,239
Debt service fund	83,529	-	-	83,529
Petty cash	1,200	-	-	1,200
Total cash, cash equivalents and investments	<u>\$ 3,527,934</u>	<u>\$ 2,984</u>	<u>\$ (111,281)</u>	<u>\$ 3,419,637</u>

**Schedule of Pledged Collateral by Financial Institution**  
**June 30, 2019**

Name/Collateral description	CUSIP Number	Current Market Value	Maturity Date	Coupon Rate
<i>Washington Federal Bank</i>				
FNMA PL BC2636	3140EW4W2	\$ 2,624,144	11/1/2046	3.0%

## Compliance Section



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*

Honorable Members of the Board of Directors  
Northwest New Mexico Regional Solid Waste Authority  
and  
Mr. Brian S. Colón, Esq., New Mexico State Auditor

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 and the budgetary comparison of the Northwest New Mexico Regional Solid Waste Authority (the “Authority”) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated November 21, 2019.

**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 opinion 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 a 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 charged 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 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 2019-001 and 2019-002.

## **The Authority's Responses to Findings**

The Authority's response to the findings identified in our audit is 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.

Loftis Group LLC

Albuquerque, New Mexico  
November 21, 2019

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of Findings and Responses**  
**June 30, 2019**

**Section I — Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to the financial statements noted?	No
Other findings required to be reported under Section 12-6-5, NMSA 1978?	Yes

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of Findings and Responses**  
**June 30, 2019**

**Section II — Other Findings Required to be Reported Under Section 12-6-5, NMSA 1978**

**2019-001 – RHC Contributions (Other Noncompliance)**

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*Criteria:* According to the RHCA Act (Chapter 10-7C, NMSA 1978), Section 15, following completion of the preliminary contribution period, each participating employer and employee shall make contributions to the fund totaling 2% and 1%, respectively, of each participating employee's salary beginning on July 1, 2012.

*Condition:* The Authority is over-reporting its employee's wages to RHCA in its remittances for each pay period. The Authority includes the employer-paid portion of each employees' PERA contribution in reportable wages each pay period. This resulted in over-reported wages of \$190,750 during fiscal year 2019.

*Cause:* The payroll contractor used by the Authority inappropriately included the employer-paid portion of each employees' PERA contribution in its calculation of reportable wages.

*Effect:* Contributions paid to RHCA, including both the employer and employee portions, were over-paid by \$5,723 in fiscal year 2019.

*Auditor's Recommendation:* The Authority should work with its payroll contractor to ensure that all wages, excluding overtime pay and lump-sum payments for unused leave, is included in its remittances to RHCA each pay period. Additionally, the payroll contractor should not include the employer-paid portion of each employees' PERA contribution in its calculation of reportable wages.

*Management's Response:* The Authority's Accountant will work with our payroll contractor to ensure proper reporting and payment to RHCA to exclude overtime, lump sum payments, and employer-paid portion of each employees' PERA contribution. The estimated completion date for this corrective action is October 31, 2019.

**Northwest New Mexico Regional Solid Waste Authority**  
**Schedule of Findings and Responses**  
**June 30, 2019**

Section II — Other Findings Required to be Reported Under Section 12-6-5, NMSA 1978 —  
continued

**2019-002 – Mileage Reimbursements (Other Noncompliance)**

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*Criteria:* According to the Regulations Governing the Per Diem and Mileage Act (2.42.2 NMAC), public officers and employees of local public bodies may be reimbursed for mileage accrued in the use of a private conveyance in the discharge of official duties, at the statutory rates unless such rates have been reduced by the governing bodies of the local public body pursuant to Section 10-8-5 (D) NMSA 1978. The Authority's Board approved mileage to be reimbursed at the state mandated amount, which states that agencies shall reimburse mileage at a rate of 80% of the internal revenue service standard mileage rate set January 1 of the previous year for each mile traveled in a privately-owned vehicle.

*Condition:* The Authority is reimbursing employees at a flat rate of \$0.45 for each mile traveled in a privately-owned vehicle. The state mandated rate was \$0.436 per mile through December 31, 2018, and \$0.464 per mile from January 1, 2019 forward.

*Cause:* The Authority is not adjusting its mileage reimbursement rate at January 1 each year in accordance with the state mandate, as approved by the Authority's Board.

*Effect:* In our sample of thirteen mileage reimbursements paid in fiscal year 2019, mileage reimbursements were over-paid by \$21.

*Auditor's Recommendation:* The Authority should adjust its mileage reimbursement rates at January 1 each year to the state mandated rate of 80% of the internal revenue service standard mileage rate, as previously approved by the Authority's Board. Alternatively, the Authority's Board could approve a flat rate mileage reimbursement rate to be used by the Authority in accordance with Section 10-8-5 (D) NMSA 1978.

*Management's Response:* The Authority will change mileage reimbursement rates to a flat rate of \$0.45 per mile, as allowed under Section 10-8-5 (D) NMSA 1978. The Authority's Executive Director will present this change for approval from the Authority's Board of Directors by September 30, 2019.

**Northwest New Mexico Regional Solid Waste Authority**  
**Summary Schedule of Prior Year Audit Findings**  
**June 30, 2019**

None.

**Northwest New Mexico Regional Solid Waste Authority**  
**Exit Conference**  
**June 30, 2019**

An exit conference was held in a closed session on November 21, 2019. Present at the exit conference were:

For the Northwest New Mexico Regional Solid Waste Authority:

Larry Carver, Chairman  
Robert Windhorst, Secretary/Treasurer  
Billy Moore, Executive Director

For the Loftis Group LLC:

Joshua Trujillo, Senior Manager

Preparation of the Financial Statements

The accompanying financial statements of the Authority have been prepared by Loftis Group LLC, the Authority's independent auditors, however, the financial statements are the responsibility of management.