

**STATE OF NEW MEXICO
ESTANCIA VALLEY SOLID WASTE AUTHORITY**

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2018**

**Dan Austin CPA, PC
Certified Public Accountants**

**STATE OF NEW MEXICO
ESTANCIA VALLEY SOLID WASTE AUTHORITY
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JUNE 30, 2018**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
ESTANCIA VALLEY SOLID WASTE AUTHORITY
OFFICIAL ROSTER
June 30, 2018**

Board of Directors

Art Ducharme	Chairman-Moriarty
Gerald Chavez	Vice Chairman-Torrance County
Debbie Ortiz	Secretary-Encino
Johnny Romero	Member-Torrance County
Ted Hart	Member-Moriarty
Joseph Ellis	Member-Moriarty
Nathan Dial	Member-Estancia
Manuel Romero	Member-Estancia
Chester Riley	Member-Mountainair
Roberta Chavez.	Member-Willard
Ramon Garcia	Member-Vaughn
Fred Sanchez.	Member-Torrance County
Jason Quintana	Member-Mountainair

Administrative Officials

Andy Miller	General Manager
Danette Cabber	Office Manager
Scott Guffey	Operations Supervisor
Larry Carter.	Landfill Supervisor

FINANCIAL SECTION

DAN AUSTIN CPA, P.C.
MEMBER
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
NEW MEXICO SOCIETY OF CERTIFIED PUBLIC ACCOUNTS

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Independent Auditors' Report

The Board of Directors of Estancia Valley Solid Waste Authority and
Wayne Johnson, New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Estancia Valley Solid Waste Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise Estancia Valley Solid Waste Authority's basic financial statements as listed in the table of contents. We have also audited the budget comparisons of the proprietary fund presented as other supplemental information in the financial statements as of and for the year ended June 30, 2018 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and budgetary comparison for the proprietary fund of Estancia Valley Solid Waste Authority as of June 30, 2018, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the Statement of Revenues, Expenses and Changes in Cash Balance-Budget and Actual referred to above presents fairly, in all material respects, the budgetary comparison of the Estancia Valley Solid Waste Authority in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 7-10, Schedule of the Proportionate Share of the Net Pension Liability on page 32, the Schedule of Contributions on page 33, the notes to the supplementary information on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's financial statements and the budgetary comparisons. The other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The other schedules required by 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, We have also issued a report dated November 20, 2018, on my consideration of Estancia Valley Solid Waste Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Estancia Valley Solid Waste Authority's internal control over financial reporting and compliance.



November 20, 2018
Ruidoso, New Mexico

State of New Mexico
Estancia Valley Solid Waste Authority
Management Discussion and Analysis
June 30, 2018

As management of Estancia Valley Solid Waste Authority (Authority) we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements of the Authority and additional information provided.

Financial Highlights

- The assets exceeded liabilities by \$2,642,965 at the close of the current fiscal year.
- The Authority's net position increased by \$61,505, principally reflecting an stable landfill and waste revenues, manifested by a consistent customer base and stable local economy.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise two components: 1) government-wide financial statements (entire fund) and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide and Fund Financial Statements. The Authority is a single purpose government entity and has only business type activities.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net *position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* present information showing how net position changed during the most recent fiscal year.

The *Statement of Cash Flows* presents information showing how the Authority's cash flows from operating, financing or investing activities during the current fiscal year.

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17-28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position: Below is a summary of the Authority's net position for the fiscal years ending June 30, 2018 & 2017. There have been significant changes to assets, liabilities and net position as compared to the prior year as a result of various

construction and debt acquisition activities. See pages 12 and 13 and the notes to the financial statements for a more detailed look at the Statement of Net Position of the Estancia Valley Solid Waste Authority

	Business Type Activities	
	<u>2018</u>	<u>2017</u>
Current Assets	\$ 2,343,529	\$ 1,968,126
Capital Assets	3,272,237	3,135,252
Deferred Inflows	<u>276,490</u>	<u>417,800</u>
Total Assets and Deferred Inflows	\$ 5,892,256	\$ 5,521,178
Current Liabilities	\$ 346,050	\$ 258,586
Long-term Liabilities	2,845,415	2,667,143
Deferred Outflows	<u>57,826</u>	<u>13,989</u>
Total Liabilities and Deferred Outflows	\$ 3,249,291	\$ 2,939,718
Net Position:		
Invested in Capital Assets	\$ 1,641,966	\$ 1,866,595
Restricted Use	829,310	515,136
Unrestricted	<u>171,689</u>	<u>199,729</u>
Total Net Position	\$ 2,642,965	\$ 2,581,460

Statement of Revenues, Expenses and Changes in Net Positions: The following represents the revenues and expenses for fiscal years ended June 30, 2018 & 2017 See page 14 for a more detailed look at the Statement of Revenues, Expenses, and Changes in Net Position.

	Business Type Activities	
	<u>2018</u>	<u>2017</u>
Revenues:		
Operating Revenues	\$ 1,986,656	\$ 1,927,761
Capital Grants	77,623	59,476
Environmental Gross Receipts	231,164	227,913
Other	<u>10,267</u>	<u>8,902</u>
Total Revenues	\$ 2,305,710	\$ 2,224,052
Expenses:		
Operating Expense	1,723,455	1,660,761
Interest Expense	44,148	37,512
Landfill closures	32,760	32,760
Depreciation	<u>443,842</u>	<u>377,581</u>
Total Expenses	2,244,205	2,108,614
Increase in Net Position	61,505	115,438
Net Position:		
Net Position-beginning	<u>2,581,460</u>	<u>2,466,022</u>
Net Position-ending	\$ 2,642,965	\$ 2,581,460

BUDGETARY HIGHLIGHTS

The actual cash basis budgetary revenues totaled \$2,232,576 which was \$5,924 less than budgeted revenues of \$2,238,500. Actual Expenditures \$1,917,078 were less than budgeted expenses of \$2,471,966, by \$554,918, resulting in a net revenue for the fiscal of \$ 315,498. See page 29 for additional information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Authority's investment in capital assets for its business-type activity as of June 30, 2018 amounts to \$3,272,237 (net of accumulated depreciation). This investment in capital assets consists mainly of land, heavy trucks and other equipment.

	<u>2018</u>	<u>2017</u>
Capital Assets	9,261,903	8,681,076
Accumulated Depreciation	<u>(5,989,666)</u>	<u>(5,545,824)</u>
Total Capital Assets, Net	<u>\$ 3,272,237</u>	<u>\$ 3,135,252</u>

Additional information on the Authority's capital assets can be found in on page 22 of this report.

Long-Term Debt: At the end of the current fiscal year, the Authority had total debt of \$1,394,269 as of June 30, 2018.

The Authority's total long-term debt as increased as the result of new debt net of debt service requirements during the current fiscal year. Principal debt paid during the current year was \$125,606.

	<u>2018</u>	<u>2017</u>
Loan Payable - NMFA	\$ 44,833	\$ 49,116
Loan Payable - NMED	798,307	93,767
Loan Payable - NMFA	87,763	277,841
Loan Payable - NMFA	209,786	847,933
Capital Leases	<u>489,585</u>	<u>-</u>
	<u>\$ 1,630,274</u>	<u>\$ 1,268,657</u>

Additional information on the Authority's long-term debt can be found in Note 6 on page 23 of this report.

ANALYSIS OF FINANCIAL POSITION

As a result of an increase in net position from current year operations of \$61,505, Net Position increased to \$2,642,965 or 44% of total assets of \$5,892,256.

Current assets increased by \$375,403. The majority of this increase was the result of an stable operations during the current year.

Total operational revenues increased \$58,895 or an increase 3% resulting in a continued of stabilization of the customer base of the Authority. Operational expenditures increased by \$62,694 or 7% primarily related to the increase in depreciation from addition equipment added during the current year.

FUTURE TRENDS

The Estancia Valley Solid Waste Authority (EVSWA) operates the Estancia Valley Regional Landfill (EVRL) at Moriarty, serving a 5-county area of central New Mexico. Next fiscal year will see the construction of a new Municipal Solid Waste landfill cell at this site, plus the opening of a new landfill at the town of Vaughn. The Vaughn Landfill, owned by the town, and operated by EVSWA, will feature a construction-and-demolition debris disposal cell, plus a special-waste-permitted cell that can receive asbestos-containing material. It is anticipated that the proximity of this new landfill to US Highway 285 will be attractive to contractors in Albuquerque as well as eastern areas of the state.

The septage composting facility at EVRL has been recognized as a cutting-edge program, utilizing myco-remediation and mortality composting to produce a finished compost product that can be applied on-site at the landfill as a soil amendment to enhance vegetative growth and to reduce erosion on the caps of closed landfill cells. A grant has been offered to EVSWA to expand and improve this facility, with construction expected to be completed in the spring of 2019.

EVSWA continues to execute the contract with the County of Torrance to maintain a solid waste disposal system for the collection and disposal of waste for county residents. The 8 collection stations located throughout the county are also available to people

residing in the municipalities of EVSWA's member entities. Discussions are being held with the administration officials of the Town of Edgewood to explore a collaborative agreement to construct a collection station to serve the citizens of the town as well as Torrance County. This would facilitate the replacement of an undersized collection station now located in the northwest corner of the county.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Estancia Valley Solid Waste Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Estancia Valley Solid Waste Authority, PO Box 736, Estancia, New Mexico 87106.

Basic Financial Statements

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Net Position
June 30, 2018

Assets

CURRENT ASSETS

Cash		\$	2,052,505
Customer Accounts Receivable			<u>291,024</u>
Total Current Assets			<u>2,343,529</u>

NON CURRENT ASSETS

Capital Assets	\$	9,261,903	
Less: Accumulated Depreciation		<u>(5,989,666)</u>	<u>3,272,237</u>
Total Noncurrent Assets			<u>3,272,237</u>

Total Assets			<u>5,615,766</u>
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Deferred Outflows of Resources

Deferred Outflows Related to Pensions			<u>276,490</u>
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Total Assets and Deferred Outflows			<u><u>\$ 5,892,256</u></u>
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The accompanying notes are an integral part of these financial statements.

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Net Position
June 30, 2018

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts Payable	\$	34,655
Accrued Payroll Tax		14,458
Sales Tax Payable		4,677
Accrued Payroll Expense		24,867
Accrued Interest		4,935
Accrued Compensation		33,802
Current Portion of Long-Term Debt		<u>228,656</u>

Total Current Liabilities 346,050

NONCURRENT LIABILITIES

Accrued Landfill Closure	547,896
Net Pension Liability	895,904
Notes Payable	1,140,686
Capital Leases	489,585
Less: Current Portion of Long Term Debt	<u>(228,656)</u>

Total Noncurrent Liabilities 2,845,415

Total Liabilities 3,191,465

DEFERRED INFLOW OF RESOURCES

Deferred Inflows Related to Pensions 57,826

NET POSITION

Net Investment in Capital Assets	1,641,966
Restricted for Landfill Closure	570,351
Restricted for Debt Service	64,603
Unrestricted	<u>366,045</u>
Total Net Position	<u>2,642,965</u>

Total Liabilities, Deferred Inflows and Net Position \$ 5,892,256

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

State of New Mexico

Estancia Valley Solid Waste Authority

Statement of Revenue, Expenses and Changes in Net Position

June 30, 2018

Operating Revenues

Sales and Services	\$ 1,986,656
Total Operating Revenues	<u>1,986,656</u>

Operating Expenses

Personnel Services	1,023,061
Contractual Services	19,727
Repairs and Maintenance	232,358
Fuel and Oil	118,970
Insurance	62,756
Office	16,935
Professional Services	47,878
Other Operating Expenses	167,103
Utilities	34,667
Landfill Closure	32,760
Depreciation	<u>443,842</u>
Total Operating Expenditures	<u>2,200,057</u>

Total Operating Income (Loss) (213,401)

Non-Operating Revenues (Expenses)

NMED Grants	77,623
Environmental Gross Receipts Tax	231,164
Interest Income	10,267
Interest Expense	<u>(44,148)</u>
Total Non-operating Revenue (Expense)	<u>274,906</u>

Change in Net Position 61,505

Net Position at Beginning of Year 2,581,460

Net Position at End of Year \$ 2,642,965

The accompanying notes are an integral part of these financial statements.
 State of New Mexico
 Estancia Valley Solid Waste Authority
 Statement of Cash Flows
 June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 1,926,883
Cash Paid To Suppliers	(789,039)
Cash Paid To Employees	<u>(947,637)</u>
Net Cash Provided By Operating Activities	<u>190,207</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net Change in Pension Payables	(115,417)
Net Change in Deferred Outflows-Pensions	141,310
Net Change in Deferred Inflows-Pensions	<u>43,837</u>
Net Cash Provided From Noncapital Financing Activities	<u>69,730</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Capital Debt	(173,819)
EGRT Received	231,164
Interest Paid on Capital Debt	<u>(44,148)</u>
Net Cash Used For Capital And Related Financing Activities	<u>13,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Grants Received	77,623
Payments For Capital Acquisitions	(580,827)
Proceed s from debt financing	535,433
Interest Income	<u>10,267</u>
Net Cash Provided From Investing Activities	<u>42,496</u>
Net Increase In Cash	315,630
Cash - Beginning Of Year	<u>1,736,875</u>
Cash - End Of Year	<u>\$ 2,052,505</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (213,401)
Noncash Items in Net Income-Depreciation	
Depreciation	443,842
(Increase) Decrease In:	
Accounts Receivable	(59,773)
Increase (Decrease) In:	
Accounts Payable	(5,270)
Landfill Closure	32,760
Other Accrued Payables	<u>(7,951)</u>
Net Cash Provided From Operating Activities	<u>\$ 190,207</u>

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

State of New Mexico

Estancia Valley Solid Waste Authority

Statement of Fiduciary Assets and Liabilities-Agency Funds

June 30, 2018

	Balance
	<u>June 30, 2016</u>
Assets	
Cash	\$ 2,757
Other	<u>-</u>
Total Assets	<u>\$ 2,757</u>
Liabilities	
Due to other entities	\$ 2,757
Other	<u>-</u>
Total Liabilities	<u>\$ 2,757</u>

The above funds are held for benefit employee fund.

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

State of New Mexico
Estancia Valley Solid Waste Authority
Notes to the Financial Statements
June 30, 2018

NOTE 1. Summary of Significant Accounting Policies

Overview. The Estancia Valley Solid Waste Authority (Authority) was formed on June 30, 1996 by Joint Powers Agreement entered into by the Tarrant County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, and Village of Willard. The purpose of the inter-governmental cooperative agreement was to acquire, construct and operate a comprehensive solid waste landfill disposal system for the citizenry of the Authority. In fiscal year 2012 the parties of the joint powers agreement revised the agreement to include the Town of Vaughn as a member as well.

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

Financial Reporting Entity. In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement 61. Based upon the application of the criteria, the Authority has no component units, and is not a component unit of another government agency.

Government-Wide and Fund Financial Statements. The Authority is a single purpose government entity and has only business-type activities. In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets, and receivable as well as long-term debt and obligations.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred. Operating income reported in the financial statements includes revenues and expenses related to the primary and continuing operation of the fund. Principal operating revenues are charges to customers for sales and services. Principal operating expenses are the cost of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The Authority receives non-operating revenue including grants and environmental gross receipts tax which is recorded as revenue when the underlying transaction takes place.

Per the requirement of GASB 20, "Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting," the business-type activities have elected to apply all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) as well as following all FASB pronouncements issued on or after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Policy on Use of Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include the provision for annual depreciation and the estimated landfill liability for closure and post closure costs.

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

Investments for the Authority are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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

Capital Assets. All purchased capital assets are valued at cost. Assets purchased from the joint powers participants were recorded at appraised value. Donated fixed assets, if received, will be valued at their historical value on the date received.

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 fixed assets, as applicable.

The Authority is required to capitalize construction interest in all business type funds. The capitalized interest is depreciated over the useful life of the constructed asset.

The Authority capitalizes all asset purchases or trades with an initial cost of \$5,000 or more. The Authority capitalizes and depreciates the cost of software over its estimated useful life. Depreciation of buildings, improvements, equipment and furnishings in the proprietary fund types is computed using the straight-line method over the estimated useful lives as follows:

Landfill	30 years
Landfill Cell Improvements	3 years
Buildings and Improvements	30 years
Convenience Station Improvements	15 years
Equipment and furnishings	7 years
Light vehicles	5 years

Revenues: The Authority recognizes grant revenue at the time the eligibility restrictions have been met. Such restrictions include 1) the authority should have the characteristics specified by the provider, 2) the time requirements specified by the enabling legislation or provider have been met, 3) if applicable, the provider offers the resources on a reimbursement basis and the recipient has incurred allowable costs under the program and 4) the provider's contingencies have been met.

Compensated Absences. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statements of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-

vesting accumulating rights to receive sick pay benefits. **Accrued Liabilities.** Accrued liabilities consist primarily of accrued salaries, wages, benefits, interest and sales taxes.

Long-term Obligations. Long-term debt is reported as a liability of the Authority on the balance sheet. Long-term financing lease purchases are recorded as a liability.

Deferred Inflow/Outflows of Resources: GASB 63 amended previous guidance on Unearned Revenues in financial statements to include deferred outflow of resources which is the consumption of net assets by the government that is applicable to future reporting periods and deferred inflow of resources which is acquisition of net assets by the government that is applicable to future reporting periods.

Net Position. The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted and unrestricted.

Investment in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - net assets are restricted when constraints placed on net assets used are either: externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; imposed by law through constitutional provisions or enabling legislation.

Unrestricted - represent amounts not restricted for any purpose

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 pays an annual premium for all of the above risks. There have been no claims for the past five years.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The budget for the Enterprise Fund is prepared by management and is approved by the Board of Directors.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditure may not exceed the budget on a per fund basis, i.e., total budgeted expenditure must be within total budgeted amounts. Budgets may be amended in one way. If a budget transfer is necessary within a major category, it is called a "resolution". This may be accomplished with only Board of Directors approval.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before July 1 of each year, the Board of Directors, approves and certifies to the estimated operating budgets for use by the local board pending final approval from the State of New Mexico.
2. The State of New Mexico approves the budget for the Authority to utilize during the year.
3. Budget adjustments may be made during the year. The Board of Directors approves budget resolutions to increase or decrease revenue and/or expenditure line items during the year.

NOTE 3. CASH AND INVESTMENTS

State statutes authorize the investment of Authority funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pools, money market accounts, and United States Government obligations. All invested funds of the Authority properly followed State investment requirements as of June 30, 2018.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial 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 bill of the same maturity on the day of deposit.

Excess of funds may be temporarily invested in securities which are issued by the State of 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. According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public entity. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, a joint safekeeping receipt be issued or letter of credit issued, to the Authority for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Depository	Account Type	FDIC Ins	Balance	Reconciling Items		Balance Per
			Per Depository	Outstanding Checks	Deposits	Financial Statements
Unrestricted Cash:						
My Bank	CD-Restricted L/F Closure	\$ 56,480	\$ 56,480	\$ -	\$ -	\$ 56,480
My Bank	CD-Restricted L/F Closure	54,129	54,129	-	-	54,129
NM Educators FCU	Money Market	101,092	101,092	-	-	101,092
NM Educators FCU	CD	53,686	53,686	-	-	53,686
NM Educators FCU	CD	53,604	53,604	-	-	53,604
NM Educators FCU	Savings	380	380	-	-	380
NM Educators FCU	Savings	566	566	-	-	566
Sandia Area FCU	Checking	6	6	-	-	6
Sandia Area FCU	Money Market	17,270	17,313	-	-	17,313
State Employees FCU	Checking-Restricted L/F Closure	1,724	1,724	-	-	1,724
State Employees FCU	CD-Restricted L/F Closure	60,293	60,293	-	-	60,293
State Employees FCU	CD-Restricted L/F Closure	60,207	60,207	-	-	60,207
State Employees FCU	CD-Restricted L/F Closure	56,490	56,490	-	-	56,490
State Employees FCU	CD-Restricted L/F Closure	56,857	56,857	-	-	56,857
US Bank	Checking-Restricted L/F Closure	-	380,651	(20,879)	10,207	369,979
US Bank	Checking	-	224,172	-	-	224,172
US Bank	Money Market	-	545,443	-	-	545,443
US Bank	Money Market	-	94,274	-	-	94,274
US Bank	Money Market	-	30,128	-	-	30,128
US Bank	Fiduciary	2,757	2,757	-	-	2,757
Wells Fargo	Checking	150,309	150,309	-	-	150,309
Total unrestricted cash			2,000,561	(20,879)	10,207	1,989,889
Restricted Cash-Other:						
NMFA/NMSTO-Debt Service	Trust	64,603	64,603	-	-	64,603
Total restricted cash		\$ 1,040,453	64,603	-	-	64,603
Total cash on deposit			\$ 2,065,164	\$ (20,879)	\$ 10,207	2,054,492
Petty cash						770
Total cash on hand and on deposit						\$ 2,055,262
Less FDIC Insurance(All institutions)			(1,040,453)			
Uninsured Deposits			1,024,711			
Less 50% Pledge Requirement			(512,356)			
Required Pledge			512,356			
Less: Pledged Collateral US Bank: Federal Home Loan Bank-Cincinnati #526357			(975,000)			
(Over) Under Pledged Security per NMSA			\$ (462,645)			

The total deposits at a local bank as of June 30, 2018 amounted to \$2,065,164. Of these deposits \$1,040,456 was insured by the FDIC. Per state statutes, banks were over pledged in the amount of \$462,645.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have deposit policy for custodial credit risk. As of June 30, 2018 the Authority had \$1,024,11 in deposits exposed to Custodial Credit Risk. The Authority had pledged \$975,000 in pledged letter of credit resulting in \$49,711 being exposed to custodial credit risk.

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable of \$291,204 represents billings to service recipients and tipping fees to third party users and grant receivables through June 30, 2018. At June 30, 2018, management believes that receivable balances are collectible in full. Therefore, no allowance for bad debts has been recorded.

Bernalillo Co	\$	52,451
Waste Management		5,827
Town of Mountainair		1,864
City of Moriarty		6,392
City of Santa Rosa		8,538
Village of Willard		491
Village of Encino		546
Town of Vaughn		4,371
Town of Estancia		1,921
Torrance County		14,097
Guadalupe County		2,623
Service recipients		<u>191,903</u>
Total	\$	<u><u>291,024</u></u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets being depreciated:				
Collections-Equipment	\$ 1,411,977	\$ 535,433	\$ -	\$ 1,947,410
Collections-Waste Stations	388,974	-	-	388,974
Collections-Building	302,987	-	-	302,987
Landfill	3,971,633	45,394	-	4,017,027
Landfill Equipment	<u>2,605,505</u>	<u>-</u>	<u>-</u>	<u>2,605,505</u>
Total capital assets being depreciated	<u>8,681,076</u>	<u>580,827</u>	<u>-</u>	<u>9,261,903</u>
Less accumulated depreciation for:				
Total accumulated depreciation	<u>5,545,824</u>	<u>443,842</u>	<u>-</u>	<u>5,989,666</u>
Business-type activity capital assets, net	<u>\$ 3,135,252</u>	<u>\$ 136,985</u>	<u>\$ -</u>	<u>\$ 3,272,237</u>

Current Year Depreciation recorded during the year ended June 30, 2018 was \$443,842.

NOTE 6. LONG-TERM OBLIGATIONS

Long-term obligations of the Authority are as follows:

	Balance 6/30/17	Additions	(Reductions)	Balance 6/30/18	Due Within One Year
Fixed interest Note Payable, to NMFA, interest payable semi-annually and principal payable annually. Interest rate is 3.00% matures 5-1-2027	\$ 49,116	\$ -	\$ (4,283)	\$ 44,833	\$ 4,412
Fixed interest Note Payable, to NMED, interest and principal payable annually. Interest rate is 3.00% matures 5-1-2032	847,933	-	(49,626)	798,307	51,116
Fixed interest Note Payable, to NMFA, interest payable semi-annually and principal payable annually. Interest rate is 3.00% matures 5-1-2016	93,767	-	(6,004)	87,763	6,184
.330 to 1.711% Note Payable, payable to Fixed interest Note Payable, to NMFA, interest payable semi-annually and principal payable annually. Interest rate is .332% and matures 5-1-2021	<u>277,841</u>	-	<u>(68,058)</u>	<u>209,783</u>	<u>68,874</u>
Total Long-Term Obligations	<u>\$1,268,657</u>	<u>\$ -</u>	<u>\$ (127,971)</u>	<u>\$ 1,140,686</u>	<u>\$ 130,586</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 130,586	\$ 30,021	\$ 160,607
2020	133,450	27,170	160,620
2021	136,493	24,150	160,643
2022	67,434	22,125	89,559
2023	69,458	20,115	89,573
2024-2028	374,069	68,232	442,301
2029-2034	<u>229,202</u>	<u>13,627</u>	<u>242,829</u>
	<u>\$ 1,140,692</u>	<u>\$ 205,440</u>	<u>\$ 1,346,132</u>

Capital Leases of the Authority are as follows:

	Balance 6/30/17	Additions	(Reductions)	Balance 6/30/18	Due Within One Year
Capital Lease to Purchase of JD Dozer payable monthly with implied interest Rate of 6.5% matures 3-6-23 Purchase option price \$129,515.	\$ -	\$ 368,058	\$ (19,011)	\$ 349,047	\$ 43,045
Capital Lease to Purchase of International Truck Interest rate is 3.06% and matures 12-29-20	-	167,375	(26,837)	140,538	54,925
Total Long-Term Obligations	<u>\$ -</u>	<u>\$ 535,433</u>	<u>\$ (45,848)</u>	<u>\$ 489,585</u>	<u>\$ 97,970</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2018, are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 97,970	\$ 23,448	\$ 121,418
2020	102,314	18,805	121,119
2021	77,447	15,491	92,938
2022	51,434	10,167	61,601
2023	160,420	5,741	166,161
	<u>\$ 489,585</u>	<u>\$ 73,652</u>	<u>\$ 563,237</u>

LIABILITY FOR COMPENSATED ABSENCES

Vacation, Sick and Compensatory leave is earned by employees during the year based on time worked and is cumulative. Leave due, if any, is paid on an employee’s termination. Amounts accrued as of June 30, 2018 was \$33,802

A summary of changes in this liability are as follows:

	Balance 6/3/2017	Adds	Deletions	Balance 6/3/2018	Due Within One Year
Compensated Absences	\$ 40,104	\$ 24,251	\$ 30,553	\$ 33,802	\$ 33,802

NOTE 7. RELATED PARTY TRANSACTIONS

The County of Torrance obtained a revenue bond in 1993 to open and begin operations of the county landfill. The County of Torrance is responsible for this debt and all members of the joint powers agreement have pledged environmental gross receipts to service this debt. The County has expended \$1,105,228 to purchase land, design the landfill and acquire equipment. The amounts expended are considered contributed capital to the Authority. All assets acquired and contributed to the Authority are depreciated over their expected useful lives. The landfill construction was completed and approval was received to open on August 4, 1998. Since the Authority is responsible for the debt, the liability has been recorded on the books of the Authority since July 1, 2000.

In fiscal year 2012 the parties of the joint powers agreement revised the agreement to include Vaughn as a member as well. Vaughn contributed equipment with the fair market value of \$150,000.

Members of the landfill joint powers agreement owed landfill usage fees to the Authority on June 30, 2018 in the amount of \$57,387.

NOTE 8. PERA PENSION PLAN

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

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

Benefits Provided. For a description of the benefits provided and recent changes to the benefits see Note I in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at <http://www.nmpera.org>.

Contributions. The contribution requirements of defined benefit plan members and the Authority are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and

employee contribution rates in effect for FY 17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 46 through 48 of the PERA FY 17 annual audit report at:

http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.pdf.

The PERA coverage options that apply to Authority are: General Division. Statutorily required contributions to the pension plan from the Authority were \$97,534 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were 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 June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division - the Authority's General Division, at June 30, 2018, the Authority reported a liability of \$895,904 for its proportionate share of the net pension liability. At June 30, 2017, the Authority's proportion was 0.0652 percent, which was changed from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized PERA Fund - General, pension expense of \$69,730. At June 30, 2018, the Authority reported PERA Fund Division - General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,204	\$ 45,885
Change of assumptions	41,314	9,258
Changes in Proportionate Share of Contributions	31,935	2,683
Net Difference between projected and actual earnings on pension investments	70,503	-
Contributions subsequent to the measurement date	97,534	-
Total	\$ 276,490	\$ 57,826

The Authority reported \$97,534 was reported as deferred outflows of resources related to pensions resulting from Authority 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2019	\$ 42,679
2020	86,137
2021	16,804
2022	(21,480)
2023	-
There After	-

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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
• Investment of rate of return	7.51% annual rate, net of investment expense
• Payroll growth	2.75% annual rate
• Projected benefit payment	100 Years
• Projected salary increases	2.75 to 14.00% annual rate
• Includes inflation at	2.25% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for Healthy post retirements, Employee table for active members, and disabled table of disabled retirees before retirement age) with projection to 2018 using Scale AA.
• Experience Study Dates	July 1, 2008 to June 30, 2013 Demographic

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

ALL FUNDS - Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	43.50	7.39%
Risk Reduction & Mitigation	21.50	1.79
Credit Oriented Fixed Income	15.00	5.77
Real Assets including Real Estate	20.00	7.35
Total	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 7.25 percent for the first ten years then 7.75% for later years. Equivalent Blended rate of 7.48% will be used to measure total pension liability, The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.48% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority's net pension liability in each PERA Fund Division that 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 (8.51%) than the single discount rate.

PERA Fund Division - General	1 % Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Authority's proportionate share of the net pension	\$ 1,404,177	\$895,904	\$473,204

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 16 Restated PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

Payables to the pension plan. At June 30, 2018, the Authority had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2018.

NOTE 9. RETIREE HEALTH CARE ACT CONTRIBUTIONS

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Authority has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

NOTE 10. LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Closure and post closure care costs are recognized throughout the initial twenty year period of operation based on the amount of the landfill used during the year.

In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure costs is based on the amount of the landfill used during the year. Currently, it is estimated that utilized airspace at June 30, 2018 was 58.5%. The estimated cost for closure and post closure cost were estimated at \$915,310 at the estimated closure date in 2030.

The Authority accrued \$32,760 in closure costs for the current year. Total accrued liability as of June 30, 2018 was \$547,896 or 59.8% of the total estimated closure and post closure costs of \$915,310 remaining at the date the landfill is expected to be filled to capacity. The total estimated closure and post closure costs are based on the amount that would be paid if all equipment and facilities, and services required to close, monitor, and maintain the landfill. However, the actual cost of closure and post closure care may vary due to inflation, changes in technology, or changes in landfill laws and regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The Authority has currently restricted \$482,376 in cash to fund the current accrued liability.

NOTE 11. JOINT POWERS AGREEMENT

The Estancia Valley Solid Waste Authority was formed on June 30, 1996, by Joint Powers Agreement entered into by the Torrance County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, Village of Willard and the Village of Vaughn to serve a public use and promote health, safety, prosperity, security and general welfare of the inhabitants of the said Authority. Various entities of the agreement have pledged environmental gross receipts tax to the authority. Total receipts for the year ended June 30, 2018 amounted to \$231,164.

NOTE 13. CONTINGENT LIABILITIES

The Authority from time to time is party to various claims and lawsuits arising in the normal course of business. The Authority is insured through the New Mexico Self-Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Authority. Currently there are no outstanding issues.

NOTE 14. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period, and so will not be recognized as an outflow or resource (expenses/expenditures) until then. The Government has deferred outflows of resources related to pension funding, as discussed in Note 5.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. The Government has two types of items, one of which arises under the full accrual basis of accounting and both of which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item unavailable revenue, has reported in both the statement of net position and the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Government reports unavailable revenue from the following sources"

The Authority has no Deferred Outflows or Inflows other than that relation to pension plans.

NOTE 15. SUBSEQUENT REVIEW

The Estancia Valley Solid Waste Authority has evaluated the subsequent events through November 20, 2018 which is the date the statements were available for issuance.

Supplemental Information

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Revenues, Expenses and Changes in Cash Balance
Budget (Budgetary Basis) and Actual
June 30, 2018

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for Services	\$ 2,292,000	\$ 1,853,000	\$ 1,913,395	\$ 60,395
State Grants	153,000	153,000	77,623	(75,377)
Environmental Gross Receipts Tax	194,000	220,000	231,164	11,164
Interest Income	9,500	11,000	10,267	(733)
Other	<u>7,500</u>	<u>1,500</u>	<u>127</u>	<u>(1,373)</u>
Total Revenues	2,656,000	2,238,500	2,232,576	(5,924)
Operating Expense				
Personnel	983,981	975,722	975,722	-
Operating Expense	772,156	930,902	722,561	208,341
Capital Outlay	515,000	350,000	400	349,600
Debt Service	<u>256,000</u>	<u>215,372</u>	<u>218,395</u>	<u>(3,023)</u>
Total Operating Expense	<u>2,527,137</u>	<u>2,471,996</u>	<u>1,917,078</u>	<u>554,918</u>
Net Revenue (Expense)	<u>\$ 128,863</u>	<u>\$ (233,496)</u>	315,498	<u>\$ (560,842)</u>
Cash Beginning			<u>1,736,875</u>	
Cash Ending			<u>\$ 2,052,373</u>	
Reconciliation Budgetary Basis to GAAP:				
Revenues Budgetary Basis			\$ 2,305,710	
Change in Accounts Receivable			(59,773)	
Change in Other Receivables			<u>(13,361)</u>	
Revenues GAAP			<u>2,232,576</u>	
Expenses on Budgetary Basis:			1,917,078	
Reclassification Loan Principal			(170,819)	
Landfill Closure Costs			32,760	
Change in Accounts Payable			(5,270)	
Change in Other Payables			(7,951)	
Reclass Capitalized Expense			(45,394)	
Depreciation			443,842	
Change Pension Expense			<u>6,825</u>	
Expenses GAAP			<u>2,171,071</u>	
Change in Net Position			<u>\$ 61,505</u>	

The accompanying notes to the financial statements are an integral part to the financial statements.

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Changes in Fiduciary Assets and Liabilities
June 30, 2018

	Balance			Balance
	June 30, 2015	Additions	Deletions	June 30, 2016
Assets				
Cash	\$ 2,376	\$ 2,300	\$ (1,919)	\$ 2,757
Other	-	-	-	-
Total Assets	<u>\$ 2,376</u>	<u>\$ 2,300</u>	<u>\$ (1,919)</u>	<u>\$ 2,757</u>
Liabilities				
Due to other entities	\$ 2,376	\$ 2,300	\$ (1,919)	\$ 2,757
Other	-	-	-	-
Total Liabilities	<u>\$ 2,376</u>	<u>\$ 2,300</u>	<u>\$ (1,919)</u>	<u>\$ 2,757</u>

The accompanying notes to the financial statements are an integral part to the financial statements.

Pension Liability Supplementary Information

State of New Mexico
Estancia Valley Solid Waste Authority
Schedule of the Proportionate Share of the Net Pension Liability
Of Fund Division – State General
Public Employees Retirement Association (PERA) Plan
June 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Estancia Valley Solid Waste Authority portion of net pension liability (asset)	0.05880%	0.06380%	0.06330%	0.06520%
Estancia Valley Solid Waste Authority proportionate share of the net pension liability (asset) \$	458,703 \$	650,496 \$	1,011,321 \$	895,904 \$
Estancia Valley Solid Waste Authority covered-employee payroll \$	474,295 \$	515,323 \$	622,421 \$	589,329 \$
Estancia Valley Solid Waste Authority proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	97%	126%	162%	152%
Plan fiduciary net position as a percentage of total pension liability	81.29%	76.99%	69.18%	73.74%

****** The amounts presented were determined as of June 30, 2016. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Estancia Valley Solid Waste Authority will present information for those years for information which is available.

State of New Mexico
Estancia Valley Solid Waste Authority
Schedule of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division – State General
June 30, 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 86,796	\$ 89,038	\$ 93,266	\$ 97,534
Contributions in relation to the contractually required contribution	<u>(86,796)</u>	<u>(89,038)</u>	<u>(93,266)</u>	<u>(97,534)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Estancia Valley Solid Waste Authority covered-employee payroll	\$ 474,295	\$ 515,323	\$ 622,421	\$ 589,329
Contributions as a percentage of covered payroll	18.30%	17.28%	14.98%	16.55%

**This Schedule is presented to illustrate the requirement to show information for a full 10 years. However, until a full 10 year trend is complied the Estancia Valley Solid Waste Authority will present information for those years for information which is available.

**State of New Mexico
Estancia Valley Solid Waste Authority
Notes to Required Supplemental Information
June 30, 2018**

Changes in benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY 16 audit available at:

http://www.pera.state.n.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf.

Changes in assumptions.

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuations June 30 2016 report is available at:

http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf

Compliance

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**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

Wayne Johnson, New Mexico State Auditor
Board Members of the Estancia Valley Solid Waste Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities of Estancia Valley 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 and the related budgetary comparison presented as supplementary information, and have issued our report thereon dated November 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Estancia Valley Solid Waste Authority internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Estancia Valley Solid Waste Authority internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Estancia Valley Solid Waste Authority internal control.

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

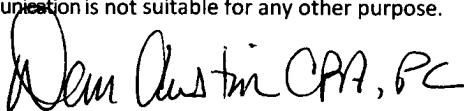
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Estancia Valley Solid Waste Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Estancia Valley Solid Waste Authority internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 20, 2018

**STATE OF NEW MEXICO
ESTANCIA VALLEY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2018**

Summary of Prior Year Audit Findings

None

Summary of Current Year Findings

None

FINANCIAL STATEMENT PREPARATION

Although it would be preferable and desirable for the Authority to prepare its own GAAP-based financial statements, it is felt that the Authority's personnel do not have the time to prepare them. Therefore, the outside auditor under contract with the Authority prepared the GAAP-basis financial statements and footnotes to inclusion in the annual audit report. However, the responsibility for the content of the report remains with Authority management.

EXIT CONFERENCE

On December 13, 2018 an exit conference was held at the Authority's offices. Present at the Authority's offices were, Gerald Chavez Board Chairman, General Manager Joseph Ellis, Office Manager Joseph Ellis and auditor Dan Austin, CPA. The audit and related comments were discussed, as well as other suggestions for improvements in the internal control structure and financial reporting.