



South Central Solid Waste Authority

(A Component Unit of the City of Las Cruces)

Financial Statements and
Independent Auditors' Report
June 30, 2009 and 2008

REDW

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, 2009

City of Las Cruces

Miguel G. Silva	Chair
Dolores Archuleta	Councilor
Ken Miyagishima	Mayor
Terrence Moore	City Manager

Dona Ana County

Dolores Saldana-Caviness	Commissioner
Leticia Duarte-Benavidez	Commissioner
Karen G. Perez	Vice-Chair
Brian Haines	County Manager

Independent Auditors' Report

Mr. Hector Balderas, New Mexico 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, 2009 and 2008, 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, 2009 and 2008, 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, 2009, 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 16, 2009, 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 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 16, 2009

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

The Management Discussion and Analysis for South Central Solid Waste Authority (the "Authority" or "SCSWA") presents an overview of the financial performance during the years ended June 30, 2009 and 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.

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.

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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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 \$11,763,661 during fiscal year 2009 and \$10,559,683 in fiscal year 2008. Table 1 summarizes the assets, liabilities, and net assets of SCSWA.

Table 1
Net Assets
As of June 30

	2009	2008	2007
Current and other assets	\$ 7,365,083	\$ 7,378,461	\$ 5,517,428
Capital and other assets	<u>10,625,635</u>	<u>10,039,367</u>	<u>10,197,269</u>
Total assets	<u>\$ 17,990,718</u>	<u>\$ 17,417,828</u>	<u>\$ 15,714,697</u>
Current liabilities	\$ 755,967	\$ 783,308	\$ 665,146
Noncurrent liabilities	<u>5,471,090</u>	<u>6,074,837</u>	<u>6,589,070</u>
Total liabilities	<u>6,227,057</u>	<u>6,858,145</u>	<u>7,254,216</u>
Net Assets			
Invested in capital assets, net of related debt	4,363,994	3,244,260	969,530
Restricted	1,949,641	1,843,107	3,688,181
Unrestricted	<u>5,450,026</u>	<u>5,472,316</u>	<u>3,802,770</u>
Total net assets	<u>11,763,661</u>	<u>10,559,683</u>	<u>8,460,481</u>
Total liabilities and net assets	<u>\$ 17,990,718</u>	<u>\$ 17,417,828</u>	<u>\$ 15,714,697</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Changes in Net Assets. Total operating revenues for the year ended June 30, 2009 were \$4,598,827, compared with operating expenses of \$3,427,585.

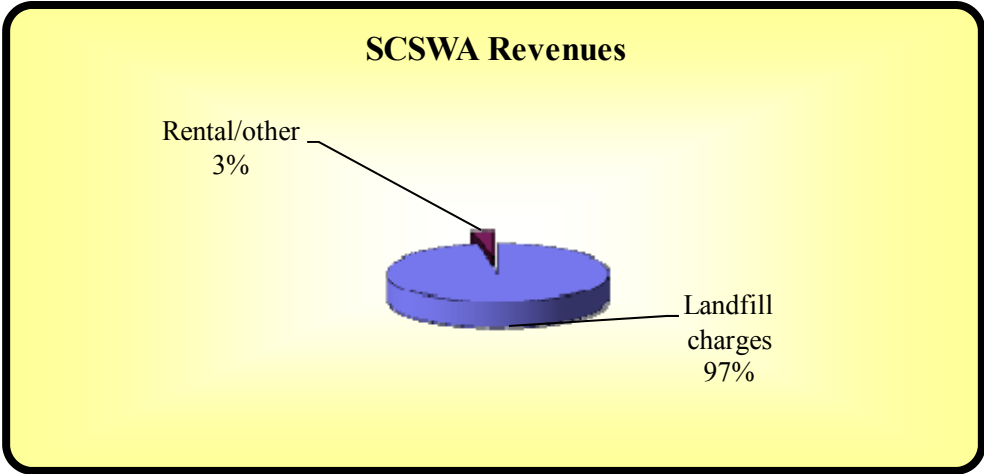
Table 2 summarizes the changes in net assets for the current year and prior two years, while Chart 1 shows the revenues by source for each year.

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

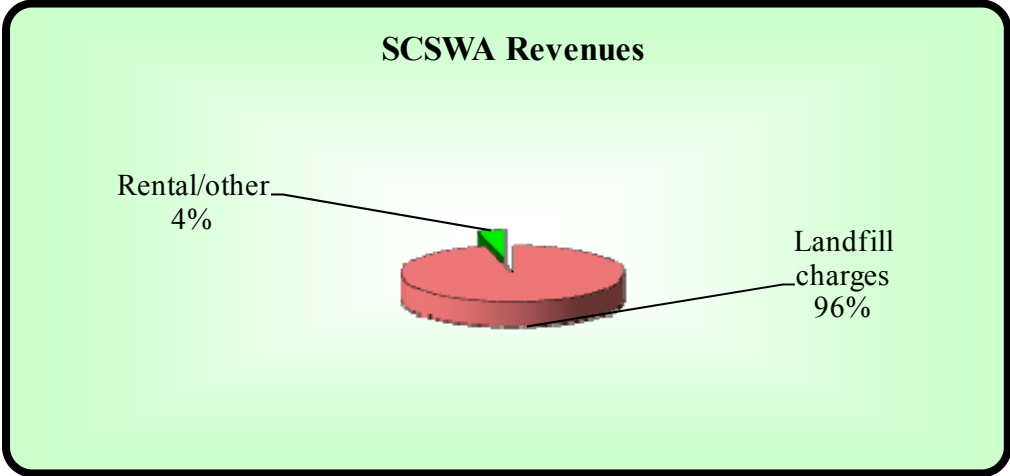
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenues			
Charges for services	\$ 4,479,502	\$ 4,949,005	\$ 5,164,033
Rental income	62,875	70,343	83,906
Other revenues	<u>56,450</u>	<u>129,486</u>	<u>85,639</u>
Total operating revenues	4,598,827	5,148,834	5,333,578
Operating expenses	<u>3,427,585</u>	<u>3,148,709</u>	<u>2,828,520</u>
Operating income	<u>1,171,242</u>	<u>2,000,125</u>	<u>2,505,058</u>
Nonoperating revenues (expenses)			
Investment income	231,502	367,106	405,470
Interest expense	<u>(198,766)</u>	<u>(268,029)</u>	<u>(239,535)</u>
Total nonoperating revenue (expenses)	<u>32,736</u>	<u>99,077</u>	<u>165,935</u>
Change in net assets	1,203,978	2,099,202	2,670,993
Net assets, beginning of year	<u>10,559,683</u>	<u>8,460,481</u>	<u>5,789,488</u>
Net assets, end of year	<u>\$ 11,763,661</u>	<u>\$ 10,559,683</u>	<u>\$ 8,460,481</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Chart 1
Revenues by Source – Fiscal Year 2009



Revenues by Source – Fiscal Year 2008



South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Budget Information. The Board of Directors approves the annual 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, 2009 and 2008.

Table 3
Budget and Actual for the Year Ended June 30, 2009

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 4,717,003	\$ 4,725,000	\$ 4,479,502	\$ (245,498)	-5%
Rental income	32,454	75,998	62,875	(13,123)	-17%
Other	70,886	-	56,450	56,450	100%
Total revenue	4,820,343	4,800,998	4,598,827	(202,171)	-4%
Expenses					
Operating expenses and interest expense	3,428,108	3,832,041	3,626,351	205,690	5%
Revenues over expenditures	1,392,235	968,957	972,476	3,519	0%
Nonoperating revenues					
Investment income	-	164,000	231,502	67,502	1%
Net change in net assets	\$ 1,392,235	\$ 1,132,957	\$ 1,203,978	\$ 71,021	6%

Revenues from operations decreased by \$550,007 from 2008, primarily due to a continued drop in the construction of new homes and a downturn in the housing market in the region.

The difference between the original and final budget for rental income is due to the Authority originally going to take over the recycling program at the first of FY09; however, since that did not happen until FY10, the City continued to pay rent to SCSWA for the entire FY09.

The difference between the original and final budget for other is due to an original plan of the equipment fund paying the operations fund for equipment rental, however, this is did not occur. In addition, the revenue recorded in other is due to insurance proceeds.

The difference between the original and final budget for operating expenses is due to increases in salaries, temporary labor, major repairs to the hopper at the transfer station and the hiring of a public relations firm.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Table 4
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	70,886	70,886	129,486	58,600	83%
Total revenue	4,820,343	4,820,343	5,148,834	328,491	7%
Expenses					
Operating expenses and interest expense	3,412,898	3,614,638	3,416,738	197,900	5%
Revenues over expenditures	1,407,445	1,205,705	1,732,096	526,391	44%
Nonoperating revenues					
Investment income	-	-	367,106	367,106	1%
Net change in net assets	\$ 1,407,445	\$ 1,205,705	\$ 2,099,202	\$ 893,497	74%

Actual results varied from budgeted amounts primarily because an increase at the beginning of 2008 in the housing market was enough to reflect an overall increase in revenues as compared to the final budget.

Long Term Debt

At the end of fiscal year 2009, SCSWA had total long-term debt outstanding of \$4,312,000 in bonds. In 2009, this consisted solely of 1995 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Bonds.

Table 5
Outstanding Debts to the City
As of June 30,

	2009	2008	2007
Capital lease obligations	\$ -	\$ -	\$ 12,975
Revenue bonds outstanding	4,312,000	4,952,000	5,526,583
Total	\$ 4,312,000	\$ 4,952,000	\$ 5,539,558

Decreases to long-term liabilities included bond debt service payments of \$640,000, \$574,583 and \$605,000 in 2009, 2008 and 2007, respectively. In 2007, capital lease obligations were completed.

Additional information on SCSWA's debt can be found in Note 4.

South Central Solid Waste Authority
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Management's Discussion and Analysis
For the Year Ended June 30, 2009

Capital Assets

Capital Assets—As of June 30, 2009, the Authority's depreciable assets totaled \$8,675,994, net of accumulated depreciation of \$10,025,400. Table 5 provides details of the capital assets and related depreciation.

Table 6
Capital Assets and
Accumulated Depreciation
As of June 30,

	2009	2008	2007
Equipment	\$ 6,141,794	\$ 4,969,912	\$ 3,884,792
Buildings	4,241,248	4,133,043	4,133,043
Land improvements	4,523,315	4,523,315	4,523,315
Infrastructure	1,056,988	1,056,988	1,056,988
	15,963,345	14,683,258	13,598,138
Accumulated depreciation	(10,025,400)	(9,099,509)	(8,372,980)
Total depreciable assets	5,937,945	5,583,749	5,225,158
Land and construction in progress	2,738,049	2,612,511	1,283,930
	\$ 8,675,994	\$ 8,196,260	\$ 6,509,088

During 2009, the Authority purchased \$1,171,882 of heavy equipment and spent \$108,205 on building improvements.

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 faring better than the nation, has not been immune from the recession which started in December 2007. 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 growth only in population. The construction industry has shown a continued drop in fiscal year 2009 as reflected in building permits issued.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2009

Table 7
Las Cruces Economic Indicators

Item	Fiscal Year		Change	
	2009	2008	Number	Percent
Total Employment (MSA)*	68,808	69,075	(267)	-0.4%
Lodging Tax Receipts	\$1,663,616	\$1,785,109	\$ (121,493)	-6.8%
Gross Receipts Tax	\$70,169,219	\$72,665,014	\$ (2,495,795)	-3.4%
Single Family Building Permits	562	675	(113)	-16.7%
Total Permit Valuation (Millions)	\$182.1	\$184.9	\$ (2.8)	-1.5%
Population Estimate**	91,865	89,722	2,143	2.4%

* Preliminary - Data for Metropolitan Statistical Area

** Census Bureau Estimates as of July 1

For fiscal year 2009/2010 the economic assumptions anticipate slow economic activity as the national economy begins to heal. The recent past has seen exceptional growth fueled by rapid construction activity centered around residential housing. This changed in fiscal year 2008 and fell further in fiscal year 2009. Single family permits fell by one fifth. Total valuation, while down, was buoyed in part by commercial activity. The outlook calls for overall construction activity to bottom out in 2009, striking a level that is more in balance with population growth. A countervailing factor is the ongoing construction of a number of public projects by the City of Las Cruces, Federal Government and the Las Cruces Public School district. These projects are all scheduled to be completed by the end of fiscal year 2011.

Contacting the Management

The financial report is designed to provide the community and others with an 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,

	2009	2008
Assets		
Current assets		
Pooled cash and investments	\$ 7,122,270	\$ 7,139,519
Accounts receivable	236,536	\$ 238,942
Prepaid expenses	6,277	-
Total current assets	7,365,083	7,378,461
Noncurrent assets		
Restricted cash and investments	1,949,641	1,843,107
Capital assets, net	8,675,994	8,196,260
Total noncurrent assets	10,625,635	10,039,367
Total assets	\$ 17,990,718	\$ 17,417,828
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 35,057	\$ 88,672
Accrued liabilities	43,858	37,207
Current portion of long-term liabilities	677,052	657,429
Total current liabilities	755,967	783,308
Long-term liabilities	5,471,090	6,074,837
Total liabilities	6,227,057	6,858,145
Net assets		
Invested in capital assets, net of related debt	4,363,994	3,244,260
Restricted	1,949,641	1,843,107
Unrestricted	5,450,026	5,472,316
Total net assets	11,763,661	10,559,683
Total liabilities and net assets	\$ 17,990,718	\$ 17,417,828

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,

	2009	2008
Operating Revenues		
Charges for services	\$ 4,479,502	\$ 4,949,005
Rental income	62,875	70,343
Other revenue	56,450	129,486
Total operating revenues	4,598,827	5,148,834
Operating Expenses		
Personnel	1,069,564	989,293
Professional services	233,105	190,467
Repairs and maintenance	357,420	282,747
Landfill closure/postclosure	57,760	126,870
Administrative charges	85,404	85,005
Insurance	168,017	154,351
Fuel	300,069	393,237
Utilities	89,547	86,851
Rent	2,093	33,054
Supplies	124,889	70,580
Depreciation	925,891	726,529
Other	13,826	9,725
Total operating expenses	3,427,585	3,148,709
Operating income	1,171,242	2,000,125
Nonoperating Revenues (Expenses)		
Investment income	231,502	367,106
Interest expense	(198,766)	(268,029)
Total nonoperating revenue (expense)	32,736	99,077
Change in net assets	1,203,978	2,099,202
Net assets, beginning of year	10,559,683	8,460,481
Net assets, end of year	\$ 11,763,661	\$ 10,559,683

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,

	2009	2008
Cash flows from operating activities		
Cash received from customers	\$ 4,601,233	\$ 5,242,428
Cash paid to suppliers	(1,427,611)	(1,240,450)
Cash paid to employees	(1,071,448)	(990,243)
Net cash provided by operating activities	2,102,174	3,011,735
Cash flows from capital and related financing activities		
Purchases of capital assets	(1,405,625)	(2,413,701)
Principal paid on long-term debt	(640,000)	(587,558)
Interest paid on long-term debt	(198,766)	(268,029)
Net cash used by capital and related financing activities	(2,244,391)	(3,269,288)
Cash flows from investing activities		
Interest income received	231,502	367,106
Net cash provided by investing activities	231,502	367,106
Net increase in pooled cash and investments	89,285	109,553
Total cash and investments, beginning of year	8,982,626	8,873,073
Total cash and investments, end of year	\$ 9,071,911	\$ 8,982,626

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,

	2009	2008
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 1,171,242</u>	<u>\$ 2,000,125</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	925,891	726,529
Increase in landfill closure and postclosure cost estimate	57,760	126,870
Change in assets and liabilities		
Accounts receivable	2,406	93,594
Prepaid expenses	(6,277)	
Accounts payable	(53,615)	70,556
Accrued liabilities	6,651	(4,560)
Other noncurrent liability	<u>(1,884)</u>	<u>(1,379)</u>
Total adjustments	<u>930,932</u>	<u>1,011,610</u>
Net cash provided by operating activities	<u>\$ 2,102,174</u>	<u>\$ 3,011,735</u>
Cash and investments consist of		
Current assets		
Pooled cash and investments	\$ 7,122,270	\$ 7,139,519
Noncurrent assets		
Restricted cash and investments	<u>1,949,641</u>	<u>1,843,107</u>
Total cash and investments	<u>\$ 9,071,911</u>	<u>\$ 8,982,626</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, 2009 and 2008

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. Revenues are recognized when earned and expenses are recorded when liabilities are incurred. 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, 2009 and 2008

1) Summary of Significant Accounting Policies — continued

Basis of Presentation, 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.

Budgets

SCSWA's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of anticipated revenues and expenditures. New Mexico State law prohibits expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by SCSWA's board; however, State of New Mexico, Department of Finance and Administration (DFA) approval must be obtained on budget increases and budget transfers between funds.

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

1) Summary of Significant Accounting Policies — continued

Basis of Presentation, Measurement Focus, Basis of Accounting — continued

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.

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 investments consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Pooled cash and investments	\$ 7,122,270	\$ 7,139,519
Restricted cash and investments	<u>1,949,641</u>	<u>1,843,107</u>
Total cash and investments	<u>\$ 9,071,911</u>	<u>\$ 8,982,626</u>

At June 30, 2009, the City's cash and investment pool consists of the following:

	<u>Pooled Cash & Investments</u>
Carrying amount of bank deposits	\$ (3,805,499)
Investments at fair value	110,719,136
Accrued interest	<u>313,562</u>
Total	<u>\$ 107,227,199</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

2) Cash and Investments — continued

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, 2009, the City's deposits, totaling \$375,766, was 100% insured by FDIC, and thus was 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 nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

As of June 30, 2009, the City's investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Avg Maturity (Yrs)</u>
Pooled investments		
Money market funds	\$ 13,870,209	0.08
Commercial paper	6,986,440	0.19
U.S. agency discount notes	70,529,770	0.42
U.S. agency coupon bonds	3,014,700	1.81
Collateralized mortgage obligations	3,160,887	0.92
U.S. Treasury Notes	<u>13,157,130</u>	0.51
Total pooled investments	<u>\$ 110,719,136</u>	0.65

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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

2) Cash and Investments — continued

Investments — continued

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, 2009, 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-backed 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 and A-1 or A-1+ by Standard & Poor's. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's.

The City invests in the New Mexico State Treasurer's Local Government Investment Pool (LGIP). LGIP operates as a money market fund, maintaining a \$1.00 per share net asset value. On September 16, 2008, LGIP held investments in the Reserve Primary Fund, which was downgraded from "AAA" to "D." The amounts and timing of future distributions from the Reserve Primary Fund are uncertain. LGIP provided for its potential loss in that Fund by transferring proportionate amounts of the City's investments in LGIP as of September 16, 2008, to a Reserve Contingency Fund, a non-performing fund that represents claims against future distributions of principal from the Reserve Primary Fund. As of June 30, 2009, \$144,761 of the City's pool investments in LGIP was in the Reserve Contingency Fund and was written down to a fair value of \$0.00. On October 7, 2009, the City recovered \$27,340 of the amount written off for fiscal year 2009.

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 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. As of June 30, 2009, all of the City's securities were 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, 2009, 25% of the City's investment pool was in Federal Home Loan Bank (FHLB), 27% in Federal Home Loan Mortgage Corporation (FHLMC), and 17% in Federal National Mortgage Association (FNMA).

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

3) Capital Assets

Changes in capital assets for the year ended June 30, 2009, are as follows:

	Balances June 30, 2008	Additions	Balances June 30, 2009
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>1,805,235</u>	<u>125,538</u>	<u>1,930,773</u>
Total capital assets not being depreciated	<u>2,612,511</u>	<u>125,538</u>	<u>2,738,049</u>
Other capital assets			
Buildings	4,133,043	108,205	4,241,248
Equipment	4,969,912	1,171,882	6,141,794
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>14,683,258</u>	<u>1,280,087</u>	<u>15,963,345</u>
<i>Less accumulated depreciation for</i>			
Buildings	1,542,536	152,110	1,694,646
Equipment	3,179,641	653,274	3,832,915
Landfill cell/site	4,086,660	94,082	4,180,742
Infrastructure	<u>290,672</u>	<u>26,425</u>	<u>317,097</u>
Total accumulated depreciation	<u>9,099,509</u>	<u>925,891</u>	<u>10,025,400</u>
Total other capital assets at historic cost, net	<u>5,583,749</u>	<u>354,196</u>	<u>5,937,945</u>
Total capital assets, net	<u>\$ 8,196,260</u>	<u>\$ 479,734</u>	<u>\$ 8,675,994</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

3) Capital Assets — continued

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	<u>476,654</u>	<u>1,328,581</u>	<u>1,805,235</u>
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	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
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	<u>264,247</u>	<u>26,425</u>	<u>290,672</u>
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, 2009 and 2008

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are as follows:

	Balances June 30, 2008	Increases	Decreases	Balances June 30, 2009	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 4,952,000	\$ -	\$ 640,000	\$ 4,312,000	\$ 660,000
Other noncurrent liabilities					
Estimated landfill closure/postclosure liability	1,693,120	57,760	-	1,750,880	-
Compensated absences	87,146	8,917	10,801	85,262	17,052
	<u>\$ 6,732,266</u>	<u>\$ 66,677</u>	<u>\$ 650,801</u>	<u>\$ 6,148,142</u>	<u>\$ 677,052</u>

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

	Balances June 30, 2007	Increases	Decreases	Balances June 30, 2008	Amount 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>

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2010	\$ 660,000	179,566
2011	680,000	159,766
2012	705,000	138,006
2013	725,000	114,213
2014	750,000	88,838
2015-2016	1,590,000	94,050
	<u>\$ 5,110,000</u>	<u>\$ 774,439</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

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 \$1,750,880 reported as SCSWA's landfill closure and post closure liability at June 30, 2009, 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 \$57,760 in 2009, 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, 2009 and 2008

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, 2009 and 2008

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, 2009	\$ 78,752	\$ 63,235	\$ 141,987	100%
June 30, 2008	63,900	63,900	127,800	100%
June 30, 2007	60,731	60,731	121,462	100%

The payroll wages for SCSWA employees covered by PERA for the years ended June 30, 2009 and 2008 was \$785,194 and \$698,356, respectively. The total payroll of all SCSWA employees for the years ended June 30, 2009 and 2008 was \$1,069,565, and \$989,293, respectively.

Retiree Health Care Plan

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority (the "Authority") is the administrator of the plan and determines required contributions under authority of the Act. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

5) Employee Retirement System — continued

Retiree Health Care Plan — continued

Eligible employers include institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires before the employer's NMRHCA effective date, in which event the time period for contributions becomes the time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer's NMRHCA effective date or is a former legislator and made no contributions to the plan. After retirement, premiums are paid to the Authority by the retiree.

The SCSWA paid all of the employers' required contributions, which were as follows:

2009	\$ 9,823
2008	8,561
2007	7,903

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

5) Employee Retirement System — continued

Retiree Health Care Plan — continued

The Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

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 2009, the City of Las Cruces and Dona Ana County paid approximately \$2.5 million and \$820,376 in charges for services, respectively. 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 2009, SCSWA paid approximately \$85,400 of fiscal agent fees to the City of Las Cruces. In 2008, SCSWA paid approximately \$85,000 of fiscal agent fees to the City of Las Cruces.

8) **Subsequent Events**

The Authority has evaluated subsequent events through November 16, 2009, the date which the financial statements were available to be issued.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2009 and 2008

8) Subsequent Events — continued

Effective July 1, 2009, the Authority is managing Dona Ana County's (County) eight solid waste convenience stations. The Authority hired the County employees, with a start date of July 1, 2009. The subsidy from the County for FY10 will be \$865,000. Budgeted expenses are \$934,771. The County transferred certain equipment to the Authority, pending the approval of the State of New Mexico, Department of Finance and Administration.

Effective July 27, 2009, the Authority began providing recycling services to the City of Las Cruces (City). The City will sell to the Authority recycling equipment for \$404,735. A grant funded baler is leased at no cost to the Authority. The City's solid waste residential service rate currently contains a \$3.09 per month charge for recycling. The City will use the recycling component from the monthly residential solid waste fee to pay the Authority for recycling services. The subsidy from the City for FY10 will be \$801,262, based on \$3.09 per month per residential (non-senior) solid waste customers. Budget expenses are \$516,059.

The solid waste customers of the Authority who reside within the County and other solid waste customers whose rates may hereafter include a recycling charge will also provide funding to the Authority solely for the recycling program.

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, 2009

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Operating Revenues				
Charges for services	\$ 4,717,003	\$ 4,725,000	\$ 4,479,502	\$ (245,498)
Rental income	32,454	75,998	62,875	(13,123)
Other revenues	70,886	-	56,450	56,450
Total operating revenues	<u>4,820,343</u>	<u>4,800,998</u>	<u>4,598,827</u>	<u>(202,171)</u>
Operating Expenses				
Personnel	1,027,566	1,178,349	1,069,564	108,785
Professional services	222,250	302,750	233,105	69,645
Repairs and maintenance	267,000	395,200	357,420	37,780
Landfill closure/postclosure	72,500	72,500	57,760	14,740
Administrative charges	97,500	90,000	85,404	4,596
Insurance	173,684	191,500	168,017	23,483
Fuel	369,580	372,700	300,069	72,631
Utilities	85,300	94,200	89,547	4,653
Rent	90,636	15,500	2,093	13,407
Supplies	37,500	123,950	124,889	(939)
Depreciation	980,492	980,492	925,891	54,601
Other	4,100	14,900	13,826	1,074
Total operating expenses	<u>3,428,108</u>	<u>3,832,041</u>	<u>3,427,585</u>	<u>404,456</u>
Operating income	<u>1,392,235</u>	<u>968,957</u>	<u>1,171,242</u>	<u>202,285</u>
Nonoperating Revenues (Expenses)				
Investment income	-	164,000	231,502	67,502
Interest expense	-	-	(198,766)	(198,766)
Total nonoperating revenues (expenses)	<u>-</u>	<u>164,000</u>	<u>32,736</u>	<u>(131,264)</u>
Change in net assets	1,392,235	1,132,957	1,203,978	71,021
Net assets, beginning of the year	<u>6,563,977</u>	<u>6,262,247</u>	<u>10,559,683</u>	<u>4,297,436</u>
Net assets, end of the year	<u>\$ 7,956,212</u>	<u>\$ 7,395,204</u>	<u>\$ 11,763,661</u>	<u>\$ 4,368,457</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, 2009

SCSWA participates in the City of Las Cruces cash and investment pool. The amounts reported below are for all deposit accounts maintained by the City.

Deposits

Institution/Security

No collateral was pledged as of June 30, 2009.

Summary of Insurance and Collateralization

	Interest Bearing Accounts	Non-interest Bearing Accounts*	Total
Wells Fargo Bank			
Ending bank balance	\$ 117,465	\$ 258,301	\$ 375,766
Less: FDIC insurance coverage	<u>(250,000)</u>	<u>(258,301)</u>	<u>(508,301)</u>
Excess of insurance coverage over deposits	<u>\$ (132,535)</u>	<u>\$ -</u>	<u>\$ (132,535)</u>

* On October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program. The program provides full deposit insurance coverage for non-interest bearing deposit transaction accounts in FDIC-insured institutions, regardless of the amount.

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, 2009

The City of Las Cruces is the fiscal agent of South Central Solid Waste Authority. Therefore, South Central Solid Waste Authority participates in the City's pooling of cash and investments. Below represents the amounts of South Central Solid Waste Authority's cash and investments in the pool.

Account	Account Type	Pooled Cash & Investments	SCSWA Accounts	Total Reconciled Balance	On Deposit 6/30/2009
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 199,100
Community Development Home Rehab	Savings	-	-	-	20,716
Community Development Home Program	Savings	-	-	-	1,366
Metro Narcotics Agency	Savings	-	-	-	95,383
Treasury Fund - Operating	Checking	(3,468,113)	-	(3,468,113)	24,077
Payroll Direct Deposit Account	Checking	(57,135)	-	(57,135)	-
On Demand	Checking	30,562	-	30,562	35,124
Rio Grande Natural Gas Assoc Revenue Depository	Checking	(310,813)	-	(310,813)	-
		-	-	-	-
Total deposit accounts		<u>(3,805,499)</u>	<u>-</u>	<u>(3,805,499)</u>	<u>\$ 375,766</u>
Investments					
<i>Wells Fargo Bank</i>					
Investment Custody Account	Investment	55,604	-	55,604	
WF Treas Plus MM Fund - Sweep Acct	Sweep	4,005,243	-	4,005,243	
<i>Wells Capital Management</i>					
CLC Liquidity Management Agency	Investment	97,328,966	-	97,328,966	
<i>Wells Fargo Brokerage Services, LLC</i>					
City of Las Cruces	Brokerage	6,372,223	-	6,372,223	
<i>New Mexico State New Mexigrow LGIP</i>					
Pooled Investments	Investment	<u>2,957,100</u>	<u>-</u>	<u>2,957,100</u>	
Total investments		<u>110,719,136</u>	<u>-</u>	<u>110,719,136</u>	
Total deposits and investments		106,913,637	-	106,913,637	
<i>Other Cash</i>					
Petty cash and change funds	Cash	-	900	900	
<i>Accrued Interest Receivable</i>					
Accrued Interest - Other Pooled Investments	Accrued Int	257	-	257	
Wells Capital Management - Pool	Accrued Int	<u>313,305</u>	<u>-</u>	<u>313,305</u>	
Total cash and investments		107,227,199	900	107,228,099	
Less balances in City of Las Cruces funds		<u>98,156,188</u>	<u>-</u>	<u>98,156,188</u>	
SCSWA cash and investment balances		<u>\$ 9,071,011</u>	<u>\$ 900</u>	<u>\$ 9,071,911</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*

Mr. Hector Balderas, New Mexico 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, 2009 and 2008, and have issued our report thereon dated November 16, 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 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.

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 SCSWA'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 SCSWA's financial statements that is more than inconsequential will not be prevented or detected by SCSWA's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weakness. 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 SCSWA'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 would 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, SCSWA's management, the New Mexico Department of Finance and Administration 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 16, 2009

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, 2009

There were no audit findings for the fiscal year ended June 30, 2009.

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, 2009

Prior Audit Finding: 08-1 Cash Receipts Procedures

Current status: SCSWA has developed cash policies which have been adopted by the board. An Operations Analyst oversees compliance with the adopted policies. Additionally, armored car service has been initiated.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Other Disclosures
For the Year Ended June 30, 2009

Exit Conference

An exit conference was conducted on November 16, 2009, 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

Ken Miyagishima	Mayor
Jorge A. Garcia	Board Member
Miguel G. Silva	Board Member

SCSWA

Patrick L. Peck	Director
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City of Las Cruces (Fiscal Agent)

Mark D. Sutter, CPA/Ph.D.	Finance Director
Pat Degman, CGFM	Comptroller
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.