

**GREENTREE SOLID WASTE AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019**

## **INTRODUCTORY SECTION**

**GREENTREE SOLID WASTE AUTHORITY  
TABLE OF CONTENTS  
JUNE 30, 2019**

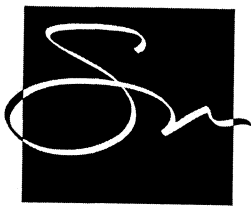
	<b>Page Number</b>
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	i
Official Roster.....	ii
 <b>FINANCIAL SECTION</b>	
Independent Auditor’s Report.....	1
<b><u>Financial Statements:</u></b>	
Statement of Net Position .....	4
Statement of Revenues, Expenses and Changes in Net Position.....	6
Statement of Cash Flows .....	7
Notes to Financial Statements.....	9
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedules of Proportionate Share of PERA Net Pension Liability and Required Contributions General.....	23
Notes to the Required Supplemental Information.....	24
 <b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Revenues and Expenditures – Budget and Actual (Non-GAAP) Year Ended June 30, 2019.....	25
 <b>INTERNAL CONTROL AND COMPLIANCE</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	26
Schedule of Findings and Responses .....	28
Schedule of Status of Prior Year Findings.....	28
Exit Conference and Other Disclosures.....	29

**GREENTREE SOLID WASTE AUTHORITY  
OFFICIAL ROSTER  
JUNE 30, 2019**

**BOARD OF DIRECTORS**

<b>Name</b>	<b>Title</b>	<b>Representing</b>
Ray Dean	Chair	Carrizozo
Sherrill Bradford	Vice-Chair	Corona
Gary Williams	Secretary/Treasurer	Ruidoso Downs
Dennis Haskell	Member	Capitan
Tim Coughlin	Member	Ruidoso
Elaine Allen	Member	Lincoln County

## **FINANCIAL SECTION**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

Brian Colon, New Mexico State Auditor, and  
Board of Directors of  
Greentree Solid Waste Authority  
Ruidoso Downs, New Mexico

### Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of Greentree Solid Waste Authority (the Authority), as of and for the year ended June 30, 2019, which comprise the Authority's basic financial statements as listed in the table of contents and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the financial position of the business-type activities of Greentree Solid Waste Authority as of June 30, 2019, and the respective changes in financial position and its cash flows, thereof, for the years then ended in conformity 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 schedule of the Authority's proportionate share of the net pension liability and the schedule of the Authority's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Management has elected to omit the management's discussion and analysis (MD&A). Accounting principles generally accepted in the United States of America require that the MD&A 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.

Our opinion on the basic financial statements is not affected by this omitted information.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) listed as supplementary information as noted in the table of contents is the responsibility of management and was 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 Schedule of Revenues and Expenses-Budget and Actual (Non-GAAP Basis) is 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 October 11, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Authority's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Authority's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
October 11, 2019



**GREENTREE SOLID WASTE AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

**ASSETS AND DEFERRED OUTFLOWS**

	<b>2019</b>	<b>2018 (Memorandum)</b>
<b>CURRENT ASSETS</b>		
Unrestricted Cash and Cash Equivalents	\$ 19,355	\$ 14,873
Accounts Receivable, Net	97,190	173,706
Other Receivables	<u>6,635</u>	<u>15,043</u>
<b>TOTAL CURRENT ASSETS</b>	<u>123,180</u>	<u>203,622</u>
<b>NONCURRENT ASSETS</b>		
Restricted Cash and Cash Equivalents		
Debt Service Reserve	112,047	64,638
Construction Reserve	231,157	398,535
Post-closure Reserve	24,691	24,395
Investment in Regional Landfill	57,084	57,084
Capital Assets, Net	<u>5,324,958</u>	<u>5,617,240</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>5,749,937</u>	<u>6,161,892</u>
<b>TOTAL ASSETS</b>	<u>5,873,117</u>	<u>6,365,514</u>
<b>DEFERRED OUTFLOWS</b>		
Post Measurement Date Employee Contributions	31,337	40,342
Deferred Outflows - Net Pension Liability	<u>127,453</u>	<u>110,026</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>158,790</u>	<u>150,368</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><u>\$ 6,031,907</u></u>	<u><u>\$ 6,515,882</u></u>

**LIABILITIES, DEFERRED INFLOWS AND NET POSITION**

	<b>2019</b>	<b>2018</b> <b>(Memorandum)</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 40,280	\$ 31,098
Accrued Wages	11,871	12,250
Accrued Payroll Tax Liabilities	2,463	1,685
Accrued Interest	16,351	17,779
Long-Term Debt, Current Portion	220,042	573,001
Long-Term Capital Leases, Current Portion	<u>115,420</u>	<u>115,757</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>406,427</u>	<u>751,570</u>
<b>NONCURRENT LIABILITIES</b>		
Accrued Vacation	32,788	30,269
Long-Term Debt, Net of Current Portion	1,697,929	1,602,589
Long-Term Capital Leases, Net of Current Portion	148,290	259,764
Net Pension Liability	<u>637,748</u>	<u>660,935</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>2,516,755</u>	<u>2,553,557</u>
<b>TOTAL LIABILITIES</b>	<u>2,923,182</u>	<u>3,305,127</u>
<b>DEFERRED INFLOWS</b>		
Deferred Inflows - Net Pension Liability	<u>139,851</u>	<u>119,481</u>
<b>TOTAL DEFERRED INFLOWS</b>	<u>139,851</u>	<u>119,481</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	3,511,609	3,898,894
Restricted		
Debt Service Reserve	112,047	64,638
Construction Reserve	231,157	398,535
Post-closure Reserve	24,691	24,395
Unrestricted (Deficit)	<u>(910,630)</u>	<u>(1,295,188)</u>
<b>TOTAL NET POSITION</b>	<u>2,968,874</u>	<u>3,091,274</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	<u>\$ 6,031,907</u>	<u>\$ 6,515,882</u>

**GREENTREE SOLID WASTE AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

	2019	2018 (Memorandum)
<b>OPERATING REVENUES</b>		
Sales and Services		
Collection Fees	\$ 1,564,919	\$ 1,577,253
Recycling	125,637	178,758
Other Income	7,032	5,818
	<u>1,697,588</u>	<u>1,761,829</u>
<b>OPERATING EXPENSES</b>		
Wages and Salaries	608,044	632,150
Payroll Taxes	49,555	48,708
PERA Retirement	20,098	49,563
Employee Benefits	132,884	119,205
Repairs and Maintenance	177,534	187,782
Fuel and Oil	165,336	170,735
Disposal and Recycling Fees	168,182	170,163
Insurance	88,864	82,100
Gross Receipts Tax	71,741	72,826
Professional Fees	47,603	60,179
Office and Administrative Expense	28,487	35,147
Utilities	36,101	29,614
Supplies	14,209	10,677
Equipment Rental	6,261	5,904
Provision for Bad Debts	76,515	-
Other Operating Expenses	15	225
Depreciation	292,296	327,607
	<u>1,983,725</u>	<u>2,002,585</u>
<b>Total Operating Expenses</b>		
<b>Operating Loss</b>	(286,137)	(240,756)
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Environmental Gross Receipts Tax	246,191	228,091
Landfill Subsidy, Net	-	266,750
Gain on Disposal of Assets	15,203	43,250
Interest Income	7,453	4,506
Capitan Landfill Closure Costs, Net	(5,179)	(14,160)
Interest Expense and Administrative Fees	(99,930)	(127,090)
	<u>163,738</u>	<u>401,347</u>
<b>Total Non-operating Income (Expense)</b>		
<b>CHANGE IN NET POSITION</b>	(122,399)	160,591
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>3,091,273</u>	<u>2,930,683</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ 2,968,874</u>	<u>\$ 3,091,274</u>

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

**GREENTREE SOLID WASTE AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

	2019	2018 (Memorandum)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers and Users	\$ 1,774,104	\$ 1,775,900
Payments to and on Behalf of Employees	(818,902)	(828,519)
Payments to Suppliers and Contractors	(871,666)	(819,579)
	<u>83,536</u>	<u>127,802</u>
Net Cash Provided by Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Assets	63,611	28,207
Interest Income	7,453	4,506
Capital Asset Purchases	(40,014)	-
	<u>31,050</u>	<u>32,713</u>
Net Cash Provided by Investing Activities		
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Environmental Gross Receipts Tax	246,191	228,091
Landfill Subsidy, Net	-	266,750
Capitan Landfill Closure Costs, Net	(5,179)	(14,160)
	<u>241,012</u>	<u>480,681</u>
Net Cash Provided by Non-Capital Financing Activities		
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Principal Payments on Long-Term Debt	(257,619)	(197,463)
Principal Payments on Capital Leases	(111,811)	(115,304)
Interest Expense and Administrative Fees	(101,359)	(118,858)
	<u>(470,789)</u>	<u>(431,625)</u>
Net Cash Used by Capital Financing Activities		
<b>NET CHANGE IN CASH</b>	(115,191)	209,571
<b>CASH AT BEGINNING OF YEAR</b>	<u>502,441</u>	<u>292,870</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 387,250</u>	<u>\$ 502,441</u>

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

	<b>2019</b>	<b>2018</b> <b>(Memorandum)</b>
<b>Reconciliation of Operating Income to Net Cash Provided</b>		
<b>by Operating Activities</b>		
Operating Loss	\$ (286,137)	\$ (240,756)
<b>Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities</b>		
<b>Non-cash Adjustments:</b>		
Depreciation	292,296	327,607
Long-Term PERA Payable	(23,187)	(228,963)
Deferred Inflows	20,370	84,889
Deferred Outflows	(17,427)	161,424
Post Measurement Date Employee Contributions	9,005	-
<b>Changes in:</b>		
Accounts Receivable	76,516	14,071
Accounts Payable	9,182	5,773
Accrued Wages	(379)	1,185
Accrued Payroll Tax Liabilities	778	85
Accrued Vacation	2,519	2,487
Cash Provided (Used) by Operating Activities	<u>\$ 83,536</u>	<u>\$ 127,802</u>
<b>Reconciliation to Statement of Net Position</b>		
Unrestricted	\$ 19,355	\$ 14,873
Restricted		
Debt Service Reserve	112,047	64,638
Construction Reserve	231,157	398,535
Post-closure Reserve	24,691	24,395
Total Cash and Cash Equivalents	<u>\$ 387,250</u>	<u>\$ 502,441</u>
<b>Supplemental Cash Flow Disclosures</b>		
Cash Paid for Interest and Administrative Fees	\$ 101,359	\$ 118,858

**GREENTREE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization** - Greentree Solid Waste Authority (the Authority) was established on May 20, 1991 under a joint powers agreement (JPA) initially entered into by and between the Greentree and the City of Ruidoso Downs, Villages of Ruidoso, Capitan and Corona, the Town of Carrizozo, and the County of Lincoln. It was the desire of the parties to form a solid waste disposal authority in order to collectively address the immediate and future solid waste disposal needs of the citizens in and around Lincoln County.

The Authority is governed by a joint powers board consisting of appointed officials from the member governmental agencies. The Village of Ruidoso elected to cease participation in the JPA on November 1, 1998, and the County of Lincoln ended its participation in December 2015, but each still maintains a seat on the board by as voting members for the landfill only.

**Reporting Entity** - In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. Organizations that are legally separate, tax-exempt entities and that meet all of the following criteria should be discretely presented as component units. These criteria are:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

Based upon the application of these criteria, there are no potential component units included in the Authority's reporting entity.

**Income Taxes** - The Authority operates as a special-purpose governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Financial Statement Presentation, Basis of Accounting, and Measurement Focus**

**Government-Wide and Fund Financial Statements** - The Authority operates as a single purpose government entity and has only business-type activities. In the government-wide statement of net position, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

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

**GREENTREE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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

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

**Fund 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 on the accrual basis of accounting with a separate set of accounts that comprise the Authority's assets, liabilities, net position, deferred inflows and deferred outflows of resources, revenues and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; (ii) 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 (iii) 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 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 net position (i.e., total assets and deferred outflows less total liabilities and deferred inflows) are segregated into net investment in capital assets, restricted, and unrestricted components. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Presentation** - Certain prior year amounts may have been reclassified in order to present comparatively with the current reporting period classifications.

**GASB Statement No. 77, Tax Abatement Disclosures** - The Authority is not subject to any tax abatement agreements subject to being reported under the requirements of GASB 77.

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

**Restricted Cash** - The Authority restricts an amount of cash into a sinking fund designated for the eventual closure and post closure maintenance of the transfer facility owned by the Authority.

**Use of Restricted Assets** - Restricted assets are assets which have third-party limitation on their use. 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.

**Account Receivables** - The Authority's outstanding receivables are due from its customers for the collection of solid waste. Collateral is generally not required on receivables.

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Allowance for Doubtful Accounts** - Allowances for doubtful accounts are reviewed periodically by the board of directors and are reported net with the account receivables. The Authority has the option to collect delinquent accounts by filing lien's against various properties associated with the services provided to the customer or filing civil actions against property owners.

**Concentration of Credit Risk** - The Authority grants credit without collateral to its customers for its services, but the customers are subject to service suspension or termination if the receivables are not settled within a reasonable time frame.

**Property and Equipment** - The Authority's policy is to capitalize all expenditures for furniture, equipment and software in excess of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Expenditures related to routine repairs and maintenance are expensed in the current period.

Assets acquired under capital leases are amortized over the life of the respective leases or the service lives of the assets using the straight-line method and the amortization is included with depreciation expense. Renovations to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest paid on loans for construction purposes is capitalized until the asset becomes available for use and amortized over the life of the related asset. Land owned by the Authority is always capitalized.

Assets of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Leasehold Improvements	40
Site Improvements	20-40
Office and Maintenance Equipment	5-7
Vehicles	5-10

**Analysis of Impairments** - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment is determined based on comparison of future cash flows to the recorded value of the assets. Impairment losses are measured based on the fair value of the impaired assets. No such impairment losses were recorded during the years ended June 30, 2019.

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

**Accrued Vacation** - 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 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.

**Net Position** - Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Restricted net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Any remaining balance is reported as unrestricted net position.



**GREENTREE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Deferred Outflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. The Authority has deferred outflows in reference to the pension liability as noted in Note M.

**Deferred Inflows of Resources** - In addition to assets, the Statement of Net Position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period. Unearned revenues represent the prepaid revenues advanced to the Authority. Such advances are reported as unearned revenue until the earnings process is complete. The Authority has deferred inflows in reference to the pension liability as noted in Note M.

**Operating and Non-Operating Revenues** - Revenues are classified as operating or non-operating according to the following criteria:

*Operating revenue* - include activities which have the characteristic of exchange transactions, such as charges for services and fees, net of any allowance for uncollectible amounts.

*Non-operating revenues* - include activities which have the characteristics of non-exchange transactions, such as subsidies, grants, interest income, and EGRT taxes.

**Operating and Non-Operating Expenses** - Expenses are classified as operating or non-operating according to the following criteria:

*Operating expenses* - include activities that have the characteristics of an exchange transaction such as employee salaries, benefits, and related expenses; maintenance, operations and contractual services; materials and supplies; office expenses; and depreciation expenses related to Authority capital assets.

*Non-operating expenses* - include activities that have the characteristics of non-exchange transactions such as interest on capital asset-related debt and bond expenses that are defined as non-operating expenses by GASB Statement No. 9 - *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement No. 34.

**Budgetary Compliance** - The annual budget is adopted based on the cash basis of accounting. Annual budgets of the Authority are prepared prior to June 1 and must be approved by resolution of the Board and submitted for approval by the State of New Mexico. The Board of Directors of the Authority considered many factors when setting the fiscal year budget. One of those factors is the local economy and the impact that landfill fees have on the community. Once the budget has been formally approved, any amendments must also be approved by the Board and the State.

Budgeted amounts are as originally adopted, or as amended by the Board and approved by the State. Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The schedule of budgeted revenues and expenditures presents comparisons of legally adopted budgets with actual data on a budgetary basis. The legal level of budgetary control is the fund level.

**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.

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Risk Management** - The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters to protect the contractor and the Authority. Settled claims have not exceeded this commercial coverage in any preceding years.

**Subsequent Events** - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

At June 30, 2019, the Authority had cash and cash equivalents on deposit with a local financial institution, consisting of demand checking accounts, savings accounts and certificates of deposit. Following is a schedule as of June 30, 2019, of the cash and cash equivalents.

	Bank Balance June 30, 2019	Net Items Outstanding	Book Balance June 30, 2019
<b>Deposit Accounts:</b>			
<b>City Bank New Mexico</b>			
Operations Account	\$ 66,466	\$ (51,082)	\$ 15,384
Direct Deposit Account	16	-	16
Reserve Account (Interest-bearing)	25,258	-	25,258
Closure Account (Interest-bearing)	24,691	-	24,691
EGRT Account (Interest-bearing)	1,794	-	1,794
Recycling Petty Cash (Interest-bearing)	<u>3,114</u>	<u>(659)</u>	<u>2,455</u>
Total Cash on Deposit	<u>\$ 121,339</u>	<u>\$ (51,741)</u>	69,598
NMFA Deposits			316,152
Cash on Hand			<u>1,500</u>
<b>Total Cash and Cash Equivalents</b>			<b><u>\$ 387,250</u></b>
<b>As Reported in the Financial Statements:</b>			
Restricted Cash			
Debt Service		\$ 112,047	
Construction Reserve		231,157	
Post-closure Reserve		<u>24,691</u>	\$ 367,895
Unrestricted Cash			<u>19,355</u>
<b>Total Cash per Financial Statements</b>			<b><u>\$ 387,250</u></b>

**Collateralization** - The FDIC provides coverage of up to \$250,000 for interest-bearing and non-interest-bearing demand accounts separately from an additional \$250,000 for interest-bearing time and savings accounts. Excess coverage from one category is not transferrable to the other. No security is required for the deposit of public money being insured by the Federal Deposit Insurance Corporation.

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE B - CASH AND CASH EQUIVALENTS (Cont.)**

In accordance with Section 6-10-17, NMSA 1978 compilation, deposits of public monies are required to be collateralized. Pledged collateral is required in amounts in aggregate equal to one half of the amount of uninsured public money in each account during the fiscal year. Securities which are obligations of the State of New Mexico, its agencies, institutions, counties, or municipalities or other subdivisions are accepted as security at par value; all other securities are accepted as security at market value.

	<b>City Bank</b>
Demand Deposits	\$ 66,482
Interest-bearing Deposits	<u>54,857</u>
Total Funds on Deposit	121,339
Less FDIC Coverage	<u>(121,339)</u>
Uninsured Funds	-
Pledged Collateral Securities	<u>-</u>
Uninsured and Uncollateralized	<u>\$ -</u>

**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 them. The Authority does not have a deposit policy for custodial credit risk other than state statutes. As of June 30, 2019, none of the Authority's bank balances were exposed to custodial credit risk after applying the FDIC insurance limits.

**New Mexico Finance Authority Deposits** - The Authority has approximately \$265,477 on deposit with the New Mexico Finance Authority (NMFA). The amounts on deposits are being held in escrow by NMFA for debt service purposes. The amounts on deposit with NMFA are not covered by FDIC and not considered in the collateralization requirement calculation.

	<b>Cash Balance</b>	<b>Reserve Funds Payable</b>	<b>Total on Deposit</b>
NMFA PP-1760	\$ 110,253	\$ 205,899	\$ 316,152
Total Cash and Cash Equivalents	<u>\$ 110,253</u>	<u>\$ 205,899</u>	<u>\$ 316,152</u>

**NOTE C - RECEIVABLES**

**Accounts Receivable, Net** - The Authority reserves a portion of the utility accounts receivable due to the accounts not being susceptible to collection. The amount of the allowance is reported below as of the fiscal year end:

	<b>Total</b>
Gross Accounts Receivable	\$ 800,441
Less Allowance for Doubtful Accounts	<u>(703,251)</u>
Accounts Receivable - Net	<u>\$ 97,190</u>

**Concentrations of Risk** - The Authority depends on financial resources flowing from, or associated with, customer solid waste collections, environmental gross receipts taxes, and occasional subsidies from the City of Alamogordo, New Mexico. Because of this dependency, the Authority is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State Appropriations; changes in environmental gross receipts tax rates, and customer collections. Should there be a material change in membership participation, the operations of the Authority could be significantly impacted.

**GREENTREE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE C – RECEIVABLES (Cont.)**

**Other Receivables:**

The Authority sold two compactors to the Village of Corona for \$15,000 in September 2017. The agreement with the Village is for 36 monthly payments of approximately \$417 at no interest. The amount due from the Village as of June 30, 2019 is approximately \$5,833.

The Authority also sold a pickup to an individual for \$7,500 in July 2017. The agreement with the buyer is for 36 monthly payments of approximately \$250 at 3% annual interest. The amount due from the buyer is approximately \$802 as of June 30, 2019.

**NOTE D - CAPITAL ASSETS**

Capital asset activity for the years ended June 30, 2019:

	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases and Transfers</b>	<b>Balance June 30, 2019</b>
<b>Business-type Activities:</b>				
<b>Non-depreciable Capital Assets</b>				
Land	\$ 876,590	\$ -	\$ (40,000)	\$ 836,590
Total Non-depreciable Capital Assets	876,590	-	(40,000)	836,590
<b>Depreciable Capital Assets</b>				
Building and Land Improvements	5,495,802	-	-	5,495,802
Machinery and Equipment	3,009,070	-	(709)	3,008,361
Dumpsters and Polycarts	333,913	40,014	(204,306)	169,621
Roll-off Containers	205,207	-	(110,497)	94,710
Recycle Equipment	22,598	-	20,850	43,448
Furniture and Fixtures	43,735	-	-	43,735
Total Depreciable Capital Assets	<u>9,110,325</u>	<u>40,014</u>	<u>(294,662)</u>	<u>8,855,677</u>
<b>Accumulated Depreciation</b>				
Building and Land Improvements	(1,438,274)	(145,766)	-	(1,584,040)
Machinery and Equipment	(2,419,975)	(121,317)	709	(2,540,583)
Dumpsters and Polycarts	(302,081)	(11,156)	204,306	(108,931)
Roll-off Containers	(149,196)	(9,933)	110,497	(48,632)
Recycle Equipment	(22,598)	-	(20,850)	(43,448)
Furniture and Fixtures	(37,551)	(4,123)	-	(41,674)
Accumulated Depreciation	<u>(4,369,675)</u>	<u>(292,295)</u>	<u>294,662</u>	<u>(4,367,308)</u>
Total Depreciable Capital Assets, Net	<u>4,740,650</u>	<u>(252,281)</u>	<u>-</u>	<u>4,488,369</u>
<b>Capital Assets, Net</b>	<u>\$ 5,617,240</u>	<u>\$ (252,281)</u>	<u>\$ (40,000)</u>	<u>\$ 5,324,959</u>

Depreciation and amortization expense for the 2019 fiscal year was \$292,295. The Authority sold a parcel of land during the year for \$40,000, for no gain or loss. The proceeds of the land sale were applied to the City Bank loan for which the land was used as collateral.

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE E - COMPENSATED ABSENCES**

Vacation and sick leave earned by employees during the year is based on time worked, is non-cumulative and is considered to be a liability. Vacation leave due, if any, is paid upon an employee's separation from service. Compensation for sick leave is limited to time off in the current fiscal year and is not monetarily compensated upon separation from service. The activity of the compensated absences due to employees as of June 30, 2019 is detailed below. The Authority considers the full amount of the compensated absences to be long-term.

	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>
Compensated Absences	<u>\$ 30,269</u>	<u>\$ 27,995</u>	<u>\$ (25,476)</u>	<u>\$ 32,788</u>

**NOTE F - LONG-TERM DEBT**

The Authority has the following long-term debt obligations as of June 30, 2019:

**NMED - RIP 2010-01** - The Authority entered into an agreement with the New Mexico Environment Department in October 2012 for completion of the solid waste transfer facility and collection centers. The initial loan was for \$743,300 at 3% interest with annual payments of principal and interest of approximately \$49,961. The loan is expected to mature in October 2032.

**City Bank** - The Authority entered into an agreement with the local financial institution for the purchase of the land the Authority uses as its facility location. Original amount financed was \$750,000 at 6% interest with monthly payments of approximately \$4,775 and was expected to mature in November 2026. The Authority applied the \$40,000 proceeds from sale of land to the loan principal in April 2019, and City Bank subsequently restructured the note to monthly payments of approximately \$3,978 at 6.5% interest, with a new maturity date of August 2027.

**NMFA – PP-1760** - The Authority entered into an agreement with the New Mexico Finance Authority in December 2005 to for the construction of the solid waste transfer station. The original financed amount was \$2,701,492 at an interest rate varying between 2.53% to 4.01% with annual installments of between approximately \$201,745 to \$201,976. The loan is secured by the buildings for the administration and the transfer station. The loan is expected to mature in May 2033.

The Association paid approximately \$101,359 in interest expense and finance charges attributed to long-term obligations.

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

	<b>Balance June 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>	<b>Interest Expense</b>	<b>Accrued Interest</b>
NMED-RIP	\$ 596,436	\$ -	\$ (32,068)	\$ 564,368	\$ 33,030	\$ 17,893	\$ 12,698
CITY BANK	375,539	-	(73,595)	301,944	28,962	22,855	-
NMFA PP-1760	<u>1,203,615</u>	-	<u>(151,956)</u>	<u>1,051,659</u>	<u>158,050</u>	<u>49,916</u>	<u>3,653</u>
Total Long-term Debt	<u>\$ 2,175,590</u>	<u>\$ -</u>	<u>\$ (257,619)</u>	<u>\$ 1,917,971</u>	<u>\$ 220,042</u>	<u>\$ 90,664</u>	<u>\$ 16,351</u>

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE F - LONG-TERM DEBT (Cont.)**

The Authority has the following long-term capital leases as of June 30, 2019:

**Kansas State Bank – Polycart Lease** - The Authority entered into an agreement with Kansas State Bank in March 2017 to finance the lease/purchase of polycarts, dumpsters, and a Wilkins trailer for use by the Authority. The initial amount of the agreement was for \$147,144 at approximately 4.97% with monthly payments of approximately \$2,763 and is expected to mature in February 2022. The polycarts financed by the capital lease are accounted for within the capital assets of the Authority and are being depreciated over the useful lives of the assets.

**Kansas State Bank – Side Load Truck Lease**- The Authority entered into an agreement with Kansas State Bank in February 2015 to finance the lease/purchase of side-load trucks for use at the facility. The initial amount of the agreement was to finance \$457,796 at approximately 2.57% with monthly payments of approximately \$7,445 and is expected to mature in July 2021. The trucks financed by the capital lease are accounted for within the capital assets of the Authority and are being depreciated throughout the useful lives of the assets

Obligation	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Due Within One Year	Interest Expense
KSB – Polycart Lease	\$ 110,942	\$ -	\$ (28,285)	\$ 82,657	\$ 29,723	\$ 4,875
KSB – Truck Lease	<u>264,579</u>	<u>-</u>	<u>(83,526)</u>	<u>181,053</u>	<u>85,697</u>	<u>5,820</u>
Total Long-term Debt	<u>\$ 375,521</u>	<u>\$ -</u>	<u>\$ (111,811)</u>	<u>\$ 263,710</u>	<u>\$ 115,420</u>	<u>\$ 10,695</u>

Long-term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Long Term Debt			Capital Leases		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 220,042	\$ 79,541	\$ 299,583	\$ 115,420	\$ 7,086	\$ 122,506
2021	229,390	70,210	299,600	119,160	3,346	122,506
2022	239,240	60,376	299,616	29,130	422	29,532
2023	249,622	50,011	299,633	-	-	-
2024	260,553	39,099	299,652	-	-	-
2025-2029	533,413	69,665	603,078	-	-	-
2030-2033	<u>185,711</u>	<u>14,134</u>	<u>199,845</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u>\$ 1,917,971</u>	<u>\$ 383,036</u>	<u>\$ 2,301,007</u>	<u>\$ 263,710</u>	<u>\$ 10,854</u>	<u>\$ 274,564</u>

**NOTE G – RESTRICTED NET POSITION**

The Authority restricts a portion of its net position for the use in future projects, debt service as required by loan covenants, or for other situations. The following restrictions imposed on the Authority's net position is reported below as of the fiscal year end:

	<b>Total</b>
Construction Reserve	\$ 231,157
Debt Service	112,047
Post-closure	<u>24,691</u>
Total Restricted Net Position	<u>\$ 367,895</u>

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE H – OPERATIONS SUBSIDY**

During the 2018 fiscal year, the City of Alamogordo provided approximately \$291,000 of funds to the Authority to subsidize operations of the landfill. Of that amount, the GSWA board approved a 1/12 dividend of approximately \$24,250 to be forwarded to the Village of Ruidoso, resulting in a net subsidy of approximately \$266,750. No subsidy was received in the 2019 fiscal year.

**NOTE I - ENVIRONMENTAL GROSS RECEIPTS TAX**

The member governmental agencies have pledged the environmental gross receipts tax (EGRT) collected by the New Mexico Taxation and Revenue Department (TRD) to fund the payment of the NMFA loan for the Authority. Rather than remitting the EGRT to the member governmental agencies and in turn, the agencies remit to the Authority, the TRD employs an intercept funds concept whereby the TRD withholds the necessary EGRT funds from the agencies and direct deposits them into an account with the New Mexico Finance Authority.

Under GASB 33, the recognition policy standard gross receipts taxes is that the amounts are considered available fund if the collections are within sixty days of the end of the fiscal year. However, the Authority’s policy has been to recognize the collection of the EGRT on a cash basis, when the deposit is made by the TRD. Although this is a departure from GASB standards, the effect of the departure is immaterial to the Authority’s financial statements as a whole.

EGRT collections from the member governmental agencies for the 2019 fiscal year is detailed below:

<b>Authority Member</b>	<b>Revenue</b>
Lincoln County	\$ 152,672
City of Ruidoso Downs	70,467
Village of Capitan	11,093
Town of Carrizozo	10,411
Village of Corona	<u>1,548</u>
Total EGRT	<u>\$ 246,191</u>

**NOTE J - POST-CLOSURE CARE COSTS**

State and federal laws and regulations require the Authority to place a final cover on its regional landfill site when it stops accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure and post-closure care costs are recognized throughout the initial 20-year period of operation based on the amount of the landfill used during the year.

The Authority closed its municipal solid waste landfill on June 30, 1996 at which time the Authority filed closure proposals with the New Mexico Environmental Department (NMED). This landfill was owned jointly with the Village of Capitan. Costs for closure are allocated between the owners based on acreage, 61% to the Authority and 39% to the Village of Capitan as outlined in the original purchase agreement. The Authority received grant monies from NMED totaling \$200,000 from 1996 to June 30, 2003. As of August 11, 2003, \$91,885 had been spent in addition to the expended grant monies. Post-closure monitoring is required for up to 30 years with total costs estimated at \$13,000 per year.

Post-closure monitoring costs for the 2019 fiscal year was approximately \$8,941, with the Village of Capitan reimbursing the Authority for their share of these costs, or approximately \$3,762. Net post-closure costs for the fiscal year was approximately \$5,179.

**GREENTREE SOLID WASTE AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE K – JOINT POWERS AGREEMENTS**

The Greentree Solid Waste Authority is party to a Joint Powers Agreement which is material in nature. The Otero County/Greentree Regional Landfill has an agreement between the Authority and the Otero County Solid Waste Authority for the purpose of providing an inter-governmental cooperative agreement for the financial, operation, and ownership of the Otero County/Greentree Regional Landfill. The budgetary and financial accountability for the operation of the landfill lies with the City of Alamogordo and is included in their audit as an agency fund. All future landfill closure costs are the responsibility of the Otero County-Greentree Regional Landfill.

**NOTE L - 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. The Association has elected not to participate in the program.

**NOTE M - 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 Authority (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 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-B.

**Benefits Provided.** For a description of the benefits provided and recent changes to the benefits see Note D in the PERA audited financial statements for the fiscal year ended June 30, 2018 available at: <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report> and select the latest CAFR from the drop-down menu.

**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 FY18 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 18 annual audit report. The PERA coverage options that apply to the Authority is the General Division.



**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE M - PERA PENSION PLAN (Cont.)**

**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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

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, 2018.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 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.

**PERA Fund Division – General** - At June 30, 2019, the Authority reported a liability of \$637,748 for its proportionate share of the net pension liability at June 30, 2018. At June 30, 2018, the Authority's proportion was 0.0400%, which was slightly lower than its 0.0481% proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Authority recognized PERA Fund - General, pension expense of \$20,098. At June 30, 2018, the Authority reported PERA Fund Division - General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in Assumption	\$ 57,821	\$ 3,667
Changes in Proportion	3,901	119,440
Differences Between Expected and Actual Experience	18,432	16,744
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	47,299	-
Post Measurement Date Employer Contributions	<u>31,337</u>	<u>-</u>
<b>Totals</b>	<b><u>\$ 158,790</u></b>	<b><u>\$ 139,851</u></b>

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE M - PERA PENSION PLAN (Cont.)**

For the General Division, \$31,337 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Net Amount</b>
2020	\$ 21,369
2021	(17,298)
2022	(18,595)
2023	<u>2,126</u>
<b>Totals</b>	<b><u>\$ (12,398)</u></b>

**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, 2018 using generally accepted actuarial principles.

Actuarial Valuation Date	June 30, 2017
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
<b>Actuarial Assumptions:</b>	
Investment Rate of Return	7.25% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	3.00% annual rate
Projected Salary Increases	3.25% to 13.5% Annual Rate
Included Inflation at	2.50%
Mortality Assumption	RP-2014 Mortality Tables
Experience Study Dates	July 1, 2008 – June 30, 2017 (demographic) July 1, 2010 – June 30, 2018 (economic)

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

The long-term expected rate of return on pension plan investments was determined using a 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:

**GREENTREE SOLID WASTE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE M - PERA PENSION PLAN (Cont.)**

<b>ALL FUNDS – Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.5%	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Real Assets to Include Real Estate Equity	<u>20.0</u>	7.35
<b>Totals</b>	<u>100.0%</u>	

**Discount Rate:** A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period 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 table 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 in which the Authority participates, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate Share of Net Pension Liability	<u>\$ 982,727</u>	<u>\$ 637,748</u>	<u>\$ 352,568</u>

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report.

**Payables to the Pension Plan** - At June 30,2019, the Authority had no outstanding contributions to the pension plan reported within current liabilities on the balance sheet.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GREENTREE SOLID WASTE AUTHORITY  
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION  
LIABILITY AND REQUIRED CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

<b>Actuarial Valuation Date</b>	<b>6/30/15</b>	<b>6/30/16</b>	<b>6/30/17</b>	<b>6/30/18</b>	<b>6/30/19</b>
<b>Schedules of Proportionate Share of Net Pension Liability</b>					
Proportion of Net Pension Liability	0.05880%	0.05430%	0.05430%	0.0481%	0.0400%
Net Pension Liability	458,703	553,636	889,898	660,935	637,748
Annual Covered Payroll	574,798	595,490	527,346	435,302	423,772
NPL as Percentage of Covered Payroll	79.80%	92.97%	168.75%	151.83%	150.43%
Fiduciary Net Position as a Percentage of Total Pension Liability	81.29%	76.99%	69.18%	73.74%	71.13%
<b>Schedules of Required Contributions</b>					
Contractually Required Contributions	\$ 44,012	\$ 45,555	\$ 40,342	\$ 32,212	\$ 31,337
Contributions Made	44,012	45,555	40,342	32,212	31,337
Contributions as Percentage of Covered Payroll	7.65%	7.65%	7.65%	7.40%	7.40%

*\*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 Association is not available prior to fiscal year 2015, the year the statement's requirements became effective*

**GREENTREE SOLID WASTE AUTHORITY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2019**

**Changes of Benefit Terms.** The Public Employees Retirement Association of New Mexico (PERA) Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 audit available at: <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.pdf>

**Changes of Assumptions.** PERA Annual Actuarial Valuation as of June 30, 2018 report is available at: [www.nmpera.org/financial-overview/comprehensive-annual-financial-report](http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report).

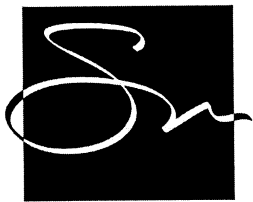
**SUPPLEMENTARY INFORMATION**

**GREENTREE SOLID WASTE AUTHORITY**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN**  
**NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)**  
**YEAR ENDED JUNE 30, 2019**

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Sales and Services				
Collection Fees	\$ 1,605,481	\$ 1,643,623	\$ 1,564,919	\$ (78,704)
Recycling	187,864	184,535	125,637	(58,898)
Other Income	12,135	10,635	7,032	(3,603)
<b>Total Operating Revenues</b>	1,805,480	1,838,793	1,697,588	(141,205)
<b>EXPENDITURES</b>				
<b>Current</b>				
Wages and Salaries	696,608	707,591	605,905	101,686
Payroll Taxes	55,643	59,303	48,777	10,526
PERA Retirement	43,033	44,738	31,337	13,401
Employee Benefits	131,120	145,840	132,884	12,956
Repairs and Maintenance	176,300	182,030	168,350	13,680
Fuel and Oil	165,450	167,450	165,336	2,114
Disposal and Recycling Fees	169,760	180,622	168,182	12,440
Insurance	101,410	95,968	88,864	7,104
Gross Receipts Tax	76,067	77,724	71,741	5,983
Professional Fees	61,900	63,400	47,603	15,797
Office and Administrative Expense	38,350	36,613	28,487	8,126
Utilities	30,036	39,134	36,101	3,033
Supplies	12,355	19,617	14,209	5,408
Equipment Rental	6,263	6,263	6,261	2
Other Operating Expenses	260	250	15	235
<b>Capital Outlay</b>	41,000	41,000	40,014	986
<b>Debt Service</b>				
Principal Payments	329,430	369,430	369,430	-
Interest Expense and Administrative Fees	102,207	102,207	101,358	849
<b>Total Operating Expenses</b>	2,237,192	2,339,180	2,124,854	214,326
<b>Operating Loss</b>	(431,712)	(500,387)	(427,266)	73,121
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Environmental Gross Receipts Tax	242,659	248,659	246,191	(2,468)
Proceeds from Disposal of Assets	87,000	137,000	63,703	(73,297)
Interest Income	4,298	6,488	7,360	872
Capitan Landfill Closure Costs, Net	(10,000)	(10,000)	(5,179)	4,821
<b>Total Nonoperating Revenues (Expenses)</b>	323,957	382,147	312,075	(70,072)
<b>Net Change in Net Position</b>	(107,755)	(118,240)	(115,191)	3,049
<b>Cash - Beginning of Year</b>	502,441	502,441	502,441	-
<b>Cash - End of Year</b>	\$ 394,686	\$ 384,201	\$ 387,250	\$ 3,049
<b>Reconciliation to GAAP Basis</b>				
<b>Change in Net Position - Budget Basis</b>			\$ (115,191)	
Depreciation			(292,296)	
Capital Outlay			40,014	
Sale of Capital Assets			(40,000)	
Principal Payments on Debt			257,619	
Principal Payments on Capital Leases			111,811	
Net Changes in Deferred Inflows and Outflows			(2,943)	
Net Change in Post Measurement Contributions			(9,005)	
Net Change in Net Pension Liability			23,187	
<b>Net Change in:</b>				
Accounts Receivable			(76,516)	
Other Receivables			(8,408)	
Accounts Payable			(9,182)	
Accrued Wages			379	
Accrued Payroll Tax Liabilities			(778)	
Accrued Vacation			(2,518)	
Accrued Interest			1,428	
<b>Change in Net Position - GAAP Basis</b>			\$ (122,399)	



## **INTERNAL CONTROL AND COMPLIANCE**



**SCOTT NORTHAM, CPA, PC**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Brian Colon, New Mexico State Auditor, and  
Board of Directors of  
Greentree Solid Waste Authority  
Ruidoso Downs, New Mexico

We have audited, 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, the basic financial statements of the business-type activities and related budgetary comparison presented as supplemental information of Greentree Solid Waste Authority (the Authority), as of and for the years ended June 30, 2019, and have issued our report thereon dated October 11, 2019.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 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 results of that testing, and not to provide an opinion on the effectiveness of the Authority'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.

A handwritten signature in black ink, appearing to read "Scott Northam CPA PC", is written over the typed name and title.

Scott Northam, CPA, PC  
Ruidoso, New Mexico  
October 11, 2019

**GREENTREE SOLID WASTE AUTHORITY  
SCHEDULE OF FINDINGS AND RESPONSES  
JUNE 30, 2019**

**SUMMARY OF AUDITOR RESULTS:**

**Financial Statements:**

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	No
b. Significant deficiencies identified not considered to be material weaknesses?	No
c. Noncompliance material to the financial statements noted?	No

**FINANCIAL STATEMENT FINDINGS**

*CURRENT YEAR FINDINGS:*

NONE

*PRIOR YEAR FINDINGS:*

NONE

**GREENTREE SOLID WASTE AUTHORITY  
EXIT CONFERENCE  
JUNE 30, 2019**

An entrance conference was held on October 9, 2019 with members of the Authority staff. The contents of this report were discussed with Greentree Solid Waste Authority representatives on October 11, 2019. The following individuals were available for the conference:

**Greentree Solid Waste Authority**

Ray Dean, Board Chair  
Debra Ingle, Operations Supervisor  
Beverly Foote, Financial Coordinator

**Scott Northam, CPA, PC**

Scott Northam, CPA

The financial statements of Greentree Solid Waste Authority were prepared by Scott Northam, CPA, PC, from original books and records provided by and with assistance from the management of the Authority.

Although standards strongly emphasize the Authority prepare its own financial statements, the consensus between the Authority management and the auditor was that it would be more time and cost efficient for the auditor to prepare the financial statements and the related notes. Accordingly, the Authority designated a competent management-level individual to oversee the auditor's services, make all management decisions and perform all management functions. The Authority reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, supplemental schedules, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America and that the records are current and in balance.