

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
JUNE 30, 2011**

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

**STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
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 JUNE 30, 2011**

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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
OFFICIAL ROSTER
June 30, 2011**

Sam Hammons.	Chairman
Sherrill Bradford.	Vice Chairman
Kathryn Minter	Secretary/Treasurer
Ray Dean.	Member
Rifle Salas.	Member
Rene Olivo	Member
Debra Ingle	Operational Supervisor
Beverly Foote	Personnel Manager/ Financial Coordinator

FINANCIAL SECTION

Dan Austin CPA, PC
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Ruidoso, NM 88345
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Independent Auditors' Report

The Board of Directors of
Greentree Solid Waste Authority and
Mr. Hector H. Balderas,
New Mexico State Auditor

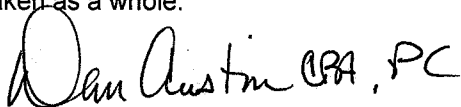
We have audited the accompanying financial statements of the business type activities of the Greentree Solid Waste Authority (Authority) as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison statement presented as supplemental information for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Greentree Solid Waste Authority management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Greentree Solid Waste Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Greentree Solid Waste Authority as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedules referred to above present fairly, in all material respects, the respective budgetary comparisons of the Greentree Solid Waste Authority for the year ended June 30, 2011 in conformity with the budgetary basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 23, 2011 on our consideration of the Greentree Solid Waste Authority's internal control over financial reporting and our 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 8 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The accompanying Schedule of Legislative Grants in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Greentree Solid Waste Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



November 23, 2011

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

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, 2011. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

The assets of the Greentree Solid Waste Authority exceeded liabilities at the close of the most recent fiscal year by \$4,427,594 (net assets). The Authority's total net assets increased by \$1,025,984 compared to the prior year.

USING THIS ANNUAL REPORT

The Authority has made significant changes in the financial presentation. 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the Authority's net assets for the fiscal years ending June 30, 2011 & 2010. There have been significant changes to assets, liabilities and net assets as compared to the prior year as a result of various construction and debt acquisition activities. See pages 10 and 11 and the notes to the financial statements for a more detailed look at the Statement of Net Assets of the Greentree Solid Waste Authority

Net Assets

	Business Type Activities	
	<u>2011</u>	<u>2010</u>
Current Assets	\$ 669,487	\$ 808,470
Capital Assets	7,317,899	7,196,066
Other Non-current Assets	<u>57,158</u>	<u>57,158</u>
Total Assets	\$ 8,044,544	\$ 8,061,694
Current Liabilities	\$ 558,625	\$ 581,488
Long-term Liabilities	<u>3,028,102</u>	<u>3,052,612</u>
Total Liabilities	\$ 3,586,727	\$ 3,634,100
Net Assets:		
Invested in Capital Assets	\$ 3,888,897	\$ 3,759,361
Restricted Capital Projects	201,521	201,845
Restricted Debt Service	95,776	95,028
Unrestricted	<u>271,623</u>	<u>371,360</u>
Total Net Assets	\$ 4,457,817	\$ 4,427,594

Statement of Revenues, Expenses and Changes in Fund Net Assets: The following represents the revenues and expenses for fiscal years ended June 30, 2011 & 2010 See page 12 for a more detailed look at the Statement of Revenues, Expenses, and Changes in Net Assets.

Greentree Solid Waste Authority
Changes in Fund Net Assets

	Business Type Activities	
	2011	2010
Revenues:		
Operating Revenues	\$ 2,928,718	\$ 3,142,548
Capital Grants	78,778	730,320
Environmental Gross Receipts	208,744	198,925
Other	<u>1,230</u>	<u>2,299</u>
Total Revenues	<u>\$ 3,217,470</u>	<u>\$ 4,074,092</u>
Expenses:		
Operating Expense	2,999,933	2,838,383
Otero/Lincoln County Landfill-Net	-	-
Interest Expense	179,414	204,307
Landfill closures	<u>7,900</u>	<u>5,418</u>
Total Expenses	<u>3,187,247</u>	<u>3,048,108</u>
Increase in Net Assets	30,223	1,025,984
Net Assets:		
Net assets-beginning	<u>4,427,594</u>	<u>3,401,610</u>
Net assets-ending	<u>\$ 4,457,817</u>	<u>\$ 4,427,594</u>

FUND FINANCIAL ANALYSIS

Business-Type Activity: The focus of the Authority's enterprise funds is to provide information on near-term inflows, outflows and balances of spendable resources. As of year-end, the proprietary fund reported net assets of \$4,427,594. Of this amount, \$ 3,759,361 is invested in capital assets, net of related debt.

FUND BUDGETARY HIGHLIGHTS

The most significant differences between the original budget and the final amended budget and the actual expenditures were planned grant revenues and capital expenditures were not funded. Operating expense increases including fuel costs had detrimental impact on overall profitability. During the year, personnel and operational expenditures were less than budgetary estimates in the amount of \$43,829. The Authority's operating expenditures for the year ended June 30, 2011 was 13% percent less than the previous year's expenditures in the amount of \$541,569.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Authority's investment in capital assets for its business-type activity as of June 30, 2011 amounts to \$7,317,899 (net of accumulated depreciation). This investment in capital assets consists mainly of land, heavy trucks and other equipment. The Authority completed the construction of its new operational facility and placed the majority of the facility in service during the current year.

Additional information on the Authority's capital assets can be found in Note 4B on page 18 of this report.

Long-Term Debt: At the end of the current fiscal year, the Authority had total long-term debt including capital leases outstanding less the current portion of debt outstanding as of June 30, 2011 was \$3,028,102.

The Authority's total long-term debt as increased as the result of new equipment acquisitions by \$356,458 during the current fiscal year. Principal debt paid during the current year was \$349,574.

Additional information on the Authority's long-term debt can be found in Note 4C on pages 19-20 of this report. Information on the Authority's new facility which should be completed in fiscal year 2011 can be found in Note 4B and C on page 18 of this report.

ANALYSIS OF FINANCIAL POSITION

As a result of an increase in net assets from current year operations of \$30,223, Net Assets increased to \$4,457,594 or 55% of total assets of \$8,061,694.

Current assets decreased by \$138,983. The majority of this increase was from an decrease in operational revenues resulting a decrease in operational cash..

Total operational revenues decreased \$213,830 or 6.8%. as a result of downturn in the overall economy. Operational expenditures increased by \$161,560 or 5.7% primarily related to the increase in personnel and fuel costs.

The Authority received capital grants of \$78,778 for various agencies of the State of New Mexico for capital expenditures relating to the operations 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
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 STATEMENT OF NET ASSETS PROPRIETARY FUNDS
 June 30, 2011

ASSETS

CURRENT ASSETS

Cash-unrestricted	\$	132,086	
Cash-restricted for construction		201,521	
Cash-restricted for debt service		<u>95,776</u>	429,383
Customer Accounts Receivable		600,484	
Allowance For Doubtful Accounts		<u>(360,380)</u>	<u>240,104</u>
Total Current Assets			<u>669,487</u>

NON CURRENT ASSETS

Investment in Regional Landfill			57,083
Utility Deposit			75
Capital Assets	\$	10,709,944	
Less Allowance For Depreciation		<u>(3,392,045)</u>	<u>7,317,899</u>
Total Noncurrent Assets			<u>7,375,057</u>
Total Assets			<u>\$ 8,044,544</u>

See accompanying notes to the financial statements

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 June 30, 2011

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 59,907
Accrued Interest	15,504
Accrued Payroll Expense	31,299
Accrued Compensated Absences	51,015
Current Portion of Long Term Liabilities	<u>400,900</u>

Total Current Liabilities	<u>558,625</u>
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NONCURRENT LIABILITIES

Notes Payable	2,688,850
Capital Leases Payable	740,152
Less: Current Portion of Long Term Debt (above)	<u>(400,900)</u>

Total Noncurrent Liabilities	<u>3,028,102</u>
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Total Liabilities	<u>3,586,727</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	3,888,897
Restricted for Capital Projects	201,521
Restricted for Debt Service	95,776
Unrestricted	<u>271,623</u>

Total Net Assets	<u>4,457,817</u>
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Total Liabilities And Net Assets	<u><u>\$ 8,044,544</u></u>
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State of New Mexico
Greentree Solid Waste Authority
Statement of Revenues, Expenses and Changes
In Fund Nets Assets – Proprietary Fund
June 30, 2011

Operating Revenues

Sales and Services	\$ 2,928,718
Total Operating Revenues	<u>2,928,718</u>

Operating Expenses

Personnel Services	1,352,590
Contractual Services	163,949
Repairs and Maintenance	176,171
Gross Receipts Tax	116,330
Fuel and Oil	265,243
Insurance	99,262
Utilities	44,150
Office	62,816
Equipment Rentals	68,353
Professional Services	54,881
Other Operating Expenses	71,737
Depreciation	524,451
Total Operating Revenues	<u>2,999,933</u>

Total Operating Income (Loss)	<u>(71,215)</u>
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Non-Operating Revenues (Expenses)

NMED Grants	78,778
Environmental Gross Receipts Tax	208,744
Landfill Closure Costs	(7,900)
Interest Income	1,230
Interest Expense	(179,414)
Total Non-operating Revenue (Expense)	<u>101,438</u>

Change in Net Assets	30,223
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Net Assets at Beginning of Year	<u>4,427,594</u>
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Net Assets at End of Year	<u><u>\$ 4,457,817</u></u>
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See accompanying notes to the financial statements.

**STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 STATEMENT OF CASH FLOWS
 For The Year Ended June 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Customers	\$ 2,879,010
Cash Paid To Suppliers	(1,155,200)
Cash Paid To Employees	<u>(1,359,951)</u>
Net Cash Provided By Operating Activities	<u>363,859</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other Non-Operating Items	(7,900)
Receipts of Environmental Gross Receipts Tax	208,744
Receipts of Grants	<u>78,778</u>
Net Cash Provided From Noncapital Financing Activities	<u>279,622</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Paid on Capital Debt	(135,309)
Interest Paid on Capital Debt	(179,414)
Proceeds from Lease Purchase Agreements	356,458
Principal Paid on Capital Leases	(228,852)
Payments For Capital Acquisitions	<u>(646,285)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(833,402)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Miscellaneous	-
Interest Income	<u>1,230</u>
Net Cash Provided From Investing Activities	<u>1,230</u>

Net Increase In Cash	(188,691)
Cash - Beginning Of Year	<u>618,074</u>
Cash - End Of Year	<u>\$ 429,383</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (71,215)
Noncash Items in Net Income-Depreciation	
Depreciation	524,452
(Increase) Decrease In:	
Accounts Receivable	(49,708)
Increase (Decrease) In:	
Accounts Payable	(31,860)
Accrued Interest	(449)
Accrued Payroll Expense	502
Accrued Compensated Absences	<u>(7,863)</u>
Net Cash Provided From Noncapital Financing Activities	<u>\$ 363,859</u>

See accompanying notes to the financial statements

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

NOTE 1. FUNCTION OF THE ENTITY

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. 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations) and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principal Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

A. REPORTING ENTITY

The Authority is a special-purpose government created pursuant to a joint powers agreement and is comprised of an appointed Board of Directors. The officers of the Authority are elected annually. The Authority is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the Authority board of directors have oversight responsibility. The board of directors have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Authority is not included in any other governmental reporting entity as defined in the *Codification of Governmental Accounting and Financial Reporting Standards*.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Because the Authority is a special-purpose government, with only a single fund, business-type activity, the basic financial statements do not include both government-wide (based on the Authority as a whole) and fund financial statements. The new reporting model focus is on either the Authority as a whole or major individual funds (within the fund financial statements). The Authority is a single-program government that engages in only business-type activities and has no component units.

In the Statements of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets, the business-type activities are presented on the full accrual basis, flow of economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The Authority's net assets are reported in three parts – invested in capital assets, restricted net assets and unrestricted net assets. Business-type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Operating revenues and expenses are presented separately from non-operating items. The principal operating revenues reflect charges to customers for solid waste services. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Grant revenues are recognized when all of the eligibility requirements have been met.

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

The Authority applies all applicable Financial Accounting Standards Board Statements and Interpretations.

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

C. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Business-type activities are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Authority.

F. FINANCIAL STATEMENTS AMOUNTS

1. Cash

For the purpose of the Statement of Net Assets, "cash" includes all petty cash, demand, savings accounts and certificates of deposit of the Authority.

2. Accounts Receivable

Accounts receivable consists of revenue earned from sales to customers. The Authority has the option of collecting delinquent receivables by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, computer software and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis with no salvage value. The estimated useful lives of the various classes of depreciable capital assets are as follows: buildings/improvements, 30 years; furniture and equipment, five to ten years.

GASB Statement No. 34 requires the Authority to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. The Authority does not own any infrastructure assets.

Assets acquired under capital leases are included in the assets for which depreciation expense is computed.

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

In the proprietary fund, interest is capitalized on assets acquired with debt proceeds. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

4. Compensated Absences

Permanent employees are granted vacation according to a preset schedule. Comp time may be requested by the employee in lieu of paid overtime and accrues at a rate one and one half times hours worked for a maximum of 240 hours. Sick leave also accrues to permanent employees according to a preset schedule. Employees are entitled to a preset maximum of accrued vacation leave of 240 hours.

Sick leave is paid only if an employee retires if that employee is eligible for social security benefits at that time (62 years or older).

The current portion of this debt is estimated based on historical trends.

5. Equity Classifications

Equity is classified as net assets. Net assets is the difference between assets and liabilities. Net assets invested in capital assets represents the historical costs of assets or fair value on date of receipt less accumulated depreciation on those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the Authority or external restrictions by other governments, creditors or grantors. Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets." When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted sources first, the unrestricted resources as they are needed.

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a government unit, the Authority is subject to various laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows:

A. BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures that are promulgated by the Department of Finance and Administration, Local Government Division. Those procedures are as follows:

1. Prior to July 1, the Authority's administration submits to the Board of Directors a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through formal adoption by the Board and then submitted to the Local Government Division of the State Department of Finance and Administration for review and approval.
3. The Authority's treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for the Enterprise funds.

**STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011**

Budgets are not adopted on a basis consistent with generally accepted accounting principles (GAAP). The budgets are adopted on the non-GAAP basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred. Budgetary comparisons presented in this report are on this non-GAAP Budgetary basis.

The reconciliation of governmental fund revenues and expenses to budget basis revenue and expenses is presented in the Budgetary Comparison Statement – Budget-to-GAAP Reconciliation.

NOTE 4. 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. All bank balances or deposits as of June 30, 2011 were insured (The Dodd Frank Act of 2010 required the FDIC to insure all non-interest bearing accounts until December 31, 2012) or collateralized with irrevocable standby letters of credit issued to the Authority in accordance with state statutes. The carrying amount of the Authority's deposits with financial institutions was \$131,085 and the balances per the banks was \$328,828 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.

The total funds held in these trust accounts as of June 30, 2011 was \$201,522. 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	
Unrestricted Cash:						
City Bank	Checking	Recycling	\$ 3,615	\$ (179)	\$ -	\$ 3,436
City Bank	Checking	Reserve	34,400	-	-	34,400
City Bank	Checking	Landfill Closure	12,087	-	-	12,087
City Bank	Checking	EGRT	52,146	-	-	52,146
City Bank	Checking	Operating	226,590	(201,460)	3,886	29,016
Total unrestricted cash			328,838	(201,639)	3,886	131,085
Restricted Cash:						
NMFA/NMSTO	Trust	Debt Service	78,961	-	16,815	95,776
NMFA/NMSTO	Investment	Construction Res.	201,522	-	-	201,522
Total restricted cash			280,483	-	16,815	297,298
Total cash on deposit			\$ 609,321	\$ (201,639)	\$ 20,701	428,383
Petty cash						1,000
Total cash on hand and on deposit						\$ 429,383

The total deposits at City Bank New Mexico as of June 30, 2011 amounted to \$328,838. The amount in excess of the insurance provided by the FDIC was \$0. The following irrevocable letters of credit held in the name of the Authority by the Federal Home Loan Bank of Dallas, issued to the Authority as beneficiary, to secured these deposits as required by state statute:

Description	Beneficiary	Custodian	Maturity	Amount
LOC 2044000598	GTSWA	FHLB Dallas	3/28/2012	\$ 50,000

Total FMV of Collateral	
Total Deposits	\$ 328,838
Less: FDIC Insurance	(328,838)
Uninsured Deposits	-
Required Pledge	50%
Pledge Over (Short)	Pledge Over (Short)
	\$ 50,000

**STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011**

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 excess collateral held in the Authority's name it has no credit risk at June 30, 2011.

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 831,890	\$ -	\$ -	\$ 831,890
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>831,890</u>	<u>-</u>	<u>-</u>	<u>831,890</u>
Capital assets being depreciated:				
Buildings and improvements	5,116,206	289,826	-	5,406,032
Furniture and equipment	66,852	-	-	66,852
Dumpsters and polycarts	515,910	-	-	515,910
Machinery and Equipment	<u>3,532,801</u>	<u>356,458</u>	<u>-</u>	<u>3,889,259</u>
Total capital assets being depreciated	<u>9,231,769</u>	<u>646,284</u>	<u>-</u>	<u>9,878,053</u>
Less accumulated depreciation for:				
Buildings and improvements	311,884	138,460	-	450,344
Furniture and equipment	21,996	4,374	-	26,370
Dumpsters and polycarts	281,537	53,875	-	335,412
Machinery and Equipment	<u>2,252,176</u>	<u>327,742</u>	<u>-</u>	<u>2,579,918</u>
Total accumulated depreciation	<u>2,867,593</u>	<u>524,451</u>	<u>-</u>	<u>3,392,044</u>
Total capital assets being depreciated, net	<u>6,364,176</u>	<u>121,833</u>	<u>-</u>	<u>6,486,009</u>
Business-type activity capital assets, net	<u>\$ 7,196,066</u>	<u>\$ 121,833</u>	<u>\$ -</u>	<u>\$ 7,317,899</u>

**STATE OF NEW MEXICO
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 June 30, 2011**

C. LONG-TERM OBLIGATIONS

Long-term obligations of the Authority are as follows:

	Balance 6/30/10	Additions	(Reductions)	Balance 6/30/11	Due Within One Year
6.0% Note Payable, payable to City Bank in monthly installments of \$4,774.94, secured by real estate, matures September 5, 2018	590,439	-	(22,067)	568,372	23,846
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>2,233,720</u>	-	<u>(113,242)</u>	<u>2,120,478</u>	<u>117,147</u>
Total Long-Term Obligations	<u>\$ 2,824,159</u>	<u>\$ -</u>	<u>\$ (135,309)</u>	<u>\$ 2,688,850</u>	<u>\$ 140,993</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2011, is as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 140,993	\$ 111,239	\$ 252,232
2013	148,674	104,150	252,824
2014	154,789	96,620	251,409
2015	158,969	88,636	247,605
2016	168,140	80,167	248,307
2017-2021	943,217	261,091	1,204,308
2021-2025	<u>974,068</u>	<u>73,994</u>	<u>1,048,062</u>
	<u>\$ 2,688,850</u>	<u>\$ 815,897</u>	<u>\$ 3,504,747</u>

STATE OF NEW MEXICO
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D. CAPITAL LEASES

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

	Acquisition Date	Cost	Leases Payable 30-Jun-10	Lease Payments	New Leases Acquired	Leases Payable 06/30/11	Due Within One Year
Alf Condor Refuse Truck	11/1/08	232,632	153,633	(46,049)	-	107,584	48,279
2006 & 2009 Cat Backhoe	3/10/09	107,500	91,902	(17,008)	-	74,894	21,255
Refuse Containers	3/11/37	87,163	81,037	(15,082)	-	65,955	17,708
2006 Freightliner	8/5/11	85,260	3,207	(3,207)	-	-	-
Truck & Grappier	1/15/07	356,458	-	(14,587)	356,458	341,871	48,876
5 Compactors	11/15/07	117,400	13,344	(13,344)	-	-	-
2007 Sterling Truck	7/23/07	178,822	77,404	(37,651)	-	39,753	39,753
8 Compactors	9/28/07	163,144	79,171	(34,660)	-	44,511	37,649
Polycarts, Dumpsters	8/27/07	75,956	33,823	(16,279)	-	17,544	16,030
4 Pickups	11/15/07	<u>149,249</u>	<u>79,025</u>	<u>(30,985)</u>	<u>-</u>	<u>48,040</u>	<u>30,357</u>
TOTAL CAPITAL LEASES		\$ 1,553,584	\$ 612,546	\$ (228,852)	\$ 356,458	\$ 740,152	\$ 259,907

These leases are accounted for as capital leases. The asset values under the capital leases totaled \$1,553,584. 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, 2011.

Fiscal Year	Principal	Interest	Total
2012	\$ 257,907	\$ 61,576	\$ 319,483
2013	173,850	47,797	221,647
2014	113,256	26,288	139,544
2015	73,697	16,264	89,961
2016	70,651	9,265	79,916
2017	50,791	1,987	52,778
	<u>\$ 740,152</u>	<u>\$ 163,177</u>	<u>\$ 903,329</u>

**STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2011**

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, 2011 was \$51,014.

A summary of changes in this liability are as follows:

	Balance <u>7/1/2010</u>	<u>Adds</u>	<u>Deletions</u>	Balance <u>6/30/2011</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 58,878	\$ 63,251	\$ 71,115	\$ 51,014	\$ 51,014

NOTE 5. 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, 2011, were \$208,744. 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 Cities of Carrizozo and 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 \$74,269 at June 30, 2011.

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 \$143,545.

B. JOINT POWERS AGREEMENT

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 \$208,744 in tax collections for the year ended June 30, 2011.

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2011**

C. RISK MANAGEMENT AND LITIGATION

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains coverage through New Mexico Self-Insurers Fund to insure against potential losses and claims. The premiums are based on payroll and other expenditures, and are not directly related to claims filed. The policies are retrospectively rated and premiums may be adjusted after year end, based on the ultimate level of expenditures.

D. PERA PENSION PLAN

Plan Description. All of the Authority's full-time employees participate in a public employee retirement system authorized under the Public Employees' Retirement Act (PERA) (Chapter 10, Article 11, NMSA 1978) of the State of New Mexico. PERA is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 1029, Santa Fe, NM 87503.

Funding Policy. Plan members are required to contribute seven percent of their gross salary. The Authority is required to contribute seven percent of gross salary for those employees. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2011, 2010, and 2009 were \$50,623, \$ 45,756, and \$57,792, respectively, equal to the amount of the required contributions for each year.

E. CONTINGENT LIABILITIES

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, \$82,742 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 \$7,900.

F. Name Change

The Authority changed its name effective November of 2011 to Greentree Solid Waste Authority.

Supplemental Information

State of New Mexico
Lincoln County Solid Waste Authority
Statement of Revenues, Expenses and Changes in Cash Balance
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for services	\$ 3,215,101	\$ 3,277,202	\$ 2,895,067	\$ (382,135)
State Grants	1,544	74,660	63,778	(10,882)
Environmental Gross Receipts	202,559	208,611	208,744	133
Sale of Equipment	-	-	-	-
Interest Income	500	269	194	(75)
Total Revenues	3,419,704	3,560,742	3,167,783	(382,135)
Operating Expenditures				
Personnel expense	1,622,848	1,599,476	1,365,083	234,393
Operating expense	1,025,155	1,169,856	1,088,320	81,536
Capital outlay	71,798	151,412	130,912	20,500
Debt Service	941,868	932,368	772,159	160,209
Total Operating Expense	3,661,669	3,853,112	3,356,474	496,638
Net Revenue (Expense)	\$ (241,965)	\$ (292,370)	(188,691)	\$ 114,503
Cash, Beginning			<u>618,074</u>	
Cash, Ending			<u>\$ 429,383</u>	
Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis			\$ 3,167,783	
Change in accounts receivable			<u>49,720</u>	
Revenues GAAP			<u>3,217,503</u>	
Expenditures Budgetary Basis			3,356,474	
Reclassification of loan principal			(135,309)	
Reclassification of capital lease			(228,252)	
Reclassification of capital outlay			(230,872)	
Depreciation			524,451	
Change in accounts payable			(31,860)	
Change in other payables and accruals			<u>(6,906)</u>	
Expenditures GAAP			<u>3,247,726</u>	
Change in Net Assets			<u>\$ (30,223)</u>	

See accompanying notes to the financial statements.

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

**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**

Mr. Hector H. Balderas, State Auditor, and
the Board of Directors
Greentree Solid Waste Authority
Ruidoso Downs, New Mexico

We have audited the financial statements of the business type activities and the budgetary comparison presented as supplemental information of the Greentree Solid Waste Authority (Authority), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 23, 2011. 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.

Internal Control Over Financial Reporting

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings, Recommendations and Other Disclosures that we consider to be a significant deficiencies in internal control over financial reporting as item 11-A. 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.

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 instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Authority's response to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations and Other Disclosures. We did not audit the Authority response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors and the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration and is not intended to be and should not be used by anyone other than these specified parties.


November 23, 2011

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2011**

Summary of Prior Year Audit Findings

None

Summary of Current Year Findings

11-A. Pay Rate Documentation (Significant Deficiency)

Condition: Audit procedures noted that the documentation of pay rates and changes to those rates were not documented in the personnel files. The Auditor tested 38 payroll transactions in the cash disbursements test and could not verify if the pay rates had been approved by management.

Criteria: Proper control procedures should include documenting the each employee's personnel file or other location the changes in pay rates and effective dates for each employee including management approval.

Effect: Disbursements made were not supported by proper authorizations of pay rates.

Cause: Management oversight of these controls.

Recommendation: Management should develop procedures to document all pay rates and changes that occur during normal operations and document those changes in each employees personnel file.

Response: The Authority review and amend procedures to document all pay rates and changes.

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 November 28, 2011 an exit conference was held at the Authority's offices. Present at the Authority's offices were City of Ruidoso Alternate Board of Director Gary Williams, 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.