STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2008

FIERRO & FIERRO, P.A.
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TRI-CITY LANDFILL COMMISSION
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STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
DIRECTORY OF OFFICIALS
JUNE 30, 2008

Board of Directors

Member	*Position*	*Entity Represented*
Rodolpho Martinez	Chairman	City of Bayard
Fernando Martinez	Vice-Chairman	Town of Hurley
Andrew Prieto	Member	Village of Santa Clara

Administrative Staff

Kristina V. Ortiz	Bookkeeper

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

Ed Fierro, CPA • Rose Fierro, CPA

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Independent Auditors' Report

Hector H. Balderas, State Auditor
and
Board of Directors
Tri-City Landfill Commission
Bayard, New Mexico

We have audited the accompanying financial statements of the business-type activities of the Tri-City Landfill Commission (Commission), as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the individual statement of the enterprise fund presented as supplementary information in the accompanying individual fund financial statement for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Commission's 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 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 the 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 Commission as of June 30, 2008, and the changes in its financial position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement referred to above present fairly, in all material respects, the budgetary comparison for the enterprise fund of the Commission for the year ended June 30, 2008, in conformity with the budgetary basis of accounting more fully described in Note 1C, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 accompanying management's discussion and analysis on pages four through six is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and expressed no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements and the budgetary comparison. The accompanying schedule of cash accounts is presented for purposes of additional analysis and is not a required part of the financial statement and the other opinion unit listed above. The accompanying schedule of cash accounts has been subjected to the auditing procedures applied in the audit of the financial statement and the other opinion unit listed above and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole and the other opinion unit listed above.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 24, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following is an overview of the financial condition for the Tri-City Landfill Commission (the Commission), for the fiscal year ended June 30, 2008. This narrative highlights the major aspects of the Commission's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

Financial Highlights

The Tri-City Landfill Authority is responsible for monitoring the landfill site for a period of twenty-five years. The landfill authority has established operating and monitoring fees to be assessed to the tri-city municipalities. The fees assessed to the municipalities will serve for a sound financial basis during the twenty-five year monitoring period. Fees will be reviewed and adjusted throughout the monitoring period. The landfill authority is working closely with the New Mexico Environment Department to minimize costs associated with the annual monitoring well testing. The landfill authority has contracted with Souder, Miller and Associates to provide the required reporting and testing for the landfill site.

The landfill authority has produced all budget and financial documents on a timely basis as required by the New Mexico Department of Finance and Administration. Certificates of deposit have been made to meet future operating and monitoring costs.

Overview of the Financial Statements

This annual report consists of the following three parts: Management's Discussion and Analysis, Basic Financial Statements, and Other Required Supplementary Information. The financial statements include notes that explain in detail some of the information included in the basic financial statements.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Commission is operated under one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

Revenue is recorded when earned and expenses are recorded when incurred. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows, followed by notes to the financial statements. A budget comparison schedule is presented following the notes. In addition to the basic financial statements, this report also contains required supplementary information pertaining to the schedule of cash accounts for the Commission.

Statement of Net Assets

The statement of net assets presents information on the Commission's assets and liabilities, with the difference between the two reported as net assets.

Statement of Revenues, Expenses, and Changes in Net Assets

Over time, increases or decreases in net assets may serve as a useful indication of whether the Commission's financial position is improving or deteriorating.

Statement of Revenues, Expenses, and Changes in Net Assets (continued)

The statement of revenues, expenses, and changes in net assets reports the operating revenues and expenses, and non-operating revenues and expenses of the Commission for the fiscal year with the difference – the net income or loss – being combined with any capital grants to determine the net change in assets for the fiscal year. That change, combined with the net assets at the end of the previous year, totals to the net assets at the end of the current fiscal year.

Statement of Cash Flows

The statement of cash flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities, added to the beginning of the year cash balance, totals to the cash and cash equivalent balance at the end of the current fiscal year.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages ten through eighteen of this report.

Financial Statement Analysis

A summary of the Commission's statement of net assets is presented below:

Tri-City Landfill Commission's Net Assets	June 30, 2008	June 30, 2007
Assets:		
Current and other assets	$ 94,206	$ 96,680
Capital assets, net of accumulated depreciation	242,904	242,904
Total assets	337,110	339,584
Liabilities:		
Current liabilities	-	467
Long-term liabilities	264,130	264,130
Total liabilities	264,130	264,597
Net Assets:		
Invested in capital assets, net of related debt	242,904	242,904
Unrestricted	(169,924)	(167,917)
Total net assets	$ 72,980	$ 74,987

The Commission's activities during the year decreased the Authority's net assets by $2,007. The increase in net assets is attributed to an increase in total revenues and an increase in total expenses when compared to the previous year. Total revenues increased by $3,373, while expenses increased by $7,566 when compared to the previous year.

Financial Statement Analysis (continued)

Tri-City Landfill Commission's Changes in Net Assets	June 30, 2008	June 30, 2007
Revenues:		
Non-Operating Revenues:		
Intergovernmental revenues	$ 10,388	$ 10,388
Interest income	4,060	687
Total revenues	14,448	11,075
Expenses:		
Operating Expenses:		
Administration	5,423	8,491
Landfill	11,032	398
Total expenses	16,455	8,889
Change in net assets	$ (2,007)	$ 2,186

Capital Assets

The Commission's investment in net assets as of June 30, 2008, amounted to $242,904 (net of accumulated depreciation). This investment in capital assets includes land and buildings. Additional information on the Commission's capital assets can be found in note four on page seventeen of this report.

Long-Term Debt

At the end of the current year, the Commission had total debt outstanding of $264,130, which consists of the post-closure landfill liability.

Post-closure landfill liability	$ 264,130

Currently Known Facts, Decisions, or Conditions

The Tri-City Landfill Authority will continue to assess operating and monitoring fees to the tri-city municipalities throughout the monitoring period. These fees will be increased within the 2008-2009 fiscal year to insure funding is available for all reporting and testing.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Bookkeeper, P.O. Box 728, Bayard, New Mexico 88023.

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS		
Current Assets:		
Cash	$	61,701
Restricted Current Assets:		
Cash		32,505
Total current assets		94,206
Non-Current Assets:		
Capital Assets:		
Land		242,904
Total assets		337,110
LIABILITIES		
Current Liabilities:		
Accounts payable		-
Non-Current Liabilities:		
Post-closure payable		264,130
Total liabilities		264,130
NET ASSETS		
Invested in capital assets		242,904
Unrestricted		(169,924)
Total net assets	$	72,980

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

STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Operating Revenues:	
Charges for services	$ -
Operating Expenses:	
Administration	5,423
Landfill	11,032
Total operating expenses	16,455
Operating (loss)	(16,455)
Non-Operating Revenues (Expenses):	
Intergovernmental revenues	10,388
Interest income	4,060
Total non-operating revenues (expenses)	14,448
Change in net assets	(2,007)
Net assets, beginning of year	74,987
Net assets, end of year	$ 72,980

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

STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

Cash Flows from Operating Activities:		
Cash received from customers	$	-
Cash payments to suppliers for goods and services		(16,922)
Cash payments to employees for services		-
Net cash (used) by operating activities		(16,922)
Cash Flows from Non-Capital and Related Financing Activities:		
Intergovernmental revenues		10,388
Interest income		4,222
Net cash provided by non-capital and related financing activities		14,610
Net decrease in cash		(2,312)
Cash and cash equivalents, beginning of year		96,518
Cash and cash equivalents, end of year	$	94,206
Displayed as:		
Cash	$	61,701
Restricted cash		32,505
	$	94,206
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating (loss)	$	(16,455)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Change in Assets and Liabilities:		
(Decrease) in accounts payable		(467)
Net cash (used) by operating activities	$	(16,922)

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tri-City Landfill Commission (the Commission) was created prior to 1972. The Commission operates under a board of commissioner's form of government. The Commission provided a primary sanitary landfill site to the Tri-City area, which includes: the City of Bayard, the Town of Hurley, and the Village of Santa Clara. All residents of Grant County were allowed to use the landfill.

On April 8, 1996, the Commission closed its landfill site and solid waste was no longer accepted. Until August 2001, the Commission collected monthly landfill fees from the Tri-Cities and paid a lump sum to the regional landfill (Southwest Solid Waste Authority). As of September 2001, the Southwest Solid Waste Authority began billing their fees directly to each individual municipality. The Commission's current function is the responsibility of assessing the closure and post-closure activity of the Tri-City landfill site.

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

A. Reporting Entity

In evaluating how to define the reporting entity for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the reporting entity was made by applying the criteria set forth in GAAP. The most primary standard for including or excluding a potential component unit with the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Commission is able to exercise oversight responsibilities. Based upon the application of these criteria, the Commission has no component units.

B. Basis of Presentation and Accounting

The Commission's basic financial statements are presented on the full accrual basis of accounting and conform to accounting principles generally accepted in the United States of America.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation and Accounting (continued)

The Commission applies Government Accounting Standards Board (GASB) pronouncements as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB), The Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB Pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this limitation. The Commission has elected not to follow subsequent private-sector guidance.

The accounts of the Commission are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Commission's assets, liabilities, net assets, revenues and expenses.

Enterprise funds account for activities: (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) that are required by laws or regulations that the activity's costs of providing services, including capital costs, such as depreciation or debt service, be recovered with fees and charges rather than with taxes or similar revenues; or (3) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs, such as depreciation or debt service. The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Authority's ongoing operation. The principal operating revenues are governmental grants, rental income and charges for services. Grant revenue is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating expenses include the cost of rental operations, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The accounting and financial reporting treatment applied to the Commission is determined by its measurement focus. The transactions of the Commission are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets such as total assets net of total liabilities, are segregated into invested in capital assets, net of related debt; restricted; and unrestricted components. The Commission's operating statements present increases (revenues) and decreases (expenses) in net total assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgets

Budgets for all funds are prepared by management and approved by the board of directors and the New Mexico Department of Finance and Administration. The general manager is responsible for preparing the budget, from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the board of directors for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration (DFA) Local Government Division for approval. DFA certifies a pending budget by July 1st, with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such an appropriated balance is legally restricted and is, therefore, presented as a reserved portion of the fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between “funds” or a budget increase is required, approval must be obtained from the Department of Finance and Administration.

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

D. Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

State statutes authorize the government to invest in interest bearing accounts with local financial institutions, direct obligations of the state and the U.S. Treasury or New Mexico political subdivisions, and the State Treasurer’s Investment Pool. New Mexico State Statutes require that financial institutions with public monies on deposit pledge collateral, to the owner of such public monies, in an amount not less than 50% of the uninsured public monies held on deposit. Collateral pledged is held in safekeeping by other financial institutions, with safekeeping receipts held by the Commission. The pledged securities remain in the name of the financial institution.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventory

Inventories consist of supplies held for consumption and are recorded at the lower of cost or market on a first in, first out basis.

F. Receivables

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items.

H. Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as “deposits held in trust for others”.

I. Capital Assets

Capital assets, which include property, plant, equipment, computer hardware and software, furniture, fixtures, and vehicles are valued and reported at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlay for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Prior to June 17, 2005, the Commission defined capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Effective June 17, 2005, in accordance with state statutes the Commission changed its capitalization threshold to include only assets with a cost of $5,000 or more. All assets capitalized prior to June 17, 2005 that are property of the Commission remain on the financial and accounting records of the Commission.

At the present time the Commission does not own any property, plant, equipment or vehicles. Therefore, there is no depreciation expense recorded by the Commission.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Deferred Revenues

The Commission reports deferred revenue on its statement of net assets, when applicable. Deferred revenues arise when potential revenue does not meet both the *measurable* and *available* criteria for recognition in the current period. Deferred revenues also arise when the Commission receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Commission has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

K. Long-Term Obligations

In the statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Loan issuance costs are deferred and amortized over the life of the loans using the effective interest method.

L. Net Assets

Net assets comprise the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net assets are classified in the following three components:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes on other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant, unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints imposed by creditors, such as through debt covenants; grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets, net of related debt*.

M. Cash Flows

For the purpose of the statement of cash flows, the Commission considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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 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.

2. CASH AND INVESTMENTS

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer’s investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited With Financial Institutions

The Commission maintains cash in a financial institution located within Bayard, New Mexico. The Commission’s deposits are carried at cost.

As of June 30, 2008, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Type of Account	Per Institution	Reconciling Items	Per Financial Statements
AmBank	Checking	$ 11,060	$ -	$ 11,060
	CDs	83,146	-	83,146
Total cash deposits		$ 94,206	$ -	$ 94,206

2. CASH AND INVESTMENTS (continued)

Cash Deposited With Financial Institutions (continued)

The amounts reported as cash for the Commission within the financial statement is displayed as:

Statement of Net Assets:		
Cash	$	61,701
Restricted cash		32,505
Total cash reported on financial statements	$	94,206

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the Commission. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Commission carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

		AmBank
Checking accounts	$	11,060
Certificates of deposit		83,146
Total deposits		94,206
FDIC coverage		(94,206)
Total uninsured public funds	$	-

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Commission does not have a deposit policy for custodial credit risk. As of June 30, 2008, all of the Commission cash balance of $94,206 was fully insured; therefore, the Commission was not exposed to custodial credit risk.

3. RESTRICTED ASSETS

The Commission has restricted cash and investments for particular purposes. A description of the assets restricted, and the purpose of the restriction are described as:

Restricted Cash

The Commission has accumulated cash in the amount of $32,505. The cash is designated by the Commission to offset the landfill post-closure liability.

4. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2008:

	Balance 06/30/07	Increases	Decreases	Balance 06/30/08
Business Activities:				
Capital assets, not being depreciated:				
Land	$ 242,904	$ -	$ -	$ 242,904

5. LANDFILL POST-CLOSURE COSTS

State and federal laws require that the Commission perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty (30) years after closure. In addition to post-closure costs, a landfill operation must also set aside contingency funds for closure and groundwater assessment activities in the event that the landfill's normal operating budget is insufficient to cover closure and groundwater assessment activities. These requirements are known as "financial assurance" for closure, assessment and post-closure activities. Only the post-closure groundwater monitoring costs are a certain cost. Normally, assessment costs will be funded from the normal operating budget. Therefore, the estimated financial assurance costs are recognized as a liability. The estimated liability for assessment and post-closure care costs is $264,130 as of June 30, 2008, which is based on one hundred percent (100%) usage (filled) of the landfill. The total current estimated current cost of the landfill, assessment and post-closure care ($264,130) is based on the amount that would be paid if all equipment, facilities, and services required to monitor, and maintain the landfill were acquired as of June 30, 2008. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The Commission is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

As of June 30, 2008, the Commission has funded the liability with a savings account with a balance of $32,505, leaving $231,625 as unfunded. If necessary, the City of Bayard, Town of Hurley and Village of Santa Clara would fund the balance of $231,625.

6. CONTINGENT LIABILITES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Expenses:				
Administration	$ 6,090	$ 6,310	$ 5,492	$ 818
Landfill	-	12,700	11,429	1,271
Total operating expenses	6,090	19,010	16,921	2,089
Operating income (loss)	(6,090)	(19,010)	(16,921)	2,089
Non-Operating Revenues (Expenses):				
Intergovernmental revenues	10,288	10,288	10,388	100
Interest income	50	50	4,221	4,171
Total non-operating revenues (expenses)	10,338	10,338	14,609	4,271
Net change in cash balance	4,248	(8,672)	(2,312)	6,360
Cash balance, beginning of year	96,518	96,518	96,518	-
Cash balance, end of year	$ 100,766	$ 87,846	$ 94,206	$ 6,360

STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
RECONCILIATION OF BUDGETARY COMPARISON SCHEDULE
TO THE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	$	-
Differences - Budget to GAAP:		
None.		-
Total operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	$	-
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	$	16,921
Differences - Budget to GAAP:		
The Commission budgets for claims and expenses paid for during he current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.		(466)
Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	$	16,455
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	$	14,609
Differences - Budget to GAAP:		
Accrual of reveneus and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.		(161)
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	$	14,448
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) transfers in and (out) from the budgetary comparison schedule.	$	-
Differences - Budget to GAAP:		
None.		-
Total other financing sources (uses) as reported on the statement of revenues, expenses, and changes in net assets.	$	-

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
TRI-CITY LANDFILL COMMISSION
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2008

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
AmBank 102 Hurley Bayard, NM 88023				
Tri-City Landfill Commission	Checking	$ 5,137	$ -	$ 5,137
Tri-City Landfill Commission	Checking	5,923	-	5,923
Tri-City Landfill Commission	CD	55,778	-	55,778
Tri-City Landfill Commission	CD	27,368	-	27,368
		$ 94,206	$ -	$ 94,206

ADDITIONAL INDEPENDENT AUDITORS' REPORT

FIERRO & FIERRO, P.A. CERTIFIED PUBLIC ACCOUNTANTS

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Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Hector H. Balderas, State Auditor
and
Board of Directors
Tri-City Landfill Commission
Bayard, New Mexico

We have audited the business-type activities of the Tri-City Landfill Commission (Commission), as of and for the year ended June 30, 2008, and the budgetary comparison for the year then ended, and have issued our report thereon dated November 24, 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 the Commission'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 the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission'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 Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2006-02 to be a significant deficiency in internal control over financial reporting.

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 Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, we consider item 2006-02 to be a material weakness.

Compliance and Other Matters

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

The Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, others within the Commission, the New Mexico State Auditor, the New Mexico State Legislature audit committees, the Department of Finance and Administration Local Government Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

November 24, 2008

Item 2006-02 – Accounting Policies and Procedures Manual

Statement of Condition – During our audit, we noted that the Commission does not have a formal accounting policies and procedures manual.

Criteria – Elements of an effective internal control system includes guidelines on whom, how and when the more significant accounting transactions should be authorized, recorded and reconciled during the accounting cycle. Formal documented accounting procedures increases the likelihood transactions are executed in accordance with management's intentions and recorded in accordance with accounting policies established by the federal and state governments along with generally accepted accounting principles.

Effect – Not documenting formal accounting policies and procedures could allow employees to incorrectly reflect transactions that have occurred. Incorrect transactions could allow misstatement of financial data prepared by its finance department.

Cause – The current administration has not been able to recover all pertinent documents pertaining to the landfill authority. Many documents were removed from the Town of Hurley by past personnel and never returned. Policies and procedures may have been created in the past but are not in possession by the current administration.

Recommendation – We recommend that the Commission create, review and adopt an accounting manual that is approved by management and the Board of Directors.

Views of Responsible Officials and Planned Corrective Actions – The Tri-City Landfill Authority follows the accounting procedures and policies set by the state of New Mexico. The Tri-City Landfill Commission will approve the state of New Mexico Department of Finance and Administration accounting policies and procedures, during their next regular meeting, as their accounting policies and procedures.

PRIOR YEAR AUDITORS' FINDINGS

Item 2006-01 – General Ledger – In the previous year's audit report, it was noted that the Commission did not have a complete and accurate general ledger for the fiscal year ended June 30, 2007. During the fiscal year, the Commission began to use an accounting software package that can prepare a year-to-date general ledger and other financial reports. The finding is considered resolved.

Item 2006-02 – Accounting Policies and Procedures Manual – In the previous year's audit report, it was noted that the Commission did not have a formal accounting policies and procedures manual. The finding has not been resolved and is repeated.

Item 2006-03 – Board Minutes – In the previous year's audit report, it was noted that the Commission did not have any approved minutes of board meetings. During the fiscal year ended June 30, 2007, the Commission did retain all approved and signed original minutes. The finding is considered resolved.

Exit Conference

The audit report for the fiscal year ended June 30, 2008, was discussed during the exit conference held on November 26, 2008. Present for the Commission was: Rodolpho Martinez, chairman; and Kristina V. Ortiz, bookkeeper. Present for the auditing firm was Ed Fierro, CPA.

Financial Statement Preparation

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the financial statements of the Tri-City Landfill Commission as of June 30, 2008. The Commission's upper management has reviewed and approved the financial statements and related notes, and they believe the Commission's books and records adequately support them.