STATE OF NEW MEXICO
NORTH CENTRAL SOLID WASTE AUTHORITY,
ESPAÑOLA, NEW MEXICO
AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

North Central Solid Waste Authority
FOR THE YEAR ENDED JUNE 30, 2018

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North Central Solid Waste Authority
BOARD OF DIRECTORS
FOR THE YEAR ENDED JUNE 30, 2018

Board of Directors

Tomas Campos	Chairman	Rio Arriba County
Benny Lujan	Vice-Chairman	Ohkay Owingeh Pueblo
Bernardio Chavarria	Secretary	Santa Clara Pueblo
John Ricci	Member	City of Española
Alex M. Naranjo	Member	Rio Arriba County

Administrative Staff

Peter Fuller	Manager
Audrey Gonzales	CFO

Beasley, Mitchell & Co.
Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner
J. David Beasley, J.D., Partner

INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
New Mexico State Auditor and
Board of Directors
North Central Solid Waste Authority
Española, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of North Central Solid Waste Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the North Central Solid Waste Authority's basic financial statements, as listed in the table of contents. We have also audited the budgetary comparisons for the major proprietary fund presented as supplementary information as defined by the Governmental Accounting Standards Board, for the year ended June 30, 2018 as listed in the table contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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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.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of North Central Solid Waste Authority, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic 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 GASB 68 10 year schedules on pages 34 - 36 and GASB 75 10 year schedules on pages 37 - 39 be presented to supplement the basic financial statements. 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 financial statements and any other schedule required by the Audit Rule that collectively comprise the North Central Solid Waste Authority's basic financial statements .

The Supporting Schedules on page 41 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 Supporting Schedules on page 41 required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2018, on our consideration of the North Central Solid Waste 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 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 North Central Solid Waste Authority's internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
December 3, 2018

BASIC FINANCIAL STATEMENTS

North Central Solid Waste Authority
STATEMENTS OF NET POSITION
JUNE 30, 2018

ASSETS	
CURRENT ASSETS:	
Cash	$ 1,891,913
Receivables, net	379,523
Prepaid expenses	82,615
Total current assets	2,354,051
NON-CURRENT ASSETS:	
Capital assets being depreciated, net	2,036,978
Total non-current assets	2,036,978
DEFERRED OUTFLOWS OF RESOURCES:	
Pension related	548,809
OPEB related	27,306
Total assets and deferred outflows or resources	$ 4,967,144
LIABILITIES & NET POSITION	
CURRENT LIABILITIES:	
Accounts payable	$ 129,782
Accrued salaries	52,533
Accrued liabilities	79,153
Unearned revenues	362,772
Notes payable, current portion	77,581
Compensated absences, current portion	53,625
Total current liabilities	755,446
NON-CURRENT LIABILITIES:	
Compensated absences, net of current portion	49,500
Notes payable, net of current portion	573,548
Net OPEB liability	1,319,170
Net pension liability	2,250,750
Total non-current liabilities	4,192,968
Total Liabilities	4,948,414
DEFERRED INFLOWS OF RESOURCES:	
Pension related	138,535
OPEB related	300,240
NET POSITION	
Net investment in capital assets	2,036,978
Unrestricted (deficit)	(2,457,023)
Total net position	(420,045)
Total liabilities and net position	$ 4,967,144

See accompanying notes to financial statements and independent auditors' report

North Central Solid Waste Authority
STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES:	
Charges for services	$ 5,284,287
EXPENDITURES:	
Salaries	1,629,845
Employee benefits & pension expenses	855,449
Payroll taxes	120,429
Tipping and hauling fees	624,235
Bad debts	478,672
Depreciation	347,532
Repairs and maintenance	321,311
Fuel	306,613
Insurance	121,344
Professional services	384,215
Administration expenses	75,132
Leases	86,244
Small equipment and tools	14,245
Operational charge	25,904
Office supplies	20,275
Printing and advertising	16,615
Uniforms	18,101
Utilities	22,465
Taxes & penalties	(14,111)
Mileage and per diem	1,686
Miscellaneous	753
Total operating expenses	5,456,954
Operating income	(172,667)
NON-OPERATING REVENUES (EXPENSES):	
Tribal operating subsidy	60,000
Intergovernmental grant	-
Insurance proceeds	-
Interest income	451
Interest expenses	(2,434)
Other expenses	(98)
Lien/release charges	(2,921)
Total non-operating revenues (expenses)	54,998
Change in net position	(117,669)
Net position, beginning of year	1,266,656
Restatements	(1,569,032)
Net position, beginning of year, restated	(302,376)
Net position, end of year	$ (420,045)

See accompanying notes to financial statements and independent auditors' report

North Central Solid Waste Authority
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Cash received from customers	$ 4,813,529
Payments to employees for services	(2,409,147)
Payments to suppliers for goods and services	(1,949,976)
Net cash provided by operating activities	454,406
Cash flows from non-capital activities and related financing activities:	
Interest expenses	(2,434)
Other	(2,164)
Penalties	(2,921)
Net cash provided by (used in) non-capital financing activities	(7,519)
Cash flows from capital activities and related financing activities:	
Change in capital assets	(237,363)
Principal payments on debt	(77,407)
Net cash provided by (used in) capital activities and related financing activities	(314,770)
Cash flows from investing activities:	
Interest income	451
Net cash provided by (used in) investing activities	451
Net increase in cash and cash equivalents	132,568
Cash and cash equivalents - beginning	1,759,345
Cash and cash equivalents - ending	$ 1,891,913

See accompanying notes to financial statements and independent auditors' report

North Central Solid Waste Authority
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Reconciliation of operating income to net cash provided by operating activities:

Operating income	$	(172,667)
Adjustments to reconcile change in net assets to net cash		
Depreciation		347,532
Bad debts		478,672
In kind lease		60,000
Changes in Net Position and Liabilities:		
(Increase) in accounts receivable		(504,256)
Decrease in prepaid expenses		(51,709)
(Increase) in deferred outflows of resources		291,186
(Decrease) in accounts payable		35,512
Increase in accrued liabilities		11,461
(Decrease) in accrued salaries		(9,830)
Increase in compensated absences		(10,605)
(Decrease) in unearned revenues		33,498
(Decrease) in deferred outflows of resources		414,243
Increase in net pension liability		(468,631)
Net cash provided by operating activities	$	454,406

See accompanying notes to financial statements and independent auditors' report

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

North Central Solid Waste Authority (Authority) provides solid waste collection services to the City of Española, New Mexico, Rio Arriba County, Santa Clara Pueblo, and Ohkay Owingeh Pueblo for residents and commercial properties. The Authority also operates convenience centers where residents and businesses can dump trash.

The Authority was formed pursuant to a joint powers agreement between the City of Española, Rio Arriba County, Santa Clara Pueblo, and Ohkay Owingeh Pueblo, which was signed on November 27, 2002. The Authority began operations on October 1, 2004. The agreement is for an indefinite period of time. None of the members have an equity interest in the Authority. The Authority was formed pursuant to the New Mexico Joint Powers Agreement Act, Sections 11-1-1 etseq. NMSA 1978. The Authority is an instrumentality of its members operated for public purposes. The Authority is not considered a solid waste authority, a political subdivision of the state or a local public body.

The Authority is governed by a board, which acts as the fiscal agent for the Authority, and is comprised of one member appointed by each participating party. Each board member in good standing has one vote on all matters of business affecting the Authority.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A. Reporting Entity(continued)
A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Authority is able to exercise oversight responsibilities.

Based upon the application of these criteria, the Authority has no component units. The determination of the Authority would be considered a component unit of one of its members has not been made by the Authority as that is the responsibility of the members.

B. Basis of Presentation and Accounting
The Authority's basic financial statements are presented on the accrual basis of accounting.

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenue is charges for services. Operating expenses include the cost of operations, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. Non-operating grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

B. Basis of Presentation and Accounting (continued)

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position, total assets net of total liabilities, are segregated into three components; net investment in capital assets, net of related debt; restricted; and unrestricted components. The Authority's operating statements present increases (revenues) and decreases (expenses) in net position.

C. Budgets

The budget for the one enterprise fund is prepared by management and approved by the board of directors. The general manager is responsible for preparing the budget, from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the board of directors for approval by resolution.

The New Mexico Department of Finance and Administration Local Government Division (LGD) does not review or approve the annual budget of the Authority because it is not a solid waste authority, a political subdivision of the state or a local body as defined by the Local Government Finance Act, Sections 6-6-1 etseq. NMSA 1978. Rather, the Authority is a joint powers agreement entity pursuant to the Joint Powers Agreement Act, Section 11-1-1 etseq. NMSA 1978. The Authority is not directly under the regulatory authority of LGD except for issues directly related to LGD's regulatory authority over its constituent members which would be the City of Española, New Mexico and Rio Arriba County.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended as circumstances change. If a budget transfer is necessary within expenses, this may be accomplished with board approval. If a budget increase is required, approval must be obtained from the board of directors. The Authority's level of budgetary control is at the total fund level.

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as certificates of deposit as applicable. State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the state and the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer's Investment Pool.

D. Cash and Cash Equivalents(continued)

New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. If required, collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Authority. The pledged securities remain in the name of the financial institution.

E. Receivables

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

F. Prepaid Items

Payments made to vendors for goods or services that will benefit periods beyond year end, are recorded as prepaid items.

G. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on 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. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Prior to June 17, 2005, the Authority defined capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes, the Authority changed its capitalization threshold to include only assets with a cost of $5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Authority remain on the financial and accounting records of the Authority.

Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, equipment, and vehicles are depreciated using the straight-line method over the estimated useful lives as follows:

Buildings	10 years
Convenience stations	10 years
Containers	10 years
Equipment	7-10 years
Office equipment, computer hardware and software	3-5 years
Vehicles	5 years

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable, available financial resources is reflected as a liability of the Authority. In accordance with the provisions of the Governmental Accounting Standards Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Annual leave is earned according to the following schedule:

Length of Employment	Full-Time Employee
1st year	3.69 hrs/pay period
2nd to 5th year	4.62 hrs/pay period
6th to 15th year	5.54 hrs/pay period
16th+	6.15 hrs/pay period

Annual leave for all employees can be carried over from year to year. There is no limit as to the total number of annual leave hours an employee can retain. Upon termination, any unused annual leave shall be paid.

Each regular employee can carry a maximum of two hundred forty (240) hours of annual leave per fiscal year. When the employment terminates, regular employees are paid for unused vacation leave up to two hundred forty (240) hours at their regular salary rate. Probationary employees whose employment is terminated, whether voluntary or involuntary, without achieving regular status is not paid for unused vacation leave.

Each regular and probationary full-time employee accrues sick leave based on 3.69 hours per eighty (80) hours of employment. Sick leave does not have a cap and does not hold any monetary value.

I. Unearned Revenues

The Authority reports unearned revenue on its statement of net position, when applicable. Unearned revenues may also arise when the Authority receives resources before it has a claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and revenue is recognized.

J. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent consumption of assets that are applicable to future reporting periods. The amounts are reported in a separate section after assets in the statement of net position.

Deferred inflows of resources represent acquisition of assets that are applicable to a future reporting period. The deferred inflows of resources and reported in a separate section after liabilities in the statement of net position.

K. Short-Term Obligations

In the statement of net position, short-term debt and other short-term obligations are reported as liabilities.

L. Long-Term Obligations

In the statement of net position, long-term debt and other long-term obligations are reported as liabilities.

M. Net Position

Net position comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position are classified in the following three components:

> Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net position component as the unspent proceeds.
>
> Restricted – This component of net position consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
>
> Unrestricted – This component of net position consists of net position that do not meet the definition of restricted or net investment in capital assets.

N. Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

O. 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 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.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. 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 deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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.

Cash Deposited with Financial Institutions

The Authority maintains cash within financial institutions located in Española, New Mexico. The Authority's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institutions.

At year end, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Deposits in Transit	Outstanding Checks	Balance
Century Bank	$ 1,758,820	$ 14,598	$ (19,647)	$ 1,753,771
NMFA	27,771	-	-	27,771
New Mexico Bank & Trust	78,743	187	-	78,930
Xpress Bill Pay	28,506	2,935	-	31,441
Total	$ 1,893,840	$ 17,720	$ (19,647)	$ 1,891,913

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (CONTINUED)

Cash (Continued)

The amounts reported as cash for the Authority within the statement of net position is displayed as:

Statement of Net Position:	
Cash	$1,891,913

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Authority. None of the deposits were collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Authority carrying value of the demand deposits. Such collateral, as permitted by the state statutes would have been held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

	Century Bank	NMFA	NM Bank & Trust	Xpress Bill Pay
Total deposits in bank	$ 1,758,820	$ 27,771	$ 78,743	$ 28,506
Less: Secured by company	-	-	-	28,506
Less: FDIC coverage	250,000	27,771	78,743	-
Uninsured public funds	1,508,820	-	-	-
50% collateral requirement	754,410	-	-	-
Pledged collateral	1,000,000	-	-	-
Over (Under) requirement	$ 245,590	$ -	$ -	$ -

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

3. ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for doubtful accounts as of June 30, 2018 are as follows:

Accounts receivable:		
Charges for services	$	9,093,207
Allowance for doubtful accounts		(8,713,684)
		379,523
Intergovernmental Receivables:		
Sale of capital assets		-
Total	$	379,523

The Authority's policy is to provide for uncollectible based upon expected defaults.

4.CAPITAL ASSETS

	Balance June 30, 2017	Increases	Decreases	Transfer	Balance June 30, 2018
Capital assets, not being depreciated:					
Construction in Process	$ -	$ -	$ -	$ -	$ -
Capital assets, being depreciated:					
Convenience stations	104,631	-	-	-	104,631
Buildings	5,000	-	-	-	5,000
Equipment	4,131,653	218,997	-	-	4,350,650
Leashold improvement	63,535	-	-	-	63,535
Containers	130,994	-	-	-	130,994
Vehicles	184,598	8,018	-	-	192,616
Office Equipment	37,073	10,348	-	-	47,421
Total	4,657,484	237,363	-	-	4,894,847
Accumulated Depreciation	2,510,337	347,532	-	-	2,857,869
Total accumulated depreciation	2,510,337	347,532	-	-	2,857,869
Net capital assets	$ 2,147,147	$ (110,169)	$ -	$ -	$ 2,036,978

5. ACCRUED LIABILITIES

Accrued liabilities as of June 30, 2018 consisted of the following:

Health insurance premiums	$ 35,737
State payroll taxes	11,273
Retirement plan	11,604
Employee benefits payable	2,074
Governmental sales tax	14,121
Other	4,344
	$ 79,153

6. LONG-TERM OBLIGATIONS

Changes in long-term debt during the year ended June 30, 2018, were as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Notes Payable- Rio Arriba County	$ 654,205	$ -	$ (53,000)	$ 601,205	$ 53,000
Notes Payable- First Insurance Funding	$ 29,521	$ -	$ (29,521)	$ -	$ -
NMFA- Rio Arriba County	44,810	29,000	(23,886)	49,924	24,581
Long-term debt	$ 728,536	$ 29,000	$ (106,407)	$ 651,129	$ 77,581

Note Payable – Rio Arriba County

North Central Solid Waste Authority signed a loan agreement on June 30, 2011 with Rio Arriba County (County) in the amount of $1,054,205. The loan was given to relieve the Authority of its sizable delinquent obligations to the Internal Revenue Service, New Mexico Taxation and Revenue Department and the General (Risk Management) Services Division of the State of New Mexico.

The loan agreement noted the following:
• The Authority had previously requested financial assistance from the County.
• The County had established financial resources to provide additional fiscal assistance to the Authority.
• The loan is interest free.
• A clause stating that at the County's discretion any portion, up to and including the entire amount, of this financial assistance loaned to the Authority may be forgiven.

Note Payable – Rio Arriba County

On September 3, 2010, the Authority and Rio Arriba County entered into a loan agreement with the New Mexico Finance Authority (NMFA) to borrow $143,238. The proceeds of the loan were used to finance equipment purchased for the Authority.
The loan accrues interest at a rate that ranges from 1.12% and 2.85% through the life of the loan. Rio Arriba County has pledged County Local Option Environmental Gross Receipts Tax to service the debt.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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.

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/Audit Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the Public Employees Retirement Fund 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), 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 sixty-five with five or more years of service or after twenty-five years of service, regardless of age for Tier I members. Provisions also exist for retirement between ages sixty and sixty-five, with varying amounts of service required. Certain police and fire members may retire at any age with twenty 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 salary for the thirty-six 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 2.00% to 3.50% 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.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Tier II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013, with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the members' age and service credit equals at least eighty-five or at age sixty-seven with eight or more years of service credit. General members hired on or before June 30, 2013 (Tier 1) remain eligible to retire at any age with twenty-five or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4, and 5 are eligible to retire at any age with twenty-five or more years of service credit.

State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in twenty-five year retirement plans; however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age sixty with six or more years of service credit. Generally, under Tier II pension factors were reduced by 0.50%, employee contribution increased by 1.50% and effective July 1, 2014, employer contributions were raised by 0.50%. The computation of final average salary increased as the average of salary for sixty consecutive months.

Contributions -See PERA's comprehensive annual financial report for the contribution rates and pension factors as of July 1, 2016.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

General Information About the Pension Plan (continued)

	Employee Contribution Percentage			Pension Factor per Year of Service		
	Annual Salary less than $20,000	Annual Salary less greater $20,000	Employer Contribution Percentage	Tier I	Tier II	Pension Maxiumum as a Percentage of the Final Average Salary
State Plan 3	7.42 %	8.92 %	16.99 %	3.00 %	2.50 %	90.00 %
Municipal Plan 1(plan open to new employers)	7.00 %	8.50 %	7.40 %	2.00 %	2.00 %	90.00 %
Municipal Plan 2(plan open to new employers)	9.15 %	10.65 %	9.55 %	2.50 %	2.00 %	90.00 %
Municipal Plan 3(plan closed to new employers on 6/95)	13.15 %	14.65 %	9.55 %	3.00 %	2.50 %	90.00 %
Municipal Plan 4(plan closed to new employers on 6/00)	15.65 %	17.15 %	12.05 %	3.00 %	2.50 %	90.00 %
Municipal Police Plan 1	7.00 %	8.50 %	10.40 %	2.00 %	2.00 %	90.00 %
Municipal Police Plan 2	7.00 %	8.50 %	15.40 %	2.50 %	2.00 %	90.00 %
Municipal Police Plan 3	7.00 %	8.50 %	18.90 %	2.50 %	2.00 %	90.00 %
Municipal Police Plan 4	12.35 %	13.85 %	18.90 %	3.00 %	2.50 %	90.00 %
Municipal Police Plan 5	16.30 %	17.80 %	18.90 %	3.50 %	3.00 %	90.00 %
Municipal Fire Plan 1	8.00 %	9.50 %	11.40 %	2.00 %	2.00 %	90.00 %
Municipal Fire Plan 2	8.00 %	9.50 %	17.90 %	2.50 %	2.00 %	90.00 %
Municipal Fire Plan 3	8.00 %	9.50 %	21.65 %	2.50 %	2.00 %	90.00 %
Municipal Fire Plan 4	12.80 %	14.30 %	21.65 %	3.00 %	2.50 %	90.00 %
Municipal Fire Plan 5	16.20 %	17.70 %	21.65 %	3.50 %	3.00 %	90.00 %
Municipal Detention Officer Plan 1	16.65 %	18.15 %	17.05 %	3.00 %	3.00 %	90.00 %
State Police and Adult Correctional Officer Plan 1	7.60 %	9.10 %	25.50 %	3.00 %	3.00 %	90.00 %
State Plan 3 - Peace Officer	7.42 %	8.92 %	16.99 %	3.00 %	3.00 %	90.00 %
Juvenile Correctional Officer Plan 2	4.78 %	6.28 %	26.12 %	3.00 %	3.00 %	90.00 %

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, North Central Solid Waste Authority reported a liability of $2,250,750 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018.

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

General Information About the Pension Plan (continued)

North Central Solid Waste 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, 2017, the Authority's proportion was 0.1638%, which was an increase of 0.0091%, from its proportion measured as of June 30, 2016.
For the year ended June 30, 2018, the Authority recognized pension expense of $351,678. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 103,793	$ 23,258
Net difference between projected and actual earnings on pension plan investments	184,661	-
Difference between expected and actual experience	88,439	115,277
Changes in proportion and differences between contributions and proportionate share of contributions	164,544	-
The Authority's contributions subsequent to the measurement date	7,372	-
	$ 548,809	$ 138,535

$548,809 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date June 30, 2017, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending		
2019	$	137,582
2020	$	262,499
2021	$	56,787
2022	$	53,966

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

General Information About the Pension Plan (continued)

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, 2017, 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, 2017, 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017, actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial assumptions	
* Investment rate of return	7.51% annual rate, net of investment expense
* Projected benefit payment	100 years
* Payroll growth	2.75% for the first 9 years, then 3.25% annual rate
* Projected salary increases	2.75% to 14.00% annual rate
* Includes inflation at	2.25% annual rate, first 9 years, then 2.75% thereafter
* Mortality Assumption	PR-2000 Mortality Tables (combined table for healthy post-retirements, Employee Table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
* Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

7. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

General Information About the Pension Plan (continued)

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

Discount rate - Based on the state assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projection 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 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 for the PERA Fund Municipal General 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 (6.51%) or one percentage point higher (8.48%) than the single discount rate.

	1% Decrease 6.51%	Current Discount Rate 7.51%	1% Increase 8.51%
PERA Fund Municipal General Division			
The Authority proportionate share of the net pension liability	$ 3,527,669	$ 2,250,750	$ 1,188,814

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA financial report.

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description

Employees of the Authority are provided with OPEB through the Retiree Health Care Fund (Fund) – a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (Act) of New Mexico Statutes Annotated, as amended (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. NMRHCA is an independent agency of the state of New Mexico. The funds administered by NMRHCA are considered part to the state of New Mexico financial reporting entity and are OPEB trust funds of the state of New Mexico. NMRHCA'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, 2017, the Fund's measurement date, following employees were covered by the benefit terms:
The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment 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.

8. OTHER POST-EMPLOYMENT BENEFITS - OPEB (CONTINUED)

Plan Membership:		
Current retirees and surviving spouses	$	51,208
Inactive and eligible for deferred benefit		11,478
Current active members		97,349
	$	160,035
Active Membership:		
State general	$	19,593
State police and corrections		1,886
Municipal general		21,004
Municipal police		3,820
Municipal FTRE		2,290
Educational Retirement Board		48,756
	$	97,349

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 $27,306 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At June 30, 2018, the Authority reported a liability of $1,319,170 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2017, the Authority's proportion was 0.02911 percent.

For the year ended June 30, 2018, the Authority recognized OPEB expense of $52,446. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

8. OTHER POST-EMPLOYMENT BENEFITS - OPEB (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ 230,640
Net difference between projected and actual earnings on OPEB plan investments	-	18,977
Difference between expected and actual experience	-	50,623
Contributions made after the measurement date	27,306	-
	$ 27,306	$ 300,240

Deferred outflows of resources totaling $27,306 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending	
2019	$ (63,833)
2020	(63,833)
2021	(63,833)
2022	(63,833)
2023	(44,908)
	$ (300,240)

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 percent of pay,calculated on individual employee basis
Asset valuation method	Market Value of assets
Actuarial assumptions	
Inflation	2.50% for ERB: 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investmentexpense and margin for adversedeviation including inflation.
Healthcare cost trend rate	8% graded down to 4.5% over 14 yearsfor non-Medicare medical plan costsand 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

8. OTHER POST-EMPLOYMENT BENEFITS - OPEB (CONTINUED)

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

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	4.1%
U.S equity - large cap	9.10%
Non U.S. - emerging markets	12.2%
Non U.S. - developed equities	9.8%
Private equity	13.8%
Credit and structured finance	7.3%
Real estate	6.9%
Absolute return	6.1%
U.S. equity - small/mid cap	9.1%

Discount Rate – The discount rate used to measure the Fund's total OPEB liability is 3.81% as of June 30, 2017. 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, 2028. 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, 3.81% 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 (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

8. OTHER POST-EMPLOYMENT BENEFITS - OPEB (CONTINUED)

1% Decrease 2.81%	Current Discount Rate 3.81%	1% Increase 4.81%
$ 1,600,133	$ 1,319,170	$ 1,098,730

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:

1% Decrease	Current Trend Rate	1% Increase
$ 1,122,045	$ 1,319,170	$ 1,472,879

OPEB Plan Fiduciary Net Position - Detailed information about the OPEB plan's fiduciary net position is available in NMRHCA's audited financial statements for the year ended June 30, 2017.

Payable Changes in the Net OPEB Liability – At June 30, 2018, the Authority reported a payable of $1,169 for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has purchased insurance from commercial vendors and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 3, 2018, the date the financial statements were available to be issued.

11. RESTATEMENT OF NET POSITION

The Authority has restated the beginning net position for the following reasons:

Restatement		Amount
Recognition of net OPEB liability and deferred outflows of resources	$	1,566,966
Correct note payable to NMFA and record associated restricted cash balances to retire debt		2,066
	$	1,569,032

REQUIRED SUPPLEMENTARY INFORMATION

North Central Solid Waste Authority
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS *

	2015	2016	2017	2018
Authority's proportion of the net pension liability (asset)	0.1365%	0.1411%	0.1547%	0.1638%
Authority's proportionate share of the net pension liability (asset)	$ 1,064,846	$ 1,438,637	$ 2,471,585	$ 2,250,750
Authority's covered-employee payroll	$ 1,169,658	$ 1,296,619	$ 1,393,733	$ 1,466,161
Authority's proportionate share of the net pension liability(asset) as a percentage of its covered-employee payroll	91.04%	110.95%	177.33%	153.51%
Plan fiduciary net position as a percentage of the total pension liability	81.29%	81.31%	69.18%	73.74%

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

North Central Solid Waste Authority
SCHEDULE OF NORTH CENTRAL SOLID WASTE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS *

	2015	2016	2017	2018
Contractually required contribution	$ 111,703	$ 123,377	$ 132,652	$ 140,018
Contributions in relation to the contractually required contribution	111,703	123,377	132,652	140,018
Contribution deficiency (excess)	-	-	-	-
Authority's covered-employee payroll	$ 1,169,658	$ 1,296,619	$ 1,393,773	$ 1,466,161
Contributions as a percentage of covered-employee payroll	9.55%	9.52%	9.52%	9.55%

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

Changes of benefit terms - The PERA fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit report. That report is available at https://www.saonm.org.

Changes of assumption - The Public employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation Report as of June 30, 2016, is available at https://www.nmpera.org.

North Central Solid Waste Authority
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS *
June 30, 2018

	2018
Authority's proportion of the net OPEB liability	0.02911%
Authority's proportionate share of the net OPEB liability	$ 1,319,170
Authority's covered-employee payroll	$ 1,212,620
Authority's proportionate share of net OPEB liability as a percentage of its covered - employee payroll	108.79%
Plan fiduciary net pension as a percentage of the total OPEB liability	11.34%

* 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 available years.

North Central Solid Waste Authority
SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS *
June 30, 2018

	2018
Contractually required contribution	$ 92,438
Contributions in relation to the contractually required contribution	$ 46,394
Contribution deficiency (excess)	$ 46,044
Employer's covered-employee payroll l	$ 1,212,620
Contributions as a percentage of covered-employee payroll	3.83%

* 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 available years.

Benefit changes - In 2018 no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: www.nmrhca.state.nm.us

Changes of Assumptions - The OPEB salary scale, inflation, and payroll assumptions were updated to reflect assumptions used in the OPEB June 30, 2017 retire health care fund valuation. Per capita costs, future trend for health costs, and medical election assumptions were updated.

SUPPLEMENTAL INFORMATION

North Central Solid Waste Authority
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budget Original	Budget Final	Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance With Final Budget favorable (Unfavorable)
OPERATING REVENUES:						
Charges for services	$ 4,770,623	$ 4,770,623	$ 4,839,195	$ 445,092	$ 5,284,287	$ 68,572
EXPENDITURES:						
Salaries	1,577,810	1,577,910	1,640,093	(10,248)	1,629,845	(62,183)
Employee benefits & pension expenses	670,800	670,800	625,639	229,810	855,449	45,161
Payroll taxes	118,000	118,000	120,429	-	120,429	(2,429)
Tipping and hauling fees	637,000	637,000	613,797	10,438	624,235	23,203
Bad debts	-	-	-	478,672	478,672	-
Depreciation	-	-	-	347,532	347,532	-
Repairs and maintenance	272,000	272,000	326,652	(5,341)	321,311	(54,652)
Fuel	380,000	380,000	303,618	2,995	306,613	76,382
Insurance	206,500	206,500	159,419	(38,075)	121,344	47,081
Professional services	185,000	185,000	370,808	13,407	384,215	(185,808)
Administration expenses	40,000	40,000	86,177	(11,045)	75,132	(46,177)
Leases	19,000	19,000	25,765	60,479	86,244	(6,765)
Small equipment and tools	6,700	6,700	14,245	-	14,245	(7,545)
Operational charge	43,000	43,000	27,360	(1,456)	25,904	15,640
Office Supplies	27,000	27,000	20,275	-	20,275	6,725
Printing and advertising	24,300	24,300	16,567	48	16,615	7,733
Uniforms	19,200	19,200	18,101	-	18,101	1,099
Utilities	22,000	22,000	23,875	(1,410)	22,465	(1,875)
Taxes	-	-	-	(14,111)	(14,111)	-
Mileage and per diem	2,000	2,000	1,410	276	1,686	590
Miscellaneous	3,000	3,000	632	121	753	2,368
Total operating expenses	4,253,310	4,253,410	4,394,862	1,062,092	5,456,954	(141,452)
Operating income	517,313	517,213	444,333	(617,000)	(172,667)	(72,880)
NON-OPERATING REVENUES (EXPENSES):						
Collection of government receivable	-	-	1,000	(1,000)	-	1,000
Tribal operating subsidy	-	-	-	60,000	60,000	-
Unclaimed property receipts	-	-	2,030	(2,030)	-	2,030
Penalties	-	-	(3,568)	3,568	-	(3,568)
Interest income	-	-	10	441	451	10
Capital Outlay	(415,000)	(415,000)	(227,015)	227,015	-	187,985
Other expenses	-	-	-	(98)	(98)	-
Principal	-	-	(106,407)	106,407	-	(106,407)
Interest expenses	-	-	(2,665)	231	(2,434)	(2,665)
Lien/release charges	(7,500)	(7,500)	(2,921)	-	(2,921)	4,579
Total non-operating revenues (expenses)	(422,500)	(422,500)	(339,536)	394,534	54,998	82,964
Total non-operating revenues (expenses)	94,813	94,713	104,797	(222,466)	(117,669)	10,084

North Central Solid Waste Authority
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY AND PUBLIC FUNDS
JUNE 30, 2018

Name of Depository	Account Type	Bank Balance June 30, 2018	Deposits in Transit	Outstanding Checks	Reconciled Balance June 30, 2018
Century Bank	Checking	$ 1,758,820	$ 14,599	$ (19,647)	$ 1,753,771
NMFA	Debt	27,771	-	-	27,771
New Mexico Bank & Trust	Checking	78,743	187	-	78,930
Xpress Bill Pay	Checking	28,506	2,935	-	31,441
		$ 1,893,840	$ 17,721	$ (19,647)	$ 1,891,913

COMPLIANCE

Beasley, Mitchell & Co.
Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner
Tony Morán, CPA, Partner
Christopher Salcido, CPA, Partner
J. David Beasley, J.D., Partner

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*
INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
New Mexico State Auditor
Board of Directors
North Central Solid Waste Authority
Española, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America an the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements and the budgetary comparison presented as supplemental information of North Central Solid Waste Authority as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the basic financial statements of North Central Solid Waste Authority presented as supplemental information, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered North Central Solid Waste Authority's internal control over financial reporting 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 North Central Solid Waste Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of North Central Solid Waste Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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.

We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2005-001, 2007-001, 2007-010, 2015-002, 2017-002, and 2017-003)

A *significant deficiency* is a deficiency, or 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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. (2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Central Solid Waste Authority's financial statements are free of 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 result of our tests disclosed no 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. (2012-001)

North Central Solid Waste Authority Response to Findings

North Central Solid Waste Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. North Central Solid Waste Authority's response was not subject 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 result 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.

Beasley, Mitchell & Co LLP

Beasley, Mitchell & Co.
Las Cruces, New Mexico
December 3, 2018

North Central Solid Waste Authority
SUMMARY SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINDINGS:

2005-001	Segregation of Duties and other Payroll Discrepancies	Repeated and Modified
2005-002	Bank Reconciliation	Resolved
2005-004	Submission of Audit Report	Resolved
2007-001	Organizational Formation and Oversight	Repeated
2007-005	Indebtedness	Resolved
2007-009	IPA Recommendation Form & Audit Contract	Resolved
2007-010	Subsidiary Records and Inventory	Repeated and Modified
2012-001	Travel and Per Diem Reimbursements	Repeated and Modified
2015-002	Procurement Code	Repeated and Modified
2016-001	Certified Procurement Officer	Repeated
2016-002	Lack of Internal Control Over Adjusting Entries	Repeated
2016-003	Internal Controls over Solid Waste Billing	Repeated
2016-004	Annual leave policy	Repeated
2016-005	Outstanding Bills balance due from employees	Repeated
2016-006	Internal Controls over Cash Disbursement	Resolved

PRIOR YEAR FINDINGS (CONTINUED):

2017-001	Internal Control Over Capital Assets - Material Weakness	Resolved
2017-002	Controls Over Authority Owned Credit Cards - Material Weakness	Repeated
2017-003	Cash Deposit Discrepancies - Material Weakness	Repeated

CURRENT YEAR FINDINGS:

2018-001	Anti-Donation	New

2005-001 - Segregation of Duties - Material Weakness

CONDITION

During the payroll test, we noted that the accounts payable clerk was responsible for the entire payroll function. Her duties included entering data into the computer system for new hires, updating and maintaining employee records, preparation of payroll calculations and payments (checks and direct deposits). Her duties also included the preparation and submission of the various payroll reports to the appropriate government agencies. This is a repeat finding, as the Authority has not addressed an adequate corrective action plan. Status/Payroll Change Report Was completed by payroll clerk for all employees without approval signature. According to HR Manager gave oral confirmation to approve pay increases. Some personnel records were missing in employees' personal files including contracts.

During the surprise cash count, we noted that the business manager was responsible for opening the mails, register the cash in the system and deposit the checks and cash in the bank. A new CFO has been hired, and the Authority is in the process of developing and applying policies and procedures.

CRITERIA

Statement on Auditing Standards Number 115, Communicating Internal Control Related Matters Identified in an Audit, issued by the American Institute of Certified Public Accountants provides examples of deficiencies in the design of internal controls. One such example provided in the standards is absent or inadequate segregation of duties within a significant account or process. The principal of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department.

CAUSE

With limited qualified personnel, optimum segregation of duties was difficult to implement.

EFFECT

Unintentional payroll errors or intentional misappropriation of assets, not detected in a timely basis, could occur because the Authority lacks segregation of duties. Without this separation in key processes, fraud and error risks are less manageable.

RECOMMENDATION

We recommend management review their segregation of duties practices currently in place to verify that the Authority had established adequate segregation of duties given the limited staff and resources. Where it is not possible to have adequate preventive internal controls including segregation of duties, it is important to implement a compensating control. An example of this could be increased periodic oversight by an employee from another department or by the board of directors.

2005-001 - Segregation of Duties - Material Weakness (Continued)

RESPONSE

Our organization is a small entity with a limited number of administrative staff, consequently, we have issues regarding the segregation of duties. During the 2019 fiscal year, we will formally address this audit finding when we establish written accounting policies and procedures. Those policies and procedures will consider the size of our administrative staff and effective compensating controls to address this deficiency. Presently, we are preparing for our busy season to collect annual payments from our customers, and for the conversion of our accounting software. Once we complete our busy season, we will address the issue of preparing written accounting policies. The chief financial officer has the responsibility to present the policies to the board of director for their approval.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2007-001 - Organizational Formation and Oversight - Material Weakness

CONDITION

Established on November 27, 2002, pursuant to a joint powers agreement (JPA) between its four regional governments, North Central Solid Waste Authority operates and manages a solid waste management system for citizens of Rio Arriba County. The JPA states; "the agreement is made under the authority of the "Joint Powers Agreement Act" Sections 11-1-1 et seq NMSA 1978 and the Solid Waste Act, Section 74-9-1 et seq NMSA 1978."

The JPA details the powers and duties of the Authority necessary to carry out the operations of a regional landfill. Duties include, but not limited to, administrative and operational requirements such as management of the organization; personnel rules and regulations; proper development, distribution and accounting of funds; financial requirements related to debt and procurement; preparation and submission of an annual budget to the New Mexico Department of Finance and Administration.

The JPA, as written, has conflicting language within the document. The JPA begins by stating the agreement is made under the authority of Section 11-1-1 et seq NMSA 1978 (Joint Powers Act) and Section 74-9-1 et seq NMSA 1978 (Solid Waste Authority Act). The JPA continues by stating, the parties desire to establish an authority, which is not a political subdivision of the state. Such as described in Section 74-10-1 et al, NMSA 1978.

Further, the JPA states the Authority must seek DFA approval for all budget and financial reports; however, DFA determined they have no authority to review the items as the Authority has been established under the Joint Powers Act. The Authority is actively working on getting the proper approvals in order to submit the JPA to DFA for approval. The Authority has not made any progress.

CRITERIA

Internal Revenue Service Publication 963 defines Local Political Subdivisions as, "Local governments are generally political subdivisions of states. They differ from state and federal governments in that their authority is not based on a constitution. Each state constitution governs the procedure for the establishment of local governments. In most cases, the state legislature must approve the creation or incorporation of a local government."

2007-001 - Organizational Formation and Oversight - Material Weakness (Continued)

CRITERIA

The publication goes on further to explain Instrumentalities as, "An instrumentality is an organization separate from, but affiliated with, a state or local government. It may or may not be created by or pursuant to state statute, but it is operated for public purposes. Generally, an instrumentality performs governmental functions, but does not have the full powers of a government, such as police authority, taxation, and eminent domain (sovereign powers)."

Further, the Internal Revenue Service Revenue Ruling 57-128 established various relevant factors to determine if the instrumentality would be considered a "government" for the purposes of taxation.

On June 3, 2010, Deputy Secretary of the New Mexico Department of Finance and Administration (DFA) and Director of the Local Government Division (LGD) of DFA, wrote a letter to the governing board members explaining DFA's position in regards to the Authority. Part of the letter states, "NCSWA was formed pursuant to a joint powers agreement ("JPA") between its members dated November 27, 2002. NCSWA is a JPA entity formed pursuant the Joint Powers Agreement Act, Sections 11-1-1 etseq. NMSA 1978. NCSWA is not a "solid waste authority" as defined by and formed pursuant the Solid Waste Authority Act; is not a political subdivision of the state; and is not a "local public body" as defined by the Local Government Finance Act, Sections 6-6-1 etseq. NMSA 1978. For these reasons, LGD does not review and approve the budget of NCSWA, or the audits or financial statements of NCSWA, and NCSWA is not directly under the regulatory authority of LGD except as these issues relate to LGD's regulatory authority over its constituent members, the City and the County."

Based upon the Internal Revenue Service's Publication 963, Revenue Ruling 57-128 and DFA's position, the Authority is a governmental instrumentality of the governing board members (county, municipality and sovereign Indian nations) who established the Authority.

2007-001 - Organizational Formation and Oversight - Material Weakness (Continued)

CAUSE

The Authority began operating the solid waste management system for its members on October 1, 2004. Since the inception, the Authority has struggled financially for various reasons. The two main reasons for the financial difficulties have been the mismanagement of the Authority's financial and operational activities, from the inception until June 2011 and the lack of proper external oversight of the financial affairs of the Authority. Within the official minutes of the governing board, there are repeated requests from board members for the status of the audits of the Authority and the Authority's financial condition. Management, on numerous occasions, provided assurance to the governing board that the financial situation was under control and the securing of an auditor was underway.

EFFECT

Commencing in 2010, DFA officially ceased reviewing and approving financial statements and the budgets of the Authority. DFA failed to investigate any aspects of the financial situation of the Authority. Presently, there is no external oversight of the Authority's financial operations. The Authority's financial situation continued to worsen until Rio Arriba County was forced to loan $1.2 million by the end of July 2011, and continues to make annual cash contributions to subsidize the operations of the Authority.

RECOMMENDATION

We recommend the Authority resolve the oversight issue with the New Mexico Department of Finance and Administration, Local Government Division. As the Authority is presently structured, DFA will not review the financial affairs of the Authority.

Regardless of the decision by DFA, the Authority has the responsibility to get their financial house in order. This would begin with the submittal of delinquent audit reports to the New Mexico State Auditor's office.

RESPONSE

The Authority is a joint venture between two State of New Mexico entities, and two federally recognized sovereign Native American nations. Given the nature of the members of the joint venture, the organizers followed the Joint Powers Agreement Act defined in New Mexico State Statutes, rather than the Solid Waste Authority Act. For various reasons, including New Mexico Department of Finance and Administration (DFA) oversight, the current governing board is exploring the possibility of reconstructing the governing documents. To this end, the Authority's attorney is working on revising the agreement.

Given our unique situation, we may never have direct oversight by DFA; however, we will operate as if oversight is being provided. We intend to adhere to applicable state statutes and applicable DFA rules and regulations. The Manager of the Authority is the party responsible for obtaining a solution to this audit finding

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2007-010 - Subsidiary Records and Inventory - Material Non-Compliance

CONDITION

During our test work over capital assets, we identified The Authority is not compliant with the requirement of the New Mexico Administration Code and GASB 34 paragraphs 18 through 22. In past years the Authority did not perform physical inventories of capital assets, did not have supporting documentation for some capital assets acquisition costs, and did not compute depreciation expense.

For the audit of the year ended June 30, 2018, the Authority did not perform an annual physical inventory of capital assets. NSCWA's schedule is now updated and they plan to have an annual observation starting for FYE 2019.

CRITERIA

Sections 13-6-1 and 13-6-2 NMSA 1978 govern the disposition of tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. At least 30 days prior to any disposition of property included on the agency inventory list described at Subsection W of Section .2.2.10 NMAC, written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action shall be sent to the state auditor.

Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year in accordance with the requirements of Section 12-6-10 NMSA 1978. The agency shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors. The IPA shall audit the inventory listing for correctness and compliance with the requirements of the Audit Act.

CAUSE

Management oversight, lack of effective internal control surrounding the process to identify capital assets for year-end reporting.

EFFECT

This issue may mislead the reader of financial statements

RECOMMENDATION

We recommend the Authority maintain its capital assets subsidiary ledgers as prescribed by the New Mexico State Administrative Code, and institute policies and procedures to conduct an annual inventory of all assets owned by the Authority.

RESPONSE

As we prepared for the audits of the financial statements for the fiscal years 2016, 2017, and 2018, we reconciled our capital asset subsidiary ledger with assets on hand. This reconciliation procedure entailed verification of assets by the operational manager. During the month of June 2018, we failed to document the performance of a physical inventory at year-end. At the present time, our capital assets subsidiary ledger is current and correct. Prior to June 30, 2019, we will perform a physical inventory of all capital assets. The chief financial officer will be responsible to insure the timely performance of such a procedure.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2012-001- Per Diem - Material Non-Compliance

CONDITION

During our NM Compliance testwork, it was noted that the authorization for one travel instance was not provided on supporting documentation in the amount of $100. This is a repeat modified finding. With the hiring of the current CFO, there is a renewed emphasis on compliance with Mileage and Per Diem Act. The Authority is also using new forms to help with compliance.

CRITERIA

Section 2.42.2.10 of NMSA 1978 requires that upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under 2.42.2.12 NMAC. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars and conferences.

CAUSE

The Authority is non-compliance with Section 2.42.2.10 of NMSA 1978.

EFFECT

Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by the state statutes.

RECOMMENDATION

The Authority should follow the rules in Section 2.42.2.10 of NMSA 1978 and should not pay over 80% in advance.

RESPONSE

The new management team is committed to rectify this situation and for us to be in compliance for the fiscal year ended June 30, 2019. The CFO is responsible to insure proper policies and procedures are adhered to.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2015-002 - Procurement Code - Material Non-Compliance

CONDITION

NCSWA does not have a procurement policy in place. Consequently, it was noted that there is a missing contract for legal consulting services. It is expected that no contract over $60,000 was properly procured. We noted 10 vendors with expenses larger than $60,000 for a total of $2,356,141. With the hiring of the current CFO, there is a renewed emphasis on compliance with procurement code, section 13-1-1 to 13-1-199, NMSA 1978.

CRITERIA

Auditing Standards state that the management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Good accounting policies require that the Authority be able to produce documentation of contracts.

The New Mexico Procurement Code, Section 13-1-1 to 13-1-199, NMSA 1978 documents the requirements required by the

Purchasing Act. Such requirements include:

1) For single purchases in excess of $60,000 for tangible property or in excess of $60,000 for services, sealed, written bids must be solicited.

2) The invitation for bid or proposal includes the specifications for the services; construction or items of tangible personal property to be procured; determination for evaluation for all bids and proposals; all contractual terms and conditions applicable to the procurement; the locations where bids are to be received; and the date, time, and place of the bid opening.

3) An invitation for bids or a notice thereof shall be published not less than ten calendar days prior to the date set forth for the opening of bids. The notice shall be published at least once in at least three newspapers of general circulation in this state or the agency's website that is maintained for the purpose.

2015-002 - Contracts & Procurement Code - Material Non-Compliance (Continued)

4) A five percent preference is given to a bidder growing, producing, processing, manufacturing, or is a resident dealer for goods and services in the State of New Mexico.

5) The bid is awarded to the lowest bidder, except in the instance that one or more bidders have been evaluated as having a higher score than the lowest bidder.

6) Written notice is provided to the awarded bidder with reasonable promptness.

7) In the instance that all bids or proposals are rejected, a determination containing the reasons for cancellation shall be made part of the procurement file.

CAUSE

The Authority did not comply with the procurement code and ensure that all documentation was maintained in the bid or proposal file.

EFFECT

Without appropriate supporting documentation, the Authority has no assurance that all revenues and disbursements have been properly authorized and disbursed in accordance with applicable grant agreements and follow good accounting procurement practices. When files are disorganized, this provides for the possibility that noncompliance with the Procurement Code could go unnoticed by management.

RECOMMENDATION

All documentation should be kept in the file including requests that include preferences will be given to certain entities, newspaper clippings showing the date of circulation and who is circulating the advertisement, documentation of the official opening of bids/proposals, evaluation sheets completed by the responsible individuals, and documented written notice of awarding the bidder.

RESPONSE

This audit finding is the direct result of the prior management team. That particular team, lead by the former manager, failed to implement proper controls over procurement. The current management team managed the organization commencing in January 2018. Due to operational matters and the condition of the accounting records, we were unable to address this situation during the 2018 fiscal year. Realizing the need for proper guidance from the State we elected to send one of our staff members to the chief procurement officer training at the beginning of the 2019 FY. This employee successfully completed the training. During the 2019 fiscal year, we will establish policies and procedures to insure compliance with the Procurement Act. The CFO remains responsible for the implementation of policies, procedures and the resolution of the audit finding.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2016-001- Certified Procurement Officer - Significant Deficiency

CONDITION

During our NM Compliance testwork, it was noted that the Authority did not have a Chief Procurement Officer for the entire FY18 and before. With the hiring of the current CFO, there is a renewed emphasis on compliance with procurement code, section 13-1-97 of NMSA 1978.

CRITERIA

Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.

CAUSE

The Authority failed to designate and register a purchasing agent.

EFFECT

The Authority does not implement a proper purchasing process which exposes the Authority to the risk of following an improper purchasing process and increases the risk of errors in payments issued by Authority due to the lack of proper supervision and monitoring by the Chief Procurement Officer.

RECOMMENDATION

The Authority should designate an agent to become certified and registered as a Chief Procurement Officer for the Authority.

RESPONSE

During July 2018 an employee of the Authority successfully completed the chief procurement officer training. Commencing with the 2019 fiscal year we will institute proper procurement policies and procedures to insure compliance with the New Mexico Procurement Act.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2016-002 - Lack of Internal Control Over Adjusting Entries - Significant Deficiency

CONDITION

All 10 journal entry samples judgementally selected to be tested were not reviewed and approved. The Authority does not have a review and approval process for adjusting journal entries. The Authority is working on a policy to be implemented during the FYE 6/30/2019.

CRITERIA

Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE

The prior management did not make it a priority and the new management was hired during the fiscal year end.

EFFECT

There may be unauthorized adjustments made, leaving room for error and management override.

RECOMMENDATION

The Authority should implement a review process for all transactions to mitigate risk of error, or manipulation.

RESPONSE

During October 2017, we began to change the structure of upper management with the hiring of a new CFO. As a result of poor management of the accounting data; historically, we posted very few journal entries to the general ledger. When the contracted accounting firm began to correct the records numerous journal entries were needed. Due to time constraints and our desire to correct the accounting records as soon as possible we did not institute a formal review process. The contracted accounting firm constructed documentation to support all journal entries posted which we maintain. Commencing with the 2019 fiscal year we will institute a policy of a second employee reviewing all adjusting entries posted along with the supporting documentation that substantiates the entries posted.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2016-003 - Internal Controls over Solid Waste Billing- Significant Deficiency

CONDITION

During our revenue test work, we noted that the Authority adjusted their solid waste bills for FY18 by $712,550 out of $6,092,415 to waive interest and penalties for customers who paid the full past due. This adjustment is 11.70% out of the total revenue. There is no policy in place to serve as a directive. The Authority has not made any progress.

CRITERIA

Section 6.20.2.11 of NMAC requires each entity to develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

CAUSE

The prior management did not make it a priority and the new management was hired during the fiscal year end.

EFFECT

The Authority is at risk of errors or fraud being committed without the Authority detection or correcting them. Further, the waiving of fees may constitute non-compliance with the Anti-Donation Act.

RECOMMENDATION

Management should ensure that the proper internal control processes to be followed with all billing adjustments.

RESPONSE

When the Authority was formed, outstanding accounts receivables from Rio Arriba County residents were transferred to us. We were unable to verify if the balances transferred to us were correct. Throughout the years those accounts along with other accounts continued to grow as penalties and interest were assessed on delinquent balances. In an effort to collect the original charges for services, we waived the accrued penalties and interest if the customer remitted the new balance in full or entered into a payment agreement. We understand the auditors concern and realize we must develop a written policy to formalize a policy which allows us to collect the charges for services and complies with state concerning the anti-donation clause of the State Constitution. We intend to develop a policy within a few months. The manager is responsible for correcting this issue.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: Manager**

2016-004 - Annual leave policy -Significant Deficiency

CONDITION

During the test work of compensated absences, we noted that the former Manager carried 420 hours of annual leave. This results in 180 hours over allowed amount an an resulting in an estimated overpayment and overstatement of liabilities and expenses of $8,532. With the hiring of the current CFO, there is a renewed emphasis on compliance with personnel manual.

CRITERIA

The maximum accrual on sick leave shall be one hundred sixty (160) hours at the end of the calendar year. Employees who have accrued two hundred forty (240) hours of vacation pay and one hundred sixty (160) hours of sick leave may convert up to forty (40) hours sick leave each year to forty (40) hours annual leave each year on a one to one basis. Regular non-probationary employees who terminate employment shall receive payment for all earned wages and for unused accrued vacation leave up to 240 hours.

CAUSE

The prior management did not make it a priority and the new management was hired during the fiscal year end.

EFFECT

There may be unauthorized compensated absences, leaving room for error and management override. Employee annual leave payout may be in excess allowed amounts.

RECOMMENDATION

The Authority should follow the policy and accrue up to 240 hours.

RESPONSE

The prior Manager employment contract required that we remit accrued vacation hours up to 420 hours upon his departure from employment. We are unable to retrieve a signed copy of the prior Manager’s contract to provide substantiation as to our legal requirement. Beyond the payment of the accrued vacation, the issue becomes proper retention of documents that substantiate expenditures. The Manager intends to establish proper retention policies and procedures of source documents during the 2019 fiscal year.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: Manager**

2016-005 - Outstanding bills balance due from employees -Significant Deficiency

CONDITION

The Authority does not discontinue services on delinquent accounts. It has been noted that 6 employees had delinquent accounts totaling $33,067.67. One out of the 6 employees manages cash receipt as part of her day to day duties. The Authority is essentially a creditor to these employees, creating a conflict of interest and resulting in elevated risk in internal controls. The Authority has not made any progress.

CRITERIA

The Codification of Statements on Auditing Standards (AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur (AU 325). Section 6-5-2, NMSA 1978, requires that the authority shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

CAUSE

Management has not taken the time to solve this outstanding balance situation.

EFFECT

Non-compliance with the Authority's policy

RECOMMENDATION

Management should either discontinue solid waste services or collect this money as soon as possible.

2016-005 - Outstanding bills balance due from employees -Significant Deficiency (Continued)

RESPONSE

The audit finding condition begins with the statement, "The Authority does not discontinue services on delinquent account". Other governmental entities such as municipalities are allowed to disconnect services for such services as water or other utilities. The disconnection of those items do not cause a concern for the public health. In our case, we are unable to disconnect services. If we don't pick up solid waste that action could pose a threat to public health. The inability to disconnect services places a burden on us as some customers simply stop paying their charge for services with no consequence. This contributes to the large accounts receivable balances we presently hold on many accounts. In an effort to protect the Authority we place a lien for delinquent amounts on land owners.

This particular finding addresses the concern regarding employee delinquent accounts. Upper management understands the need to collect all accounts, even more so employees of the Authority. The Manager is in contact with our attorney to provide a solution regarding this matter. The Manager expects to resolve the issue before the end of the current calendar year.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: Manager**

2017-002 - Controls Over Authority Owned Credit Cards - Material Weakness

CONDITION

During the audit for June 30, 2017, it was noted that there where charges of $18,617.89 on the credit card that did not have adequate support. These charges all occurred between September 28, 2016 and December 7, 2016. Since we could not obtain supporting documentation for these purchases we cannot determine the expenditures were properly reviewed or approved. Further, we cannot determine if these expenditures were made for the benefit of the Authority. Lastly, the Authority had a lack of internal controls over expenditures. No new expenditures identified during FY18. With the hiring of the current CFO on October 9, 2017, the Authority has established proper safeguards for usage of the credit card.

CRITERIA

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

CAUSE

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

EFFECT

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

RECOMMENDATION

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

RESPONSE

Commencing in June 2018, the Authority has established proper safeguards for usage of the credit card. The procedure we have established are in effect with no changes.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2017-003 - Cash Deposit Discrepancies - Material Weakness

CONDITION

During the fiscal year ended June 30, 2017, the Authority received $6,025.66 between August and October 2016. This cash received was not deposited into the bank account. There were 3 employees in charge of depositing money into bank account. As a result, we were not able to determine who was responsible for this missing cash during that period. Non-performing timely cash reconciliation of the Authority's bank statements leads to this weak in internal control. No new transactions identified during FY18. With the hiring of the current CFO on October 9, 2017, the Authority has put into place procedures where multiple employees verify the deposits and also taking the deposits to the bank institution.

CRITERIA

Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliation's be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.

CAUSE

Non-performance of monthly bank reconciliations was a major weakness in an internal controls system that allowed the misappropriation to remain undetected.

EFFECT

Understate cash and overstate revenue and accounts receivable.

RECOMMENDATION

It is recommended that the Authority perform complete and accurate bank reconciliation's at month end and assign another member of management the responsibility of reviewing each month's bank reconciliation. All unusual reconciling items should be investigated and dealt with promptly so errors do not accumulate thereby making the reconciliation process more difficult and time consuming.

RESPONSE

As of May 2018, The Authority has put into place procedures where multiple employees verify the deposits and also taking the deposits to the bank institution. These procedures are being utilized by the Authority today with no changes.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: CFO**

2018-001 - Anti-Donation - Significant Deficiency

CONDITION

During fieldwork, we noted that management donated roll off services to multiple entities. These entities are not governmental entities. Two out of 3 received 30% discount.

CRITERIA

Article IX, Section 14 of the New Mexico Constitution states:

> Neither the state nor any county, school district or municipality, except as provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation.

In Attorney General Opinion No. 97-02, the opinion noted that:

> Generally, New Mexico courts have found the clause violated whenever the state or local governments have made outright gifts of money or property, or have effectively relieved private persons and entities from obligations they would otherwise have to meet.

The New Mexico Supreme Court has held that the anti-donation clause places clear prohibitions on the state's ability to donate public funds to private individuals or corporations even when such donations would facilitate a useful public purpose.

Authority and the Propriety of Expenditures notes the following criteria for determining if an expenditure is allowable under State law:

1. Constitutional, Statutory and Contractual Mission: the expenditures be consistent with the agency's mission.
2. Public Benefit and Purpose: requires expenditures to contribute to an agency achieving its constitutional, statutory, or contractual mission.
3. Necessity: making the best choice between options.
4. Appropriation, Budget, and Available Resources: the purpose of the expenditures be consistent with their related appropriation.

CAUSE

Authority Management was unaware that this purchase would violate any law.

EFFECT

The Authority is in violation the anti-donation clause of the New Mexico Constitution, and approved an expenditure that was not authorized by law.

2018-001 - Anit Donation - Significant Deficiency (Continued)

RECOMMENDATION The Authority should obtain the White Paper and related memo from the Department of Finance and Administration and determine before expending any public funds similar to the expenditure covered in this finding to determine if the expenditure:

- Complies with applicable laws governing the expenditure, for example, the per diem act.
- Does not violate the anti-donation clause in the New Mexico Constitution.
- And the expenditure is a necessity.

RESPONSE On various occasions, in order to discourage illegal dumping, we provide roll off containers to members of the Authority and other local non-profit organizations without requesting a fee for the services. For example, we provided a container to the City of Española on ten separate instances during the fiscal year. The City uses the containers to promote a clean-up effort by the municipality. The use of the container in such a manner, to another government, would not violate the state constitution.

The question raised by the auditors relates to three separate instances. During July 2017 and June 2018, we provided a roll off container to Ohkay Owingeh Pueblo. The container was used to accumulate excess trash within the pueblo. While the pueblo is not a state government, it is a separate sovereign nation and a member of the Authority. Another use of container questioned by the auditors relates to the one time use of a container at the Canjilon Convenience Center. The container was provided to clean up trash in the surrounding area. The final use objected to by the auditors was made to the Española Fiesta Council during the month of July 2017. The containers were used to gather excess trash generated by a local fiesta. We do not feel the use of the containers by the Ohkay Owingeh Pueblo, the Canjilon Convenience Center or the Española Fiesta Council violated the State Constitution.

We are very selective in making our containers available without a fee; however, there are instances where the picking up of excess trash outweighs the potential violation of the State Constitution. The manager will continue to monitor such activity in the future. An emphasis will be placed on staying compliant the state constitution.

EXPECTED COMPLETION DATE: 09/30/2018 **EMPLOYEE RESPONSIBLE: Manager**

North Central Solid Waste Authority
EXIT AND ENTRANCE CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

An entrance conference was conducted July 30, 2018 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

North Central Solid Waste Authority

Tomas Campos	Chairman
Peter Fuller	Authority Manager
Audrey Gonzales	CFO

Fierro & Fierro

Dominic Fierro	Contracted IPA

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Manager
Amr Sakka, CPA	Audit Senior
Jesse Oliver	Audit Staff
Michael Cooper	Staff Accountant

An exit conference was conducted October 26, 2018 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

North Central Solid Waste Authority

Tomas Campos	Chairman
Peter Fuller	Authority Manager
Audrey Gonzales	CFO

Fierro & Fierro

Ed Fierro, CPA	Contracted IPA

Beasley, Mitchell & Co., LLP

Amr Sakka, CPA	Audit Senior
Michael Cooper	Staff Accountant

FINANCIAL STATEMENT PREPARATION

The Authority provided compiled financial statements for the year ended June 30, 2018. The compiled financial statements were used by Beasley, Mitchell & Co. in the preparation of these financial statements.