

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

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
JUNE 30, 2013**

Dan Austin CPA, PC
Certified Public Accountants

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 TABLE OF CONTENTS
 JUNE 30, 2013

	<u>Page</u>
Table of Contents	1
INTRODUCTORY SECTION	
Official Roster	3
FINANCIAL SECTION	
Independent Auditors' Report	5
Management's Discussion And Analysis	7-9
(Required Supplementary Information)	
BASIC FINANCIAL STATEMENTS	
Statement of Net Position- Proprietary Funds	11-12
Statement of Revenues, Expenses And Changes In Fund Net Position- Proprietary Funds	13
Statement of Cash Flows	14
Statement of Budgeted And Actual Revenues And Expenditures (Non-GAAP Budgetary Basis)	15
Notes to The Basic Financial Statements	16
Other Reports and Disclosures	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	25
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	27

INTRODUCTORY SECTION

STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
OFFICIAL ROSTER
June 30, 2013

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

FINANCIAL SECTION

Independent Auditors' Report

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

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities Greentree Solid Waste Authority as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise Greentree Solid Waste Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Greentree Solid Waste Authority as of June 30, 2013, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 7-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, We have also issued a report dated November 19, 2013, on my consideration of Greentree Solid Waste Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Greentree Solid Waste Authority's internal control over financial reporting and compliance.



November 19, 2013

**State of New Mexico
Greentree Solid Waste Authority
Management Discussion and Analysis
June 30, 2013**

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, 2013. All amounts, unless otherwise indicated, are expressed in dollars.

USING THIS ANNUAL REPORT

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

Management's Discussion and Analysis

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

Special-Purpose Government

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

Budgetary Comparisons

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

Notes to the Financial Statements

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

FINANCIAL HIGHLIGHTS

The fiscal year ended June 30, 2013 saw the Authority suffer through difficult economic period due to an overall sluggish economy and a significant reduction in the Authority customer base due to the Little Bear Fire and over 1,100 customers in the Alto Lakes Water and Sanitation District area being allowed to withdraw from the collection services with the approval of the Lincoln County. Lincoln County is an original member of the Joint Powers agreement which formed the Authority in 1991. The Authority has entered into litigation to resolve issues with Lincoln County. See note 4-F on page 24 for more information.

As a result of the decreased cash flow, current assets of the Greentree Solid Waste Authority decreased from \$762,133 at June 30, 2012 to \$609,852 on June 30, 2103. At the close of the fiscal year, the net position of the Authority decreased \$291,566 to \$3,408,443. Total assets amounted to \$7,071,531 while total liabilities were \$3,663,088..

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position: Below is a summary of the Authority's net position for the fiscal years ending June 30, 2013 & 2012. There have been significant changes to assets, liabilities and net position as compared to the prior year as a result of various construction and debt acquisition activities. See pages 11 and 12 and the notes to the financial statements for a more detailed look at the Statement of Net Position of the Greentree Solid Waste Authority

	Business Type Activities	
	<u>2013</u>	<u>2012</u>
Current Assets	\$ 609,852	\$ 762,133
Capital Assets	6,404,595	6,840,696
Other Non-current Assists	<u>57,084</u>	<u>57,159</u>
Total Assets	\$ 7,071,531	\$ 7,659,988
Current Liabilities	\$ 488,229	\$ 552,923
Long-term Liabilities	<u>3,174,859</u>	<u>3,407,056</u>
Total Liabilities	\$ 3,663,088	\$ 3,959,979
Net Position:	\$ 2,920,574	\$ 3,547,899
Invested in Capital Assets	202,249	201,521
Restricted Capital Projects	227	95,778
Restricted Debt Service	<u>285,393</u>	<u>-</u>
Unrestricted	<u>\$ 3,408,443</u>	<u>\$ 3,845,196</u>
Total Net Position		

Statement of Revenues, Expenses and Changes in Net Positions: The following represents the revenues and expenses for fiscal years ended June 30, 2013 & 2012 See page 13 for a more detailed look at the Statement of Revenues, Expenses, and Changes in Net Position.

	Business Type Activities	
	<u>2013</u>	<u>2012</u>
Revenues:	\$ 2,431,404	\$ 2,726,201
Operating Revenues	22,601	52,688
Capital Grants	209,941	201,726
Environmental Gross Receipts	<u>3,117</u>	<u>8,039</u>
Other	<u>\$ 2,667,063</u>	<u>\$ 2,988,654</u>
Total Revenues		
Expenses:	2,783,778	2,941,056
Operating Expense	163,787	182,647
Interest Expense	<u>11,064</u>	<u>10,138</u>
Landfill closures	<u>2,958,629</u>	<u>3,133,841</u>
Total Expenses	(291,566)	(145,187)
Increase in Net Assets		
Net Position:	<u>3,700,009</u>	<u>3,845,196</u>
Net Position-beginning	<u>\$ 3,408,443</u>	<u>\$ 3,700,009</u>
Net Position-ending		

BUDGETARY HIGHLIGHTS

The most significant differences between the final amended budget and the actual revenues were Charges for Services which were \$358,236 less than budgeted revenues. Expenditures were less than budgeted expenses by \$547,406 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 \$293,593. The Authority's operating expenditures for the year ended June 30, 2013 were \$126,843 less than budget. Overall budgeted expenditures exceeded revenues by \$133,187.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Authority's investment in capital assets for its business-type activity as of June 30, 2013 amounts to \$6,404,595 (net of accumulated depreciation). This investment in capital assets consists mainly of land, heavy trucks and other equipment. The Authority completed the various final construction issues on of its operational facility. The facility is fully functional at the end of the current year..

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

Long-Term Debt: At the end of the current fiscal year, the Authority had total long-term debt including capital leases outstanding less the current portion of debt outstanding as of June 30, 2013 was \$3,174,859.

The Authority's total long-term debt as decreased as the result of debt service requirements during the current fiscal year. Principal debt paid during the current year was \$274,487.

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

ANALYSIS OF FINANCIAL POSITION

As a result of an decrease in net position from current year operations of \$291,566, Net Position decreased to \$3,408,443 or 49% of total assets of \$7,71,531.

Current assets decreased by \$152,281. The majority of this decrease was from an decrease in cash on hand at year end.

Total operational revenues decreased \$294,797,517 or 11%. as a result of decrease in the customer base of the Authority. Operational expenditures decreased by \$175,212 or 6% primarily related to the decrease in personnel costs.

The Authority received capital grants of \$22,601 for various agencies of the State of New Mexico for capital expenditures relating to the operations of the Authority.

Future Trends

The Greentree Solid Waste Authority Board of Directors and staff will continue to provide quality service to its customer base. Litigation issues will make future planning difficult until all issues are resolved with Lincoln County and the Joint Powers Agreement.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Greentree Solid Waste Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Greentree Solid Waste Authority, PO Box 2405, Ruidoso Downs, New Mexico 88346.

Basic Financial Statements

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2013

ASSETS

CURRENT ASSETS

Cash-unrestricted	\$	92,483	
Cash-restricted for construction		202,249	
Cash-restricted for debt service		<u>227</u>	294,959
Customer Accounts Receivable		864,678	
Allowance For Doubtful Accounts		<u>(549,785)</u>	<u>314,893</u>
Total Current Assets			<u>609,852</u>

NON CURRENT ASSETS

Investment in Regional Landfill			57,084
Capital Assets	\$	10,369,696	
Less: Accumulated Depreciation		<u>(3,965,101)</u>	<u>6,404,595</u>
Total Noncurrent Assets			<u>6,461,679</u>
Total Assets			<u>\$ 7,071,531</u>

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

STATE OF NEW MEXICO
 GREENTREE SOLID WASTE AUTHORITY
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 June 30, 2013

LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	\$ 115,399
Accrued Payroll Tax	3,904
Accrued Interest	13,791
Accrued Payroll Expense	10,276
Accrued Compensated Absences	35,697
Current Portion of Long-Term Debt	<u>309,162</u>
Total Current Liabilities	<u>488,229</u>
NONCURRENT LIABILITIES	
Notes Payable	3,149,819
Capital Leases Payable	334,202
Less: Current Portion of Long Term Debt (above)	<u>(309,162)</u>
Total Noncurrent Liabilities	<u>3,174,859</u>
Total Liabilities	<u>3,663,088</u>
NET POSITION	
Net Investment in Capital Assets	2,920,574
Restricted for Capital Projects	202,249
Restricted for Debt Service	227
Unrestricted	<u>285,393</u>
Total Net Position	<u>3,408,443</u>
Total Liabilities And Net Position	<u>\$ 7,071,531</u>

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

State of New Mexico
Greentree Solid Waste Authority
Statement of Revenues, Expenses and Changes
In Nets Position – Proprietary Fund
June 30, 2013

Operating Revenues	
Sales and Services	\$ 2,431,404
Total Operating Revenues	<u>2,431,404</u>
Operating Expenses	
Personnel Services	1,139,771
Contractual Services	215,307
Repairs and Maintenance	125,109
Gross Receipts Tax	108,186
Fuel and Oil	270,702
Insurance	123,954
Utilities	39,059
Office	36,545
Equipment Rentals	37,136
Professional Services	89,854
Other Operating Expenses	93,409
Depreciation	<u>504,746</u>
Total Operating Expenditures	<u>2,783,778</u>
Total Operating Income (Loss)	<u>(352,374)</u>
Non-Operating Revenues (Expenses)	
NMED Grants	22,601
Environmental Gross Receipts Tax	209,941
Gain on Sale of Equipment	2,156
Landfill Closure Costs	(11,064)
Interest Income	961
Interest Expense	<u>(163,787)</u>
Total Non-operating Revenue (Expense)	<u>60,808</u>
Change in Net Assets	(291,566)
Net Position at Beginning of Year	<u>3,700,009</u>
Net Position at End of Year	<u>\$ 3,408,443</u>

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

State of New Mexico
Greentree Solid Waste Authority
Statement of Cash Flows
For The Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 2,449,068
Cash Paid To Suppliers	(1,137,953)
Cash Paid To Employees	<u>(1,161,978)</u>
Net Cash Provided By Operating Activities	<u>149,137</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Non-Operating Items	(11,064)
Receipts of Environmental Gross Receipts Tax	209,941
Receipts of Grants	<u>22,601</u>
Net Cash Provided From Noncapital Financing Activities	<u>221,478</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Capital Debt	(125,102)
Interest Paid on Capital Debt	(163,787)
Principal Paid on Capital Leases	(149,385)
Payments For Capital Acquisitions	<u>(68,645)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(506,919)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of Capital Assets	2,156
Interest Income	<u>961</u>
Net Cash Provided From Investing Activities	<u>3,117</u>
Net Increase In Cash	(133,187)
Cash - Beginning Of Year	<u>428,146</u>
Cash - End Of Year	<u>\$ 294,959</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (352,374)
Noncash Items in Net Income-Depreciation	
Depreciation	504,746
(Increase) Decrease In:	
Accounts Receivable	19,095
Deposits	74
Increase (Decrease) In:	
Accounts Payable	2,565
Accrued Interest	(1,390)
Accrued Payroll Tax	3,904
Accrued Payroll Expense	(17,788)
Accrued Compensated Absences	<u>(9,695)</u>
Net Cash Provided From Noncapital Financing Activities	<u>\$ 149,137</u>

The accompanying notes are an integral part of these financial statements

**State of New Mexico
Greentree Solid Waste Authority
Statement of Revenues, Expenses and Changes in 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	\$ 2,942,564	\$ 2,809,949	\$ 2,451,713	\$ (358,236)
State Grants	185,101	185,101	22,601	(162,500)
Environmental Gross Receipts	213,121	213,121	209,941	(3,180)
Sale of Equipment	7,000	7,000	2,156	(4,844)
Interest Income	873	995	961	(34)
Total Revenues	<u>3,348,659</u>	<u>3,216,166</u>	<u>2,687,372</u>	<u>(528,794)</u>
Operating Expenditures				
Personnel expense	1,499,246	1,327,125	1,160,375	166,750
Operating expense	1,186,250	1,256,246	1,129,403	126,843
Capital outlay	291,919	281,994	93,212	188,782
Debt Service	515,306	502,600	437,569	65,031
Total Operating Expense	<u>3,492,721</u>	<u>3,367,965</u>	<u>2,820,559</u>	<u>547,406</u>
Net Revenue (Expense)	<u>\$ (144,062)</u>	<u>\$ (151,799)</u>	<u>(133,187)</u>	<u>\$ 18,612</u>
Cash, Beginning			<u>428,146</u>	
Cash, Ending			<u>\$ 294,959</u>	
Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis			\$ 2,687,372	
Change in accounts receivable			<u>(19,095)</u>	
Revenues GAAP			<u>2,668,277</u>	
Expenditures Budgetary Basis			2,820,559	
Reclassification of loan principal			(125,102)	
Reclassification of capital lease			(149,385)	
Reclassification of capital outlay			(68,645)	
Depreciation			504,746	
Change in accounts payable			2,565	
Change in other payables and accruals			<u>(24,895)</u>	
Expenditures GAAP			<u>2,959,843</u>	
Change in Net Position			<u>\$ (291,566)</u>	

The accompanying notes are an integral part to the financial statements.

NOTE 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

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

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

Greentree Solid Waste Authority did not have any component units during the fiscal year ended June 30, 2013.

B. Business-Type Activities

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

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

**State of New Mexico
Greentree Solid Waste Authority
Notes to the Financial Statements
June 30, 2013**

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

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

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

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

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

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

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

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

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

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

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

D. Assets, Liabilities and Net Position or Equity

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

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

State of New Mexico
 Greentree Solid Waste Authority
 Notes to the Financial Statements
 June 30, 2013

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

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

Accounts Receivable: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The receivables due at June 30, 2013 consist of customer sales for various services related to the disposal of various types of solid waste disposal. Allowances for delinquent accounts is reported on the face of the basic financial statements. The Authority has the option to collect delinquent accounts by filing liens against various properties associated with the services provided or filing civil actions against property owners.

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

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

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

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

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

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

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

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

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

**State of New Mexico
Greentree Solid Waste Authority
Notes to the Financial Statements
June 30, 2013**

E Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority pays an annual premium for all of the above risks. There have been no claims for the past five years.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The budget for the Enterprise Fund is prepared by management and is approved by the Board of Directors.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditure may not exceed the budget on a per fund basis, i.e., total budgeted expenditure must be within total budgeted amounts. Budgets may be amended in one way. If a budget transfer is necessary within a major category called a "resolution," this may be accomplished with only Board of Directors approval.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before July 1 of each year, the Board of Directors, approves and certifies to the estimated operating budgets for use by the local board pending final approval from the State of New Mexico.
2. The State of New Mexico approves the budget for the Authority to utilize during the year.
3. Budget adjustments may be made during the year. The Board of Directors approves budget resolutions to increase or decrease revenue and/or expenditure line items during the year.

NOTE 3. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

A. CASH

The Authority's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts and certificates of deposit. The carrying amount of the Authority's deposits with financial institutions was \$293,459 and the balances per the banks was \$341,500 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, 2013 was \$202,249. These funds are not subject to deposit security requirements. The following is summary of the cash deposits of the Authority:

State of New Mexico
 Greentree Solid Waste Authority
 Notes to the Financial Statements
 June 30, 2013

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items		Balance Per Financial Statements
				Outstanding Checks	Deposits	
Unrestricted Cash:						
City Bank	Checking	Recycling	\$ 3,827	\$ (164)	\$ -	\$ 3,663
City Bank	Checking	Reserve	5,550	-	-	5,550
City Bank	Checking	Landfill Closure	14,625	-	-	14,626
City Bank	Checking	EGRT	36,277	-	10,103	46,380
City Bank	Checking	Direct Deposit	15	-	-	15
City Bank	Checking	Operating	78,956	(57,980)	-	20,976
Total unrestricted cash			<u>139,250</u>	<u>(58,144)</u>	<u>10,103</u>	<u>91,210</u>
Restricted Cash:						
NMFA/NMSTO	Trust	Debt Service	227	-	-	227
NMFA/NMSTO	Investment	Construction Res.	202,022	-	-	202,022
Total restricted cash			<u>202,249</u>	<u>-</u>	<u>-</u>	<u>202,249</u>
Total cash on deposit			<u>\$ 341,499</u>	<u>\$ (58,144)</u>	<u>\$ 10,103</u>	<u>293,459</u>
Petty cash						<u>1,500</u>
Total cash on hand and on deposit						<u>\$ 294,959</u>

The total deposits at a local bank as of June 30, 2013 amounted to \$139,250. These deposits were insured by the FDIC.

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, 2013.

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 869,940	\$ -	\$ -	\$ 869,940
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>869,940</u>	<u>-</u>	<u>-</u>	<u>869,940</u>
Capital assets being depreciated:				
Buildings and improvements	5,435,232	68,644	-	5,503,876
Furniture and equipment	43,736	-	-	43,736
Dumpsters and polycarts	433,546	-	-	433,546
Machinery and Equipment	3,518,598	-	-	3,518,598
Total capital assets being depreciated	<u>9,431,112</u>	<u>68,644</u>	<u>-</u>	<u>9,499,756</u>
Less accumulated depreciation for:				
Buildings and improvements	594,591	149,473	-	744,064
Furniture and equipment	7,627	4,374	-	12,001
Dumpsters and polycarts	288,706	20,048	-	308,754
Machinery and Equipment	2,569,431	330,851	-	2,900,282
Total accumulated depreciation	<u>3,460,355</u>	<u>504,746</u>	<u>-</u>	<u>3,965,101</u>
Total capital assets being depreciated, net	<u>5,970,757</u>	<u>(436,102)</u>	<u>-</u>	<u>5,534,655</u>
Business-type activity capital assets, net	<u>\$ 6,840,697</u>	<u>\$ (436,102)</u>	<u>\$ -</u>	<u>\$ 6,404,595</u>

State of New Mexico
 Greentree Solid Waste Authority
 Notes to the Financial Statements
 June 30, 2013

C. LONG-TERM OBLIGATIONS

Long-term obligations of the Authority are as follows:

	Balance 6/30/12	Additions	(Reductions)	Balance 6/30/13	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	545,005	-	(20,502)	524,503	29,046
3.00% Note Payable, payable to NM Environment Consturction Bureau in annual installments beginning October 2013 and matures on October, 2032.	726,584	16,716		743,300	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>2,003,331</u>	<u>-</u>	<u>(121,316)</u>	<u>1,882,015</u>	<u>125,743</u>
Total Long-Term Obligations	<u>\$ 3,274,920</u>	<u>\$ 16,716</u>	<u>\$ (141,818)</u>	<u>\$ 3,149,818</u>	<u>\$ 182,451</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2013, is as follows:

Fiscal Year	Principal	Interest	Total
2014	\$ 182,451	\$ 118,089	\$ 300,540
2015	187,461	109,250	296,711
2016	197,487	99,901	297,388
2017	209,105	90,022	299,127
2018	219,552	82,612	302,164
2019-2023	1,348,016	258,976	1,606,992
2024-2028	576,937	69,446	646,383
2029-2032	<u>228,809</u>	<u>16,976</u>	<u>245,785</u>
	<u>\$ 3,149,818</u>	<u>\$ 845,272</u>	<u>\$ 3,995,090</u>

State of New Mexico
 Greentree Solid Waste Authority
 Notes to the Financial Statements
 June 30, 2013

D. CAPITAL LEASES

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

	Acquisition Date	Cost	Leases Payable 06/30/12	Lease Payments	New Leases Acquired	Leases Payable 06/30/13	Due Within One Year
Alf Condor Refuse Truck	11/1/08	232,632	59,305	(42,025)	-	17,280	17,280
2006 & 2009 Cat Backhoe	3/10/09	107,500	53,639	(21,714)	-	31,925	31,925
Refuse Containers	3/11/37	87,163	48,323	(15,412)	-	32,911	19,657
Truck & Grappier	1/15/07	356,458	294,995	(42,909)	-	252,086	57,849
2007 Sterling Truck	7/23/07	178,822	5,778	(5,778)	-	-	-
8 Compactors	9/28/07	163,144	6,862	(6,862)	-	-	-
4 Pickups	11/15/07	<u>149,249</u>	<u>14,684</u>	<u>(14,684)</u>	-	-	-
TOTAL CAPITAL LEASES		\$ 1,274,968	\$ 483,586	\$ (149,384)	\$ -	\$ 334,202	\$ 126,711

These leases are accounted for as capital leases. The asset values under the capital leases totaled \$1,274,968. 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, 2013.

Fiscal Year	Principal	Interest	Total
2014	126,710	26,987	153,697
2015	77,018	16,264	93,282
2016	70,652	9,265	79,917
2017	<u>59,822</u>	<u>5,824</u>	<u>65,646</u>
	\$ 334,202	\$ 58,340	\$ 392,542

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, 2013 was \$35,697

A summary of changes in this liability are as follows:

	Balance 6/30/2012	Addds	Deletions	Balance 6/30/2013	Due Within One Year
Compensated Absences	\$ 45,392	\$ 38,243	\$ 47,938	\$ 35,697	\$ 35,697

NOTE 4. OTHER NOTES

A. RELATED PARTY TRANSACTIONS

Each of the participants in the joint powers agreement which forms the Authority, submit Environmental Gross Receipts Tax collections to the Authority. The taxes collected for the year ending June 30, 2013, were \$209,941. 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 \$83,404 at June 30, 2013.

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 \$147,457.

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, 2013.

C. 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

**State of New Mexico
Greentree Solid Waste Authority
Notes to the Financial Statements
June 30, 2013**

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, 2013, 2012, and 2011 were \$47,736, \$ 51,908, and \$50,623, 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 \$11,065.

F. PENDING LITIGATION

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

The case was filed on January 9, 2013. In June of 2013, the court granted summary judgment to Defendants. Greentree filed a motion to reconsider, which has been scheduled for a hearing on January 24, 2014.

G. SUBSEQUENT ACCOUNTING STANDARDS PRONOUNCEMENTS

The GASB issued Statement No. 65. *Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position* which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of Net Position by the government that is applicable to a future reporting period, and an acquisition of Net Position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The District has implemented this statement.

Other Reports and Disclosures

**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**

Independent Auditors' Report

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the Greentree Solid Waste Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government *Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities of Greentree Solid Waste Authority as of and for the year ended June 30, 2013, and have issued our report thereon dated November 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greentree Solid Waste Authority internal control over financial reporting as a basis for designing our 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 Greentree Solid Waste Authority internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Greentree Solid Waste Authority 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Greentree Solid Waste Authority financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Greentree Solid Waste Authority internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 19, 2013

**STATE OF NEW MEXICO
GREENTREE SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND OTHER DISCLOSURES
YEAR ENDED JUNE 30, 2013**

Summary of Prior Year Audit Findings

12-1. Audit Report Submitted Late - Resolved

Summary of Current Year Findings

None

FINANCIAL STATEMENT PREPARATION

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

EXIT CONFERENCE

On November 27, 2013 an exit conference was held at the Authority's offices. Present at the Authority's offices were Vice Chairman Sherrill Bradford, 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.