

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2012**

Dan Austin CPA, PC
Certified Public Accountants

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 GREENTREE SOLID WASTE AUTHORITY
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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
OFFICIAL ROSTER
June 30, 2012**

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

FINANCIAL SECTION

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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, 2012, 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, 2012, 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.

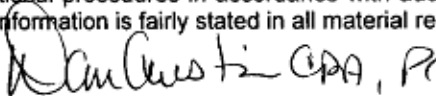
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, 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, 2012 in conformity with the budgetary basis of accounting.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 28, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Our audit was performed for the purpose of forming opinions on the basic financial statements and the budgetary comparison schedule. The additional schedules listed as "supplemental information" in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 28, 2012

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012. 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 \$3,700,009 (net assets). The Authority's total net assets decreased by \$145,187. Total assets amounted to \$7,659,988 while total liabilities were \$3,959,979.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis

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

Special-Purpose Government

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

Budgetary Comparisons

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

Notes to the Financial Statements

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

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, 2012 & 2011. 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>2012</u> | <u>2011</u> |
| Current Assets | \$ 762,133 | \$ 669,487 |
| Capital Assets | 6,840,696 | 7,317,899 |
| Other Non-current Assets | 57,159 | 57,158 |
| Total Assets | <u>\$ 7,659,988</u> | <u>\$ 8,044,544</u> |
| Current Liabilities | \$ 552,923 | \$ 558,625 |
| Long-term Liabilities | 3,407,056 | 3,640,723 |
| Total Liabilities | <u>\$ 3,959,979</u> | <u>\$ 4,199,348</u> |
| Net Assets: | | |
| Invested in Capital Assets | \$ 3,418,637 | \$ 3,547,899 |
| Restricted Capital Projects | 202,386 | 201,521 |
| Restricted Debt Service | 78,986 | 95,776 |
| Unrestricted | - | - |
| Total Net Assets | <u>\$ 3,700,009</u> | <u>\$ 3,845,196</u> |

Statement of Revenues, Expenses and Changes in Fund Net Assets: The following represents the revenues and expenses for fiscal years ended June 30, 2012 & 2011 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 | |
|------------------------------|---------------------------------|---------------------|
| | <u>2012</u> | <u>2011</u> |
| Revenues: | | |
| Operating Revenues | \$ 2,726,201 | \$ 2,928,718 |
| Capital Grants | 52,688 | 78,778 |
| Environmental Gross Receipts | 201,726 | 208,744 |
| Other | <u>8,039</u> | <u>1,230</u> |
| Total Revenues | <u>\$ 2,988,654</u> | <u>\$ 3,217,470</u> |
| Expenses: | | |
| Operating Expense | 2,941,056 | 2,999,933 |
| Interest Expense | 182,647 | 179,414 |
| Landfill closures | <u>10,138</u> | <u>7,900</u> |
| Total Expenses | <u>3,133,841</u> | <u>3,187,247</u> |
| Increase in Net Assets | (145,187) | 30,223 |
| Net Assets: | | |
| Net assets-beginning | <u>3,845,196</u> | <u>3,814,973</u> |
| Net assets-ending | <u>\$ 3,700,009</u> | <u>\$ 3,845,196</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 \$3,700,009. Of this amount, \$ 3,418,637 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 total revenues were less than budgeted revenues \$648,674 and expenditures were less than budgeted expenses by \$567,493 resulting in an actual net expense of \$ (1,237). Operating expense 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 \$231,532. The Authority's operating expenditures for the year ended June 30, 2012 were \$177,526 less than budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Authority's investment in capital assets for its business-type activity as of June 30, 2012 amounts to \$6,840,696 (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, 2012 was \$3,407,056.

The Authority's total long-term debt as increased as the result of new equipment acquisitions by \$113,693 during the current fiscal year. Principal debt paid during the current year was \$397,080.

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 was completed in fiscal year 2012 can be found in Note 4B and C on page 18 of this report.

ANALYSIS OF FINANCIAL POSITION

As a result of an decrease in net assets from current year operations of \$145,187, Net Assets decreased to \$3,700,009 or 49% of total assets of \$7,659,988.

Current assets increased by \$92,646. The majority of this increase was from an increase in accounts receivable at year end.

Total operational revenues decreased \$202,517 or 6.8% as a result of downturn in the overall economy. Operational expenditures decreased by \$58,877 or 1.9% primarily related to the decrease in personnel costs.

The Authority received capital grants of \$52,688 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
 GREENTREE SOLID WASTE AUTHORITY
 STATEMENT OF NET ASSETS PROPRIETARY FUNDS
 June 30, 2012

ASSETS

CURRENT ASSETS

| | | | |
|----------------------------------|----|------------------|----------------|
| Cash-unrestricted | \$ | 146,774 | |
| Cash-restricted for construction | | 202,386 | |
| Cash-restricted for debt service | | <u>78,986</u> | 428,146 |
| Customer Accounts Receivable | | 731,687 | |
| Allowance For Doubtful Accounts | | <u>(397,700)</u> | <u>333,987</u> |
| Total Current Assets | | | <u>762,133</u> |

NON CURRENT ASSETS

| | | | |
|---------------------------------|----|--------------------|---------------------|
| Investment in Regional Landfill | | | 57,084 |
| Utility Deposit | | | 75 |
| Capital Assets | \$ | 10,301,051 | |
| Less Allowance For Depreciation | | <u>(3,460,355)</u> | <u>6,840,696</u> |
| Total Noncurrent Assets | | | <u>6,897,855</u> |
| Total Assets | | | <u>\$ 7,659,988</u> |

See accompanying notes to the financial statements

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
 June 30, 2012

LIABILITIES

CURRENT LIABILITIES

| | |
|--|----------------|
| Accounts Payable | \$ 112,834 |
| Accrued Interest | 15,181 |
| Accrued Payroll Expense | 28,064 |
| Accrued Compensated Absences | 45,392 |
| Current Portion of Long Term Liabilities | <u>351,452</u> |

Total Current Liabilities 552,923

NONCURRENT LIABILITIES

| | |
|---|------------------|
| Notes Payable | 3,274,921 |
| Capital Leases Payable | 483,587 |
| Less: Current Portion of Long Term Debt (above) | <u>(351,452)</u> |

Total Noncurrent Liabilities 3,407,056

Total Liabilities 3,959,979

NET ASSETS

| | |
|---|-----------|
| Invested in Capital Assets, Net of Related Debt | 3,418,637 |
| Restricted for Capital Projects | 202,386 |
| Restricted for Debt Service | 78,986 |
| Unrestricted | <u>-</u> |

Total Net Assets 3,700,009

Total Liabilities And Net Assets \$ 7,659,988

State of New Mexico
Greentree Solid Waste Authority
Statement of Revenues, Expenses and Changes
In Fund Nets Assets – Proprietary Fund
June 30, 2012

Operating Revenues

| | |
|--------------------------|------------------|
| Sales and Services | \$ 2,726,201 |
| Total Operating Revenues | <u>2,726,201</u> |

Operating Expenses

| | |
|------------------------------|------------------|
| Personnel Services | 1,272,717 |
| Contractual Services | 170,529 |
| Repairs and Maintenance | 156,328 |
| Gross Receipts Tax | 118,329 |
| Fuel and Oil | 268,267 |
| Insurance | 101,228 |
| Utilities | 32,761 |
| Office | 48,878 |
| Equipment Rentals | 70,621 |
| Professional Services | 59,648 |
| Other Operating Expenses | 86,438 |
| Depreciation | <u>555,312</u> |
| Total Operating Expenditures | <u>2,941,056</u> |

Total Operating Income (Loss) (214,855)

Non-Operating Revenues (Expenses)

| | |
|---------------------------------------|------------------|
| NMED Grants | 52,688 |
| Environmental Gross Receipts Tax | 201,726 |
| Gain on Sale of Equipment | 6,731 |
| Landfill Closure Costs | (10,138) |
| Interest Income | 1,308 |
| Interest Expense | <u>(182,647)</u> |
| Total Non-operating Revenue (Expense) | <u>69,668</u> |

Change in Net Assets (145,187)

| | |
|--|------------------|
| Net Assets at Beginning of Year | 4,457,817 |
| Restatement | <u>(612,621)</u> |
| Net Assets at Beginning of Year, Restated | <u>3,845,196</u> |

\$ 3,700,009

Net Assets at End of Year

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, 2012**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------------|
| Cash Received From Customers | \$ 2,632,317 |
| Cash Paid To Suppliers | (1,078,319) |
| Cash Paid To Employees | <u>(1,263,679)</u> |
| Net Cash Provided By Operating Activities | <u>290,319</u> |

**CASH FLOWS FROM NONCAPITAL
 FINANCING ACTIVITIES**

| | |
|--|----------------|
| Other Non-Operating Items | (10,138) |
| Receipts of Environmental Gross Receipts Tax | 201,726 |
| Receipts of Grants | <u>52,688</u> |
| Net Cash Provided From Noncapital Financing Activities | <u>244,276</u> |

**CASH FLOWS FROM CAPITAL AND RELATED
 FINANCING ACTIVITIES**

| | |
|--|------------------|
| Principal Paid on Capital Debt | (140,514) |
| Interest Paid on Capital Debt | (182,647) |
| Loan Proceeds NMED | 113,963 |
| Principal Paid on Capital Leases | (256,565) |
| Payments For Capital Acquisitions | <u>(78,108)</u> |
| Net Cash Used For Capital And Related Financing Activities | <u>(543,871)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Proceeds from sale of Capital Assets | 6,731 |
| Interest Income | <u>1,308</u> |
| Net Cash Provided From Investing Activities | <u>8,039</u> |

| | |
|--------------------------|-------------------|
| Net Increase In Cash | (1,237) |
| Cash - Beginning Of Year | <u>429,383</u> |
| Cash - End Of Year | <u>\$ 428,146</u> |

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

| | |
|--|-------------------|
| Operating Income (Loss) | \$ (214,855) |
| Noncash Items in Net Income-Depreciation | |
| Depreciation | 555,312 |
| (Increase) Decrease In: | |
| Accounts Receivable | (93,884) |
| Increase (Decrease) In: | |
| Accounts Payable | 52,927 |
| Accrued Interest | (323) |
| Accrued Payroll Expense | (3,235) |
| Accrued Compensated Absences | <u>(5,623)</u> |
| Net Cash Provided From Noncapital Financing Activities | <u>\$ 290,319</u> |

See accompanying notes to the financial statements

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

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, 2012**

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, 2012**

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, 2012**

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, 2012 were insured (The Dodd Frank Act of 2010 required the FDIC to insure all non-interest bearing accounts until December 31, 2012). The carrying amount of the Authority's deposits with financial institutions was \$145,273 and the balances per the banks was \$249,212 shown as follows. As a result of the requirements of various loan agreements with the New Mexico Finance Authority, The New Mexico State Treasurer holds funds in a trust account in the name of the Authority which is restricted for construction and debt service requirements of the Authority and depository requirements is not required. The total funds held in these trust accounts as of June 30, 2012 was \$281,373. 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 | \$ 2,984 | \$ (258) | \$ - | \$ 2,726 |
| City Bank | Checking | Reserve | 34,487 | - | - | 34,487 |
| City Bank | Checking | Landfill Closure | 12,106 | - | - | 12,106 |
| City Bank | Checking | EGRT | 62,684 | - | 612 | 63,296 |
| City Bank | Checking | Operating | 136,951 | (109,205) | 4,912 | 32,658 |
| Total unrestricted cash | | | 249,212 | (109,463) | 5,524 | 145,273 |
| Restricted Cash: | | | | | | |
| NMFA/NMSTO | Trust | Debt Service | 62,171 | - | 16,816 | 78,987 |
| NMFA/NMSTO | Investment | Construction Res. | 202,386 | - | - | 202,386 |
| Total restricted cash | | | 264,557 | - | 16,816 | 281,373 |
| Total cash on deposit | | | \$ 513,769 | \$ (109,463) | \$ 22,340 | 426,646 |
| Petty cash | | | | | | 1,500 |
| Total cash on hand and on deposit | | | | | | \$ 428,146 |

The total deposits at a local bank as of June 30, 2012 amounted to \$249,212. The amount in excess of the insurance provided by the FDIC was \$0.

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 FDIC Insurance the Authority has no credit risk at June 30, 2012.

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2012

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, 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 | \$ 38,050 | \$ - | \$ 869,940 |
| Construction in progress | - | - | - | - |
| Total capital assets not being depreciated | <u>831,890</u> | <u>38,050</u> | <u>-</u> | <u>869,940</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 5,406,032 | 29,200 | - | 5,435,232 |
| Furniture and equipment | 66,852 | - | 23,117 | 43,735 |
| Dumpsters and polycarts | 515,910 | - | 82,364 | 433,546 |
| Machinery and Equipment | <u>3,889,259</u> | <u>10,859</u> | <u>381,520</u> | <u>3,518,598</u> |
| Total capital assets being depreciated | <u>9,878,053</u> | <u>40,059</u> | <u>487,001</u> | <u>9,431,111</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 450,344 | 144,247 | - | 594,591 |
| Furniture and equipment | 26,370 | 4,374 | 23,117 | 7,627 |
| Dumpsters and polycarts | 335,412 | 35,658 | 82,364 | 288,706 |
| Machinery and Equipment | <u>2,579,918</u> | <u>371,033</u> | <u>381,520</u> | <u>2,569,431</u> |
| Total accumulated depreciation | <u>3,392,044</u> | <u>555,312</u> | <u>487,001</u> | <u>3,460,355</u> |
| Total capital assets being depreciated, net | <u>6,486,009</u> | <u>(515,253)</u> | <u>-</u> | <u>5,970,756</u> |
| Business-type activity capital assets, net | <u>\$ 7,317,899</u> | <u>\$ (477,203)</u> | <u>\$ -</u> | <u>\$ 6,840,696</u> |

**STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2012**

C. LONG-TERM OBLIGATIONS

Long-term obligations of the Authority are as follows:

| | Balance 6/30/11 | Additions | (Reductions) | Balance 6/30/12 | 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 | 568,372 | - | (23,367) | 545,005 | 27,358 |
| 3.00% Note Payable, payable to NM Environment Consturction Bureau in annual installments beginning October 2013 and matures on October, 2032. | 612,621 | 113,963 | | 726,584 | 27,662 |
| 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>2,120,478</u> | <u>-</u> | <u>(117,147)</u> | <u>2,003,331</u> | <u>121,316</u> |
| Total Long-Term Obligations | <u>\$ 3,301,471</u> | <u>\$ 113,963</u> | <u>\$ (140,514)</u> | <u>\$ 3,274,920</u> | <u>\$ 176,336</u> |

The annual requirements to amortize principal on all debt outstanding as of June 30, 2012, is as follows:

| Fiscal Year | Principal | Interest | Total |
|----------------|----------------------------|--------------------------|----------------------------|
| 2013 | \$ 176,337 | \$ 126,449 | \$ 302,786 |
| 2014 | 183,281 | 118,089 | 301,370 |
| 2015 | 188,316 | 109,250 | 297,566 |
| 2016 | 198,367 | 99,901 | 298,268 |
| 2017 | 171,789 | 90,022 | 261,811 |
| 2017-2021 | 1,144,044 | 298,318 | 1,442,362 |
| 2021-2025 | 1,000,692 | 97,559 | 1,098,251 |
| 2026-2031 | <u>212,094</u> | <u>20,998</u> | <u>233,092</u> |
| | <u>\$ 3,274,920</u> | <u>\$ 960,586</u> | <u>\$ 4,235,506</u> |

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2012

D. CAPITAL LEASES

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

| | Acquisition Date | Cost | Leases Payable 06/30/11 | Lease Payments | New Leases Acquired | Leases Payable 06/30/12 | Due Within One Year |
|-----------------------------|---------------------|---------------------|-------------------------------|---------------------|------------------------|-------------------------------|---------------------------|
| Alf Condor Refuse Truck | 11/1/08 | 232,632 | 107,584 | (48,279) | - | 59,305 | 50,631 |
| 2006 & 2009 Cat Backhoe | 3/10/09 | 107,500 | 74,894 | (21,255) | - | 53,639 | 26,564 |
| Refuse Containers | 3/11/37 | 87,163 | 65,955 | (17,632) | - | 48,323 | 18,658 |
| Truck & Grappler | 1/15/07 | 356,458 | 341,871 | (46,876) | - | 294,995 | 51,939 |
| 2007 Sterling Truck | 7/23/07 | 178,822 | 39,753 | (33,975) | - | 5,778 | 5,778 |
| 8 Compactors | 9/28/07 | 163,144 | 44,511 | (37,649) | - | 6,862 | 6,862 |
| Polycarts, Dumpsters | 8/27/07 | 75,956 | 17,544 | (17,544) | - | - | - |
| 4 Pickups | 11/15/07 | 149,249 | 48,040 | (33,356) | - | 14,684 | 14,684 |
| TOTAL CAPITAL LEASES | | <u>\$ 1,350,924</u> | <u>\$ 740,152</u> | <u>\$ (256,566)</u> | <u>\$ -</u> | <u>\$ 483,586</u> | <u>\$ 175,116</u> |

These leases are accounted for as capital leases. The asset values under the capital leases totaled \$1,347,467. 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, 2012.

| Fiscal Year | Principal | Interest | Total |
|----------------|-------------------|-------------------|-------------------|
| 2013 | 175,115 | 47,909 | 223,024 |
| 2014 | 113,256 | 26,288 | 139,544 |
| 2015 | 73,773 | 16,264 | 90,037 |
| 2016 | 70,651 | 9,265 | 79,916 |
| 2017 | 50,791 | 1,987 | 52,778 |
| | <u>\$ 483,586</u> | <u>\$ 101,713</u> | <u>\$ 585,299</u> |

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2012

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, 2012 was \$51,014.

A summary of changes in this liability are as follows:

| | Balance 6/30/2011 | Adds | Deletions | Balance 6/30/2012 | Due Within One Year |
|----------------------|----------------------|-----------|-----------|----------------------|------------------------|
| Compensated Absences | \$ 51,014 | \$ 46,950 | \$ 52,572 | \$ 45,392 | \$ 45,392 |

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, 2012, 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 \$62,265 at June 30, 2012.

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 \$138,722.

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 \$201,726 in tax collections for the year ended June 30, 2012.

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2012**

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, 2012, 2011, and 2010 were \$50,389, \$ 50,623, and \$45,756, 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.

G. Net Asset Restatement

Net Assets as of June 30, 2011 was restated by the amount of \$612,621 to correct the accounting for loan proceeds which were originally accounted for as grant revenues relating to the New Mexico Environment Department-Construction Bureau loan.

Supplemental Information

State of New Mexico
Greentree Solid Waste Authority
Statement of Revenues, Expenses and Changes in Cash Balance
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2012

| | Original Approved Budget | Final Approved Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------------------|-----------------------------|---------------------|--|
| Revenues | | | | |
| Charges for services | \$ 3,148,079 | \$ 3,372,884 | \$ 2,724,210 | \$ (648,674) |
| State Grants | 51,388 | 51,388 | 37,688 | (13,700) |
| Environmental Gross Receipts | 222,607 | 222,802 | 201,726 | (21,076) |
| Sale of Equipment | 7,000 | 7,000 | 6,731 | (269) |
| Interest Income | 1,073 | 1,073 | 327 | (746) |
| Total Revenues | <u>3,430,147</u> | <u>3,655,147</u> | 2,970,682 | (648,674) |
| Operating Expenditures | | | | |
| Personnel expense | 1,497,971 | 1,497,971 | 1,266,439 | 231,532 |
| Operating expense | 1,183,563 | 1,183,563 | 1,005,807 | 177,756 |
| Capital outlay | 136,919 | 136,919 | 81,794 | 55,125 |
| Debt Service | 720,959 | 720,959 | 617,879 | 103,080 |
| Total Operating Expense | <u>3,539,412</u> | <u>3,539,412</u> | <u>2,971,919</u> | <u>567,493</u> |
| Net Revenue (Expense) | <u>\$ (109,265)</u> | <u>\$ 115,735</u> | (1,237) | <u>\$ (81,181)</u> |
| Cash, Beginning | | | <u>429,383</u> | |
| Cash, Ending | | | <u>\$ 428,146</u> | |
| Reconciliation Budgetary Basis to GAAP | | | | |
| Revenues Budgetary Basis | | | \$ 2,970,682 | |
| Change in accounts receivable | | | 93,883 | |
| Reclass Loan Proceeds | | | <u>(75,912)</u> | |
| Revenues GAAP | | | <u>2,988,653</u> | |
| Expenditures Budgetary Basis | | | 2,971,919 | |
| Reclassification of loan principal | | | (140,514) | |
| Reclassification of capital lease | | | (256,566) | |
| Reclassification of capital outlay | | | (78,108) | |
| Depreciation | | | 555,312 | |
| Change in accounts payable | | | 51,514 | |
| Change in other payables and accruals | | | <u>30,284</u> | |
| Expenditures GAAP | | | <u>3,133,841</u> | |
| Change in Net Assets | | | <u>\$ (145,188)</u> | |

**Dan Austin CPA, PC
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

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, 2012, and have issued our report thereon dated November 28, 2012. 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

Management of the Greentree Solid Waste Authority is responsible for establishing and maintaining effective 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.

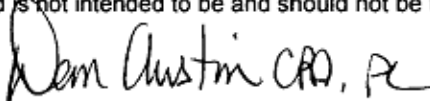
Compliance and Other Matters

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.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings as item 12-1.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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 28, 2012

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY GRANTS
 SCHEDULE OF LEGISLATIVE GRANTS
 JUNE 30, 2012

| Project | Agency | Grant# | Effective Date | Original Amount | Arts In Public Places | Net Amount | Exp to Date | Remaining |
|--------------------|--------|------------|----------------|-----------------|-----------------------|------------|-------------|-----------|
| OC Compactor Sites | NMED | 08-3887-GF | 8/11/2008 | \$ 25,000 | \$ - | \$ 25,000 | \$ 25,000 | \$ - |
| Greentree | NMED | RAID-11-11 | 10/25/2010 | 43,984 | - | 44,680 | 13,019 | 31,661 |
| | | | | | - | - | | - |
| | | | | | - | - | | - |
| | | | | | - | - | | - |
| | | | | | - | - | | - |
| Total: | | | | \$ 68,984 | | \$ 69,680 | | \$ 31,661 |

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS AND OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2012**

Summary of Prior Year Audit Findings

11-A Pay Rate Documentation - Resolved

Summary of Current Year Findings

12-1. Audit Report Submitted Late

Condition: The audit report was not submitted to the New Mexico State Auditor's office by the due date of December 1, 2012.

Criteria: The New Mexico State Auditor requires public entities to submit their audit reports by December 1. If the reports are submitted late, it is considered to be an instance of noncompliance with Subsection A of 2.2.2.9 NMAC.

Cause: The Auditor delivered the report by the due date, However the Office of the State Auditor requested immaterial changes to the report considering it not complete by December 3, 2012 due date.

Effect: Noncompliance with state audit rule.

Recommendation: Complete the audit reports in a timely manner.

Response: The District will submit future audit reports by the due date.

FINANCIAL STATEMENT PREPARATION

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

EXIT CONFERENCE

On December 3, 2012 an exit conference was held at the Authority's offices. Present at the Authority's offices were 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.