

STATE OF NEW MEXICO
ESTANCIA VALLEY SOLID WASTE AUTHORITY
Independent Auditors' Report and
Annual Financial Statements
June 30, 2008

Calhoon Accounting & Tax Services
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Estancia, New Mexico

4044

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
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June 30, 2008

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STATE AUDITOR

State of New Mexico
ESTANCIA VALLEY SOLID WASTE AUTHORITY
FUNCTION OF ENTITY AND OFFICIAL ROSTER
June 30, 2008

Function of the Entity

The Estancia Valley Solid Waste Authority was formed on June 30, 1996, by Joint Powers Agreement entered into by the Torrance County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, Village of Willard to serve a public use and promote health, safety, prosperity, security and general welfare of the inhabitants of the said Authority. The Special District was created for the purpose of purchasing, acquiring, establishing or construction of a solid waste disposal services to the citizens of the Authority.

BOARD OF DIRECTORS

Bill R. Williams	Chairman
Joe Barnes	Vice Chairman
Shelia Murphy	Secretary
Susan Brazil	Member
Danny Chavez	Member
Joyce Garcia	Member
Larry Irvin	Member
Phillip Johnson	Member
John Phillips	Member
Jeff Snyder	Member
Linda Warren	Member

ADMINISTRATIVE OFFICIALS

Joseph Ellis	General Manager
Danette Cabber	Office Manager
Adrienne Luetjens	Operations Supervisor
Larry Carter	Landfill Supervisor

FINANCIAL SECTION

CALHOON ACCOUNTING & TAX SERVICES
PO BOX 945
ESTANCIA, NEW MEXICO 87016

INDEPENDENT AUDITOR'S REPORT

Mr. Hector H. Balderas, State Auditor
And the Board of Directors
Estancia Valley Solid Waste Authority
Estancia, New Mexico

We have audited the accompanying financial statements of the business type activities of the Estancia Valley Solid Waste Authority as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the budget comparison schedules presented in the supplemental information. These financial statements are the responsibility of the Estancia Valley 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 Estancia Valley 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 Estancia Valley Solid Waste Authority as of June 30, 2008, and the respective changes in financial position and, where applicable, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of each enterprise fund of the Estancia Valley Solid Waste Authority as of June 30, 2008 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 budgetary comparisons referred to above present fairly in all material respects, the respective budgetary comparisons of the Estancia Valley Solid Waste Authority for the year ended June 30, 2008 in conformity with the budgetary basis of accounting as described in Note 1.

The Estancia Valley Solid Waste Authority has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2008 on our consideration of the Estancia Valley 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.

December 1, 2008

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Net Assets
Proprietary Funds
June 30, 2008

	Collection Fund	Landfill Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 126,219	\$ 32,083	\$ 158,302
Investment - Restricted	20,561	271,403	291,964
Receivables, net	64,356	42,904	107,260
Total Current Assets	211,136	3,463,900	557,526
Noncurrent assets:			
Capital assets:			
Equipment	1,244,626	-	1,244,626
Landfill	-	3,194,691	3,194,691
Less: accumulated depreciation	(889,619)	(2,212,242)	(3,101,861)
Total capital assets	355,007	982,449	1,337,456
Total assets	566,143	4,446,349	1,894,982
LIABILITIES			
Current Liabilities:			
Accounts payable	91,417	13,466	104,883
Payroll and sales tax payable	3,493	208	3,701
Accrued compensation	11,738	6,287	18,025
Accrued interest	1,002	-	1,002
Compensated absences	11,233	7,703	18,936
Current Portion of Long-term Debt	96,066	10,301	106,367
Total Current Liabilities	214,949	37,965	252,914
Noncurrent Liabilities			
Accrued landfill closure costs	-	218,200	218,200
Capital leases	11,803	-	11,803
Notes Payable	269,774	64,673	334,447
Less: Current Portion of Long-term Debt	(96,066)	(10,301)	(106,367)
Total Noncurrent Liabilities	185,511	272,572	458,083
Total Liabilities	400,460	310,537	710,997
Net Assets			
Invested in capital assets, net of related debt	109,928	947,638	1,057,566
Unrestricted	55,757	70,662	126,419
Total Net Assets	\$ 165,685	\$ 1,018,300	\$ 1,183,985

See accompanying notes to the financial statements.

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Collection Fund</u>	<u>Landfill Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 798,889	\$ 806,334	\$ 1,605,223
Total Operating Revenues	<u>798,889</u>	<u>806,334</u>	<u>1,605,223</u>
Operating Expenses			
Salaries and benefits	417,990	197,811	615,801
Operating expenses Administration	123,295	48,060	171,355
Operating expenses	314,442	318,708	633,150
Depreciation expense	53,135	214,989	268,124
Total Operating Expenses	<u>908,862</u>	<u>779,568</u>	<u>1,688,430</u>
 Operating Income (Loss)	 (109,973)	 26,766	 (83,207)
Non-Operating Revenues (Expenses)			
Interest income	3,902	2,895	6,797
Environmental gross receipts	155,129	-	155,129
Interest expense	(15,677)	(2,970)	(18,647)
State and Local grant revenue	30,800	-	30,800
Landfill closure costs	-	(21,820)	(21,820)
Total Non-Operating Revenue (Expense)	<u>174,154</u>	<u>(21,895)</u>	<u>152,259</u>
 Net Income (Loss)	 64,181	 4,871	 69,052
 Net Assets, Beginning	 <u>101,504</u>	 <u>1,013,429</u>	 <u>1,114,933</u>
 Net Assets, Ending	 <u><u>\$ 165,685</u></u>	 <u><u>\$ 1,018,300</u></u>	 <u><u>\$ 1,183,985</u></u>

See accompanying notes to the financial statements.

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Cash Flows-Proprietary Funds
For the Year Ended June 30, 2008

	Collection Fund	Landfill Fund	Total
Cash Flows From Operating Activities			
Cash received from customers	\$ 811,627	\$ 882,141	\$ 1,693,768
Cash paid to suppliers and employees	(844,324)	(670,748)	(1,515,072)
Net Cash Provided by Operating Activities	<u>(32,697)</u>	<u>211,393</u>	<u>178,696</u>
Cash Flows From Capital and Related Financing Activities			
Proceeds from loan activities	-	34,812	34,812
Capital grant revenues	30,800	-	30,800
Cash received from taxes	155,129	-	155,129
Interest paid	(15,677)	(2,970)	(18,647)
Principal payments	(109,981)	(16,620)	(126,601)
Net Cash Provided From Financing Activities	<u>60,271</u>	<u>15,222</u>	<u>75,493</u>
Cash Flows From Investing Activities			
Interest earned	3,902	2,895	6,797
Capital outlay	-	(57,612)	(57,612)
Net Cash Provided (Used) For Investing Activities	<u>3,902</u>	<u>(54,717)</u>	<u>(50,815)</u>
Net Increase (Decrease) in Cash	31,476	171,898	203,374
Cash, July 1, 2007	<u>115,304</u>	<u>131,588</u>	<u>246,892</u>
Cash, June 30, 2008	<u>\$ 146,780</u>	<u>\$ 303,486</u>	<u>\$ 450,266</u>
 Reconciliation of Net Income to Net Cash provided by Operating Activities			
Net operating income (loss)	\$ (109,973)	\$ 26,766	\$ (83,207)
 Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation	53,135	214,989	268,124
(Increase) decrease in receivables	12,738	8,674	21,412
Increase (decrease) in accounts payables	13,375	(42,307)	(28,932)
Increase (decrease) in other payables	(1,972)	3,271	1,299
Net cash provided by operating activities	<u>\$ (32,697)</u>	<u>\$ 211,393</u>	<u>\$ 178,696</u>

See accompanying notes to the financial statements.

State of New Mexico
Estancia Valley Solid Waste Authority
Notes to the Financial Statements
June 30, 2008

Note 1. Summary of Significant Accounting Policies

Overview

The Estancia Valley Solid Waste Authority (Authority) was formed on June 30, 1996 by Joint Powers Agreement entered into by the Torrance County, City of Moriarty, Town of Estancia, Town of Mountainair, Village of Encino, and Village of Willard. The purpose of the inter-governmental cooperative agreement was to acquire, construct and operate a comprehensive solid waste landfill disposal system for the citizenry of the Authority.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

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 GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of the criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entities is the existence of special financing relations, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, no potential component units were included in the Authority's reporting entity.

B. Government-wide Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are

supported by taxes and intergovernmental revenue, are reported separately from business-like activities, which rely to a significant extent on fees and charges for services.

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34 Basic Financial Statements-and Management's Discussion and Analysis for State and Local Governments. Certain significant changes in the statement include a change in the financial statement to focus on major funds. This and other changes in the accompanying financial statements including the notes were implemented by the Estancia Valley Solid Waste Authority.

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements 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.

The financial statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating income reported in the financial statements includes revenues and expenses related to the primary and continuing operation of the fund. Principal operating revenues are charges to customers for sales and services. Principal operating expenses are the cost of providing goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements. The Authority receives nonoperating revenue including grants and environmental gross receipts tax which is recorded as revenue when the underlying transaction takes place.

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.

D. Budgets

The Authority, Pursuant to section 6-6-2, NMSA 1978 Compilation, submits to the Local Government Division of the New Mexico Department of Finance and Administration. Budgets are adopted on cash basis. The level of budgetary control is by fund total. Budgetary information is presented as originally adopted and amended, the amendments being adopted in a legally prescribed manner. All appropriations lapse at year-end.

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

Prior to June 1, the Authority's administration submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Prior to July 1, the budget is legally enacted through formal adoption by the Board and then must be approved by Local Government Division of the State Department of Finance and Administration.

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.

Formal budgetary integration is employed as a management control device during the year for the Proprietary Funds.

E. Cash

The Authority maintains cash resources in two demand accounts located in Estancia Valley. The Authority does not currently have cash in excess of FDIC insured amounts or current security pledging requirements. Cash in excess of current requirements may legally be invested in various certificates of deposits and disclosed as a part of cash.

F. Accounts Receivable

All accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

G. Capital Assets

All purchased capital assets are valued at cost. Assets purchased from the joint powers participants were recorded at appraised value. Donated fixed assets, if received, will be valued at their historical value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, improvements, equipment and furnishings in the proprietary fund types is computed using the straight-line method over the estimated useful lives as follows:

Landfill	30 years
Landfill Cell Improvements	3 years
Buildings and improvements	30 years
Equipment and furnishings	7 years
Light vehicles	5 years

The Authority is required to capitalize construction interest in all business type funds. The capitalized interest is depreciated over the useful life of the constructed asset.

The Authority capitalizes all assets purchases or trades with an initial cost of \$5,000 or more.

The Authority capitalizes and depreciates the cost of software over its estimated useful life.

H. Encumbrances

The Authority, at its option, chooses not to utilize a formal encumbrance system for the purpose of reserving fund balances for open purchase orders.

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statements of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

J. Long-term Obligations

Notes payable from cash advances and purchase agreements are reflected as a liability of the fund. On purchase agreements which reflect no interest, the interest was imputed and the liability reflects the net amount. Long-term financing lease purchases are recorded as a fund liability.

K. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from other government entities, customers or other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

L. Interfund Transactions

Interfund transactions within the governmental funds, quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers in the governmental funds. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

The government wide financial statements eliminate all interfund transfers and activity.

Note 2. Cash and Deposit Collateral

The following is a summary of the cash held by the Estancia alley Solid Waste Authority. In accordance with Section 6-10-17, NMSA, 1978 all public entities are required to secure collateralization of deposits in excess of the FDIC insurance amounts. The statute requires that deposits of public monies are to be collateralized in an aggregate amount equal to 50% of deposits in excess of Federal Deposit Insurance Corporation insurance coverage. At June 30, 2008, the Authority had the following deposits at Wells Fargo Bank and the Office of the State Treasurer. Cash accounts of the Estancia Valley Solid Waste Authority at June 30, 2008:

The total deposits with the New Mexico State Treasurer amounted to \$291,964. These funds were in four accounts which are restricted for debt service and are held at the New Mexico state Treasurer in a trust account for the New Mexico Finance Authority for further credit to the Estancia Valley Solid Waste Authority. The New Mexico State Treasurer is responsible for collateralization of these deposits. The funds are secured by the full faith and credit of the State of New Mexico. Please see the audit report for the New Mexico State Treasurer for further details.

The total deposits at Wells Fargo Bank, NM as of June 30, 2008 amounted to \$169,461. The amount in excess of the \$100,000 insurance provided by the FDIC was \$69,461. Wells Fargo Bank was over pledged to state statute by \$90,374. The following is a summary of deposits and investments pledged to the Estancia Valley Solid Waste Authority per state statutes by Wells Fargo Bank:

Depository	Account Type	Balance Per Depository	Reconciling items		Balance Per Financial Statements
			Outstanding Checks	Deposits	
Unrestricted Cash:					
Wells Fargo	Checking	\$163,675	\$ 16,977	\$ 6,914	\$ 153,612
Wells Fargo	Checking	753	-	-	753
Wells Fargo	Checking	<u>5,033</u>	<u>2,362</u>	<u>996</u>	<u>3,667</u>
Total unrestricted cash on deposit		169,461	19,339	7,910	158,032
Petty Cash					<u>270</u>
Total unrestricted cash on hand and on deposit					158,302
Restricted Investments:					
NMFA/NMSTO	Debt Service	68,111	-	-	68,111
NMFA/NMSTO	Debt Service	203,292	-	-	203,292
NMFA/NMSTO	Debt Service	4,325	-	-	4,325
NMFA/NMSTO	Debt Service	<u>16,236</u>	-	-	<u>16,236</u>
Total Investment restricted		<u>\$ 291,964</u>	-	-	<u>\$ 291,964</u>
Total cash and investments on hand and deposit					450,266

The following is a summary of Pledged Collateral as of June 30, 2008:

Wells Fargo Bank:

FNCL 886061	WF-Trust	07/01/36	\$ 49,506	6.00%	\$ 50,075	022396	31410DHJ6
FNCL 895633	WF-Trust	05/01/36	85,279	6.00%	86,258	022032	3141099a4
G2SF 3321	WF-Trust	12/20/32	<u>23,016</u>	6.00%	<u>23,502</u>	006547	36202DVNS
			\$157,801		\$159,835		

Total Deposits	\$ 169,461
Less FDIC Insurance	<u>(100,000)</u>
Uninsured Public Funds	69,461
Pledged Collateral held by the pledging bank's trust department in the Authority's name	<u>159,835</u>
Over insured and collateralized	\$ 90,374

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. The Authority was over insured and collateralized at June 30, 2008.

Note 3. Liability for Compensated Absences

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid on an employee's termination. Amounts accrued as of June 30, 2008 was \$18,936. A summary of changes in this liability are as follows:

	Balance			Balance	Due
	<u>7/1/2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2008</u>	<u>Within One Year</u>
Compensated Absences	\$16,844	\$13,686	\$15,778	\$18,936	\$18,936

Sick leave is also earned by employees based on length of employment during the year and is also non-cumulative. Compensation for sick leave is limited to time-off and is not monetarily compensated.

Note 4. PERA Pension Plan

Plan Description. The Estancia Valley Solid Waste Authority full time employees participate in a public employees retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (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 2123, Santa Fe, NM 87504-2123.

Funding Policy. Plan members are required to contribute 2.15% of their gross salary. The Estancia Valley Solid Waste Authority is required to contribute 16.15% of the gross covered salary.

Contribution requirements of plan members and the Estancia Valley Solid Waste Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the Legislature. The Authority was accepted to participate in the plan in February, 1998. The Estancia Valley Solid Waste Authority's contributions to PERA for those employees covered or the year ended June 30, 2008, 2007, and 2006 was \$61,318, \$60,151, and \$36,831 respectively.

Note 5. Retiree Health Care Act Contributions

The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico. As authorized under Section 9D of Chapter 6, Laws of 1990, the Authority has elected not to participate in the program. Information on the Retiree Health Care Act can be obtained at the Retiree Health Care, 4308 Carlisle Blvd. NE Ste 104, Albuquerque, NM 87109.

Note 6. Landfill Closure Costs

State and Federal laws and regulations require the Estancia Valley Solid Waste Authority place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and post closure costs is based on the amount of the landfill used during the year. Currently, it is estimated that utilized airspace at June 30, 2008 was 54%. The most recent estimated liability for landfill closure and post closure care costs was obtained during the prior fiscal year. The estimated cost for closure and post closure cost were estimated at \$400,510 at the estimated closure date in 2016. The landfill began accepting waste on August 4, 1998.

The Authority accrued \$21,820 in closure costs for the current year. Total accrued liability as of June 30, 2008 was \$218,200 or 54% of the total estimated closure and post closure costs of \$400,510 at the date the landfill is expected to be filled to capacity (2016). The total estimated closure and post closure costs are based on the amount that would be paid if all equipment and facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 1998 and adjusted for any changes including inflation. However, the actual cost of closure and post closure care may vary due to inflation, changes in technology, or changes in landfill laws and regulations.

The Authority is required by state and federal laws and regulations to make annual contributions to finance closure and post closure care. The Authority has currently restricted \$218,200 in cash to fund the current accrued liability. This cash is maintained in a trust with the New Mexico Finance Authority at the New Mexico State Treasurer.

Note 7. Capital Leases

The Authority is obligated under certain lease purchase agreements accounted for as capital leases. The leased assets are included in capital assets on the statement of net assets sheet, and each is depreciated accordingly. The lease obligations are included in the respective liability sections of the balance sheet, with imputed interest reflected as an expense. Assets under capital leases totaled \$163,139. The following is a schedule of changes in liability and future minimum lease payments under capital leases, with initial or remaining lease terms in excess of one year at June 30, 2008.

	<u>Acquisition Date</u>	<u>Cost</u>	<u>Leases Payable 06/30/07</u>	<u>Lease Payments</u>	<u>New Leases Acquired</u>	<u>Leases Payable 06/30/08</u>
2004 Mack Truck	01/09/04	\$105,467	\$34,830	\$(23,027)	0	\$11,803
Roll-Off Containers	12/12/04	<u>57,672</u>	<u>6,851</u>	<u>(6,851)</u>	<u>0</u>	<u>0</u>
Total Capital Leases		\$163,139	\$41,681	\$(29,878)	0	\$11,803

Required capital lease payments:	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	2008	\$11,803	\$175	\$11,978

Note 8. Notes Payable

The following is a summary of Notes Payable:

	<u>Balance 6/30/2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance 6/30/2008</u>	<u>Due Within One Year</u>
Variable interest note payable to the New Mexico Finance Authority, interest payable semi-annually and principal payable annually. Interest rates range from 3.30% to 6.45%, matures May 1, 2009	\$ 135,177	-	\$ (64,016)	\$ 71,161	\$ 71,161
Variable interest note payable to the New Mexico Finance Authority, interest payable semi-annually and principal payable annually. Interest rate is 2.75%. Matures May 1, 2016.	88,963	-	(8,754)	80,209	9,018
Fixed interest note payable to the New Mexico Finance Authority, interest payable semi-annually and principal payable annually. Interest rate is 3.00%. Matures May 1, 2027	84,151	-	(2,245)	81,905	3,297
Fixed interest installment note payable to the New Mexico Taxation and Revenue, payable in 60 variable monthly payments. Interest rate is 8.00%. Matures July 20, 2010.	88,067	-	(21,707)	66,360	22,891
Fixed interest installment note payable to the New Mexico Environment Department, payable in 20 yearly payments. Interest rate is 3%.	-	34,812	-	34,812	-
Total	\$ 396,358	\$ 34,812	\$ (96,722)	\$ 334,447	\$ 106,367

The following is a summary of the debt service requirements for the Notes Payable above as of June 30, 2008:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 106,367	\$ 13,574	\$ 119,941
2010	72,202	9,788	81,990
2011	31,796	5,287	37,083
2012	31,441	3,428	16,869
2013	13,845	3,058	16,903
2014-2018	52,527	8,984	61,511
2019-2023	23,426	4,914	28,340
2024-2028	<u>20,843</u>	<u>1,494</u>	<u>22,337</u>
Total	\$ 334,447	\$ 50,527	\$ 384,974

The Authority entered into an installment agreement in the amount of \$650,000 with the New Mexico Environment Department, payable in 20 yearly payments with a 3% interest rate. The initial payment shall be made one year after the issuance of the final warrant for the loan amount and thereafter on such date until the principal and interest are fully paid; however, repayment shall begin no later than four years after the date of this contract. The loan agreement was entered into on April 30, 2008 to pay for capital landfill closure costs. The first draw of \$34,812 was made on June 26, 2008.

Note 9. Risk Coverage

The Authority is exposed to various risk of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has obtained insurance through a commercial carrier 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.

Note 10. Accounts Receivable

Accounts receivable represent unpaid billings to service recipients. The receivables from the service recipients are provided an allowance for uncollectible accounts based on the status of the receivable. Accounts receivable consisted of the following at June 30, 2008:

	<u>Collection Fund</u>	<u>Landfill Fund</u>	<u>Total Fund</u>
Accounts Receivable	\$ 64,356	\$ 42,904	\$ 107,260
Less: Allowance for Uncollectible Accounts	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	\$ 64,356	\$ 42,904	\$ 107,260

Note 11. Related party Transactions

The County of Torrance obtained a revenue bond in 1993 to open and begin operations of the county landfill. The County of Torrance is responsible for this debt and all members of the Joint powers agreement have pledged environmental gross receipts to service this debt. The County has expended \$1,105,228 to purchase

land, design the landfill and acquire equipment. The amounts expended are considered contributed capital to the Authority. All assets acquired and contributed to the Authority are depreciated over their expected useful lives. The landfill construction was completed and approval was received to open on August 4, 1998. Since the Authority is responsible for the debt, the liability has been recorded on the books of the Authority since July 1, 2000.

Members of the landfill joint powers agreement owed landfill usage fees to the Authority on June 30, 2008 in the amount of \$27,328.

Note 12. Restricted Assets

The Authority established a restricted trust account to accumulate estimated landfill closure costs. The cash balance as of June 30, 2008 was \$203,292. The Authority also established a restricted trust account for capital development. The cash balance as of June 30, 2008 was \$68,111.

As a result of loan agreements, three debt service cash accounts were established to maintain funds to service the two loans from the New Mexico Finance Authority. Cash balances as of June 30, 2008 were \$20,561.

Note 13. Changes in Capital Assets

Business Type Activities:	06/30/2007	Additions	Deletions	06/30/2008
Capital assets being depreciated:				
Collections-Equipment	\$ 832,871	\$ -	\$ -	\$ 832,871
Collections-Waste Stations	325,184	-	-	325,184
Collections-Building	85,546	-	-	85,546
Collections-Other	<u>1,025</u>	<u>-</u>	<u>-</u>	<u>1,025</u>
Total Collections	<u>1,244,626</u>	<u>-</u>	<u>-</u>	<u>1,244,626</u>
Landfill	1,897,255	45,122	-	1,942,376
Landfill Equipment	<u>1,239,824</u>	<u>12,490</u>	-	<u>1,252,314</u>
Total Landfill	<u>3,137,079</u>	<u>57,612</u>	<u>-</u>	<u>3,194,691</u>
Total Capital Assets	4,381,705	57,612	-	4,439,317
Less Accumulated Depreciation:				
Collections-Equipment	(552,961)	(42,147)	-	(595,108)
Collections-Waste Stations	(279,647)	(8,137)	-	(287,784)
Collections-Building	(2,852)	(2,851)	-	(5,703)
Collections-Other	<u>(1,024)</u>	<u>-</u>	<u>-</u>	<u>(1,024)</u>
Total Collections	<u>(836,484)</u>	<u>(53,135)</u>	<u>-</u>	<u>(889,619)</u>
Landfill	(889,155)	(182,482)	-	(1,071,637)
Landfill Equipment	<u>(1,108,098)</u>	<u>(32,507)</u>	<u>-</u>	<u>(1,140,605)</u>
Total Landfill	<u>(1,997,253)</u>	<u>(214,989)</u>	<u>-</u>	<u>(2,212,242)</u>
Total Accumulated Depreciation	(2,833,737)	(268,124)	-	(3,101,861)
Total	\$ 1,547,968	\$ (210,512)	\$ -	\$ 1,337,456

Note 14. Joint Powers Agreement Torrance County/Bernalillo County Landfill

The members of the Authority and County of Bernalillo entered into a joint powers agreement to participate in the construction and operation of the landfill. Bernalillo County agreed to contribute \$633,000 toward the construction and acquisition of equipment. The County of Bernalillo agreed to annually guarantee a certain tonnage in support of the landfill and have the ability to participate in the determination of fees charged for use of the facility. The landfill received final approval to receive waste and opened August 4, 1998.

Note 15. Litigation

The Authority was not involved in any lawsuits at June 30, 2008.

Note 16. State Treasurer Investment Pool

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The Local Government investment Pool is rated AAAM by Standard and Poors. The pool does not have unit shares. Per Section 6-10-10. 1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participating in the local government investment pool is voluntary.

Supplemental Information

State of New Mexico
Estancia Valley Solid Waste Authority
Statement of Revenues, Expenses and Changes in Cash Balance
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2008

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues-Collection				
Charges for collection services	\$ 797,330	\$ 702,065	\$ 811,627	\$ 109,562
Environmental gross receipts tax	0	80,000	155,129	75,129
Grant revenue	30,000	30,000	30,800	800
Interest Income	0	5,000	6,797	1,797
Loan proceeds	0	0	34,812	34,812
Total Revenues-Collection	827,330	817,065	1,039,165	222,100
Operating Revenues-Landfill				
Charges for services	644,000	850,000	882,141	32,141
Grant revenue	0	0	0	0
Total Revenues-Landfill	644,000	850,000	882,141	32,141
Total Revenues	1,471,330	1,667,065	1,921,306	254,241
Operating Expenses-Collection				
Operating expense collection	293,000	328,200	301,758	26,442
Operating expense administration	164,612	186,925	182,715	4,210
Personnel expense	433,448	450,691	415,191	35,500
Capital outlay	3,000	12,500	0	12,500
Total Operating Expense-Collection	894,060	978,316	899,664	78,652
Operating Expenses-Landfill				
Operating expense	368,838	457,238	436,244	20,994
Personnel expense	182,154	193,468	197,811	(4,343)
Capital outlay	10,000	22,500	57,612	(35,112)
Debt Service	15,000	15,000	126,601	(111,601)
Total Operating Expense-Landfill	575,992	688,206	818,268	(130,062)
Total Operating expenses	1,470,052	1,666,522	1,717,932	(51,410)
Excess (Deficiency) of Revenues Over Expenses	\$ 1,278	\$ 543	203,374	\$ 305,651
Cash, Beginning			246,892	
Cash, Ending			\$ 450,266	
Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis	\$ 1,921,306			
Change in Accounts Receivable	(21,412)			
25204 NMFA loan proceeds	(34,812)			
Revenues GAAP	1,865,082			
Expenditures budgetary Basis	1,717,932			
Reclassification of debt service	(126,601)			
Capital Outlay	(57,612)			
Depreciation	268,124			
Landfill closure costs	21,820			
Change in accounts payable	(28,932)			
Change in other payables and accruals	1,299			
Expenditures GAAP	1,796,030			
Change in Net Assets	\$ 69,052			

See accompanying notes to the financial statements.

CALHOON ACCOUNTING & TAX SERVICES
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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
Estancia Valley Solid Waste Authority
Estancia, New Mexico

We have audited the financial statements of the business type activities and the budgetary comparisons for the proprietary funds presented as supplemental information of the Estancia Valley Solid Waste Authority, as of and for the year ended June 30, 2008, which collectively comprise Estancia Valley Solid Waste Authority's basic financial statements and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Estancia Valley solid Waste Authority's 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 of the effectiveness of Estancia Valley Solid Waste Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Estancia Valley Solid Waste Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, item 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be

material weaknesses. However, of the significant deficiencies described above, we consider items 08-01 to be material weaknesses.

Compliance and Other Matters

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

The Estancia Solid Waste 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 Estancia Solid Waste Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the Estancia Solid Waste Authority, the Board of Directors, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Calhoon Accounting & Tax Services

Calhoon Accounting & Tax Services

December 1, 2008

State of New Mexico
Estancia Valley Solid Waste Authority
Schedule of Audit Findings, Other Disclosures and Exit Conference
June 30, 2008

RESOLUTION OF PRIOR YEAR FINDINGS

01-4 Budget Reports and Budget Compliance - Resolved

CURRENT YEAR FINDINGS

08-01 Ineffective oversight by those charged with governance of the entities financial reporting and internal control.

Condition: Employee was stealing cash when receipting from customers and recording the cash transaction as an accounts receivable credit to customers account.

Criteria: Material weakness in internal control due to employee fraud per section 12-6-5 NMSA 1978

Effect: Inaccurate financial records.

Cause: Inadequate accounting procedures for cash receipts and accounts receivable.

Recommendation: Implement accounting procedures that will help prevent and detect further abuse and instances of fraud and theft. Establish control for cash receipts and posting to accounts receivables.

Response:

EVSWA has requested to retain the services of an accounting firm to investigate the alleged occurrence of employee theft. Management has implemented new accounting control procedures to verify that cash has been properly recorded and deposited.

Other Disclosures - The Estancia Valley Solid Waste Authority is responsible for the contents of this report. However, the Authority determined it was more efficient for the financial statements and notes to the financial statements be prepared by the independent certified public accountant performing the audit. The preparation of these financial statements was included as a part of the contract between the IPA and the agency and was approved by the Office of the State Auditor.

An exit conference was held in the offices of the Estancia Valley Solid Waste Authority in Estancia, New Mexico on December 1, 2008. Those attending were Jeff Snyder, Member of the Board, Joseph Ellis, Manager, Danette Cabber, Office Manager and Renea L. Calhoon CPA. The financial statements prepared by the Contract Auditor, the audit report, and findings were discussed.