

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
JUNE 30, 2009**

Dan Austin CPA, PC
Certified Public Accountants

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
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INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
OFFICIAL ROSTER
June 30, 2009**

Dave Parks.	Chairman
Sam Hammons	Vice Chairman
Sherrill Bradford.	Secretary/Treasurer
Ray Dean.	Member
Jeff Kaplan.	Member
Bill Parker.	Member
Rene Olivo	Member
Debra Ingle	Operational Supervisor
Beverly Foote	Personnel Manager/ Financial Coordinator

FINANCIAL SECTION

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Ruidoso, NM 88345
505-257-0081

Independent Auditors' Report

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

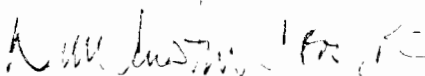
We have audited the accompanying financial statements of the business type activities of the Lincoln County Solid Waste Authority (Authority) as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison statement presented as supplemental information for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Lincoln County 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 Lincoln County 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 Lincoln County Solid Waste Authority as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparison schedules referred to above present fairly, in all material respects, the respective budgetary comparisons of the Lincoln County Solid Waste Authority for the year ended June 30, 2009 in conformity with the budgetary basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2009 on our consideration of the Lincoln County Solid Waste Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The accompanying Schedule of Legislative Grants in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Lincoln County Solid Waste Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



November 30, 2009

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2009**

As management of the Lincoln County Solid Waste Authority, we offer readers of the Lincoln County Solid Waste Authority's financial statements this narrative overview and analysis of the financial activities of the Lincoln County Solid Waste Authority for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in dollars.

FINANCIAL HIGHLIGHTS

The assets of the Lincoln County Solid Waste Authority exceeded liabilities at the close of the most recent fiscal year by \$3,401,610 (net assets).

The Authority's total net assets increased by \$1,022,143 compared to the prior year

USING THIS ANNUAL REPORT

The Authority's 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 24 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets: Below is a summary of the District's net assets for the fiscal years ending June 30, 2009 & 2008. There have been significant changes to assets, liabilities and net assets as compared to the prior year as a result of various construction and debt acquisition activities. See pages 11 and 12 and the notes to the financial statements for a more detailed look at the Statement of Net Assets.

**Lincoln County Solid Waste Authority
Net Assets**

	Business Type Activities	
	<u>2009</u>	<u>2008</u>
Current Assets	\$ 800,314	\$ 654,952
Capital Assets	6,606,317	5,906,576
Other Non-current Assets	57,158	57,158
Total Assets	<u>\$ 7,463,789</u>	<u>\$ 6,618,686</u>
Current Liabilities	\$ 673,912	\$ 706,876
Long-term Liabilities	3,388,267	3,532,343
Total Liabilities	<u>\$ 4,062,179</u>	<u>\$ 4,239,219</u>
Net Assets:		
Invested in Capital Assets	\$ 2,738,185	\$ 1,913,847
Unrestricted	663,425	465,620
Total Net Assets	<u>\$ 3,401,610</u>	<u>\$ 2,379,467</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets: The following represents the revenues and expenses for fiscal years ended June 30, 2009 & 2008 See page 12 for a more detailed look at the Statement of Revenues, Expenses, and Changes in Net Assets.

Lincoln County Solid Waste Authority
Changes in Fund Net Assets

	Business Type Activities	
	<u>2009</u>	<u>2008</u>
Revenues:		
Operating Revenues	\$ 3,490,819	\$ 3,062,833
Capital Grants	949,809	255,890
Environmental Gross Receipts	233,226	243,350
Otero/Lincoln County Landfill	36,231	244,426
Other	5,131	21,208
Total Revenues	<u>\$ 4,715,216</u>	<u>\$ 3,827,707</u>
Expenses:		
Operating Expense	3,418,185	3,379,593
Other Operating	26,710	243,820
Interest Expense	227,333	226,140
Landfill closure	20,845	14,079
Total Expenses	<u>3,693,073</u>	<u>3,863,632</u>
Increase in Net Assets	1,022,143	(35,925)
Net Assets:		
Net assets-beginning	2,379,467	2,415,392
Net assets-ending	<u>\$ 3,401,610</u>	<u>\$ 2,379,467</u>

FUND FINANCIAL ANALYSIS

Business-Type Activity: The focus of the Authority's enterprise funds is to provide information on near-term inflows, outflows and balances of spendable resources. As of year-end, the proprietary fund reported net assets of \$3,401,610. Of this amount, \$2,738,125 is invested in capital assets, net of related debt.

FUND BUDGETARY HIGHLIGHTS

The most significant differences between the original budget and the final amended budget and the actual expenditures were planned grant revenues and capital expenditures were not funded. Operating expense increases including fuel costs had detrimental impact on overall profitability. During the year, personnel and operational expenditures were less than budgetary estimates in the amount of \$229,221. The Authority's operating expenditures for the year ended June 30, 2009 was 3% percent more than the previous year expenditures in the amount of \$132,498.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Authority's investment in capital assets for its business-type activity as of June 30, 2009 amounts to \$5,906,576 (net of accumulated depreciation). This investment in capital assets consists mainly of land, heavy trucks and other equipment. The Authority completed the construction of its new operational facility and placed it in service during the current year. The Authority has expended \$4,022,028 on the project which is included in capital assets on the Statement of Net Assets.

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, 2009 was \$3,388,267.

The Authority's total long-

term debt increased as the result of new equipment acquisitions by \$336,674 during the current fiscal year. Principal debt paid during the current year was \$521,888.

Additional information on the District's long-term debt can be found in Note 4C on pages 21-22 of this report. Information on the Authority's new facility which should be completed in fiscal year 2010 can be found in Note 4B and C on page 20 of this report.

ANALYSIS OF FINANCIAL POSITION

As a result of a change in net assets from operations for the current year in the amount of \$1,022,143, Net Assets decreased to \$3,401,610 or 46% of total assets of \$7,463,789.

Current assets increased by \$18,960. The majority of this increase was from the funds expended for assets related to capital construction.

Total operational revenues increased \$427,986 or 14% as a result of additional services provided to Otero County. Operational expenditures increased by \$38,592.

The Authority received capital grants of \$949,809 for various agencies of the State of New Mexico for capital expenditures relating to the operations of the Authority.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Lincoln County 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 Lincoln County Solid Waste Authority, PO Box 2405, Ruidoso Downs, New Mexico 88346.

Basic Financial Statements

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 STATEMENT OF NET ASSETS PROPRIETARY FUNDS
 June 30, 2009

ASSETS

CURRENT ASSETS

Cash-unrestricted	\$ 318,926
Cash-restricted for construction	201,600
Cash-restricted for debt service	<u>94,796</u>
Total Cash	615,322
Customer Accounts Receivable, Net of Allowance For Doubtful Accounts	<u>184,992</u>
 Total Current Assets	 <u>800,314</u>

NON CURRENT ASSETS

Investment in Regional Landfill	57,083
Utility Deposit	75
Capital Assets	9,072,702
Less Allowance For Depreciation	<u>(2,466,385)</u> <u>6,606,317</u>
 Total Noncurrent Assets	 <u>6,663,475</u>
 Total Assets	 <u>\$ 7,463,789</u>

See accompanying notes to the financial statements

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 STATEMENT OF NET ASSETS PROPRIETARY FUNDS
 June 30, 2009

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 76,366
Accrued Interest	17,334
Accrued Payroll Expense	36,246
Accrued Compensated Absences	64,102
Current Portion of Long Term Liabilities	<u>479,864</u>

Total Current Liabilities	<u>673,912</u>
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NONCURRENT LIABILITIES

Notes Payable	2,953,009
Capital Leases Payable	915,122
Less: Current Portion of Long Term Debt (above)	<u>(479,864)</u>

Total Noncurrent Liabilities	<u>3,388,267</u>
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Total Liabilities	<u>4,062,179</u>
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	2,738,185
Unrestricted	<u>663,425</u>

Total Net Assets	<u>3,401,610</u>
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Total Liabilities And Net Assets	<u>\$ 7,463,789</u>
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See accompanying notes to the financial statements

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET ASSETS PROPRIETARY FUNDS
 For The Year Ended June 30, 2009

OPERATING REVENUES

Sales And Services	\$ 3,490,819
Total Operating Revenues	<u>3,490,819</u>

OPERATING EXPENSES

Personal Services	1,597,531
Contractual Services	395,222
Repairs and Maintenance	216,354
Gross Receipts Tax	110,721
Fuel & Oil	293,019
Insurance	155,272
Utilities	32,891
Office	37,330
Equipment Rentals	20,156
Professional Services	33,262
Other Operating Expenses	68,006
Depreciation	<u>458,421</u>
Total Operating Expenses	<u>3,418,185</u>

Operating Income (Loss)	<u>72,634</u>
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NONOPERATING REVENUES (EXPENSES)

NMED Grants	949,809
Environmental Gross Receipts Tax	233,226
Lincoln/Otero County Landfill Authority Receipts	36,231
Landfill Closure Costs	(20,845)
Miscellaneous	(26,710)
Interest Income	5,131
Interest Expense	<u>(227,333)</u>
Total Nonoperating Revenues (Expenses)	<u>949,509</u>

Change in Net Assets	1,022,143
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Net Assets At Beginning Of Year	<u>2,379,467</u>
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Net Assets At End Of Year	<u>\$ 3,401,610</u>
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See accompanying notes to the financial statements

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 STATEMENT OF CASH FLOWS
 For The Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Customers	\$ 3,462,705
Cash Paid To Suppliers	(1,380,264)
Cash Paid To Employees	<u>(1,580,784)</u>
Net Cash Provided By Operating Activities	<u>501,657</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Other Non-Operating Items	4,448
Receipts of Environmental Gross Receipts Tax	233,226
Payments from Lincoln/Otero County Landfill Authority	36,231
Payments to Regional Landfill	(20,845)
Receipts of Grants	<u>949,809</u>
Net Cash Provided From Noncapital Financing Activities	<u>1,202,869</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal Paid on Capital Debt	(131,966)
Interest Paid on Capital Debt	(225,781)
Proceeds from Lease Purchase Agreements	340,132
Principal Paid on Capital Leases	(389,922)
Payments For Capital Acquisitions	<u>(1,263,862)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(1,671,399)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds frm sale of capital assets	78,990
Interest Income	<u>5,131</u>
Net Cash Provided From Investing Activities	<u>84,121</u>

Net Increase In Cash	117,248
Cash - Beginning Of Year	<u>498,078</u>
Cash - End Of Year	<u>\$ 615,326</u>

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

Operating Income (Loss)	\$ 72,634
Noncash Items in Net Income-Depreciation	
Depreciation	452,421
(Increase) Decrease In:	
Accounts Receivable	(28,114)
Increase (Decrease) In:	
Accounts Payable	(10,479)
Accrued Interest	(1,552)
Accrued Payroll Expense	10,913
Accrued Compensated Absences	<u>5,834</u>
Net Cash Provided From Noncapital Financing Activities	<u>\$ 501,657</u>

See accompanying notes to the financial statements

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

NOTE 1. FUNCTION OF THE ENTITY

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Authority is a special-purpose government created pursuant to a joint powers agreement and is comprised of an appointed Board of Directors. The officers of the Authority are elected annually. The Authority is a governmental subdivision of the State of New Mexico and a body with all the powers of a public or quasi-municipal corporation and these financial statements include all funds and activities over which the Authority board of directors have oversight responsibility. The board of directors have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. The Authority is not included in any other governmental reporting entity as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

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

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

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

definition are reported as non-operating revenues and expenses. Grant revenues are recognized when all of the eligibility requirements have been met.

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

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

C. BASIS OF ACCOUNTING

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

Accrual

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

D. USE OF ESTIMATES

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

E. ENCUMBRANCES

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

F. FINANCIAL STATEMENTS AMOUNTS

1. Cash

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

2. Accounts Receivable

Accounts receivable consists of revenue earned from sales to customers. The Authority has the option of collecting delinquent receivables by filing a lien against properties with delinquent accounts or filing a civil action against the delinquent property owners. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The reserve for uncollectible accounts was \$242,421.

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

3. Capital Assets

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

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

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

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

4. Compensated Absences

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

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

5. Equity Classifications

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

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

A. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

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

NOTE 4. DETAIL NOTES ON ACCOUNTS AND TRANSACTION CLASSES

A. CASH

The Authority's policy is to limit cash deposits to insured and/or collateralized demand deposit accounts and certificates of deposit. All bank balances or deposits as of June 30, 2009 were insured or collateralized with irrevocable standby letters of credit issued to the Authority in accordance with state statutes. The carrying amount of the Authority's deposits with financial institutions was \$317,925 and the balances per the banks were \$383,301 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.

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

The total funds held in these trust accounts as of June 30, 2009 was \$296,397. These funds are not subject to deposit security requirements. The following is summary of the cash deposits of the Authority:

Unrestricted Cash:

City Bank	Checking	Recycling	\$ 1,872	\$ (87)	\$ -	\$ 1,785
City Bank	Checking	Reserve	74,794	-	-	74,794
City Bank	Checking	Landfill Closure	8,095	-	-	8,095
City Bank	Checking	EGRT	126,438	(50,602)	1,253	77,089
City Bank	Checking	Operating	171,811	(86,466)	70,817	156,162
Total unrestricted cash			<u>383,010</u>	<u>(137,155)</u>	<u>72,070</u>	<u>317,925</u>

Restricted Cash:

NMFA/NMSTO	Trust	Debt Service	94,797	-	-	94,797
NMFA/NMSTO	Investment	Construction Res.	201,600	-	-	201,600
Total restricted cash			<u>296,397</u>	<u>-</u>	<u>-</u>	<u>296,397</u>
Total cash on deposit			<u>\$ 679,407</u>	<u>\$ (137,155)</u>	<u>\$ 72,070</u>	<u>\$ 614,322</u>
Petty cash						<u>1,000</u>
Total cash on hand and on deposit						<u>\$ 615,322</u>

The total deposits at City Bank New Mexico as of June 30, 2009 amounted to \$383,010. The amount in excess of the \$250,000 insurance provided by the FDIC was \$133,010. The following irrevocable letters of credit held in the name of the Authority by the Federal Home Loan Bank of Dallas, issued to the Authority as beneficiary, to secured these deposits as required by state statute:

Description	Beneficiary	Custodian	Maturity	Amount
LOC 9932000475	LCSWA	FHLB Dallas	9/29/2010	\$ 150,000
		Total FMV of Collateral		150,000
		Total Deposits	\$ 383,010	
		Less: FDIC Insurance	(250,000)	
		Uninsured Deposits	133,010	
		Required Pledge	50%	66,505
		Pledge Over (Short)	Pledge Over (Short)	\$ 83,495

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 deposit policy for custodial credit risk. As a result of the excess collateral held in the Authority's name it has no credit risk at June 30, 2009.

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2009

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 831,890	\$ -	\$ -	\$ 831,890
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>831,890</u>	<u>-</u>	<u>-</u>	<u>831,890</u>
Capital assets being depreciated:				
Buildings and improvements	3,307,000	785,335	-	4,092,335
Furniture and equipment	25,627	-	-	25,627
Dumpsters and polycarts	428,747	-	-	428,747
Machinery and Equipment	<u>3,530,092</u>	<u>478,527</u>	<u>314,516</u>	<u>3,694,103</u>
Total capital assets being depreciated	<u>7,291,466</u>	<u>1,263,862</u>	<u>314,516</u>	<u>8,240,812</u>
Less accumulated depreciation for:				
Buildings and improvements	107,915	87,736	-	195,651
Furniture and equipment	19,433	251	-	19,684
Dumpsters and polycarts	214,784	26,957	-	241,741
Machinery and Equipment	<u>1,874,648</u>	<u>343,477</u>	<u>208,816</u>	<u>2,009,309</u>
Total accumulated depreciation	<u>2,216,780</u>	<u>458,421</u>	<u>208,816</u>	<u>2,466,385</u>
Total capital assets being depreciated, net	<u>5,074,686</u>	<u>805,441</u>	<u>105,700</u>	<u>5,774,427</u>
Business-type activity capital assets, net	<u>\$ 5,906,576</u>	<u>\$ 805,441</u>	<u>\$ 105,700</u>	<u>\$ 6,606,317</u>

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

C. LONG-TERM OBLIGATIONS

Long-term obligations of the Authority are as follows:

	Balance 6/30/08	Additions	(Reductions)	Balance 6/30/09	Due Within One Year
6.0% Note Payable, payable to City Bank in monthly installments of \$2,204.67, secured by Freightliner Truck, matures January 26, 2009	5,183	-	(5,183)	-	-
6.0% Note Payable, payable to City Bank in monthly installments of \$4,774.94, secured by real estate, matures September 5, 2008	630,228	-	(20,554)	609,674	77,943
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>2,449,564</u>	-	<u>(106,229)</u>	<u>2,343,335</u>	<u>109,615</u>
Total Long-Term Obligations	<u>\$ 3,084,975</u>	<u>\$ -</u>	<u>\$ (131,966)</u>	<u>\$ 2,953,009</u>	<u>\$ 187,558</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2009, are as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 187,558	\$ 121,237	\$ 308,795
2010	166,966	114,848	281,814
2011	174,094	108,016	282,110
2012	181,681	100,733	282,414
2013	189,729	92,998	282,727
2014-2018	1,001,322	331,842	1,333,164
2019-2023	857,936	142,636	1,000,572
2024-2025	<u>193,723</u>	<u>7,768</u>	<u>201,491</u>
	<u>\$ 2,953,009</u>	<u>\$ 1,020,078</u>	<u>\$ 3,973,087</u>

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2009

D. LEASE COMMITMENTS

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

	Acquisition Date	Cost	Leases Payable 06/30/08	Lease Payments	New Leases Acquired	Leases Payable 06/30/09	Due Within One Year
2004 Freightliner Transport	8/12/03	120,790	\$ 2,115	\$ (2,115)	\$ -	\$ -	\$ -
2004 Freightliner Sideloadr	5/19/04	143,436	24,337	(24,337)	-	-	-
8 - Compactors	7/15/04	146,500	33,833	(30,823)	-	3,010	3,010
2000 - Refuse Containers	1/21/05	79,900	25,605	(17,837)	-	7,768	7,768
2005 Freightliner RO Truck	1/21/05	118,330	35,574	(22,992)	-	12,582	12,582
2005 Sterling RO/GR Truck	2/16/05	174,075	52,720	(37,131)	-	15,589	15,589
2005 Sterling Residentl Trk	11/29/04	167,797	41,439	(41,439)	-	-	-
2006 Backhoe Loader	5/14/10	104,656	59,795	(14,724)	-	45,071	16,919
2006 Freightliner	8/5/11	85,260	38,034	(17,771)	-	20,263	20,263
Cat Backhoe	1/15/07	112,087	80,063	(21,805)	-	58,258	23,115
5 Compactors	11/15/07	117,400	81,744	(22,846)	-	58,898	24,842
2007 Sterling Truck	7/23/07	178,822	149,568	(33,620)	-	115,948	35,498
8 Compactors	9/28/07	163,144	140,454	(29,375)	-	111,079	31,908
Polycarts, Dumpsters	8/27/07	75,956	62,947	(14,017)	-	48,930	15,107
4 Pickups	11/15/07	149,249	136,661	(26,551)	-	110,110	28,605
Alf Condor Refuse Truck	11/1/08	232,632	-	(28,074)	229,175	201,101	43,740
2009 Cat Backhoe		-	-	(985)	107,500	106,515	13,359
TOTAL CAPITAL LEASES		\$ 2,170,034	\$ 964,889	\$ (386,442)	\$ 336,675	\$ 915,122	\$ 292,305

These leases are accounted for as capital leases. The asset values under the capital leases totaled \$2,170,034. 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, 2009.

Fiscal Year	Principal	Interest	Total
2010	\$ 292,306	\$ 65,309	\$ 357,615
2011	248,074	49,487	297,561
2012	220,430	30,304	250,734
2013	111,805	12,611	124,416
2014	42,507	3,522	46,029
	<u>\$ 915,122</u>	<u>\$ 161,233</u>	<u>\$ 1,076,355</u>

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

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, 2009 was \$64,102.

A summary of changes in this liability are as follows:

	Balance 7/1/2008	Adds	Deletions	Balance 6/30/2009	Due Within One Year
Compensated Absences	<u>\$ 58,268</u>	<u>\$ 56,405</u>	<u>\$ 50,571</u>	<u>\$ 64,102</u>	<u>\$ 64,102</u>

NOTE 5. OTHER NOTES

A. RELATED PARTY TRANSACTIONS

Each of the participants in the joint powers agreement which forms the Authority, submit Environmental Gross Receipts Tax collections to the Authority. The taxes collected for the year ending June 30, 2009, were \$231,833. 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 \$44,083 at June 30, 2009.

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 Lincoln/Otero County Solid Waste Authority in the amount of \$159,766.

B. JOINT POWERS AGREEMENT

The Lincoln County Solid Waste Authority is party to a Joint Powers Agreement which is material in nature. The Lincoln/Otero County Landfill Authority 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 Lincoln/Otero County Solid Waste 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 Lincoln/Otero Solid Waste Authority.

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 Lincoln/Otero County Landfill Authority notified the Authority that all requirements of their debt had been met and released the pledge of the EGRT revenues to the landfill. The Lincoln County Solid Waste Authority recorded \$231,833 as of June 30, 2009 in Environmental Gross Receipts Tax into revenues in the current year.

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2009**

C. RISK MANAGEMENT AND LITIGATION

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

D. PERA PENSION PLAN

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

Funding Policy. Plan members are required to contribute seven percent of their gross salary. The Authority is required to contribute seven percent of gross salary for those employees. The contribution requirements of plan members and the Authority are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Authority's contributions to PERA for the years ending June 30, 2009, 2008, and 2007 were \$57,792, \$ 54,230, and \$48,562, 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 \$20,845.

Supplemental Information

State of New Mexico
Lincoln County Solid Waste Authority
Statement of Revenues, Expenses and Changes in Cash Balance
Budget (Budgetary Basis) and Actual
For the Year Ended June 30, 2009

	Original Approved	Final Approved		Variance Favorable
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
Revenues				
Charges for services	\$ 4,041,716	\$ 3,829,562	\$ 3,460,060	\$ (369,502)
State Grants	1,636,186	1,644,811	949,809	(695,002)
Environmental Gross Receipts	301,108	298,858	268,065	(30,793)
Sale of Equipment	3,250	32,500	37,551	5,051
Interest Income	<u>14,296</u>	<u>22,450</u>	<u>9,169</u>	<u>(13,281)</u>
Total Revenues	5,996,556	5,828,181	4,724,654	(369,502)
Operating Expenditures				
Operating expense	1,405,409	1,407,890	1,386,478	21,412
Personnel expense	1,881,071	1,787,414	1,579,605	207,809
Lincoln/Otero Co. Landfill Authority	-	260,654	-	260,654
Capital outlay	1,624,631	2,077,712	963,437	1,114,275
Debt Service	<u>760,000</u>	<u>755,562</u>	<u>677,886</u>	<u>77,676</u>
Total Operating Expense	5,671,111	6,289,232	4,607,406	1,681,826
Net Revenue (Expense)	<u>\$ 325,445</u>	<u>\$ (461,051)</u>	117,248	<u>\$ 1,312,324</u>
Cash, Beginning			<u>498,074</u>	
Cash, Ending			<u>\$ 615,322</u>	
Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis			\$ 4,724,654	
Change in sale of capital assets			(64,262)	
Change in accounts receivable			<u>28,114</u>	
Revenues GAAP			<u>4,688,506</u>	
Expenditures Budgetary Basis			4,607,406	
Reclassification of loan principal			(531,888)	
Reclassification of capital outlay			(872,292)	
Depreciation			458,421	
Change in accounts payable			(10,479)	
Change in other payables and accruals			<u>15,195</u>	
Expenditures GAAP			<u>3,666,363</u>	
Change in Net Assets			<u>\$ 1,022,143</u>	

See accompanying notes to the financial statements.

State of New Mexico
 Lincoln County Solid Waste Authority
 Schedule of State Grants
 June 30, 2009

<u>Project</u>	<u>Agency</u>	<u>Grant#</u>	<u>Effective Date</u>	<u>Original Amount</u>	<u>Arts In Public Places</u>	<u>Net Amount</u>	<u>Exp to Date</u>	<u>Remaining</u>
Greentree	NMED	06-0178-STB	11/7/2006	300,000	3,000	297,000	167,000	130,000
Greentree	NMED	07-6466-STB	10/23/2007	1,000,000	-	1,000,000	640,496	359,504
Greentree	NMED	07-4491-GF	8/10/2007	200,000	2,000	198,000	81,757	116,243
Greentree	NMED	07-6060-GF	5/21/2008	20,000	-	20,000	332	19,668
Greentree	NMED	07-6061-GF	5/21/2008	10,000	-	10,000	4,290	5,710
Greentree	NMED	07-6088-GF	3/14/2008	20,000	-	20,000	-	20,000
Greentree	NMED	07-6089-GF	3/14/2008	12,000	-	12,000	7,929	4,071
Greentree	NMED	07-6092-GF	5/22/2008	25,000	-	25,000	-	25,000
LC Compactor Sites	NMED	08-3876-GF	8/11/2008	66,000	-	66,000	66,000	-
LC Recycling Sites	NMED	08-3877-GF	8/11/2008	65,000	-	65,000	56,265	8,735
OC Compactor Sites	NMED	08-3887-GF	8/11/2008	25,000	-	25,000	19,918	5,082
OC Illegal Dumping Sites	NMED	07NT-22	2/1/2008	6,326	-	6,326	6,326	-
LC Recycling Sites	NMED	08NT-01	7/31/2008	8,625	-	8,625	8,625	-
Total				\$ 1,757,951	\$ 5,000	\$ 1,752,951	\$ 1,058,938	\$ 694,013

**Dan Austin CPA, PC
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Ruidoso, NM 88345**

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

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

We have audited the financial statements of the business type activities and the budgetary comparison presented as supplemental information of the Lincoln County Solid Waste Authority (Authority), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. 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 Lincoln County 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 on the effectiveness of Lincoln County Solid Waste Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lincoln County Solid Waste Authority's internal control over financial reporting.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln County 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 or other matters that are required to be reported under *Government Auditing Standards*.

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


November 30, 2009

STATE OF NEW MEXICO

**LINCOLN COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2009**

Summary of Prior Year Audit Findings

None

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 December 1, 2009 an exit conference was held at the Authority's offices. Present at the Authority's offices were Board of Director, Dave Parks, Financial Coordinator, Beverly Foote, Debra Ingle, Operations Supervisor 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.