

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
JUNE 30, 2008**

Dan Austin CPA, PC
Certified Public Accountants

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 TABLE OF CONTENTS
 JUNE 30, 2008

	<u>Page</u>
Table of Contents	1
INTRODUCTORY SECTION	2
Official Roster.	3
FINANCIAL SECTION	4
Independent Auditors' Report	5
Management's Discussion And Analysis (Required Supplementary Information)	6-9
BASIC FINANCIAL STATEMENTS	10
Statement Of Net Assets Proprietary Funds	11-12
Statement Of Revenues, Expenses And Changes In Fund Net Assets Proprietary Funds	13
Statement Of Cash Flows.	14
Notes To The Basic Financial Statements	15
SUPPLEMENTAL INFORMATION	26
Statement Of Budgeted And Actual Revenues And Expenditures (Non-GAAP Budgetary Basis).	27
OTHER REPORTS	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	28
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	29
FINANCIAL STATEMENT PREPARATION	29
EXIT CONFERENCE	29

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
OFFICIAL ROSTER
June 30, 2008**

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

FINANCIAL SECTION

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700 Mechem Drive Ste 15
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

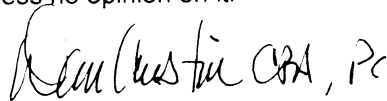
We have audited the accompanying financial statements of the business type activities of the Lincoln County Solid Waste Authority (Authority) as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. We have also audited the budgetary comparison statement presented as supplemental information for the year ended June 30, 2008, 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, 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 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, 2008 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 26, 2008 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.



November 26, 2008

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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, 2008. 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 \$2,379,467 (net assets).

The Authority's total net assets decreased by \$35,925 compared to the prior year.

USING THIS ANNUAL REPORT

The Authority has made significant changes in the financial presentation. The financial report includes the sections described below.

Management's Discussion and Analysis

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

Special-Purpose Government

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

Budgetary Comparisons

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

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 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, 2008 & 2007. 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>2008</u>	<u>2007</u>
Current Assets	\$ 654,952	\$ 1,047,441
Capital Assets	5,906,576	5,555,365
Other Non-current Assets	57,158	57,158
Total Assets	<u>\$ 6,618,686</u>	<u>\$ 6,659,964</u>
Current Liabilities	\$ 706,876	\$ 773,891
Long-term Liabilities	3,532,343	3,470,681
Total Liabilities	<u>\$ 4,239,219</u>	<u>\$ 4,244,572</u>
Net Assets:		
Invested in Capital Assets	\$ 1,913,847	\$ 1,537,891
Unrestricted	465,620	877,501
Total Net Assets	<u>\$ 2,379,467</u>	<u>\$ 2,415,392</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets: The following represents the revenues and expenses for fiscal years ended June 30, 2008 & 2007. 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>2008</u>	<u>2007</u>
Revenues:		
Operating Revenues	\$ 3,062,833	\$ 2,964,431
Capital Grants	255,890	404,912
Environmental Gross Receipts	243,350	258,466
Otero/Lincoln County Landfill	244,426	260,924
Other	21,208	71,363
Total Revenues	<u>\$ 3,827,707</u>	<u>\$ 3,960,096</u>
Expenses:		
Operating Expense	3,379,593	2,869,164
Otero/Lincoln County Landfill-Net	243,820	251,535
Interest Expense	226,140	152,762
Landfill closure	14,079	8,412
Total Expenses	<u>3,863,632</u>	<u>3,281,873</u>
Increase in Net Assets	(35,925)	678,223
Net Assets:		
Net assets-beginning	2,415,392	1,737,169
Net assets-ending	<u>\$ 2,379,467</u>	<u>\$ 2,415,392</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 \$2,379,467. Of this amount, \$1,913,847 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 \$137,389. The Authority's operating expenditures for the year ended June 30, 2008 was 10% percent more than the previous years expenditures in the amount of \$129,717.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Authority's investment in capital assets for its business-type activity as of June 30, 2008 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 \$3,236,694 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, 2008 was \$2,949,859.

The Authority's total long-term debt increased as the result of new equipment acquisitions by \$567,171 during the current fiscal year. Principal debt paid during the current year was \$534,764.

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 2008 can be found in Note 4B and C on pages 19 and 20 of this report.

ANALYSIS OF FINANCIAL POSITION

As a result of an decrease in net assets from current year operations of \$35,925, Net Assets decreased to \$2,379,467 or 36% of total assets of \$6,618,686.

Current assets decreased by \$392,489. The majority of this decrease was from the funds expended for assets related to capital construction.

Total operational revenues increased \$785,636 or 36% as a result of additional services provided to Otero County. Operational expenditures increased by \$767,848 primarily related to the additional services provided to Otero County..

The Authority received capital grants of \$255,890 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, 2008

ASSETS

CURRENT ASSETS

Cash-unrestricted	\$ 205,807
Cash-restricted for construction	202,042
Cash-restricted for debt service	90,225
Customer Accounts Receivable, Net of Allowance For Doubtful Accounts	<u>156,878</u>
 Total Current Assets	 <u>654,952</u>

NON CURRENT ASSETS

Investment in Regional Landfill	57,083
Utility Deposit	75
Capital Assets	8,123,356
Less Allowance For Depreciation	<u>(2,216,780)</u>
 Total Noncurrent Assets	 <u>5,963,734</u>
 Total Assets	 <u>\$ 6,618,686</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, 2008

LIABILITIES

CURRENT LIABILITIES	
Accounts Payable	\$ 86,845
Accrued Interest	18,886
Accrued Payroll Expense	25,333
Accrued Compensated Absences	58,268
Current Portion of Long Term Liabilities	<u>517,544</u>
Total Current Liabilities	<u>706,876</u>
NONCURRENT LIABILITIES	
Notes Payable	3,084,975
Capital Leases Payable	964,912
Less: Current Portion of Long Term Debt (above)	<u>(517,544)</u>
Total Noncurrent Liabilities	<u>3,532,343</u>
Total Liabilities	<u>4,239,219</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,913,847
Unrestricted	<u>465,620</u>
Total Net Assets	<u>2,379,467</u>
Total Liabilities And Net Assets	<u>\$ 6,618,686</u>

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, 2008**

OPERATING REVENUES

Sales And Services	<u>\$ 3,062,833</u>
Total Operating Revenues	<u>3,062,833</u>

OPERATING EXPENSES

Personal Services	1,476,923
Contractual Services	304,343
Repairs and Maintenance	264,747
Gross Receipts Tax	110,312
Fuel & Oil	383,396
Insurance	110,432
Utilities	34,603
Office	40,663
Equipment Rentals	24,263
Professional Services	59,775
Other Operating Expenses	49,276
Depreciation	<u>520,860</u>
Total Operating Expenses	<u>3,379,593</u>

Operating Income (Loss) (316,760)

NONOPERATING REVENUES (EXPENSES)

NMED Grants	255,890
Environmental Gross Receipts Tax	243,350
Lincoln/Otero County Landfill Authority Receipts	244,426
Lincoln/Otero County Landfill Authority Payments	(243,820)
Landfill Closure Costs	(14,079)
Miscellaneous	630
Interest Income	20,578
Interest Expense	<u>(226,140)</u>
Total Nonoperating Revenues (Expenses)	<u>280,835</u>

Change in Net Assets (35,925)

Net Assets At Beginning Of Year 2,415,392

Net Assets At End Of Year \$ 2,379,467

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, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 3,090,838
Cash Paid To Suppliers	(1,420,363)
Cash Paid To Employees	<u>(1,476,136)</u>
Net Cash Provided By Operating Activities	<u>194,339</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Other Non-Operating Items	(14,079)
Receipts of Environmental Gross Receipts Tax	243,350
Payments from Lincoln/Otero County Landfill Authority	244,426
Payments to Regional Landfill	(243,820)
Receipts of Grants	<u>255,890</u>
Net Cash Provided From Noncapital Financing Activities	<u>485,767</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal Paid on Capital Debt	(164,895)
Interest Paid on Capital Debt	(226,140)
Proceeds from Lease Purchase Agreements	567,171
Principal Paid on Capital Leases	(369,863)
Payments For Capital Acquisitions	<u>(872,071)</u>
Net Cash Used For Capital And Related Financing Activities	<u>(1,065,798)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Miscellaneous	630
Interest Income	<u>20,578</u>
Net Cash Provided From Investing Activities	<u>21,208</u>
 Net Increase In Cash	(364,484)
Cash - Beginning Of Year	<u>862,558</u>
Cash - End Of Year	<u>\$ 498,074</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (316,760)
Noncash Items in Net Income-Depreciation	-
Depreciation	520,860
(Increase) Decrease In:	
Accounts Receivable	28,005
Increase (Decrease) In:	
Accounts Payable	(6,921)
Accrued Interest	1,009
Accrued Payroll Expense	787
Accrued Compensated Absences	<u>(32,641)</u>
Net Cash Provided From Noncapital Financing Activities	<u>\$ 194,339</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, 2008**

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, 2008**

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 \$132,984.

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

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 are 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.

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

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

5. Equity Classifications

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

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

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, 2008 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 \$204,807 and the balances per the banks was \$376,927 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, 2008**

The total funds held in these trust accounts as of June 30, 2008 was \$292,267. These funds are not subject to deposit security requirements. The following is summary of the cash deposits of the Authority:

Depository	Account Type	Fund Type	Balance Per Depository	Reconciling Items Outstanding Checks	Deposits	Balance Per Financial Statements
Unrestricted Cash:						
City Bank	Checking	Recycling	\$ 4,245	\$ (260)	\$ 171	\$ 4,156
City Bank	Checking	Reserve	107,798	-	1,187	108,985
City Bank	Checking	Landfill Closure	7,139	-	25	7,164
City Bank	Checking	EGRT	75,356	-	-	75,356
City Bank	Checking	Operating	182,389	(173,243)	-	9,146
Total unrestricted cash			<u>376,927</u>	<u>(173,503)</u>	<u>1,383</u>	<u>204,807</u>
Restricted Cash:						
NMFA/NMSTO	Trust	Debt Service	73,412	-	16,813	90,225
NMFA/NMSTO	Investment	Construction Res.	202,042	-	-	202,042
Total restricted cash			<u>275,454</u>	<u>-</u>	<u>16,813</u>	<u>292,267</u>
Total cash on deposit			<u>\$ 652,381</u>	<u>\$ (173,503)</u>	<u>\$ 18,196</u>	<u>\$ 497,074</u>
Petty cash						<u>1,000</u>
Total cash on hand and on deposit						<u>\$ 498,074</u>

The total deposits at City Bank New Mexico as of June 30, 2008 amounted to \$508,577. The amount in excess of the \$100,000 insurance provided by the FDIC was \$408,577. 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 8338000685	LCSWA	FHLB Dallas	12/31/2008	\$ 500,000
LOC 213000228	LCSWA	FHLB Dallas	9/28/2009	150,000
Total FMV of Collateral				650,000
Total Deposits				\$ 376,927
Less: FDIC Insurance				(100,000)
Uninsured Deposits				<u>276,927</u>
Required Pledge				50% 204,288
Pledge Over (Short)				<u>\$ 445,712</u>

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, 2008.

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2008

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 831,890	\$ -	\$ -	\$ 831,890
Construction in progress	<u>3,035,027</u>	<u>-</u>	<u>3,035,027</u>	<u>-</u>
Total capital assets not being depreciated	<u>3,866,917</u>	<u>-</u>	<u>3,035,027</u>	<u>831,890</u>
Capital assets being depreciated:				
Buildings and improvements	70,305	3,236,695	-	3,307,000
Furniture and equipment	25,627	-	-	25,627
Dumpsters and polycarts	352,791	75,956	-	428,747
Machinery and Equipment	<u>2,935,645</u>	<u>594,447</u>	<u>-</u>	<u>3,530,092</u>
Total capital assets being depreciated	<u>3,384,368</u>	<u>3,907,098</u>	<u>-</u>	<u>7,291,466</u>
Less accumulated depreciation for:				
Buildings and improvements	25,088	82,827	-	107,915
Furniture and equipment	19,182	251	-	19,433
Dumpsters and polycarts	180,990	33,794	-	214,784
Machinery and Equipment	<u>1,470,660</u>	<u>403,988</u>	<u>-</u>	<u>1,874,648</u>
Total accumulated depreciation	<u>1,695,920</u>	<u>520,860</u>	<u>-</u>	<u>2,216,780</u>
Total capital assets being depreciated, net	<u>1,688,448</u>	<u>3,386,238</u>	<u>-</u>	<u>5,074,686</u>
Business-type activity capital assets, net	<u>\$ 5,555,365</u>	<u>\$ 3,386,238</u>	<u>\$ 3,035,027</u>	<u>\$ 5,906,576</u>

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

C. LONG-TERM OBLIGATIONS

Long-term obligations of the Authority are as follows:

	Balance 6/30/07	Additions	(Reductions)	Balance 6/30/08	Due Within One Year
6.0% Note Payable, payable to City Bank in monthly installments of \$1,617.75, secured by Freightliner Roll Off Truck, matures April 20, 2008	7,438	-	(7,438)	-	-
6.0% Note Payable, payable to City Bank in monthly installments of \$1,253.95, secured by Freightliner Transport Truck, matures March 11, 2008	4,733	-	(4,733)	-	-
6.0% Note Payable, payable to City Bank in monthly installments of \$2,204.67, secured by Freightliner Truck, matures January 26, 2009	28,415	-	(23,232)	5,183	5,183
6.0% Note Payable, payable to City Bank in monthly installments of \$1,549.93, secured by Wilkens Transfer Trailer, matures March 12, 2008	9,629	-	(9,629)	-	-
6.0% Note Payable, payable to City Bank in monthly installments of \$4,774.94, secured by real estate, matures September 5, 2008	647,024	-	(16,796)	630,228	47,814
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>2,552,631</u>	-	<u>(103,067)</u>	<u>2,449,564</u>	<u>106,229</u>
Total Long-Term Obligations	<u>\$ 3,249,870</u>	<u>\$ -</u>	<u>\$ (164,895)</u>	<u>\$ 3,084,975</u>	<u>\$ 159,226</u>

The annual requirements to amortize principal on all debt outstanding as of June 30, 2008, is as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 159,226	\$ 127,373	\$ 286,599
2010	160,298	1,212,367	1,372,665
2011	166,966	114,849	281,815
2012	174,094	108,016	282,110
2013	181,681	100,734	282,415
2014-2018	1,039,095	377,934	1,417,029
2019-2023	824,050	174,378	998,428
2024-2025	<u>379,565</u>	<u>22,932</u>	<u>402,497</u>
	<u>\$ 3,084,975</u>	<u>\$ 2,238,583</u>	<u>\$ 5,323,558</u>

STATE OF NEW MEXICO
 LINCOLN COUNTY SOLID WASTE AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2008

D. LEASE COMMITMENTS

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

	Acquisition Date	Cost	Leases Payable 06/30/07	Lease Payments	New Leases Acquired	Leases Payable 06/30/08	Due Within One Year
Baler/Conveyor	1/28/03	\$ 49,000	\$ 4,115	\$ (4,115)	\$ -	\$ -	\$ -
Western Star Transport	4/30/03	80,116	12,954	(12,954)	-	-	-
Forklift	1/22/03	19,800	1,915	(1,915)	-	-	-
2004 Freightliner Transport	8/12/03	120,790	26,267	(24,152)	-	2,115	2,115
2004 Freightliner Sideloadr	5/19/04	143,436	57,478	(33,141)	-	24,337	24,337
8 - Compactors	7/15/04	146,500	65,169	(31,336)	-	33,833	33,833
2000 - Refuse Containers	1/21/05	79,900	42,198	(16,593)	-	25,605	17,837
2005 Freightliner RO Truck	1/21/05	118,330	59,750	(24,176)	-	35,574	25,123
2005 Sterling RO/GR Truck	2/16/05	174,075	88,341	(35,621)	-	52,720	37,131
2005 Sterling Residentl Trk	11/29/04	167,797	75,948	(34,509)	-	41,439	35,861
2006 Backhoe Loader	5/14/10	104,656	75,107	(15,312)	-	59,795	16,096
2006 Freightliner	8/5/11	85,260	54,974	(16,940)	-	38,034	17,771
Cat Backhoe	1/15/07	112,087	100,631	(20,568)	-	80,063	21,804
5 Compactors	11/15/07	117,400	102,757	(21,013)	-	81,744	22,847
2007 Sterling Truck	7/23/07	178,822	-	(29,254)	178,822	149,568	33,620
8 Compactors	9/28/07	163,144	-	(22,690)	163,144	140,454	29,375
Polycarts, Dumpsters	8/27/07	75,956	-	(13,009)	75,956	62,947	14,018
4 Pickups	11/15/07	149,249	-	(12,565)	149,249	136,684	26,550
TOTAL CAPITAL LEASES		<u>\$ 2,086,318</u>	<u>\$ 767,604</u>	<u>\$ (369,863)</u>	<u>\$ 567,171</u>	<u>\$ 964,912</u>	<u>\$ 358,318</u>

These leases are accounted for as capital leases. The asset values under the capital leases totaled \$2,086,319. 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, 2008.

Fiscal Year	Principal	Interest	Total
2009	\$ 358,321	\$ 66,813	\$ 425,134
2010	235,664	34,619	270,283
2011	185,515	23,691	209,206
2012	151,482	10,894	162,376
2013	33,930	618	34,548
	<u>\$ 964,912</u>	<u>\$ 136,635</u>	<u>\$ 1,101,547</u>

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

Operating Lease Expenditures:

The Authority is obligated under a certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Authority's account groups. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008:

Year Ending <u>June 30</u>	<u>Amounts</u>
2009	18,720
2010	<u>15,600</u>
Total	<u>\$ 34,320</u>

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, 2008 was \$58,268.

A summary of changes in this liability are as follows:

	Balance <u>7/1/2007</u>	<u>Adds</u>	<u>Deletions</u>	Balance <u>6/30/2008</u>	Due Within <u>One Year</u>
Compensated Absences	\$ 90,909	\$ 46,250	\$ 78,891	\$ 58,268	\$ 58,268

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, 2008, were \$243,350. 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 \$57,162 at June 30, 2008.

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 \$174,185.

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

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 Authority forwarded \$243,820 as of June 30, 2008 to the Lincoln/Otero County Solid Waste Authority in Environmental Gross Receipts Tax to fund operations of the landfill. The Lincoln/Otero County Solid Waste Authority was able to operate on its revenue during 2008 and subsequently elected to return \$244,426 to the Authority.

The Authority recorded the net of Environmental Gross Receipts Tax forwarded to and returned by the Lincoln/Otero County Solid Waste Authority as income.

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, 2008, 2007, and 2006 were \$54,230, \$ 48,562, and \$40,126, respectively, equal to the amount of the required contributions for each year.

**STATE OF NEW MEXICO
LINCOLN COUNTY SOLID WASTE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2008**

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 \$14,079.

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, 2008

	Original Approved Budget	Final Approved Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Charges for services	\$ 3,380,174	\$ 3,511,291	\$ 3,360,550	\$ (150,741)
State Grants	1,678,987	1,720,355	240,890	(1,479,465)
Environmental Gross Receipts	273,407	277,291	243,350	(33,941)
Lincoln/Otero Co. Landfill Authority	262,279	252,834	244,426	(8,408)
Sale of Equipment	2,500	2,500	630	(1,870)
Interest Income	28,619	23,785	20,578	(3,207)
Total Revenues	<u>5,597,347</u>	<u>5,764,271</u>	<u>4,110,424</u>	<u>(150,741)</u>
Operating Expenditures				
Operating expense	1,192,130	1,407,890	1,384,386	23,504
Personnel expense	1,787,669	1,787,414	1,506,582	280,832
Lincoln/Otero Co. Landfill Authority	256,815	260,654	243,820	16,834
Capital outlay	2,067,659	2,077,712	592,420	1,485,292
Debt Service	<u>822,258</u>	<u>755,562</u>	<u>747,700</u>	<u>7,862</u>
Total Operating Expense	<u>6,126,531</u>	<u>6,289,232</u>	<u>4,474,908</u>	<u>1,814,324</u>
Net Revenue (Expense)	<u>\$ (529,184)</u>	<u>\$ (524,961)</u>	<u>(364,484)</u>	<u>\$ 1,663,583</u>
Cash, Beginning			<u>862,558</u>	
Cash, Ending			<u>\$ 498,074</u>	
Reconciliation Budgetary Basis to GAAP				
Revenues Budgetary Basis			\$ 4,110,424	
Change in accounts receivable			<u>(28,005)</u>	
Revenues GAAP			<u>4,082,419</u>	
Expenditures Budgetary Basis			4,474,908	
Reclassification of loan principal			(534,758)	
			567,171	
Reclassification of capital outlay			(872,071)	
Depreciation			520,860	
Change in accounts payable			(6,921)	
Change in other payables and accruals			<u>(30,845)</u>	
Expenditures GAAP			<u>4,118,344</u>	
Change in Net Assets			<u>\$ (35,925)</u>	

See accompanying notes to the financial statements.

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

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

Mr. Hector H. Balderas, State Auditor, and
the Board of Directors
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, 2008, and have issued our report thereon dated November 26, 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 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 26, 2008

STATE OF NEW MEXICO

**LINCOLN COUNTY SOLID WASTE AUTHORITY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED JUNE 30, 2008**

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, 2008 an exit conference was held at the Authority's offices. Present at the Authority's offices were Board of Director, Sherrill Bradford, Operational Supervisor, Debra Ingle, Financial Coordinator, Beverly Foote and auditor Dan Austin, CPA. The audit and related comments were discussed, as well as other suggestions for improvements in the internal control structure and financial reporting.