

**STATE OF NEW MEXICO  
TRI-CITY LANDFILL COMMISSION**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**JUNE 30, 2009**

**STATE OF NEW MEXICO  
 TRI-CITY LANDFILL COMMISSION  
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 JUNE 30, 2009**

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**STATE OF NEW MEXICO  
TRI-CITY LANDFILL COMMISSION  
DIRECTORY OF OFFICIALS  
JUNE 30, 2009**

**Board of Directors**

<u>Member</u>	<u>Position</u>	<u>Entity Represented</u>
Rodolpho Martinez	Chairman	City of Bayard
Fernando Martinez	Vice-Chairman	Town of Hurley
Richard Bauch	Member	Village of Santa Clara

**Administrative Staff**

Kristina V. Ortiz	Bookkeeper
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**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.comIndependent 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, 2009, 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, 2009, 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 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, 2009, and the respective 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 of the enterprise fund of the Commission for the year ended June 30, 2009, 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 17, 2009, 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, and 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 17, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

The following is an overview of the financial condition for the Tri-City Landfill Commission (the Commission), for the fiscal year ended June 30, 2009. 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. A grant for well monitoring was received to fund one well testing cycle.

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.

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

**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:

<b>Tri-City Landfill Commission's Net Assets</b>	<u>June 30, 20089</u>	<u>June 30, 2008</u>
Assets:		
Current and other assets	\$ 103,251	\$ 94,206
Capital assets, net of accumulated depreciation	<u>242,904</u>	<u>242,904</u>
Total assets	346,155	337,110
Liabilities:		
Current liabilities	-	-
Long-term liabilities	<u>264,130</u>	<u>264,130</u>
Total liabilities	<u>264,130</u>	<u>264,130</u>
Net Assets:		
Invested in capital assets	242,904	242,904
Unrestricted	<u>(160,879)</u>	<u>(169,924)</u>
Total net assets	<u>\$ 82,025</u>	<u>\$ 72,980</u>

The Commission's activities during the year increased the Authority's net assets by \$9,045. 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 \$22,632, while expenses increased by \$11,580 when compared to the previous year.



**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

**Financial Statement Analysis (continued)**

<b>Tri-City Landfill Commission's Changes in Net Assets</b>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues:		
Non-Operating Revenues:		
Intergovernmental revenues	\$ 35,398	\$ 10,388
Interest income	1,682	4,060
Total revenues	<u>37,080</u>	<u>14,448</u>
Expenses:		
Operating Expenses:		
Administration	5,580	5,423
Landfill	22,455	11,032
Total expenses	<u>28,035</u>	<u>16,455</u>
Change in net assets	<u><u>\$ 9,045</u></u>	<u><u>\$ (2,007)</u></u>

**Capital Assets**

The Commission's investment in net assets as of June 30, 2009, 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	<u><u>\$ 264,130</u></u>
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**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. Additional funding was received by the County of Grant to help offset the monitoring costs of the landfill. This additional funding has alleviated the need to increase municipal fees. The Commission will continue to review the need for increases in the future.

**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, 2009**

<b>ASSETS</b>	
Current Assets:	
Cash	\$ 65,396
Restricted Current Assets:	
Cash	<u>37,855</u>
Total current assets	103,251
Non-Current Assets:	
Capital Assets:	
Land	<u>242,904</u>
Total assets	<u>346,155</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	-
Non-Current Liabilities:	
Post-closure payable	<u>264,130</u>
Total liabilities	<u>264,130</u>
<b>NET ASSETS</b>	
Invested in capital assets	242,904
Unrestricted	<u>(160,879)</u>
Total net assets	<u><u>\$ 82,025</u></u>

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, 2009

Operating Revenues:	
Charges for services	\$ -
Operating Expenses:	
Administration	5,580
Landfill	<u>22,455</u>
Total operating expenses	<u>28,035</u>
Operating (loss)	(28,035)
Non-Operating Revenues (Expenses):	
Intergovernmental revenues	35,398
Interest income	<u>1,682</u>
Total non-operating revenues (expenses)	<u>37,080</u>
Change in net assets	9,045
Net assets, beginning of year	<u>72,980</u>
Net assets, end of year	<u><u>\$ 82,025</u></u>

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, 2009**

Cash Flows from Operating Activities:	
Cash received from customers	\$ -
Cash payments to suppliers for goods and services	(28,035)
Cash payments to employees for services	-
	-
Net cash (used) by operating activities	(28,035)
Cash Flows from Non-Capital and Related Financing Activities:	
Intergovernmental revenues	35,398
Cash Flows from Investing Activities:	
Interest income	1,682
	1,682
Net increase in cash	9,045
Cash and cash equivalents, beginning of year	94,206
Cash and cash equivalents, end of year	\$ 103,251
Displayed as:	
Cash	\$ 65,396
Restricted cash	37,855
	\$ 103,251
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating (loss)	\$ (28,035)
Adjustment to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Change in Assets and Liabilities:	
None.	-
	-
Net cash (used) by operating activities	\$ (28,035)

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

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**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.

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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.

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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 1<sup>st</sup> to the New Mexico Department of Finance and Administration (DFA) Local Government Division for approval. DFA certifies a pending budget by July 1<sup>st</sup> 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.



**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009, 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.

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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.

**STATE OF NEW MEXICO  
TRI-CITY LANDFILL COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**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, 2009, 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	\$ 36,851	\$ (536)	\$ 36,315
	CDs	66,936	-	66,936
Total cash deposits		<u>\$ 103,787</u>	<u>\$ (536)</u>	<u>\$ 103,251</u>

**STATE OF NEW MEXICO  
 TRI-CITY LANDFILL COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009**

**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	\$ 65,396
Restricted cash	<u>37,855</u>
Total cash reported on financial statements	<u><u>\$ 103,251</u></u>

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.

	<u>AmBank</u>
Checking accounts	\$ 36,851
Certificates of deposit	<u>66,936</u>
Total deposits	103,787
FDIC coverage	<u>103,787</u>
Total uninsured public funds	<u><u>\$ -</u></u>

*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, 2009, all of the Commission cash balance of \$103,787 was fully insured; therefore, the Commission was not exposed to custodial credit risk.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits, and interest bearing money market accounts, at a public unit in an institution in the same state, will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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 \$37,855. 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, 2009:

	Balance 06/30/08	Increases	Decreases	Balance 06/30/09
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, 2009, 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, 2009. 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, 2009, the Commission has funded the liability with a savings account with a balance of \$37,855, leaving \$266,275 as unfunded. If necessary, the City of Bayard, Town of Hurley and Village of Santa Clara would fund the balance of \$226,275.

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009

	Original Budget	Final Budget	Actual	Variance With Final Budget Over (Under)
Operating Expenses:				
Administration	\$ 5,980	\$ 5,980	\$ 5,580	\$ 400
Landfill	5,000	22,500	22,455	45
Total operating expenses	10,980	28,480	28,035	445
Operating income (loss)	(10,980)	(28,480)	(28,035)	445
Non-Operating Revenues (Expenses):				
Intergovernmental revenues	10,288	25,838	35,398	9,560
Interest income	150	29,140	1,682	(27,458)
Total non-operating revenues (expenses)	10,438	54,978	37,080	(17,898)
Net change in cash balance	(542)	26,498	9,045	(17,453)
Cash balance, beginning of year	94,206	94,206	94,206	-
Cash balance, end of year	<u>\$ 93,664</u>	<u>\$ 120,704</u>	<u>\$ 103,251</u>	<u>\$ (17,453)</u>



**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, 2009**

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.	<u>\$ -</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 28,035
Differences - Budget to GAAP:	
None.	-
Total operating expenses as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 28,035</u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 37,080
Differences - Budget to GAAP:	
None.	-
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in net assets.	<u>\$ 37,080</u>
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.	<u>\$ -</u>

**OTHER SUPPLEMENTAL FINANCIAL INFORMATION**

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
**SCHEDULE OF CASH ACCOUNTS**  
**JUNE 30, 2009**

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	\$ 9,049	\$ (536)	\$ 8,513
Tri-City Landfill Commission	Checking	27,802	-	27,802
Tri-City Landfill Commission	CD	56,883	-	56,883
Tri-City Landfill Commission	CD	10,053	-	10,053
		<u>\$ 103,787</u>	<u>\$ (536)</u>	<u>\$ 103,251</u>

**ADDITIONAL INDEPENDENT AUDITORS' REPORT**

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
Bus: (575) 525-0313 • Fax: (575) 525-9708  
www.fierrocpa.com

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, 2009, and the budgetary comparison for the year then ended, and have issued our report thereon dated November 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered 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.

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.

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. 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 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*.

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.  
Las Cruces, New Mexico

November 17, 2009

**STATE OF NEW MEXICO**  
**TRI-CITY LANDFILL COMMISSION**  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2009

**PRIOR YEAR'S AUDIT FINDINGS**

*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. During the fiscal year, the Commission approved a formal accounting policies and procedures manual utilizing the accounting policies and procedures manual for municipalities. The finding is considered resolved.

**STATE OF NEW MEXICO  
TRI-CITY LANDFILL COMMISSION  
EXIT CONFERENCE AND  
FINANCIAL STATEMENT PREPARATION  
JUNE 30, 2009**

**Exit Conference**

The audit report for the fiscal year ended June 30, 2009, was discussed during the exit conference held on November 25, 2009. Present for the Commission was: Richard Bauch, member; 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, 2009. 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.