



The Rogoff Firm

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS & FINANCIAL ADVISORS

South Central Solid Waste Authority (A Component Unit of the City of Las Cruces)

Financial Statements
and
Independent Auditors' Report

June 30, 2008 and 2007

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)

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**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)**

BOARD OF DIRECTORS

June 30, 2008

City of Las Cruces

Dolores Archuleta	Vice-Chair
Miguel Silva	Councilor
Ken Miyagishima	Mayor
Terrence Moore	City Manager

Dona Ana County

Dolores Saldana-Caviness	Commissioner
Karen G. Perez	Commissioner
Bill McCamley	Chair
Brian Haines	County Manager

Independent Auditors' Report

Hector Balderas, State Auditor
and the Board of Directors of South Central
Solid Waste Authority

We have audited the accompanying basic financial statements of the South Central Solid Waste Authority (SCSWA), a component unit of the City of Las Cruces, New Mexico, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. We have also audited the schedule of revenues, expenses and changes in net assets—budget and actual listed as supplementary information in the table of contents. These financial statements and schedule are the responsibility of SCSWA's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements and the budget comparison schedule 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SCSWA, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison schedule referred to above presents fairly, in all material respects, the budgetary comparison of SCSWA for the year ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of SCSWA'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 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 express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCSWA's basic financial statements and the budgetary comparison schedule. The accompanying schedules of pledged collateral and deposit accounts and investments are presented for additional analysis and to meet the requirements of the State of New Mexico Office of the State Auditor, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REDW LLC

November 26, 2008

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The Management Discussion and Analysis for South Central Solid Waste Authority (the "Authority" or "SCSWA") presents an overview of the financial performance during the year ended June 30, 2008. It is intended to be read in conjunction with the financial statements, which follow this section.

The Authority was created by a joint powers agreement between the city and county. As a partnership between the City of Las Cruces (the "City") and Dona Ana County (the "County"), the South Central Solid Waste Authority provides integrated solid waste management solutions for area residents and businesses.

The Authority uses proprietary fund accounting and records revenues when earned and expenses when incurred.

Financial Highlights

- ◆ During the years ended June 30, 2008 and 2007, the net assets of SCSWA's activities increased by \$2,099,202 and \$2,670,993, respectively.
- ◆ Revenues from operations were \$5,148,834 for the 2008 fiscal year, the 2007's revenues from operations of \$5,333,578.
- ◆ Operating expenses were \$3,148,709 for 2008. This amount represents an 11.3% increase in operating expenses from 2007 in the amount of \$2,828,520. The overall increase in operating expenses was primarily due to the increased costs of personnel and fuel, as well as landfill closure/post closure costs.

Overview of Financial Statements

This annual report consists of four parts:

1. Management's discussion and analysis.
2. The basic financial statements.
3. Notes to the basic financial statements.
4. Supplementary information – Schedule of Revenues and Expenditures-Budget and Actual

Financial Statements

The statement of net assets presents SCSWA's assets and liabilities at fiscal year-end. The term "net assets" refers to the difference between total assets and total liabilities. It is an indicator of the Authority's current financial condition. The change in the net assets over time is an indication of either improvement or deterioration of the financial condition of SCSWA.

The statement of revenues, expenses and changes in net assets provides the results of revenues and expenses and other changes in net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., accrued liabilities).

The statement of cash flows provides information about sources and uses of cash throughout the fiscal year. This statement classifies sources and uses of cash into three categories, operating, investing, and capital. The statement assists in determining if the entity has the ability to generate net cash flows to meet the Authority's obligations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of supplementary information that compares actual and budgetary expenditures.

Fiscal Agent

The City of Las Cruces is the fiscal agent for SCSWA. As fiscal agent, the City establishes funds to control and manage money for a particular purpose, and to demonstrate that it is meeting legal responsibilities for the use of certain monies.

Financial Analysis of SCSWA

Net Assets. The net assets increased to \$10,559,683 during fiscal year 2008 and \$8,460,481 in fiscal year 2007. Table 1 summarizes the net assets of SCSWA.

Table 1
Net Assets
As of June 30

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 7,378,461	\$ 5,517,428	\$ 3,532,205
Capital and other assets	<u>10,039,367</u>	<u>10,197,269</u>	<u>10,128,082</u>
Total assets	<u>\$ 17,417,828</u>	<u>\$ 15,714,697</u>	<u>\$ 13,660,287</u>
Current liabilities	\$ 783,308	\$ 665,146	\$ 783,138
Noncurrent liabilities	<u>6,074,837</u>	<u>6,589,070</u>	<u>7,087,661</u>
Total liabilities	<u>6,858,145</u>	<u>7,254,216</u>	<u>7,870,799</u>
Net Assets			
Invested in capital assets, net of related debt	3,244,260	969,530	363,444
Restricted	1,843,107	3,688,181	3,504,509
Unrestricted	<u>5,472,316</u>	<u>3,802,770</u>	<u>1,921,535</u>
Total net assets	<u>10,559,683</u>	<u>8,460,481</u>	<u>5,789,488</u>
Total liabilities and net assets	<u>\$ 17,417,828</u>	<u>\$ 15,714,697</u>	<u>\$ 13,660,287</u>

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Changes in Net Assets. Total operating revenues for the year ended June 30, 2008 were \$5,148,834, compared with operating expenses of \$3,148,709.

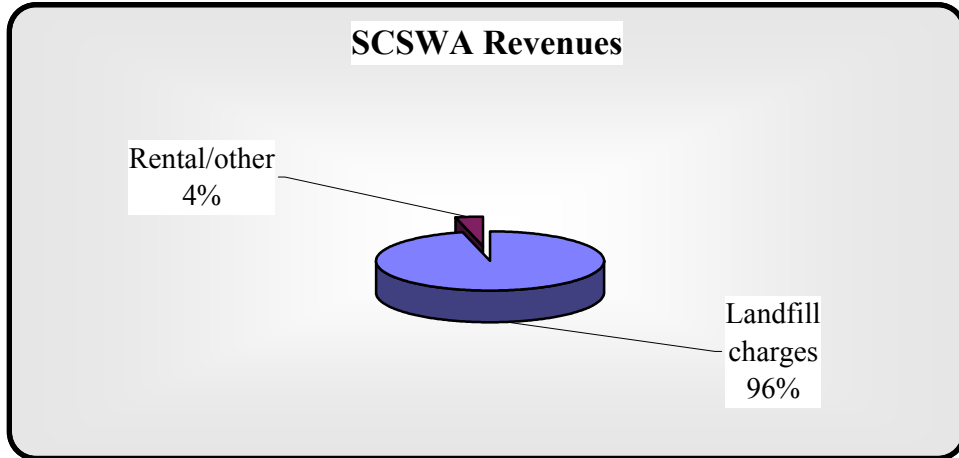
Table 2 summarizes the changes in net assets for the current year and prior year, while Chart 1 shows the revenues by source for each year.

Table 2
Changes in Net Assets
For the Years Ended June 30,

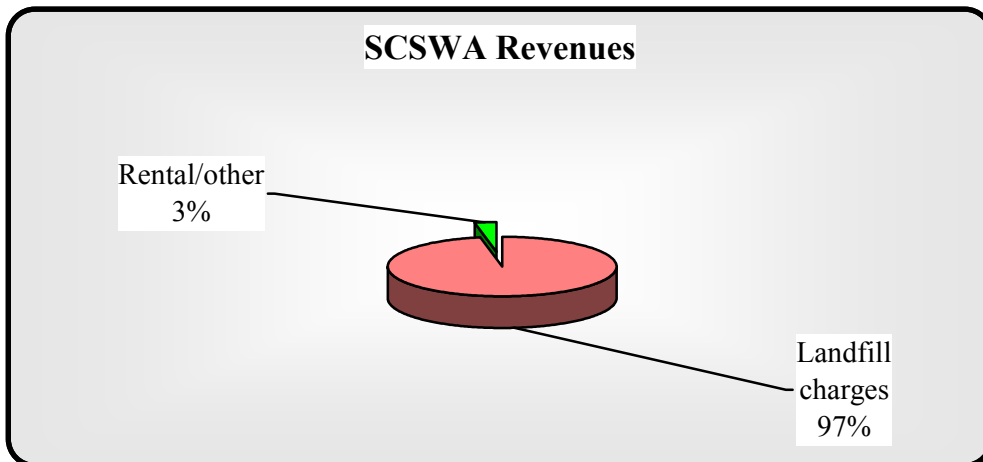
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating revenues			
Charges for services	\$ 4,949,005	\$ 5,164,033	\$ 4,568,798
Rental income	70,343	83,906	67,536
Other revenues	<u>129,486</u>	<u>85,639</u>	<u>100,622</u>
Total revenue	<u>5,148,834</u>	5,333,578	4,736,956
Operating expenses	<u>3,148,709</u>	<u>2,828,520</u>	<u>2,570,560</u>
Operating income	<u>2,000,125</u>	<u>2,505,058</u>	<u>2,166,396</u>
Nonoperating revenues (expenses)			
Grants and contributions	-	-	254,212
Investment income	367,106	405,470	189,345
Interest expense	<u>(268,029)</u>	<u>(239,535)</u>	<u>(341,486)</u>
Total nonoperating revenue (expenses)	<u>99,077</u>	<u>165,935</u>	<u>102,071</u>
Change in net assets	<u>2,099,202</u>	2,670,993	2,268,467
Net assets, beginning of year	<u>8,460,481</u>	<u>5,789,488</u>	<u>3,521,021</u>
Net assets, end of year	<u>\$ 10,559,683</u>	<u>\$ 8,460,481</u>	<u>\$ 5,789,488</u>

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Chart 1
Revenues by Source – Fiscal Year 2008



Revenues by Source – Fiscal Year 2007



South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Budget Information. The Board of Directors approves the budget and, when necessary, revisions to the budget. Therefore, budgetary information is presented as required supplementary information. SCSWA makes every effort to ensure operational expenses do not exceed funds available. The following summarizes the variance between the budgeted and actual revenues and expenses for the years ended June 30, 2008 and 2007.

Table 3
Budget and Actual for the Year Ended June 30, 2008

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 4,717,003	\$ 4,717,003	\$ 4,949,005	\$ 232,002	5%
Rental income	32,454	32,454	70,343	37,889	117%
Other	<u>70,886</u>	<u>70,886</u>	<u>129,486</u>	<u>58,600</u>	83%
Total revenue	4,820,343	4,820,343	5,148,834	328,491	7%
Expenses					
Operating expenses and interest expense	<u>3,412,898</u>	<u>3,614,638</u>	<u>3,416,738</u>	<u>197,900</u>	5%
Revenues over expenditures	1,407,445	1,205,705	1,732,096	526,391	44%
Nonoperating revenues					
Investment income	<u>-</u>	<u>-</u>	<u>367,106</u>	<u>367,106</u>	1%
Net change in net assets	<u>\$ 1,407,445</u>	<u>\$ 1,205,705</u>	<u>\$ 2,099,202</u>	<u>\$ 893,497</u>	74%

Revenues from operations decreased from 2007 primarily due to a gradual decline in the construction of new homes and a downturn in the housing market in the region.

The difference between the final budget and actual expenses is attributable to increases in supplies, fuel and rental expense. As fuel costs have increased significantly in the past fiscal year, so in turn have the cost of supplies, which includes an alternative cover used at the landfill. The rental expense increased due to the rental of equipment while SCSWA equipment was repaired.

The variance between the final budget and actual in revenues was due to a strong housing market during the beginning of FY08. Although the market for houses has seen a downturn, the increase at the beginning of the year was significant enough to reflect an overall increase in revenues as compared to the final budget.

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Table 4
Budget and Actual for the Year Ended June 30, 2007

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 4,446,228	\$ 4,579,615	\$ 5,164,033	\$ 584,418	13%
Rental income	42,000	64,908	83,906	18,998	29%
Other	68,579	68,829	85,639	16,810	24%
Total revenue	4,556,807	4,713,352	5,333,578	620,226	13%
Expenses					
Operating expenses and interest expense	2,975,296	3,177,831	3,068,055	109,776	3%
Revenues over expenditures	1,581,511	1,535,521	2,265,523	730,002	33%
Nonoperating revenues					
Investment income	54,000	-	405,470	405,470	100%
Net change in net assets	\$ 1,635,511	\$ 1,535,521	\$ 2,670,993	\$ 1,135,472	74%

Actual results varied from budgeted amounts primarily because investment income of \$405,470 was not budgeted in fiscal year 2007.

Capital Assets

Capital Assets—As of June 30, 2008, the Authority's depreciable assets totaled \$8,196,260, net of accumulated depreciation of \$9,099,509. Table 5 provides details of the net capital assets.

Table 5
Capital Assets and
Accumulated Depreciation
As of June 30,

	2008	2007	2006
Equipment	\$ 4,969,912	\$ 3,884,792	\$ 3,527,017
Buildings	4,133,043	4,133,043	4,006,690
Land improvements	4,523,315	4,523,315	4,523,315
Infrastructure	1,056,988	1,056,988	1,056,988
	14,683,258	13,598,138	13,114,010
Accumulated depreciation	(9,099,509)	(8,372,980)	(7,607,154)
Total depreciable assets	5,583,749	5,225,158	5,506,856
Land and construction in progress	2,612,511	1,283,930	1,116,717
	\$ 8,196,260	\$ 6,509,088	\$ 6,623,573

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

SCSWA capitalizes assets with an acquisition cost of \$5,000 or more and that has a useful life of greater than one year. During 2008, the Authority purchased \$1,328,581 of capital assets for the construction of Cell 3A and \$1,085,120 of equipment. In 2007, cell construction was \$167,213 and equipment purchases were \$357,775.

Economic Outlook

Changes in the general economic conditions for the City of Las Cruces and the surrounding area influence the economic condition of SCSWA. The regional area, while still experiencing an expanding economy, has not been immune from national economic conditions. Following is a table that contains a number of economic variables that underscore the mixed performance of the regional area during the last two fiscal years. The trends show the growth in employment and population. The construction industry has shown a sharp drop in fiscal year 2008.

Table 6
Las Cruces Economic Indicators

Item	Fiscal Year		Change	
	2008	2007	Number	Percent
Total Employment (MSA)*	68,625	67,483	1,142	1.7%
Single Family Building Permits	675	1,294	(619)	-47.8%
Total Permit Valuation (Millions)	\$ 185	\$ 316	\$ (131)	-41.5%
Population **	89,722	86,160	3,562	4.1%

* Preliminary - Data for Metropolitan Statistical Area

** Census Bureau Estimates as of July 1

For fiscal year 2008/2009 the economic assumptions call for a marked slowdown in growth. The recent past has seen exceptional growth fueled by rapid construction activity centered around residential housing. This changed in fiscal year 2008 in response to national conditions. The outlook calls for overall construction activity to decelerate further to a level that is more in balance between population growth and construction activity. While residential construction will remain sluggish, commercial activity will show gains.

In summary, the regional area is well positioned to benefit when the economy returns to expansionary mode over the next 18 months.

South Central Solid Waste Authority
Management's Discussion and Analysis
For the Year Ended June 30, 2008

Contacting the Management

The financial report is designed to provide the community and others with a general overview of SCSWA's finances and demonstrate the organization's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to the Board at:

South Central Solid Waste Authority Board
PO Box 20000
Las Cruces, NM 88004
(505) 528-3800

Financial Statements

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Net Assets
June 30,

	2008	2007
Assets		
Current assets		
Pooled cash and investments	\$ 7,139,519	\$ 5,184,892
Accounts receivable	238,942	332,536
Total current assets	7,378,461	5,517,428
Noncurrent assets		
Restricted cash and investments	1,843,107	3,688,181
Capital assets, net	8,196,260	6,509,088
Total noncurrent assets	10,039,367	10,197,269
Total assets	\$ 17,417,828	\$ 15,714,697
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 88,672	\$ 18,116
Accrued liabilities	37,207	41,767
Current portion of long-term liabilities	657,429	605,263
Total current liabilities	783,308	665,146
Long-term liabilities	6,074,837	6,589,070
Total liabilities	6,858,145	7,254,216
Net Assets		
Invested in capital assets, net of related debt	3,244,260	969,530
Restricted for closure/post-closure	1,843,107	3,688,181
Unrestricted	5,472,316	3,802,770
Total net assets	10,559,683	8,460,481
Total liabilities and net assets	\$ 17,417,828	\$ 15,714,697

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30,

	2008	2007
Operating Revenues		
Charges for services	\$ 4,949,005	\$ 5,164,033
Rental income	70,343	83,906
Other revenue	129,486	85,639
Total operating revenues	5,148,834	5,333,578
Operating Expenses		
Personnel	989,293	921,099
Professional services	190,467	201,698
Repairs and maintenance	282,747	273,783
Landfill closure/postclosure costs	126,870	61,750
Administrative charges	85,005	83,778
Insurance	154,351	130,949
Fuel	393,237	253,984
Utilities	86,851	80,403
Rent	33,054	6,026
Supplies	70,580	44,767
Depreciation	726,529	765,827
Other	9,725	4,456
Total operating expenses	3,148,709	2,828,520
Operating income	2,000,125	2,505,058
Nonoperating Revenues (Expenses)		
Investment income	367,106	405,470
Interest expense	(268,029)	(239,535)
Total nonoperating revenue (expense)	99,077	165,935
Change in net assets	2,099,202	2,670,993
Net assets, beginning of year	8,460,481	5,789,488
Net assets, end of year	\$ 10,559,683	\$ 8,460,481

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Cash Flows
For the Years Ended June 30,

	2008	2007
Cash flows from operating activities		
Cash received from customers	\$ 5,242,428	\$ 5,255,565
Cash paid to suppliers	(1,240,450)	(1,114,141)
Cash paid to employees	(990,243)	(848,964)
Net cash provided by operating activities	3,011,735	3,292,460
Cash flows from capital and related financing activities		
Purchases of capital assets	(2,413,701)	(651,341)
Principal paid on long-term debt	(587,558)	(716,170)
Interest paid on long-term debt	(268,029)	(239,537)
Net cash used by capital and related financing activities	(3,269,288)	(1,607,048)
Cash flows from investing activities		
Interest income received	367,106	405,470
Net cash provided by investing activities	367,106	405,470
Net increase in pooled cash and investments	109,553	2,090,882
Pooled cash and investments, beginning of year	8,873,073	6,782,191
Pooled cash and investments, end of year	\$ 8,982,626	\$ 8,873,073

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Cash Flows — continued
For the Years Ended June 30,

	2008	2007
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 2,000,125</u>	<u>\$ 2,505,058</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	726,529	765,827
Increase in landfill closure and postclosure cost estimate	126,870	61,750
Change in assets and liabilities		
Accounts receivable	93,594	(78,013)
Accounts payable	70,556	2,022
Accrued liabilities	(4,560)	7,874
Other noncurrent liability	<u>(1,379)</u>	<u>27,942</u>
Total adjustments	<u>1,011,610</u>	<u>787,402</u>
Net cash provided by operating activities	<u>\$ 3,011,735</u>	<u>\$ 3,292,460</u>
Cash and investments consist of		
Current assets		
Pooled cash and investments	\$ 7,139,519	\$ 5,184,892
Noncurrent assets		
Restricted cash and investments	<u>1,843,107</u>	<u>3,688,181</u>
Total cash and investments	<u>\$ 8,982,626</u>	<u>\$ 8,873,073</u>

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

1) Summary of Significant Accounting Policies

Reporting Entity

South Central Solid Waste Authority (SCSWA) provides collection and burial of community solid waste from the City of Las Cruces and Dona Ana County. It is a component unit of the City of Las Cruces (the “City”).

Basis of Presentation, Measurement Focus, Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Proprietary Fund Accounting

SCSWA follows proprietary fund accounting. Proprietary funds are accounted for using the flow of economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. SCSWA applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. SCSWA has also elected to apply FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Propriety fund accounting distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses result from transactions associated with the principal activity of SCSWA. Nonoperating revenues and expenses result from ancillary activities.

Pooled Cash and Investments

SCSWA participates in a pool of cash and short-term investments maintained by the Treasurer of the City of Las Cruces. Pooled cash and investments are reported at fair value and are fully insured or collateralized. Pooled cash and investments are considered cash equivalents for the purpose of the statement of cash flows.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

1) Summary of Significant Accounting Policies — continued

Measurement Focus, Basis of Accounting — continued

Restricted Cash and Investments

SCSWA maintains a restricted cash account for the purpose of funding future costs of the closure/post-closure of a landfill. This restricted resource is only used for this purpose and, accordingly, net assets are also restricted by the amount of cash held in this account at fiscal year-end.

Use of Restricted Resources

SCSWA uses restricted resources when expenses are incurred for purposes for which both restricted and unrestricted net assets are available.

Accounts Receivable

Accounts receivable represent amounts due from customers for services provided to them. Accounts receivable balances are considered to be fully collectable; accordingly no allowance for doubtful accounts has been recorded. If it is determined that an account will not be collectable, it will be charged to operations in the current period.

Capital Assets

Assets are capitalized if they have an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost, or, if donated, at fair market value at the date of the donation.

Depreciation

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	15-30
Landfill cell/site improvements	8
Equipment	4-10

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

2) Cash and Investments

SCSWA participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. Pooled cash and investments are reported at fair value.

Cash and cash equivalents consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Pooled cash and investments	\$ 7,139,519	\$ 5,184,892
Restricted cash and investments	<u>1,843,107</u>	<u>3,688,181</u>
Total cash and cash equivalents	<u>\$ 8,982,626</u>	<u>\$ 8,873,073</u>

At June 30, 2008, the City's cash and investment pool consists of the following:

	<u>Pooled Cash & Investments</u>
Carrying amount of bank deposits	\$ (1,985,360)
Investments at fair value	128,721,760
Accrued interest	<u>365,028</u>
Total	<u>\$ 127,101,428</u>

Bank Balance of Deposits

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 City's investment ordinance requires collateralization of 50% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2008, all of the City's deposits were insured by FDIC or collateralized by securities held by the bank's trust department in the City's name, and thus were not exposed to custodial credit risk.

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) commercial paper rated not less than A-1, P-1, F-1, or equivalent by a

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

2) Cash and Investments — continued

Investments — continued

nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments. In addition, the City may invest money identified as long-term in the pools of the New Mexico State Investment Council subject to annual review and approval by the City Council.

As of June 30, 2008, the City's investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Pooled investments	
Money market funds	\$ 21,519,656
Commercial paper	19,451,144
U.S. agency discount notes	32,802,250
U.S. agency coupon bonds	34,340,820
Collateralized mortgage obligations	4,505,020
U.S. Treasury Notes	<u>16,102,870</u>
Total pooled investments	<u>\$ 128,721,760</u>

Interest Rate Risk. The City's general investment policy is to apply the prudent investor rule to manage its exposure to declines in fair values. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of relatively shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk. The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2008, the City's investments in the senior unsecured debt and short-term discount notes of U.S. agencies were rated AAA and A-1+, respectively, by Standard & Poor's and Aaa and P-1 by Moody's Investors Service. Mortgage-based securities issued by U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's. Positions in commercial paper were rated P-1 by Moody's, A-1 or A-1+ by Standard & Poor's, and F-1+ or not rated by Fitch Ratings. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2008 and 2007

2) Cash and Investments — continued

Investments — continued

investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. All of the City's securities are held by a third-party financial institution in the City's name.

Concentration of Credit Risk. The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2008, 5% of the City's investment pool was in Federal Farm Credit Bank (FFCB), 31% in Federal Home Loan Mortgage Corporation (FHLMC), and 14% in Federal National Mortgage Association (FNMA).

3) **Capital Assets**

Changes in capital assets for the year ended June 30, 2008, are as follows:

	Balances June 30, 2007	Additions	Balances June 30, 2008
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	476,654	1,328,581	1,805,235
Total capital assets not being depreciated	<u>1,283,930</u>	<u>1,328,581</u>	<u>2,612,511</u>
Other capital assets			
Buildings	4,133,043	-	4,133,043
Equipment	3,884,792	1,085,120	4,969,912
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	4,523,315	-	4,523,315
Total other capital assets at historic cost	<u>13,598,138</u>	<u>1,085,120</u>	<u>14,683,258</u>
<i>Less accumulated depreciation for</i>			
Buildings	1,394,436	148,100	1,542,536
Equipment	2,764,344	415,297	3,179,641
Landfill cell/site	3,949,953	136,707	4,086,660
Infrastructure	264,247	26,425	290,672
Total accumulated depreciation	<u>8,372,980</u>	<u>726,529</u>	<u>9,099,509</u>
Total other capital assets at historic cost, net	<u>5,225,158</u>	<u>358,591</u>	<u>5,583,749</u>
Total capital assets, net	<u>\$ 6,509,088</u>	<u>1,687,172</u>	<u>\$ 8,196,260</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

3) Capital Assets — continued

Changes in capital assets for the year ended June 30, 2007, are as follows:

	Balances June 30, 2006	Additions	Balances June 30, 2007
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>309,441</u>	<u>167,213</u>	<u>476,654</u>
Total capital assets not being depreciated	<u>1,116,717</u>	<u>167,213</u>	<u>1,283,930</u>
Other capital assets			
Buildings	4,006,690	126,353	4,133,043
Equipment	3,527,017	357,775	3,884,792
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
Total other capital assets at historic cost	<u>13,114,010</u>	<u>484,128</u>	<u>13,598,138</u>
<i>Less accumulated depreciation for</i>			
Buildings	1,256,046	138,390	1,394,436
Equipment	2,330,304	434,040	2,764,344
Landfill cell/site	3,782,800	167,153	3,949,953
Infrastructure	<u>238,004</u>	<u>26,243</u>	<u>264,247</u>
Total accumulated depreciation	<u>7,607,154</u>	<u>765,826</u>	<u>8,372,980</u>
Total other capital assets at historic cost, net	<u>5,506,856</u>	<u>(281,698)</u>	<u>5,225,158</u>
Total capital assets, net	<u>\$ 6,623,573</u>	<u>\$ (114,485)</u>	<u>\$ 6,509,088</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are as follows:

	Balances			Balances		Amount
	June 30, 2007	Increases	Decreases	June 30, 2008		Due Within
						One Year
Long-term debt						
Capital lease obligations	\$ 12,975	\$ -	\$ 12,975	\$ -	\$ -	
Due to City of Las Cruces	5,526,583	-	574,583	4,952,000		640,000
Other noncurrent liabilities						
Estimated landfill closure/postclosure liability	1,566,250	126,870	-	1,693,120		-
Compensated absences	88,525	429	1,808	87,146		17,429
	<u>\$ 7,194,333</u>	<u>\$ 127,299</u>	<u>\$ 589,366</u>	<u>\$ 6,732,266</u>		<u>\$ 657,429</u>

Changes in long-term liabilities for the year ended June 30, 2007, are as follows:

	Balances			Balances		Amount
	June 30, 2006	Increases	Decreases	June 30, 2007		Due Within
						One Year
Long-term debt						
Capital lease obligations	\$ 124,145	\$ -	\$ 111,170	\$ 12,975	\$ 12,975	
Due to City of Las Cruces	6,131,583	-	605,000	5,526,583		574,583
Other noncurrent liabilities						
Estimated landfill closure/postclosure liability	1,504,500	61,750	-	1,566,250		-
Compensated absences	60,584	62,660	34,719	88,525		17,705
	<u>\$ 7,820,812</u>	<u>\$ 124,410</u>	<u>\$ 750,889</u>	<u>\$ 7,194,333</u>		<u>\$ 605,263</u>

Debt service requirements on long-term debt are as follows:

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2009	\$ 640,000	\$ 198,766
2010	660,000	179,566
2011	680,000	159,766
2012	705,000	138,006
2013	725,000	114,213
2014-2016	2,340,000	182,888
	<u>\$ 5,750,000</u>	<u>\$ 973,205</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

4) Long-Term Liabilities — continued

Due City of Las Cruces

In 1995, bonds totaling \$10,795,000 were issued in the name of the City for the construction of the SCSWA landfill and transfer station. An agreement between SCSWA and the City requires that the annual debt service on the bonds be remitted to the City. In August 2004, the City refunded the 1995 SCSWA Environmental Services Gross Receipts Tax /Project Revenue Bonds for \$7,980,000. Bond issues that are outstanding, but have been refunded, are payable from escrow accounts. The City has retained \$798,000 from the 2004 bond issue in reserves in the event that SCSWA is not able to make the required annual debt service transfer.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$170,000. The advance refunding will reduce total debt service payments over future periods by approximately \$996,000, resulting in an economic gain (difference between the present values of the old and new debt service payments) of approximately \$635,000.

Landfill Closure and Post Closure Liability

The SCSWA began operations in 1997 and charges rates that include an amount to raise the funds needed for closure and post closure activities. State and federal laws and regulations require placement of a final cover on landfill sites when waste is no longer accepted and performance of certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that a landfill stops accepting waste, a portion of the closure and post closure costs are reported as an operating expenses in each period based on landfill capacity used as of each balance sheet date.

The \$1,693,120 reported as SCSWA's landfill closure and post closure liability at June 30, 2008, represents the cumulative amount reported to date based on the use of the estimated capacity of the open cells at the regional landfill. Actual closure and post closure costs may be higher due to inflation, changes in technology, or changes in regulations. The liabilities reported reflect a change in the estimate of total closure and post closure costs of \$126,870 in 2008, which is included in expenses in the financial statements.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

5) Employee Retirement System

Retirement Plan

Substantially all full-time employees of SCSWA participate in a defined benefit contribution retirement plan through the Public Employees' Retirement Act (PERA) of the State of New Mexico, a cost-sharing multiple employer public employee retirement system. Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of PERA. That report may be obtained by writing to PERA, P.O. Box 2123, 1120 Paseo de Peralta, Santa Fe, NM, 87504-2123 or on their internet website at www.state.nm.us/pera/.

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service times 2.5% of their final average monthly salary, the 36 consecutive months of credited service producing the largest average, is as follows:

- ◆ Employees may retire at:
 - Any age with 25 or more years of credited service
 - Age 60 or older with 20 or more years of credited service
- ◆ All employees are eligible for retirement at:
 - Age 61 or older with 17 or more years of credited service
 - Age 62 or older with 14 or more years of credited service
 - Age 63 or older with 11 or more years of credited service
 - Age 64 or older with 8 or more years of credited service
 - Age 65 or older with 5 or more years of credited service

Benefits vest after five years of credited service.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

5) Employee Retirement System — continued

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at the time of disability or retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disability-retired member does not submit an annual statement of earnings from gainful employment by June 30th of each year or if the amount of earnings in the previous year is more than the amount that causes the suspension of, or a decrease in, the Social Security Old Age Benefit for a 65 year old.

Funding Policy

Before November 2000, SCSWA employees were subject to, and participated in, the City's PERA plan and were subject to the same plan provisions, retirement eligibility rules, disability benefits, and funding policy. Effective November 2000, the SCSWA enrolled in a PERA plan with a 2.5% pension factor per year of credited service. Participants and the SCSWA are each required to contribute 9.15% of gross salary.

Contribution requirements for the years ended are as follows:

	<u>SCSWA</u>	<u>Employee</u>	<u>Total</u>	<u>Percentage Contributed</u>
June 30, 2008	63,900	63,900	127,800	100%
June 30, 2007	60,731	60,731	121,462	100%
June 30, 2006	53,192	53,192	106,384	100%

The payroll wages for SCSWA employees covered by PERA for the years ended June 30, 2008 and 2007 was \$698,356 and \$663,732, respectively. The total payroll of all SCSWA employees for the years ended June 30, 2008 and 2007 was \$989,293, and \$921,099, respectively.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2008 and 2007

6) Risk Management

SCSWA is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters for which SCSWA carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

7) Related Party Transactions

In 2008, the City of Las Cruces and Dona Ana County paid approximately \$2.55 million and \$832,387 in charges for services, respectively. In 2007, the City of Las Cruces and Dona Ana County paid approximately \$2.76 million and \$902,486 in charges for services, respectively.

In 2008, SCSWA paid approximately \$85,005 of fiscal agent fees to the City of Las Cruces. In 2007, SCSWA paid approximately \$83,778 of fiscal agent fees to the City of Las Cruces.

Supplementary Information

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual (Audited)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 4,717,003	\$ 4,717,003	\$ 4,949,005	\$ 232,002
Rental income	32,454	32,454	70,343	37,889
Other revenues	70,886	70,886	129,486	58,600
Total operating revenues	<u>4,820,343</u>	<u>4,820,343</u>	<u>5,148,834</u>	<u>328,491</u>
Operating Expenses				
Personnel	1,027,566	1,082,166	989,293	92,873
Professional services	222,250	193,560	190,467	3,093
Repairs and maintenance	304,080	343,380	282,747	60,633
Landfill closure/postclosure costs	72,500	72,500	126,870	(54,370)
Administrative charges	97,500	90,000	85,005	4,995
Insurance	158,474	173,684	154,351	19,333
Fuel	332,500	416,500	393,237	23,263
Utilities	85,300	88,500	86,851	1,649
Rent	90,636	102,566	33,054	69,512
Supplies	37,500	67,590	70,580	(2,990)
Depreciation	980,492	980,492	726,529	253,963
Other	4,100	3,700	9,725	(6,025)
Total operating expenses	<u>3,412,898</u>	<u>3,614,638</u>	<u>3,148,709</u>	<u>465,929</u>
Operating income	<u>1,407,445</u>	<u>1,205,705</u>	<u>2,000,125</u>	<u>794,420</u>
Nonoperating Revenues (Expenses)				
Investment income	-	-	367,106	367,106
Interest expense	-	-	(268,029)	(268,029)
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>99,077</u>	<u>99,077</u>
Change in net assets	1,407,445	1,205,705	2,099,202	893,497
Net assets, beginning of the year	<u>5,156,532</u>	<u>5,056,542</u>	<u>8,460,481</u>	<u>3,403,939</u>
Net assets, end of the year	<u><u>\$ 6,563,977</u></u>	<u><u>\$ 6,262,247</u></u>	<u><u>\$ 10,559,683</u></u>	<u><u>\$ 4,297,436</u></u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Pledged Collateral
For the Year Ended June 30, 2008

Deposits

Institution/Security	Safe Keeping Location	Market Value
Wells Fargo Bank, NA WFBS 01, 5.50%, 06/01/2037, 3128MS7G9	Wells Fargo Bank Northwest	\$ 1,916,077
		<u>\$ 1,916,077</u>

Summary of Collateralization

Wells Fargo Bank		
Ending bank balance		\$ 435,777
Less: FDIC insurance		<u>(100,000)</u>
Total uninsured public funds		<u>\$ 335,777</u>
Pledged collateral held by the pledging bank's trust department in the City's name		\$ 1,916,077
50% collateral requirement		<u>167,889</u>
Pledged collateral in excess of requirement		<u>\$ 1,748,188</u>
Uninsured and uncollateralized		<u>\$ -</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments
For the Year Ended June 30, 2008

Account	Account Type	Pooled Cash & Investments	SCSWA Accounts	Total Reconciled Balance	On Deposit 6/30/2008
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Treasury Fund - operating	Checking	\$ (1,353,172)	\$ -	\$ (1,353,172)	\$ 89,503
Payroll direct deposit account	Checking	(206,575)	-	(206,575)	-
On demand	Checking	31,346	-	31,346	50,035
Rio Grande Natural Gas Association Revenue	Checking	(456,959)	-	(456,959)	-
Community Development	Checking	-	-	-	173,533
Community Development Home Rehab	Savings	-	-	-	25,987
Community Development Home Program	Savings	-	-	-	1,557
Metro Narcotics Agency	Savings	-	-	-	95,162
Total deposit accounts		<u>(1,985,360)</u>	<u>-</u>	<u>(1,985,360)</u>	<u>\$ 435,777</u>
Investments					
<i>Wells Fargo Bank</i>					
WF Treas Plus MM Fund - Sweep Acct	Sweep	7,439,326	-	7,439,326	
Investment Custody Account	Investment	4,248,320	-	4,248,320	
<i>Wells Capital Management</i>					
CLC Liquidity Management Agency	Investment	103,692,733	-	103,692,733	
<i>Wells Fargo Brokerage Services, LLC</i>					
City of Las Cruces	Brokerage	7,315,599	-	7,315,599	
<i>New Mexico State New Mexigrow LGIP</i>					
Local Agency Investment Fund	Investment	<u>6,025,782</u>	<u>-</u>	<u>6,025,782</u>	
Total investments		<u>128,721,760</u>	<u>-</u>	<u>128,721,760</u>	
Total deposits and investments		126,736,400	-	126,736,400	
<i>Other Cash</i>					
Petty cash and change funds	Cash	-	900	900	
<i>Accrued Interest Receivable</i>					
Wells Capital Management - Pool	Accrued Int	300,284	-	300,284	
Other pooled investments	Accrued Int	<u>64,744</u>	<u>-</u>	<u>64,744</u>	
Total cash and investments		127,101,428	900	127,102,328	
Less balances in City of Las Cruces funds		<u>118,119,702</u>	<u>-</u>	<u>118,119,702</u>	
SCSWA cash and investment balances		<u>\$ 8,981,726</u>	<u>\$ 900</u>	<u>\$ 8,982,626</u>	

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

Hector Balderas, State Auditor
and the Board of Directors of South Central
Solid Waste Authority

We have audited the accompanying basic financial statements and budgetary comparison of the South Central Solid Waste Authority (SCSWA), a component unit of the City of Las Cruces, New Mexico, as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered SCSWA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCSWA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCSWA's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of SCSWA's financial statements that is more than inconsequential will not be prevented or detected by the SCSWA's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 08-1 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 SCSWA's internal control. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCSWA's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants. Noncompliance with any of these provisions 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 that are required to be reported under *Government Auditing Standards*.

SCSWA's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit SCSWA'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, SCSWA's management and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

November 26, 2008

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Findings and Responses
For the Year Ended June 30, 2008

08-1 — Cash Receipts Procedures (Repeat Finding)

Criteria: Policies and procedures for cash receipts require daily reconciliations, supporting documentation for voided transactions and explanations for unusual variances.

In addition, the Joint Powers Agreement requires SCSWA to maintain fiscal records and security over money received.

Condition: During the year, SCSWA did not follow the City's policies and procedures relating to cash receipt procedures. The following were identified during the City's internal audit:

- SCSWA is not aware of the need to comply with the City's cash handling policies regarding daily deposits
- Revenues reported by SCSWA did not include fees for two customers
- Taxes were not charged on three sales transactions

Context: Policies and procedures are not being followed regarding the receipt, deposit, and security of money received.

Cause: Practices for the receipt, deposit and security of money are not in compliance with established cash receipts procedures.

Effect: This could result in failure to deposit monies timely and increased susceptibility to misappropriation of cash receipts and/or revenues reported to the City.

Auditors' Recommendations: The cash receipts procedures and the Joint Powers Agreement should be followed to ensure proper safeguards over cash receipts and proper revenue recognition.

Management's Response: SCSWA has initiated daily deposits and improved internal controls related to cash receipts. Process improvements were incorporated into the daily activities of SCSWA prior to the 2008 fiscal year-end.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2008

Finding: 07-1 Cash Receipts Procedures

Current status: Unresolved. See 08-1.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Other Disclosures
For the Year Ended June 30, 2008

Exit Conference

An exit conference was conducted on November 17, 2008, in a closed meeting of the Board of Directors pursuant to *Section 12-6-5 NMSA, 1978* with the following individuals in attendance:

SCSWA Board of Directors

Dolores Archuleta	Board Vice-Chair
Miguel Silva	Councillor
Karen G. Perez	Commissioner
Ken Miyagishima	Mayor
Terrence Moore	City Manager

SCSWA

Patrick L. Peck	Director
Lisa Lee	Operations Analyst

City of Las Cruces (Fiscal Agent)

Mark D. Sutter, CPA/Ph.D.	Finance Director
Pat Degman, CGFM	Comptroller
Audrey Evins, CPA	Internal Auditor
Cynthia Vigil	Accounting Supervisor
Melissa Nelson	Accounting Supervisor

REDW LLC

Bruce Bleakman, CPA	Principal
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Financial Statement Preparation

The City's Accounting Department prepared the accompanying financial statements; however, SCSWA is responsible for the financial statement content.