

**STATE OF NEW MEXICO  
GREENTREE SOLID WASTE AUTHORITY**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION  
JUNE 30, 2016**

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

**STATE OF NEW MEXICO  
 GREENTREE SOLID WASTE AUTHORITY  
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## INTRODUCTORY SECTION

**STATE OF NEW MEXICO  
GREENTREE SOLID WASTE AUTHORITY  
OFFICIAL ROSTER  
June 30, 2016**

**Board of Directors:**

Ray Dean . . . . . Chairman  
Sherrill Bradford . . . . . Vice Chairman  
Gary Williams . . . . . Secretary/Treasurer  
Jean Coulton . . . . . Member  
Tim Coughlin . . . . . Member  
Tom Stewart . . . . . Member

**Administration:**

Debra Ingle . . . . . Operational Supervisor  
Beverly Foote . . . . . Personnel Manager/  
Financial Coordinator

## FINANCIAL SECTION

**Dan Austin CPA, PC  
700 Mechem Drive Ste. 15  
Ruidoso, NM 88345**

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**Independent Auditors' Report**

The Board of Directors of Greentree Solid Waste Authority and  
Tim Keller, New Mexico State Auditor

**Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities and budgetary comparison for the proprietary fund of Greentree Solid Waste Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise Greentree Solid Waste Authority's basic financial statements as listed in the table of contents. We did not audit the 2015 Schedule of Employer Allocations and Pension Amounts of the State of New Mexico Public Employee Retirement Association (PERA), the administrator of the cost sharing pension plan for the Authority. The schedules and statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Authority, is based solely on the report of the other auditors.

**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, based on our report and the report of other auditors, the 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 Greentree Solid Waste Authority as of June 30, 2016, 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.

## 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 7-9, Schedule of the Proportionate Share of the Net Pension Liability on page 30, the Schedule of Contributions on page 31, the notes to the supplementary information on page 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

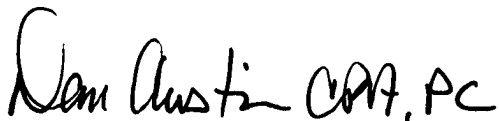
### Other Information

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 was derived from and relates 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 statement 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 other schedules as required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Vendor Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 7, 2016, on my consideration of Greentree 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 Greentree Solid Waste Authority's internal control over financial reporting and compliance.



December 7, 2016

**State of New Mexico  
Greentree Solid Waste Authority  
Management Discussion and Analysis  
June 30, 2016**

As management of the Greentree Solid Waste Authority, we offer readers of the Greentree Solid Waste Authority's financial statements this narrative overview and analysis of the financial activities of the Greentree Solid Waste Authority for the fiscal year ended June 30, 2016. All amounts, unless otherwise indicated, are expressed in dollars.

**USING THIS ANNUAL REPORT**

The Authority provides the following information in compliance with statutes of the State of New Mexico. The financial report includes the sections described below.

**Management's Discussion and Analysis**

This section includes information on the use of the annual report, and management's analysis of the financial position and results of operations for the Authority.

**Special-Purpose Government**

Because the Authority is defined as a Special-Purpose Government engaged only in business-type activities, Government-Wide Financial Statements and individual Fund Financial Statements are not separately presented.

**Budgetary Comparisons**

GASB 34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period as well as the actual inflows, outflows and balances, stated on the government's budgetary basis. As required by the Office of the State Auditor under 2NMAC2.2, the budgetary comparison statement is presented for the business-type activity. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 22 of this report.

**FINANCIAL HIGHLIGHTS**

The fiscal year ended June 30, 2016 Continuing efforts to adjust operations of the Authority due changing economic conditions and issues relating to operational activities provided to the citizens of Lincoln County. The Authority customer base shrank due to Lincoln County leaving the Authority making a decision to operate its own collection service. Lincoln County is an original member of the Joint Powers agreement which formed the Authority in 1991. The Authority settled its litigation to resolving issues with Lincoln County. See note 4-F on page 24 for more information.

As a result of the adjustments to operational overhead, current assets of the Greentree Solid Waste Authority cash position decreased from \$152,701, at June 30, 2016 totaling \$500,251. At the close of the fiscal year, the net position of the Authority increased \$239,389 to \$3,243,874. Total assets and deferred outflows amounted to \$6,948,419 while total liabilities were \$3,663,509. The Authority adopted new accounting standards relating to pension liabilities in 2015 resulting in pension liabilities totaling \$553,636.



## 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, 2016 & 2015. 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 11 and 12 and the notes to the financial statements for a more detailed look at the Statement of Net Position of the Greentree Solid Waste Authority

	<b>Business Type Activities</b>	
	<u>2016</u>	<u>2015</u>
Current Assets	\$ 701,313	\$ 844,786
Capital Assets	6,144,467	5,702,347
Other Non-current Assets	45,555	44,012
Other Assets	<u>57,084</u>	<u>57,084</u>
<b>Total Assets</b>	<b>\$ 6,948,419</b>	<b>\$ 6,648,229</b>
Current Liabilities	\$ 401,383	\$ 369,419
Pensions Payable	553,636	458,703
Deferred Outflows	41,036	179,768
Long-term Liabilities	<u>2,708,490</u>	<u>2,635,854</u>
<b>Total Liabilities</b>	<b>\$ 3,704,545</b>	<b>\$ 3,643,744</b>
<b>Net Position:</b>		
Invested in Capital Assets	\$ 3,137,817	\$ 2,922,693
Restricted Capital Projects	203,354	203,048
Restricted Debt Service	42,038	43,660
Restricted for Landfill Closure	23,717	21,178
Unrestricted	<u>(163,052)</u>	<u>(186,094)</u>
<b>Total Net Position</b>	<b>\$ 3,243,874</b>	<b>\$ 3,004,485</b>

**Statement of Revenues, Expenses and Changes in Net Positions:** The following represents the revenues and expenses for fiscal years ended June 30, 2016 & 2015 See page 13 for a more detailed look at the Statement of Revenues, Expenses, and Changes in Net Position.

### Business Type Activities

	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>		
Operating Revenues	\$ 2,196,612	\$ 2,401,298
Capital Grants	152,496	125,515
Environmental Gross Receipts	224,588	235,480
Other	<u>270,689</u>	<u>17,435</u>
<b>Total Revenues</b>	<b>\$ 2,844,385</b>	<b>\$ 2,779,728</b>
<b>Expenses:</b>		
Operating Expense	2,471,012	2,566,597
Interest Expense	123,472	134,493
Landfill closures	<u>10,512</u>	<u>9,002</u>
<b>Total Expenses</b>	<b><u>2,604,996</u></b>	<b><u>2,710,092</u></b>
Increase in Net Assets	239,389	69,636
<b>Net Position:</b>		
<b>Net Position-beginning</b>	3,004,485	3,554,157
<b>Restatement for Pension Liabilities</b>	<u>-</u>	<u>(619,308)</u>
<b>Net Position-beginning restated</b>	<b><u>3,004,485</u></b>	<b><u>2,934,849</u></b>
<b>Net Position-ending</b>	<b><u>\$ 3,243,874</u></b>	<b><u>\$ 3,004,485</u></b>

Net Position was restated to reflect pension liabilities per accounting standards. See Note I on page 27 for more information.

## **BUDGETARY HIGHLIGHTS**

The actual cash basis budgetary revenues totaled \$2,843,375 which was \$172,011 less than budgeted revenues of \$3,015,386. Actual Expenditures of \$2,996,075 were less than budgeted expenses of \$3,155,022 by \$158,947, resulting in net expense for the fiscal of \$ 152,700. See page 28 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, 2016 amounts to \$6,144,467 (net of accumulated depreciation). This investment in capital assets consists mainly of land, heavy trucks and other equipment. The Authority completed the various final construction issues on of its operational facility. The facility is fully functional at the end of the current year.

Additional information on the Authority's capital assets can be found in Note 4B on page 20 of this report.

**Long-Term Debt:** At the end of the current fiscal year, the Authority had total debt including capital leases outstanding less the current portion of debt outstanding as of June 30, 2016 was \$2,587,852 including current portion.

The Authority's total long-term debt as decreased as the result of debt service requirements during the current fiscal year. Principal debt paid during the current year was \$191,801.

Additional information on the Authority's long-term debt can be found in Note 4C and 4D on pages 21-22 of this report. No new debt was incurred during the current fiscal year.

## **ANALYSIS OF FINANCIAL POSITION**

As a result of an increase in net position from current year operations of \$239,389, Net Position increased to \$3,243,874 or 49% of total assets of \$6,948,419.

Current assets decreased by \$143,473. The decrease was the result of a decrease in cash of \$152,701 and increase in operational receivables at year end by \$9,228.

As a result of the agreement with Lincoln County separate is collection activities, the Authority experienced a gain on the sale of various capital assets in the amount of \$267,842.

Total operational revenues decreased \$204,686 or 8% as a result of continuing destabilization of the customer base of the Authority. Operational expenditures decreased by \$95,589 or 4% primarily related to the decrease in overhead cost cutting measures relating to litigation mitigated the activities.

The Authority received capital grants of \$152,496 from various agencies of the State of New Mexico for expenditures relating to the operations of the Authority.

## **Future Trends**

The Greentree Solid Waste Authority Board of Directors and staff will continue to provide quality service to its customer base. Economic trends have stabilized, however the Authority is making operational adjustments to insure the continued success of the Authority.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Greentree 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 Greentree Solid Waste Authority, PO Box 2405, Ruidoso Downs, New Mexico 88346.

## **Basic Financial Statements**

STATE OF NEW MEXICO  
 GREENTREE SOLID WASTE AUTHORITY  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 June 30, 2016

**ASSETS**

**CURRENT ASSETS**

Cash-unrestricted	\$	254,859	
Cash-restricted for construction		203,354	
Cash-restricted for debt service		<u>42,038</u>	500,251
Customer Accounts Receivable		792,608	
Allowance For Doubtful Accounts		<u>(591,546)</u>	<u>201,062</u>
Total Current Assets			<u>701,313</u>

**NON CURRENT ASSETS**

Investment in Regional Landfill			57,084
Capital Assets	\$	10,816,770	
Less: Accumulated Depreciation		<u>(4,672,303)</u>	<u>6,144,467</u>
Total Noncurrent Assets			<u>6,201,551</u>

**Deferred Outflows of Resources**

Related to Pensions			<u>45,555</u>
Total Deferred Outflows of Resources			<u>45,555</u>

**Total Assets and Deferred Outflows** \$ 6,948,419

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

**STATE OF NEW MEXICO  
 GREENTREE SOLID WASTE AUTHORITY  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 June 30, 2016**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts Payable	\$ 48,320
Accrued Payroll Tax	8,376
Accrued Interest	10,428
Accrued Payroll Expense	9,786
Accrued Compensated Absences	26,313
Current Portion of Long-Term Debt	<u>298,160</u>

Total Current Liabilities 401,383

**NONCURRENT LIABILITIES**

Net Pension Liability	553,636
Notes Payable	2,587,852
Capital Leases Payable	418,798
Less: Current Portion of Long-Term Debt	<u>(298,160)</u>

Total Noncurrent Liabilities 3,262,126

Total Liabilities 3,663,509

**Deferred Inflows Resources**

Related to Pensions	<u>41,036</u>
Total Deferred Inflows of Resources	41,036

**NET POSITION**

Net Investment in Capital Assets	3,137,817
Restricted for Capital Projects	203,354
Restricted for Landfill Closure	23,717
Restricted for Debt Service	42,038
Unrestricted	<u>(163,052)</u>

Total Net Position 3,243,874

**Total Liabilities, Deferred Inflows and Net Position** \$ 6,948,419

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

**State of New Mexico**  
**Greentree Solid Waste Authority**  
**Statement of Revenues, Expenses and Changes**  
**In Net Position-Proprietary Fund**  
**June 30, 2016**

<b>Operating Revenues</b>	
Sales and Services	\$ 2,196,612
Total Operating Revenues	<u>2,196,612</u>
<b>Operating Expenses</b>	
Personnel and Related Expense	1,089,542
Contractual Services	190,824
Repairs and Maintenance	277,578
Gross Receipts Tax	65,558
Fuel and Oil	148,212
Insurance	80,003
Utilities	37,098
Office	35,780
Equipment Rentals	25,499
Professional Services	97,480
Other Operating Expenses	77,058
Depreciation	<u>346,380</u>
Total Operating Expenditures	<u>2,471,012</u>
Total Operating Income (Loss)	<u>(274,400)</u>
<b>Non-Operating Revenues (Expenses)</b>	
NMED Grants	152,496
Environmental Gross Receipts Tax	224,588
Gain on Sale of Equipment	267,482
Landfill Closure Costs	(10,512)
Interest Income	3,207
Interest Expense	<u>(123,472)</u>
Total Non-operating Revenue (Expense)	<u>513,789</u>
Change in Net Assets	239,389
<b>Net Position at Beginning of Year</b>	<u>3,004,485</u>
<b>Net Position at End of Year</b>	<u>\$ 3,243,874</u>

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

State of New Mexico  
 Greentree Solid Waste Authority  
 Statement of Cash Flows  
 For The Year Ended June 30, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received From Customers	\$ 2,111,258
Cash Paid To Suppliers	(1,045,312)
Cash Paid To Employees	<u>(1,046,624)</u>
Net Cash Provided By Operating Activities	<u>19,322</u>

**CASH FLOWS FROM NONCAPITAL**

**FINANCING ACTIVITIES**

Other Non-Operating Items	(10,512)
Receipts of Environmental Gross Receipts Tax	224,588
Receipts of Grants	<u>152,496</u>
Net Cash Provided From Noncapital Financing Activities	<u>366,572</u>

**CASH FLOWS FROM CAPITAL AND RELATED**

**FINANCING ACTIVITIES**

Principal Paid on Capital Debt	(316,513)
Proceeds from Debt Acquisiton	747,457
Interest Paid on Capital Debt	(123,472)
Principal Paid on Capital Leases	<u>(328,256)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(20,784)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Capital Assets	275,700
Interest Income	3,207
Payments For Capital Acquisitions	<u>(796,718)</u>
Net Cash Provided From Investing Activities	<u>(517,811)</u>

Net Decrease In Cash	(152,701)
Cash - Beginning Of Year	<u>652,952</u>
Cash - End Of Year	<u>\$ 500,251</u>

**RECONCILIATION OF OPERATING INCOME TO NET CASH**

**PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (274,400)
Noncash Items in Net Income-Depreciation	
Depreciation	346,380
(Increase) Decrease In:	
Accounts Receivable	(9,228)
Deferred Outflows	(31,327)
Deferred Inflows	(108,948)
Increase (Decrease) In:	
Accounts Payable	15,927
Pensions Payable	94,933
Accrued Interest	(881)
Accrued Payroll Tax	(1,326)
Accrued Payroll Expense	(6,495)
Accrued Compensated Absences	<u>(5,313)</u>
Net Cash Provided From Operating Activities	<u>\$ 19,322</u>

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

**NOTE 1. Summary of Significant Accounting Policies**

The Greentree Solid Waste Authority (the Authority) was formed on May 20, 1991 by a Joint Powers Agreement entered into by the County of Lincoln, Village of Ruidoso, Village of Ruidoso Downs, Village of Capitan, Village of Corona and the Town of Carrizozo. The Village of Ruidoso elected not to participate in the joint powers agreement on November 1, 1998. In December of 2015, Lincoln County elected not to participate in the operational activities of the Authority. The purpose of the inter-governmental cooperative agreement is to acquire, construct and operate a comprehensive solid waste collection, transportation and disposal system for the citizenry of the County of Lincoln. An appointed Board of Directors governs the operations of the Authority.

**A. Reporting Entity**

In evaluating how to define the Authority, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-14. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organization if its officials appoint a voting majority of an organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

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

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

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

Greentree Solid Waste Authority did not have any component units during the fiscal year ended June 30, 2016.

**B. Business-Type Activities**

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

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



The Statement of Activities demonstrates the degree to which the direct expense of a given function or segments is 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 requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The proprietary fund is accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred. Billed water and sanitation services receivable are recorded at year-end once operations begin.

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

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

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

Private-sector standards of accounting and financial reporting under FASB and AICPA guidance are now included in GASB guidance by GASB 62.

The Authority reports its proprietary fund as a major governmental fund.

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

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

### ***D. Assets, Liabilities and Net Position or Equity***

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

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

Investments for the Authority are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The Authority does not invest in the State Treasurer's Pool.

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

*Accounts Receivable:* All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The receivables due at June 30, 2016 consist of customer sales for various services related to the disposal of various types of solid waste disposal. Allowances for delinquent accounts are reported on the face of the basic financial statements. The Authority has the option to collect delinquent accounts by filing liens against various properties associated with the services provided or filing civil actions against property owners.

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

*Capital Assets:* Capital assets, which include property, plant, computer software, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or contributed capital assets are recorded at estimated fair market value at the date of donation or contribution.

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

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

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

<u>Assets</u>	<u>Years</u>
Permanent Buildings	40
Land Improvements	15
Furniture & Equipment	7-10

*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.

*Long-term Obligations:* In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statements of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

*Net Position:* In the fund financial statements, governmental funds report reservations of Net Position that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of Net Position represent tentative management plans that are subject to change.

*Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the Authority's financial statements include management's estimate of the useful lives of capital assets and the collectible amount of accounts receivable.

## **E. 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 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. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

#### A. CASH

The Authority's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts and certificates of deposit. The carrying amount of the Authority's deposits with financial institutions was \$498,751 and the balances per the banks was \$518,302 shown as follows. As a result of the requirements of various loan agreements with the New Mexico Finance Authority, The New Mexico State Treasurer holds funds in a trust account in the name of the Authority which is restricted for construction and debt service requirements of the Authority and depository requirements is not required. The total funds held in these trust accounts as of June 30, 2016 was \$246,707. These funds are not subject to deposit security requirements. The following is summary of the cash deposits of the Authority:

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
<b>Unrestricted Cash:</b>						
City Bank	Checking	Recycling	\$ 4,111	\$ (538)	\$ -	\$ 3,573
City Bank	Checking	Reserve	149,195	(37,448)	-	111,747
City Bank	Checking	Landfill Closure	23,718	-	-	23,718
City Bank	Checking	EGRT	18,859	-	-	18,859
City Bank	Checking	Direct Deposit	16	-	-	16
City Bank	Checking	Operating	77,011	(54,555)	54,170	76,626
Total unrestricted cash			<u>272,910</u>	<u>(92,541)</u>	<u>54,170</u>	<u>234,539</u>
<b>Restricted Cash:</b>						
NMFA/NMSTO	Trust	Debt Service	42,038	-	18,820	60,858
NMFA/NMSTO	Investment	Construction Res.	203,354	-	-	203,354
Total restricted cash			<u>245,392</u>	<u>-</u>	<u>18,820</u>	<u>264,212</u>
Total cash on deposit			<u>\$ 518,302</u>	<u>\$ (92,541)</u>	<u>\$ 72,990</u>	<u>498,751</u>
Petty cash						<u>1,500</u>
Total cash on hand and on deposit						<u>\$ 500,251</u>
Total Deposits in Bank						\$ 272,910
Less FDIC Insurance						(250,000)
Total Uninsured Deposits						22,910
Less: 50% required Pledge						11,455
Required Pledge						11,455
Pledged Assets:						
	<u>Custodian</u>	<u>Cusip #</u>	<u>Face</u>	<u>Book</u>	<u>Fair Value</u>	
FNMA	FHLB Dallas	3135G0VX8	125,000	124,884	125,009	
FNMA	FHLB Dallas	3133EDEB4	50,000	50,000	50,183	
FNMA	FHLB Dallas	3133EDEB4	100,000	100,000	100,383	
FFCB	FHLB Dallas	781336BF8	165,000	173,688	178,825	
FFCB	FHLB Dallas	784336B14	180,000	187,740	198,900	
(Over) Under Pledged						<u>\$ (641,845)</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 it. The Authority does not have deposit policy for custodial credit risk. As a result of the FDIC Insurance and Pledged Assets the Authority has no credit risk at June 30, 2016.

**B. CAPITAL ASSETS**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 869,940	\$ -	\$ -	\$ 869,940
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>869,940</u>	<u>-</u>	<u>-</u>	<u>869,940</u>
Capital assets being depreciated:				
Buildings and improvements	5,503,876	49,448	57,522	5,495,802
Furniture and equipment	43,736	-	-	43,736
Dumpsters and polycarts	433,546	67,793	139,082	362,257
Machinery and Equipment	<u>3,365,559</u>	<u>679,476</u>	<u>-</u>	<u>4,045,035</u>
Total capital assets being depreciated	<u>9,346,717</u>	<u>796,717</u>	<u>196,604</u>	<u>9,946,830</u>
Less accumulated depreciation for:				
Total accumulated depreciation	<u>4,514,310</u>	<u>346,380</u>	<u>188,387</u>	<u>4,672,303</u>
Total capital assets being depreciated, net	<u>4,832,407</u>	<u>450,337</u>	<u>8,217</u>	<u>5,274,527</u>
Business-type activity capital assets, net	<u>\$ 5,702,347</u>	<u>\$ 450,337</u>	<u>\$ 8,217</u>	<u>\$ 6,144,467</u>

Depreciaton for the year ended June 30, 2016 was \$346,380

**C. LONG-TERM OBLIGATIONS**

Long-term obligations of the Authority are as follows:

6.0% Note Payable, payable to City Bank in monthly installments of \$4,774.94, secured by real estate, matures September 5, 2018	\$ 466,669	\$ -	\$ (27,053)	\$ 439,616	\$ 42,500
5.5% Note Payable, payable to City Bank for purchase of equipment, Matures 10/1/2018		124,712	(124,712)	\$ -	-
3.00% Note Payable, payable to NM Environment Consturction Bureau in annual installments beginning October 2013 and matures on October, 2032.	687,146	-	(29,348)	657,798	30,227
2.53 to 4.01% Note Payable, payable to New Mexico Finance Authority in annual variable installments, secured by real estate, matures May 1, 2025	<u>1,625,839</u>	<u>-</u>	<u>(135,401)</u>	<u>1,490,438</u>	<u>146,148</u>
Total Long-Term Obligations	<u>\$ 2,779,654</u>	<u>\$ 124,712</u>	<u>\$ (316,514)</u>	<u>\$ 2,587,852</u>	<u>\$ 218,875</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 218,645	\$ 88,694	\$ 307,339
2018	574,668	80,360	655,028
2019	184,024	63,837	247,861
2020	191,081	57,148	248,229
2021	198,489	50,122	248,611
2022-2026	909,671	132,177	1,041,848
2027-2031	215,674	27,663	243,337
2032-2033	95,600	4,298	99,898
	<u>\$ 2,587,852</u>	<u>\$ 504,299</u>	<u>\$ 3,092,151</u>

#### D. CAPITAL LEASES

The following is a summary of lease commitments of the Authority:

	Acquisition Date	Cost	Leases Payable 06/30/15	Lease Payments	New Leases Acquired	Leases Payable 06/30/16	Due Within One Year
3 Mack Trucks	7/15/15	622,745	-	(622,745)	622,745	-	-
3 Mack Trucks (Refi)	12/15/15	622,745		(38,998)	457,796	418,798	79,515
Truck & Grappier	1/15/07	356,458	124,308	(124,308)	-	-	-
<b>TOTAL CAPITAL LEASES</b>		<u>\$ 1,601,948</u>	<u>\$ 124,308</u>	<u>\$ (786,051)</u>	<u>\$ 1,080,541</u>	<u>\$ 418,798</u>	<u>\$ 79,515</u>

These leases are accounted for as capital leases. The asset values under the capital leases totaled \$979,203. The following is a schedule of future minimum lease payments under the capital leases, together with the net present value of the minimum lease payments as of June 30, 2016.

Fiscal Year	Principal	Interest	Total
2017	79,515	9,831	89,346
2018	81,583	7,763	89,346
2019	83,704	5,641	89,345
2020	85,881	3,465	89,346
2021	88,115	1,231	89,346
	<u>\$ 418,798</u>	<u>\$ 27,931</u>	<u>\$ 446,729</u>

**E. 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, 2016 was \$26,313.

A summary of changes in this liability are as follows:

	Balance 6/30/2015	Adds	Deletions	Balance 6/30/2016	Due Within One Year
Compensated Absences	\$ 31,628	\$ 64,250	\$ 69,565	\$ 26,313	\$ 26,313

**NOTE 4. OTHER NOTES**

**A. RELATED PARTY TRANSACTIONS**

Each of the participants in the joint powers agreement which forms the Authority, submit Environmental Gross Receipts Tax collections to the Authority. The taxes collected for the year ending June 30, 2016, were \$222,779. The amount of Environmental Gross Receipts Tax collected by the participants prior to year end for remission to the Authority is unknown until received. Therefore, no receivable is recorded. In addition, selected participants financed the transfers of assets to the Authority.

The Villages of Capitan and Corona and the Town of Carrizozo and City of Ruidoso Downs bill their utility customers for sanitation services provided by the Authority. Collections for these services are remitted monthly to the Authority. The four municipalities owed the Authority \$47,291 at June 30, 2016.

The Lincoln/Otero County Solid Waste Authority began operations in January of 1994. As a user of the landfill, the Authority paid user fees to the Otero County – Greentree Regional Landfill in the amount of \$167,398.

**B. 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.

Effective December 1, 1993, the Environmental Gross Receipts Tax, which had been pledged to the Authority, was further pledged to Lincoln/Otero County Landfill Authority to fund beginning operations of the landfill. The Otero County-Greentree Regional Landfill notified the Authority that all requirements of their debt had been met and released the pledge of the EGRT revenues to the landfill. The Greentree Solid Waste Authority recorded \$224,588 in tax collections for the year ended June 30, 2016 from City of Ruidoso Downs(\$53,010), Lincoln County(\$146,057), Village of Capitan(\$16,541), Town of Carrizozo(\$7,075) and Village of Corona(\$1,905).

**C. 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, 2015 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 14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY 15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf). The PERA coverage options that apply to Authority are: General Division, Fire Division and Police Division. Statutorily required contributions to the pension plan from the Authority were \$5,682 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 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, 2016, the Authority reported a liability of \$553,636 for its proportionate share of the net pension liability. At June 30, 2015, the Authority's proportion was 0.0543 percent, which was unchanged from its proportion measured as of June 30, 2014. due to the insignificance of the difference.

or the year ended June 30, 2016, the Authority recognized PERA Fund - General, pension expense of \$45,555. At June 30, 2016, 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	\$ -	\$ 12,263
Change of assumptions	-	216
Changes in Proportionate Share of Contributions	-	26,806
Net Difference between projected and actual earnings on pension investments	-	1,751
Contributions subsequent to the measurement date	45,555	-
<b>Total</b>	<u>\$ 45,555</u>	<u>\$ 41,036</u>

The Authority reported \$45,555 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. 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

2017	\$ (14,664)
2018	(14,664)
2019	(14,664)
2020	29,761
2021	-
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, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 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, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
• Investment of rate of return	7.75% annual rate, net of investment expense
• Payroll growth	3.50% annual rate
• Projected benefit payment	100 Years
• Projected salary increases	3.50% to 14.25% annual rate
• Includes inflation at	3.00% 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

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
US Equity	21.1%	5.00%
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	4.0	4.15
Total	100.0%	

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

**Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Authority's net pension liability in each 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 (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division - General	1 % Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Authority's proportionate share of the net pension	\$ 942,622	\$553,636	\$230,220

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY 15 Restated PERA financial report. The report is available at <http://www.nmpera.org/publications.html>.

**Payables to the pension plan.** At June 30, 2016, the Authority had no outstanding amount of contributions to the pension plan and therefore, had no payables reported at fiscal year 2016.

#### D. 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.

## **E. CONTINGENT LIABILITIES – LANDFILL CLOSURE**

The Authority closed its only 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. The Village of Capitan reimburses the Authority for their 39% share of these costs. The current year actual closure costs for this landfill were \$4,667. The Authority has restricted an amount of \$23,717 of its Net Position for the purpose of future closure costs.

## **F. PENDING LITIGATION**

At June 30, 2015, Greentree Solid Waste Authority was involved two lawsuits:

The nature of the litigation: *Greentree Solid Waste Authority v. County of Lincoln, Alto Lakes Water & Sanitation District, and New Mexico Finance Authority*. This case was filed as a declaratory judgment action in which Greentree has asked the court to interpret the Joint Powers Agreement and other governing documents of the Authority to determine whether or not customers in the Alto Lakes Water & Sanitation District can withdraw from Joint Powers Agreement and Greentree Solid Waste Authority service. Approximately 1,100 customers in the Alto Lakes Water and Sanitation District withdrew from the Joint Powers Agreement with approval of Lincoln County. Greentree Solid Waste Authority contends that the Lincoln County violated the agreement and has harmed the authority financially.

The nature of the litigation: *Greentree Solid Waste Authority v. County of Lincoln*. The Authority filed suit on May 1, 2015 requesting an injunction to prevent the County of Lincoln from withdrawing from the Joint Powers Agreement until the terms of such withdrawal are determined so that the Authority and its members will not be harmed.

On December 17, 2015 Greentree Solid Waste Authority and Lincoln County entered into a settlement agreement whereby:

1. Lincoln County would purchase various equipment from Greentree.
2. Lincoln County will succeed Greentree at various waste sites in the County.
3. A new Joint Powers Agreement will be negotiated.
4. Both parties will notify the New Mexico Finance Authority of the change in relationship.
5. Lincoln County will pay Greentree \$273,000.
6. An ACH agreement will be established to draft Environmental Gross Receipts Tax pledged to debt.
7. No personnel will transfer.
8. A transitional period is established to insure service to customers.
9. Lincoln County agrees to pay Greentree for services through December 31, 2015.
10. Lincoln County will approve the Joint Powers Agreement relating the Otero – Greentree Landfill.
11. Parties agree to dismiss various lawsuits outstanding.

## **G. SUBSEQUENT ACCOUNTING STANDARDS PRONOUNCEMENTS**

Other accounting standards that Greentree Solid Waste Authority is currently reviewing for applicability and potential impact on the financial statements include:

*GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, 'This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPKB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. This Statement will be effective for the year ended June 30, 2017.

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, this Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPKB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* establishes new accounting and financial reporting requirements for OPKB plans. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPKB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPFB also are addressed. This Statement will be effective for the year ended June 30, 2018.

#### **H. 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.

## Other Reports and Disclosures

State of New Mexico  
 Greentree Solid Waste Authority  
 Statement of Revenues, Expenses and Changes in Cash Balance  
 Budget (Budgetary Basis) and Actual  
 For the Year Ended June 30, 2016

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Charges for services	\$ 2,857,041	\$ 2,366,265	\$ 2,194,884	\$ (171,381)
State Grants	156,274	156,274	144,996	(11,278)
Environmental Gross Receipts	214,545	213,806	224,588	10,782
Sale of Equipment	40,000	275,700	275,700	-
Interest Income	<u>2,405</u>	<u>3,341</u>	<u>3,207</u>	<u>(134)</u>
Total Revenues	3,270,265	3,015,386	2,843,375	(172,011)
<b>Operating Expenditures</b>				
Personnel and related expense	1,342,842	1,217,482	1,158,911	58,571
Operating expense	1,188,162	1,050,628	970,151	80,477
Capital outlay	174,274	171,299	155,564	15,735
Debt Service	<u>542,722</u>	<u>715,613</u>	<u>711,449</u>	<u>4,164</u>
Total Operating Expense	<u>3,248,000</u>	<u>3,155,022</u>	<u>2,996,075</u>	<u>158,947</u>
<b>Net Revenue (Expense)</b>	<u>\$ 22,265</u>	<u>\$ (139,636)</u>	(152,700)	<u>\$ (13,064)</u>
<b>Cash, Beginning</b>			<u>652,952</u>	
<b>Cash, Ending</b>			<u>\$ 500,252</u>	
<b>Reconciliation Budgetary Basis to GAAP</b>				
Revenues Budgetary Basis			\$ 2,843,375	
Change in accounts receivable			9,229	
Change in sale of equipment			<u>(8,218)</u>	
Revenues GAAP			<u>2,844,386</u>	
Expenditures Budgetary Basis			2,996,075	
Reclassification of debt activity			102,689	
Adjustment Pension related Expense			(45,341)	
Depreciation			346,379	
Capital Outlay			(796,718)	
Change in accounts payable			15,928	
Change in other payables and accruals			<u>(14,015)</u>	
Expenditures GAAP			<u>2,604,997</u>	
Change in Net Position			<u>\$ 239,389</u>	

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

**State of New Mexico**  
**Greentree Solid Waste Authority**  
**(For Purchases Exceeding \$60,000 Excluding GRT)**  
**Schedule of Vendor Information**  
**June 30, 2016**

Prepared By : Beverley Foote

Title: Financial Coordinator

Date: December 7, 2016

RFP #	Type of Procurement	Awarded Vendor	Amount Of Awarded Contract	Amount Of Amended Contract	Name and Physical Address of All Respondents	Instate Out of State Vendor	Veteran's Preference N/A For Fed Funds	Scope of Work
N/A	Sole Source	Wilkins Industries	\$ 96,731	N/A	Morris, MN	Out of State	NO	Transfer Trailer

**State of New Mexico**  
**Greentree Solid Waste Authority**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Of Fund Division – State General**  
**Public Employees Retirement Association (PERA) Plan**  
**Last 10 Fiscal Years**  
**June 30, 2016**

	<u>2015</u>	<u>2016</u>
Greentree Solid Waste Authority portion of net pension liability (asset)	0.05880%	0.05430%
Greentree Solid Waste Authority proportionate share of the net pension liability (asset)	\$ 458,703	\$ 553,636
Greentree Solid Waste Authority covered-employee payroll	\$ 574,798	\$ 595,490
Greentree Solid Waste Authority proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	80%	93%
Plan fiduciary net position as a percentage of total pension liability	81.29%	81.29%

**\*\*** The amounts presented were determined as of June 30, 2015. The Schedule is presented to illustrate the requirement to show information for 10 years. However, until all full 10 trend is compiled the Greentree Solid Waste Authority will present information for those years for information which is available.

**State of New Mexico**  
**Greentree Solid Waste Authority**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division – State General**  
**Last 10 Fiscal Years**  
**June 30, 2016**

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 44,012	\$ 45,555
Contributions in relation to the contractually required contribution	<u>(44,012)</u>	<u>(45,555)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Greentree Solid Waste Authority covered-employee payroll	\$ 574,798	\$ 595,490
Contributions as a percentage of covered payroll	7.66%	7.65%

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



**State of New Mexico  
Greentree Solid Waste Authority  
Notes to Required Supplemental Information  
June 30, 2016**

**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 15 audit available at:

[http://www.pera.state.n.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2015.pdf](http://www.pera.state.n.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf).

**Changes in assumptions.**

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuations June 30 2015 report is available at:

[http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf)

The Summary of Key findings for the PERA Fund (on page 2 of the report) states based on a recent experience study for the five year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to fund liabilities and an increase of .13% to the funded ratio. For details about changes in the actuarial assumptions see Appendix B on page 60 of the report.

**Dan Austin CPA, PC**  
**700 Mechem Drive Ste 15**  
**Ruidoso, NM 88345**

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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***

Tim Keller, New Mexico State Auditor  
State Auditor of the State of New Mexico  
Board Members of the Greentree 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 and budgetary comparison of the proprietary fund of Greentree Solid Waste Authority as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and related budgetary comparisons of the Authority presented as other supplemental information, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

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

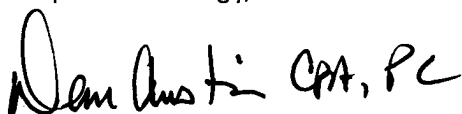
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies that might be material weakness or significant deficiencies and therefore, material weakness 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 Greentree 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 test 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 Greentree Solid Waste Authority internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 7, 2016

**STATE OF NEW MEXICO  
GREENTREE SOLID WASTE AUTHORITY  
SCHEDULE OF FINDINGS AND OTHER DISCLOSURES  
YEAR ENDED JUNE 30, 2016**

**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 15, 2016 an exit conference was held at the Authority's offices. Present at the Authority's offices were, Board Vice Chairman Sherrill Bradford, Board Member Jean Coulton, Operational Supervisor Debra Ingle, Financial Coordinator Beverly Foote 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.