

GREENTREE SOLID WASTE AUTHORITY

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2018

INTRODUCTORY SECTION

**GREENTREE SOLID WASTE AUTHORITY
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JUNE 30, 2018**

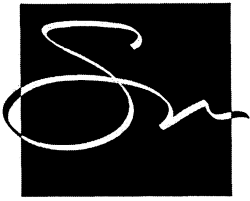
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**GREENTREE SOLID WASTE AUTHORITY
OFFICIAL ROSTER
JUNE 30, 2018**

BOARD OF DIRECTORS

Name	Title	Representing
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

Wayne Johnson, 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, 2018, 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, 2018, 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 Supplemental 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 supplemental 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 31, 2018 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

The financial statements for Greentree Solid Waste Authority as of June 30, 2017 and for the fiscal year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated December 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 31, 2018

**GREENTREE SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS AND DEFERRED OUTFLOWS

	2018	2017 (Memorandum)
CURRENT ASSETS		
Unrestricted Cash and Cash Equivalents	\$ 14,873	\$ 17,476
Accounts Receivable, Net	173,706	187,777
Other Receivables	<u>15,043</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>203,622</u>	<u>205,253</u>
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents		
Debt Service Reserve	64,638	33,244
Construction Reserve	398,535	218,039
Post-closure Reserve	24,395	24,111
Investment in Regional Landfill	57,084	57,084
Capital Assets, Net	<u>5,617,240</u>	<u>5,944,847</u>
TOTAL NONCURRENT ASSETS	<u>6,161,892</u>	<u>6,277,325</u>
TOTAL ASSETS	<u>6,365,514</u>	<u>6,482,578</u>
DEFERRED OUTFLOWS		
Post Measurement Date Employee Contributions	32,212	40,342
Deferred Outflows - Net Pension Liability	<u>118,156</u>	<u>271,450</u>
TOTAL DEFERRED OUTFLOWS	<u>150,368</u>	<u>311,792</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>\$ 6,515,882</u></u>	<u><u>\$ 6,794,370</u></u>

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	2018	2017 (Memorandum)
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 31,098	\$ 25,325
Accrued Wages	12,250	11,065
Accrued Payroll Tax Liabilities	1,685	1,600
Accrued Vacation	30,269	27,782
Accrued Interest	17,779	9,547
Long-Term Debt, Current Portion	219,763	573,001
Long-Term Capital Leases, Current Portion	<u>111,810</u>	<u>115,757</u>
TOTAL CURRENT LIABILITIES	<u>424,654</u>	<u>764,077</u>
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	1,955,827	1,800,052
Long-Term Capital Leases, Net of Current Portion	263,711	375,067
Net Pension Liability	<u>660,935</u>	<u>889,898</u>
TOTAL NONCURRENT LIABILITIES	<u>2,880,473</u>	<u>3,065,017</u>
TOTAL LIABILITIES	<u>3,305,127</u>	<u>3,829,094</u>
DEFERRED INFLOWS		
Deferred Inflows - Net Pension Liability	<u>119,481</u>	<u>34,592</u>
TOTAL DEFERRED INFLOWS	<u>119,481</u>	<u>34,592</u>
NET POSITION		
Net Investment in Capital Assets	3,549,603	4,029,038
Restricted		
Debt Service Reserve	64,638	33,244
Construction Reserve	398,535	218,039
Post-closure Reserve	24,395	24,111
Unrestricted (Deficit)	<u>(945,897)</u>	<u>(1,373,748)</u>
TOTAL NET POSITION	<u>3,091,274</u>	<u>2,930,684</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u><u>\$ 6,515,882</u></u>	<u><u>\$ 6,794,370</u></u>

GREENTREE SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

	2018	2017 (Memorandum)
OPERATING REVENUES		
Sales and Services		
Collection Fees	\$ 1,577,253	\$ 1,474,484
Recycling	178,758	146,561
Other Income	5,818	60,292
	<u>1,761,829</u>	<u>1,681,337</u>
OPERATING EXPENSES		
Wages and Salaries	632,150	716,530
Payroll Taxes	48,708	57,437
PERA Retirement	49,563	103,924
Employee Benefits	119,205	161,000
Repairs and Maintenance	187,782	147,413
Fuel and Oil	170,735	111,705
Disposal and Recycling Fees	170,163	169,494
Insurance	82,100	99,485
Gross Receipts Tax	72,826	67,331
Professional Fees	60,179	52,508
Office and Administrative Expense	35,147	27,883
Utilities	29,614	35,126
Supplies	10,677	13,074
Equipment Rental	5,904	9,408
Other Operating Expenses	225	70,075
Depreciation	327,607	346,764
	<u>2,002,585</u>	<u>2,189,157</u>
Total Operating Expenses		
	<u>2,002,585</u>	<u>2,189,157</u>
Operating Loss	(240,756)	(507,820)
NON-OPERATING REVENUE (EXPENSE)		
Environmental Gross Receipts Tax	228,091	202,209
Landfill Subsidy, Net	266,750	(11,467)
NMED Grants	-	70,000
Gain on Disposal of Assets	43,250	40,003
Interest Income	4,506	3,217
Capitan Landfill Closure Costs, Net	(14,160)	1,927
Interest Expense and Administrative Fees	(127,090)	(111,259)
	<u>401,347</u>	<u>194,630</u>
Total Non-operating Income (Expense)		
	<u>401,347</u>	<u>194,630</u>
CHANGE IN NET POSITION	160,591	(313,190)
NET POSITION, BEGINNING OF YEAR	<u>2,930,683</u>	<u>3,243,874</u>
NET POSITION, END OF YEAR	<u>\$ 3,091,274</u>	<u>\$ 2,930,684</u>

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

GREENTREE SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2018

	2018	2017 (Memorandum)
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 1,775,900	\$ 1,694,622
Payments to and on Behalf of Employees	(828,519)	(979,338)
Payments to Suppliers and Contractors	<u>(819,579)</u>	<u>(826,497)</u>
Net Cash Provided (Used) by Operating Activities	<u>127,802</u>	<u>(111,213)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Assets	28,207	40,003
Interest Income	4,506	3,217
Capital Asset Purchases	<u>-</u>	<u>(147,144)</u>
Net Cash Provided (Used) by Investing Activities	<u>32,713</u>	<u>(103,924)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Environmental Gross Receipts Tax	228,091	202,209
Landfill Subsidy, Net	266,750	(11,467)
NMED Grants	-	70,000
Capitan Landfill Closure Costs, Net	<u>(14,160)</u>	<u>1,927</u>
Net Cash Provided by Non-Capital Financing Activities	<u>480,681</u>	<u>262,669</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(197,462)	(214,800)
Proceeds from Debt Acquisition	-	147,144
Principal Payments on Capital Leases	(115,304)	(102,169)
Interest Expense and Administrative Fees	<u>(118,859)</u>	<u>(85,088)</u>
Net Cash Used by Capital Financing Activities	<u>(431,625)</u>	<u>(254,913)</u>
NET CHANGE IN CASH	209,571	(207,381)
CASH AT BEGINNING OF YEAR	<u>292,870</u>	<u>500,251</u>
CASH AT END OF YEAR	<u><u>\$ 502,441</u></u>	<u><u>\$ 292,870</u></u>

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

	2018	2017 (Memorandum)
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities		
Operating Loss	\$ (240,756)	\$ (507,820)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities		
Non-cash Adjustments:		
Depreciation	327,607	346,764
Long-Term PERA Payable	(228,963)	336,262
Deferred Inflows	84,889	(6,444)
Deferred Outflows	153,294	(225,895)
Post Measurement Date Employee Contributions	8,130	(40,342)
Changes in:		
Accounts Receivable	14,071	13,285
Accounts Payable	5,773	(22,995)
Accrued Wages	1,185	1,279
Accrued Payroll Tax Liabilities	85	(6,776)
Accrued Vacation	2,487	1,469
Cash Provided (Used) by Operating Activities	<u>\$ 127,802</u>	<u>\$ (111,213)</u>
Reconciliation to Statement of Net Position		
Unrestricted	\$ 14,873	\$ 17,476
Restricted		
Debt Service Reserve	64,638	33,244
Construction Reserve	398,535	218,039
Post-closure Reserve	24,395	24,111
Total Cash and Cash Equivalents	<u>\$ 502,441</u>	<u>\$ 292,870</u>
Supplemental Cash Flow Disclosures		
Cash Paid for Interest and Administrative Fees	\$ 118,859	\$ 85,088

GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018**

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, 2018.

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, 2018

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, 2018

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, 2018, 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, 2018, of the cash and cash equivalents.

	Bank Balance	Net Items	Book Balance
	June 30, 2018	Outstanding	June 30, 2018
Deposit Accounts:			
City Bank New Mexico			
Operations Account	\$ 56,801	\$ (44,776)	\$ 12,025
Direct Deposit Account	16	-	16
Reserve Account (Interest-bearing)	195,908	-	195,908
Closure Account (Interest-bearing)	24,395	-	24,395
EGRT Account (Interest-bearing)	1,788	-	1,788
Recycling Petty Cash (Interest-bearing)	<u>1,332</u>	<u>-</u>	<u>1,332</u>
Total Cash on Deposit	<u>\$ 280,240</u>	<u>\$ (44,776)</u>	235,464
NMFA Deposits			265,477
Cash on Hand			<u>1,500</u>
Total Cash and Cash Equivalents			<u>\$ 502,441</u>
 As Reported in the Financial Statements:			
Restricted Cash			
Debt Service		\$ 64,638	
Construction Reserve		398,535	
Post-closure Reserve		<u>24,395</u>	\$ 487,568
Unrestricted Cash			<u>14,873</u>
Total Cash per Financial Statements			<u>\$ 502,441</u>

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, 2018**

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.

	City Bank
Demand Deposits	\$ 56,817
Interest-bearing Deposits	<u>223,423</u>
Less FDIC Coverage	<u>(280,240)</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, 2018, none of the Authority's bank balances were exposed to custodial credit risk before applying the pledged collateral.

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.

	Cash Balance	Reserve Funds Payable	Total on Deposit
NMFA PP-1760	\$ 62,850	\$ 202,627	\$ 265,477
Total Cash and Cash Equivalents	<u>\$ 62,850</u>	<u>\$ 202,627</u>	<u>\$ 265,477</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:

	Total
Gross Accounts Receivable	\$ 787,173
Less Allowance for Doubtful Accounts	<u>(613,467)</u>
Accounts Receivable - Net	<u>\$ 173,706</u>

Concentrations of Risk - The Authority depends on financial resources flowing from, or associated with, customer solid waste collections, environmental gross receipts taxes, and 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, 2018

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, 2018 is approximately \$10,833.

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 \$4,210 as of June 30, 2018.

NOTE D - CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2018:

	Balance			Balance
	June 30, 2017	Increases	Decreases	June 30, 2018
Business-type Activities:				
Non-depreciable Capital Assets				
Land	\$ 876,590	\$ -	\$ -	\$ 876,590
Total Non-depreciable Capital Assets	876,590	-	-	876,590
Depreciable Capital Assets				
Building and Land Improvements	5,495,802	-	-	5,495,802
Machinery and Equipment	3,399,979	-	(390,909)	3,009,070
Dumpsters and Polycarts	333,913	-	-	333,913
Roll-off Containers	205,207	-	-	205,207
Recycle Equipment	41,173	-	(18,575)	22,598
Furniture and Fixtures	43,735	-	-	43,735
Total Depreciable Capital Assets	9,519,809	-	(409,484)	9,110,295
Accumulated Depreciation				
Building and Land Improvements	(1,292,074)	(146,200)	-	(1,438,274)
Machinery and Equipment	(2,652,021)	(158,863)	390,909	(2,419,975)
Dumpsters and Polycarts	(293,592)	(8,489)	-	(302,081)
Roll-off Containers	(139,263)	(9,933)	-	(149,196)
Recycle Equipment	(41,173)	-	18,575	(22,598)
Furniture and Fixtures	(33,429)	(4,122)	-	(37,551)
Accumulated Depreciation	(4,451,552)	(327,607)	409,484	(4,369,675)
Total Depreciable Capital Assets, Net	5,068,227	(327,607)	-	4,740,620
Capital Assets, Net	\$ 5,944,847	\$ (327,607)	\$ -	\$ 5,617,240

Depreciation and amortization expense for the 2018 fiscal year was \$327,607.

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE E - COMPENSATED ABSENCES

Vacation and sick leave is earned by employees during the year based on time worked, is non-cumulative and considered to be a current 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, 2018 is detailed below.

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Payable Within One Year
Compensated Absences	<u>\$ 27,782</u>	<u>\$ 21,677</u>	<u>\$ (19,190)</u>	<u>\$ 30,269</u>	<u>\$ 30,269</u>

NOTE F - LONG-TERM DEBT

The Authority has the following long-term debt obligations as of June 30, 2018:

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 is expected to mature in November 2026.

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 approximately \$201,745 to \$201,976. The loan is secured by the buildings for the administration and the transfer station.

The Association paid approximately \$111,305 in interest expense and finance charges attributed to long-term obligations.

Long-term debt activity for the year ended June 30, 2018 was as follows:

Obligation	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year	Interest Expense	Accrued Interest
NMED-RIP	\$ 627,570	\$ -	\$ (31,134)	\$ 596,436	\$ 32,068	\$ 18,827	\$ 13,420
CITY BANK	395,699	-	(20,160)	375,539	35,739	37,139	-
NMFA PP-1760	<u>1,349,783</u>	<u>-</u>	<u>(146,168)</u>	<u>1,203,615</u>	<u>151,956</u>	<u>55,339</u>	<u>4,359</u>
Total Long-term Debt	<u>\$ 2,373,052</u>	<u>\$ -</u>	<u>\$ (197,462)</u>	<u>\$ 2,175,590</u>	<u>\$ 219,763</u>	<u>\$ 111,305</u>	<u>\$ 17,779</u>

The Authority has the following long-term capital leases as of June 30, 2018:

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.

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE F - LONG-TERM DEBT (Cont.)

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, 2017	Increases	Decreases	Balance June 30, 2018	Due Within One Year	Interest Expense
KSB – Polycart Lease	\$ 144,837	\$ -	\$ (33,895)	\$ 110,942	\$ 28,285	\$ 352
KSB – Truck Lease	<u>345,988</u>	<u>-</u>	<u>(81,409)</u>	<u>264,579</u>	<u>83,525</u>	<u>7,202</u>
Total Long-term Debt	<u>\$ 490,825</u>	<u>\$ -</u>	<u>\$ (115,304)</u>	<u>\$ 375,521</u>	<u>\$ 111,810</u>	<u>\$ 7,554</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
2019	\$ 219,763	\$ 89,368	\$ 309,131	\$ 111,810	\$ 10,696	\$ 122,506
2020	229,024	80,124	309,148	115,420	7,086	122,506
2021	238,772	70,391	309,163	119,160	3,346	122,506
2022	249,037	60,143	309,180	29,131	422	29,553
2023	259,849	49,348	309,197	-	-	-
2024-2028	750,335	95,232	845,567	-	-	-
2029-2033	<u>228,810</u>	<u>20,998</u>	<u>249,808</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,175,590</u>	<u>\$ 465,604</u>	<u>\$ 2,461,194</u>	<u>\$ 375,521</u>	<u>\$ 21,550</u>	<u>\$ 397,071</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:

	Total
Construction Reserve	\$ 398,535
Debt Service	64,638
Post-closure	<u>24,395</u>
Total Restricted Net Position	<u>\$ 487,568</u>

NOTE H – OPERATIONS SUBSIDY

During the 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.

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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 2018 fiscal year is detailed below:

Authority Member	Revenue
Lincoln County	\$ 142,279
City of Ruidoso Downs	65,230
Village of Capitan	10,560
Town of Carrizozo	7,175
Village of Corona	<u>2,847</u>
Total EGRT	<u>\$ 228,091</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 2018 fiscal year was approximately \$17,919, with the Village of Capitan reimbursing the Authority for their 39% share of these costs, or approximately \$3,759. Net post-closure costs for the fiscal year was approximately \$14,160.

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.

GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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-IIA-1 to 10-IIA-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, 2017 available at:
<http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 46 through 48 of the PERA FY 17 annual audit report. The PERA coverage options that apply to the Authority is the General Division.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE M - PERA PENSION PLAN (Cont.)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members.

The Authority's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2017.

Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

PERA Fund Division – General - At June 30, 2018, the Authority reported a liability of \$660,935 for its proportionate share of the net pension liability at June 30, 2017. At June 30, 2017, the Authority's proportion was 0.0481%, which was slightly lower than its 0.0557% proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized PERA Fund - General, pension expense of \$45,963. At June 30, 2017, the Authority reported PERA Fund Division - General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumption	\$ 30,479	\$ 6,830
Changes in Proportion	7,481	78,800
Differences Between Expected and Actual Experience	25,970	33,851
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	54,226	-
Post Measurement Date Employer Contributions	<u>32,212</u>	<u>-</u>
Totals	<u>\$ 150,368</u>	<u>\$ 119,481</u>

For the General Division, \$32,212 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date June 30, 2017 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE M - PERA PENSION PLAN (Cont.)

Year Ended	Net Amount
June 30,	
2019	\$ (11,669)
2020	36,579
2021	(10,388)
2022	<u>(15,847)</u>
Totals	<u>\$ (1,325)</u>

Actuarial Assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2016 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Open
Amortization Period	Solved for Based on Statutory Rates
Asset Valuation Method	4-Year smoothed Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.51% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	2.75% Annual Rate for first 9 years, then 3.25% annual rate
Projected Salary Increases	2.75% to 14.00% Annual Rate
Included Inflation at	2.25% Annual Rate first 9 years, then 2.75% all other years
Mortality Assumption	RP-2000 Mortality Tables
Experience Study Dates	July 1, 2008 – June 30, 2013 (demographic) July 1, 2010 – June 30, 2016 (economic)

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

ALL FUNDS – Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.5%	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
Totals	<u>100.0%</u>	

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE M - PERA PENSION PLAN (Cont.)

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

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following table shows 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
Proportionate Share of Net Pension Liability	<u>\$ 1,035,903</u>	<u>\$ 660,935</u>	<u>\$ 349,097</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at www.pera.state.nm.us/publications.html.

Payables to the Pension Plan - At June 30, 2018, the Authority had no outstanding contributions to the pension plan reported within current liabilities on the balance sheet.

REQUIRED SUPPLEMENTAL INFORMATION

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

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

*The amounts presented above for trend analysis are determined as of June 30. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Association will present information for those years for which information is available.

**GREENTREE SOLID WASTE AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018**

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 FY17 audit available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

Changes of Assumptions. PERA Annual Actuarial Valuation as of June 30, 2017 report is available at:
http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2016%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 0.13% to the funded ratio.”

For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

SUPPLEMENTAL INFORMATION

GREENTREE SOLID WASTE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL (NON-GAAP BASIS)
YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Sales and Services				
Collection Fees	\$ 1,560,812	\$ 1,629,277	\$ 1,591,324	\$ (37,953)
Recycling	177,577	197,008	178,758	(18,250)
Other Income	<u>13,787</u>	<u>13,533</u>	<u>5,818</u>	<u>(7,715)</u>
Total Operating Revenues	1,752,176	1,839,818	1,775,900	(63,918)
EXPENDITURES				
Current				
Wages and Salaries	648,838	663,064	628,478	34,586
Payroll Taxes	51,377	51,655	48,623	3,032
PERA Retirement	32,121	33,219	32,213	1,006
Employee Benefits	110,576	122,560	119,205	3,355
Repairs and Maintenance	124,600	200,631	187,782	12,849
Fuel and Oil	125,700	165,759	164,962	797
Disposal and Recycling Fees	160,800	170,181	170,163	18
Insurance	95,802	86,164	82,100	4,064
Gross Receipts Tax	73,473	75,874	72,826	3,048
Professional Fees	61,045	64,070	60,179	3,891
Office and Administrative Expense	29,990	41,286	35,147	6,139
Utilities	29,104	29,775	29,614	161
Supplies	13,225	14,359	10,677	3,682
Equipment Rental	1,200	2,404	5,904	(3,500)
Other Operating Expenses	200	350	225	125
Debt Service				
Principal Payments	312,766	312,766	312,766	-
Interest Expense and Administrative Fees	<u>118,857</u>	<u>118,857</u>	<u>118,859</u>	<u>(2)</u>
Total Operating Expenses	<u>1,989,674</u>	<u>2,152,974</u>	<u>2,079,723</u>	<u>73,251</u>
Operating Loss	<u>(237,498)</u>	<u>(313,156)</u>	<u>(303,823)</u>	<u>9,333</u>
NONOPERATING REVENUES (EXPENSES)				
Environmental Gross Receipts Tax	206,566	243,411	228,091	(15,320)
Landfill Subsidy, Net	-	266,750	266,750	-
Gain on Disposal of Assets	87,000	87,000	28,207	(58,793)
Interest Income	3,226	4,036	4,506	470
Capitan Landfill Closure Costs, Net	<u>(7,000)</u>	<u>(13,000)</u>	<u>(14,160)</u>	<u>(1,160)</u>
Total Nonoperating Revenues (Expenses)	<u>289,792</u>	<u>588,197</u>	<u>513,394</u>	<u>(74,803)</u>
Net Change in Net Position	52,294	275,041	209,571	(65,470)
Cash - Beginning of Year	<u>292,870</u>	<u>292,870</u>	<u>292,870</u>	<u>-</u>
Cash - End of Year	<u>\$ 345,164</u>	<u>\$ 567,911</u>	<u>\$ 502,441</u>	<u>\$ (65,470)</u>
Reconciliation to GAAP Basis				
Change in Net Position - Budget Basis			\$ 209,571	
Depreciation			(327,607)	
Principal Payments on Debt			197,462	
Principal Payments on Capital Leases			115,304	
Net Changes in Deferred Inflows and Outflows			238,183	
Net Change in Post Measurement Contributions			(8,130)	
Net Changes in Net Pension Liability			(228,963)	
Change in:				
Accounts Receivable			(14,071)	
Other Receivables			(15,043)	
Accounts Payable			(1,470)	
Accrued Wages			1,185	
Accrued Payroll Tax Liabilities			(85)	
Accrued Vacation			2,487	
Accrued Interest			(8,232)	
Change in Net Position - GAAP Basis			<u>\$ 160,591</u>	

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*

Wayne Johnson, 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, 2018, and have issued our report thereon dated October 31, 2018.

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.



Scott Northam, CPA, PC
Ruidoso, New Mexico
October 31, 2018

**GREENTREE SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018**

FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

NONE

**GREENTREE SOLID WASTE AUTHORITY
EXIT CONFERENCE
JUNE 30, 2018**

An entrance conference was held on October 24, 2018 with members of the Authority staff. The contents of this report were discussed with Greentree Solid Waste Authority representatives on October 31, 2018. 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.