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

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*Financial Statements  
and  
Independent Auditors' Report  
June 30, 2011 and 2010*



CPAs | Business & Financial Advisors

**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, 2011**

**City of Las Cruces**

Miguel G. Silva	Chair
Olga Pedroza	Councilor
Ken Miyagishima	Mayor
Dr. Jorge Garcia	Utilities Director

**Dona Ana County**

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

## Independent Auditors' Report

Mr. Hector Balderas, State Auditor of New Mexico 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, 2011 and 2010, 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 previously present fairly, in all material respects, the financial position of SCSWA as of June 30, 2011 and 2010, 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, 2011, 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 22, 2011, 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 22, 2011

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

This management's 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, 2011 and 2010. 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 of Las Cruces (the "City") and Dona Ana County (the "County"). As a partnership between the City and County, SCSWA provides integrated solid waste management solutions for area residents and businesses.

**Overview of Financial Statements**

This annual report consists of four parts:

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

The statement of net assets presents SCSWA's assets, liabilities and net assets 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 presents all changes in net assets during the fiscal year. Changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, cash flows related to some revenues and expenses that are reported in this statement may occur in future fiscal periods (i.e., accrued liabilities).

The statement of cash flows provides information about sources and uses of cash during the fiscal year. This statement classifies sources and uses of cash into four categories: operating, noncapital, capital, and investing activities. The statement assists in determining if the entity has the ability to generate sufficient 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 schedules, including a comparison of budgetary to actual expenses.

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**Fiscal Agent**

The City of Las Cruces is the fiscal agent for SCSWA. As fiscal agent, the City establishes funds to account for money allocated to a particular purpose and to demonstrate compliance with legal and contractual requirements.

**Financial Analysis of SCSWA**

*Net Assets*— In fiscal year 2011, net assets decreased to \$11,506,950 from \$12,344,505 in fiscal year 2010. Table 1 summarizes the assets, liabilities, and net assets of SCSWA.

**Table 1**  
**Net Assets**  
**As of June 30,**

	<u>2011</u>	2010	2009
<b>Assets</b>			
Current and other assets	\$ 4,053,235	\$ 7,056,518	\$ 7,365,083
Capital and other assets	<u>12,873,941</u>	<u>10,868,309</u>	<u>10,625,635</u>
Total assets	<u>\$ 16,927,176</u>	<u>\$ 17,924,827</u>	<u>\$ 17,990,718</u>
<b>Liabilities</b>			
Current liabilities	\$ 1,075,710	\$ 834,028	\$ 755,967
Noncurrent liabilities	<u>4,344,516</u>	<u>4,746,294</u>	<u>5,471,090</u>
Total liabilities	<u>5,420,226</u>	<u>5,580,322</u>	<u>6,227,057</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,181,459	5,311,328	4,363,994
Restricted	1,500,723	-	-
Unrestricted	<u>3,824,768</u>	<u>7,033,177</u>	<u>7,399,667</u>
Total net assets	<u>11,506,950</u>	<u>12,344,505</u>	<u>11,763,661</u>
Total liabilities and net assets	<u>\$ 16,927,176</u>	<u>\$ 17,924,827</u>	<u>\$ 17,990,718</u>

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

*Changes in Net Assets*—Total operating revenues for the year ended June 30, 2011, were \$6,552,564 compared with operating expenses of \$7,397,049.

Table 2 summarizes the changes in net assets for the current year and prior two years.

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

	2011	2010	2009
<b>Operating revenues</b>			
Charges for services	\$ 6,542,297	\$ 6,193,205	\$ 4,479,502
Provision for uncollectible accounts	<u>(69,000)</u>	<u>-</u>	<u>-</u>
Net charges for services	6,473,297	6,193,205	4,479,502
Other revenues	<u>79,267</u>	<u>10,966</u>	<u>119,325</u>
Total operating revenues	6,552,564	6,204,171	4,598,827
<b>Operating expenses</b>	<u>7,397,049</u>	<u>5,660,670</u>	<u>3,427,585</u>
Operating income (loss)	<u>(844,485)</u>	<u>543,501</u>	<u>1,171,242</u>
<b>Nonoperating revenues (expenses)</b>			
Investment income	(33,843)	183,361	231,502
Grants and contributions	200,539	38,711	-
Interest expense	<u>(159,766)</u>	<u>(184,729)</u>	<u>(198,766)</u>
Total nonoperating revenue (expenses)	<u>6,930</u>	<u>37,343</u>	<u>32,736</u>
Change in net assets	(837,555)	580,844	1,203,978
Net assets, beginning of year	<u>12,344,505</u>	<u>11,763,661</u>	<u>10,559,683</u>
Net assets, end of year	<u>\$ 11,506,950</u>	<u>\$ 12,344,505</u>	<u>\$ 11,763,661</u>

In 2011, revenues from operations increased by \$348,393 from 2010 revenues. The increase resulted primarily from the operation of new recycling programs.

Operating expenses increased approximately \$1.7 million over fiscal year 2010. The increase was attributable to the cost of the curbside recycling program in the City, the increase in landfill closure costs, and operations funded by state grants.



**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

*Budget Information*—The board of directors approves the annual budget and, when necessary, revisions to the budget. SCSWA makes every effort to ensure operational expenses do not exceed funds available.

Table 3 summarizes the variance between the budgeted and actual revenues and expenses for the year ended June 30, 2011.

**Table 3**  
**Budgetary Comparison**  
**For the Year Ended June 30, 2011**

	Budget		Actual	Variance	Percent Variance
	Original	Final			
<b>Revenues</b>					
Charges for services	\$ 5,723,754	\$ 5,953,746	\$ 6,542,297	\$ 588,551	10%
Provision for uncollectible accounts	-	-	(69,000)	(69,000)	100%
Net charges for services	5,723,754	5,953,746	6,473,297	519,551	9%
Other	200	200	79,267	79,067	100%
Total revenue	5,723,954	5,953,946	6,552,564	598,618	10%
<b>Expenses</b>					
Operating expenses	6,012,475	7,716,249	7,397,049	319,200	4%
Revenues over (under) expenditures	(288,521)	(1,762,303)	(844,485)	917,818	-52%
<b>Nonoperating revenues</b>					
Investment income (loss)	75,000	75,000	(33,843)	(108,843)	-145%
Interest expense	(839,766)	(839,766)	(159,766)	680,000	-81%
Grants and contributions	-	189,200	200,539	11,339	100%
Change in net assets	\$ (1,053,287)	\$ (2,337,869)	\$ (837,555)	\$ 1,500,314	-64%

The difference between the original and final budget for charges for services reflect the anticipated additional revenues from the curbside recycling program in the City.

The difference between the original and final budget for operating expenses reflects the additional expenses for operating the recycling programs, increases in fuel prices and landfill closure/post-closure costs.

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**Long-Term Debt**

At the end of fiscal year 2011, SCSWA had total long-term debt outstanding of \$2,972,000 in bonds. In 2011, this consisted solely of 2004 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds. Decreases in long-term liabilities resulted from bond principal payments of \$680,000, \$660,000, and \$640,000 in 2011, 2010 and 2009, respectively. Additional information on SCSWA's long-term debt can be found in Note 4.

**Capital Assets**

As of June 30, 2011, the Authority's capital assets totaled \$9,137,459, net of accumulated depreciation of \$12,520,075. Table 4 provides details of the capital assets and related depreciation.

**Table 4**  
**Capital Assets and**  
**Accumulated Depreciation**  
**As of June 30,**

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Buildings	\$ 4,392,047	\$ 4,241,248	\$ 4,241,248
Equipment	8,616,213	7,483,692	6,141,794
Infrastructure	1,056,988	1,056,988	1,056,988
Landfill cell/site	<u>4,523,315</u>	<u>4,523,315</u>	<u>4,523,315</u>
	<b>18,588,563</b>	17,305,243	15,963,345
Accumulated depreciation	<u>(12,520,075)</u>	<u>(11,232,688)</u>	<u>(10,025,400)</u>
Total depreciable assets	<b>6,068,488</b>	6,072,555	5,937,945
Land and construction in progress	<u>3,068,971</u>	<u>2,890,773</u>	<u>2,738,049</u>
Capital assets, net	<u>\$ 9,137,459</u>	<u>\$ 8,963,328</u>	<u>\$ 8,675,994</u>

During 2011, the Authority purchased \$1,132,521 of heavy equipment, and spent \$178,198 on landfill improvements and \$150,799 on transfer station and scale house improvements.

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Management's Discussion and Analysis**  
**For the Years Ended June 30, 2011 and 2010**

**Economic Outlook**

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of SCSWA. While the regional area has started to experience a return to a more positive growth environment, the effects of the recession are continuing to linger. The most recent economic indicators show that the rate of employment growth has made a positive turn and increased slightly. The area has also experienced positive revenue gains from public construction projects by the City, federal government, and the local school district. The area has begun to record monthly job growth and the expectation is for the coming year to reflect a gradually improving economy.

The region continues to benefit from quality of life elements, including climate, culture, higher education opportunities at the university campus, advances in alternative energy, and growth in health care services. Population migration to the City has slowed; however, the area remains a popular retirement destination. Attractiveness as a residential community for people who work in the El Paso region will continue to provide Las Cruces with growth opportunities. As the economy continues to make slow progress, these items enhance the economic recovery opportunities in the future.

**Contacting the Management**

This 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,**

	2011	2010
<b>Assets</b>		
Current assets		
Pooled cash and investments	\$ 3,711,155	\$ 6,728,210
Accounts receivable	<u>342,080</u>	<u>328,308</u>
Total current assets	<u>4,053,235</u>	<u>7,056,518</u>
Noncurrent assets		
Restricted cash and investments	3,720,482	1,904,981
Capital assets, net	9,137,459	8,963,328
Other	<u>16,000</u>	<u>-</u>
Total noncurrent assets	<u>12,873,941</u>	<u>10,868,309</u>
Total assets	<u>\$ 16,927,176</u>	<u>\$ 17,924,827</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 254,424	\$ 42,871
Accrued liabilities	90,849	83,698
Current portion of long-term liabilities	<u>730,437</u>	<u>707,459</u>
Total current liabilities	<u>1,075,710</u>	<u>834,028</u>
Long-term liabilities	<u>4,344,516</u>	<u>4,746,294</u>
Total liabilities	<u>5,420,226</u>	<u>5,580,322</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	6,181,459	5,311,328
Restricted	1,500,723	-
Unrestricted	<u>3,824,768</u>	<u>7,033,177</u>
Total net assets	<u>11,506,950</u>	<u>12,344,505</u>
Total liabilities and net assets	<u>\$ 16,927,176</u>	<u>\$ 17,924,827</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)**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**For the Years Ended June 30,**

	2011	2010
<b>Operating Revenues</b>		
Charges for services	\$ 6,542,297	\$ 6,193,205
Provision for uncollectible accounts	<u>(69,000)</u>	<u>-</u>
Net charges for services	6,473,297	6,193,205
Other revenue	<u>79,267</u>	<u>10,966</u>
Total operating revenues	<u>6,552,564</u>	<u>6,204,171</u>
<b>Operating Expenses</b>		
Personnel	2,311,796	2,161,405
Professional services	1,363,474	502,772
Repairs and maintenance	722,644	644,500
Landfill closure/post closure	311,310	(86,420)
Administrative charges	83,360	83,990
Insurance	396,348	393,850
Fuel	589,975	435,393
Utilities	84,961	87,473
Rent	31,809	4,407
Supplies	201,797	208,885
Depreciation	1,287,387	1,207,288
Other	<u>12,188</u>	<u>17,127</u>
Total operating expenses	<u>7,397,049</u>	<u>5,660,670</u>
Operating income (loss)	<u>(844,485)</u>	<u>543,501</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income (loss)	(33,843)	183,361
Interest expense	(159,766)	(184,729)
Grants and contributions	<u>200,539</u>	<u>38,711</u>
Total nonoperating revenue (expense)	<u>6,930</u>	<u>37,343</u>
Change in net assets	(837,555)	580,844
Net assets, beginning of year	<u>12,344,505</u>	<u>11,763,661</u>
<b>Net assets, end of year</b>	<u><u>\$ 11,506,950</u></u>	<u><u>\$ 12,344,505</u></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)**  
**Statements of Cash Flows**  
**For the Years Ended June 30,**

	2011	2010
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 6,538,792	\$ 6,112,399
Cash paid to suppliers	(3,267,852)	(2,324,466)
Cash paid to employees	<u>(2,321,906)</u>	<u>(2,109,374)</u>
Net cash provided by operating activities	<u>949,034</u>	<u>1,678,559</u>
<b>Cash flows from noncapital financing activities</b>		
Grants and contributions	<u>200,539</u>	<u>10,545</u>
Net cash provided by noncapital financing activities	<u>200,539</u>	<u>10,545</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from capital grants	-	28,166
Purchases of capital assets	(1,461,518)	(1,494,622)
Principal paid on long-term debt	(680,000)	(660,000)
Interest paid on long-term debt	<u>(175,766)</u>	<u>(184,729)</u>
Net cash used by capital and related financing activities	<u>(2,317,284)</u>	<u>(2,311,185)</u>
<b>Cash flows from investing activities</b>		
Interest income received	<u>(33,843)</u>	<u>183,361</u>
Net cash provided by investing activities	<u>(33,843)</u>	<u>183,361</u>
Net (decrease) increase in pooled cash and investments	(1,201,554)	(438,720)
Cash and investments, beginning of year	<u>8,633,191</u>	<u>9,071,911</u>
<b>Cash and investments, end of year</b>	<u>\$ 7,431,637</u>	<u>\$ 8,633,191</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)**  
**Statements of Cash Flows — continued**  
**For the Years Ended June 30,**

	2011	2010
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	<u>\$ (844,485)</u>	<u>\$ 543,501</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,287,387	1,207,288
Change in landfill closure and postclosure liability	311,310	(86,420)
Change in assets and liabilities		
Accounts receivable	(13,772)	(91,772)
Prepaid expenses	-	6,277
Accounts payable	211,553	7,814
Accrued liabilities	7,151	39,840
Other noncurrent liability	<u>(10,110)</u>	<u>52,031</u>
Total adjustments	<u>1,793,519</u>	<u>1,135,058</u>
Net cash provided by operating activities	<u>\$ 949,034</u>	<u>\$ 1,678,559</u>
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 3,711,155	\$ 6,728,210
Restricted cash and investments	<u>3,720,482</u>	<u>1,904,981</u>
Total cash and cash equivalents	<u>\$ 7,431,637</u>	<u>\$ 8,633,191</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, 2011 and 2010**

**1) Summary of Significant Accounting Policies**

**Reporting Entity**

South Central Solid Waste Authority (SCSWA) was established by a joint powers agreement between the City of Las Cruces (the “City”) and Dona Ana County (the “County”) on December 13, 1994. The Authority provides collection and burial of community solid waste from the City and County. SCSWA is a component unit of the City of Las Cruces and is funded primarily by revenues generated from landfill operations.

**Basis of Presentation, Measurement Focus and 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. 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.

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.

Proprietary 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.

Restricted Cash and Investments

SCSWA maintains a restricted cash account for the purpose of funding future costs of the closure/post-closure of the landfill. The Authority has also provided restricted cash for the landfill gas control system in the amount of \$545,000. In addition, a restricted cash amount of \$1,500,000 was set aside for the recycling program. These restricted resources are only used for the stated purposes and, accordingly, net assets are also restricted by the amount of restricted cash held at fiscal year-end.

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Notes to Financial Statements**  
**June 30, 2011 and 2010**

Use of Restricted Resources

SCSWA uses restricted resources first 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, using an estimate of anticipated revenues and expenses. New Mexico State law prohibits expenses 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 of directors; however, State of New Mexico, Department of Finance and Administration approval must be obtained for budget increases and budget transfers between funds.

Accounts Receivable

Accounts receivable represent amounts due from customers for services provided to them. The provision for uncollectible accounts was established following a review of outstanding receivables, particularly for non-governmental customers.

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, 2011 and 2010**

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by SCSWA. Management anticipates that, upon adoption by SCSWA, none of these statements will have a significant impact on the Agency's financial position or results of operations. Pronouncements that are not applicable to the Agency have been omitted.

- ◆ Statement No. 57: OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.
- ◆ Statement No. 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ◆ Statement No. 64: Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53.

**2) Cash and Cash Equivalents**

SCSWA participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. SCSWA's share of the City of Las Cruces cash and investment pool is immediately available for spending and is therefore considered a cash equivalent.

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

	<u>2011</u>	<u>2010</u>
Pooled cash and investments	\$ 3,711,155	\$ 6,728,210
Restricted cash and investments	<u>3,720,482</u>	<u>1,904,981</u>
Total cash and cash equivalents	<u>\$ 7,431,637</u>	<u>\$ 8,633,191</u>

At June 30, 2011, the City's cash and investment pool consists of the following:

Carrying amount of bank deposits	\$ 19,495,666
Investments at fair value	108,749,340
Accrued interest	<u>709,515</u>
Total	<u>\$ 128,954,521</u>

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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 100% 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, 2011, the City's bank deposits, totaling \$24,352,237, was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

As of June 30, 2011, \$1,500,723 of SCSWA's restricted cash and investments was not included in the City's pool. This investment was insured by the FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name 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, 2011, the City's investment pool consisted of U.S. agency bonds with a weighted average maturity of less than three months.

*Interest Rate Risk.* The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$108,749,340 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City assumes callable securities will be called at the first call option, based on their interest rate, current market interest rate, and the City's recent experience with these securities being called at the first call date.

*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, 2011, the City's investments in coupon bonds of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

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*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, 2011, all of the City's securities are held in either the street name or 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, 2011, 37% of the City's investment pool was in Federal Home Loan Mortgage Corporation (FHLMC), 53% in Fannie Mae (FNMA) and 10% in Federal Home Loan Bank (FHLB).

**3) Capital Assets**

Changes in capital assets for the year ended June 30, 2011, are as follows:

	Balances June 30, 2010	Additions	Balances June 30, 2011
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	2,083,497	178,198	2,261,695
Total	<u>2,890,773</u>	<u>178,198</u>	<u>3,068,971</u>
Capital assets being depreciated			
Buildings	4,241,248	150,799	4,392,047
Equipment	7,483,692	1,132,521	8,616,213
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	4,523,315	-	4,523,315
Total	<u>17,305,243</u>	<u>1,283,320</u>	<u>18,588,563</u>
<i>Less accumulated depreciation</i>			
Buildings	1,865,214	169,736	2,034,950
Equipment	4,749,129	997,144	5,746,273
Infrastructure	343,521	26,424	369,945
Landfill cell/site	4,274,824	94,083	4,368,907
Total accumulated depreciation	<u>11,232,688</u>	<u>1,287,387</u>	<u>12,520,075</u>
Total capital assets, net	<u>\$ 8,963,328</u>	<u>\$ 174,131</u>	<u>\$ 9,137,459</u>

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Changes in capital assets for the year ended June 30, 2010, are as follows:

	Balances June 30, 2009	Additions	Balances June 30, 2010
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>1,930,773</u>	<u>152,724</u>	<u>2,083,497</u>
Total	<u>2,738,049</u>	<u>152,724</u>	<u>2,890,773</u>
Capital assets being depreciated			
Buildings	4,241,248	-	4,241,248
Equipment	6,141,794	1,341,898	7,483,692
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
Total	<u>15,963,345</u>	<u>1,341,898</u>	<u>17,305,243</u>
<i>Less accumulated depreciation</i>			
Buildings	1,694,646	170,568	1,865,214
Equipment	3,832,915	916,214	4,749,129
Infrastructure	317,097	26,424	343,521
Landfill cell/site	<u>4,180,742</u>	<u>94,082</u>	<u>4,274,824</u>
Total accumulated depreciation	<u>10,025,400</u>	<u>1,207,288</u>	<u>11,232,688</u>
Total capital assets, net	<u>\$ 8,675,994</u>	<u>\$ 287,334</u>	<u>\$ 8,963,328</u>

**4) Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011, are as follows:

	Balances June 30, 2010	Increases	Decreases	Balances June 30, 2011	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 3,652,000	\$ -	\$ 680,000	\$ 2,972,000	\$ 705,000
Other noncurrent liabilities					
Estimated landfill closure/postclosure liability	1,664,460	311,310	-	1,975,770	-
Compensated absences	<u>137,293</u>	<u>4,515</u>	<u>14,625</u>	<u>127,183</u>	<u>25,437</u>
	<u>\$ 5,453,753</u>	<u>\$ 315,825</u>	<u>\$ 694,625</u>	<u>\$ 5,074,953</u>	<u>\$ 730,437</u>

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Changes in long-term liabilities for the year ended June 30, 2010, are as follows:

	Balances June 30, 2009	Increases	Decreases	Balances June 30, 2010	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 4,312,000	\$ -	\$ 660,000	\$ 3,652,000	\$ 680,000
Other noncurrent liabilities					
Estimated landfill closure/postclosure liability	1,750,880	-	86,420	1,664,460	-
Compensated absences	85,262	56,743	4,712	137,293	27,459
	<u>\$ 6,148,142</u>	<u>\$ 56,743</u>	<u>\$ 751,132</u>	<u>\$ 5,453,753</u>	<u>\$ 707,459</u>

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2012	\$ 705,000	\$ 138,006
2013	725,000	114,213
2014	750,000	88,838
2015	780,000	61,650
2016	810,000	32,400
	<u>\$ 3,770,000</u>	<u>\$ 435,107</u>

Due to City of Las Cruces

In 1995, bonds totaling \$10,795,000 were issued by 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 defeased the bonds by placing the proceeds in an escrow account to provide for all future debt service payments on the old bonds. As of June 30, 2011, \$3,905,000 of the defeased bonds remain outstanding. The escrow account assets and the liability for the defeased bonds are not included in the Authority's financial statements; however, the Authority reports a liability to the City and makes periodic payments in accordance with the original agreement. 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.

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Landfill Closure and Post-Closure Liability

The SCSWA charges rates that include an amount to raise the funds needed for landfill 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 operating expenses in each period based on landfill capacity used as of each balance sheet date.

The \$1,975,770 reported as SCSWA's landfill closure and post-closure liability at June 30, 2011, includes \$545,000 restricted for a gas control system at the landfill. The remaining liability of \$1,430,770 is based on the use of the estimated capacity of the open cells at the regional landfill. There is a total of 400 acres available which has an estimated life of 109 years. To date, 200 acres have been identified for current and future use. The percentage of landfill cumulative capacity is approximately 26.5% of the 200 acres. The liabilities reflect an increase in the estimated closure and post-closure costs of \$311,310 in 2011. The liability increase is due to an increase in landfill space, as determined by an engineering study. The gas control system is not currently required by the Environmental Protection Agency. Actual closure and post-closure costs may be higher due to inflation, deflation, changes in technology, or changes in regulations.

**5) Curbside Recycling Program**

On December 1, 2010, the Authority's Board of Directors approved Resolution 2010-34 which authorized a contract for curbside recycling collection service between Friedman Recycling, Inc. (Friedman) of El Paso, Texas and the Authority. Friedman will provide curbside collections of recyclables biweekly for the approximate 28,000 residential solid waste customers of the City of Las Cruces. The term of the agreement is for five years beginning on April 1, 2011. The agreement may be renewed by the parties for an additional five-year term prior to the expiration of the initial five-year term. An extension of the agreement must be by written mutual agreement and include annual budget appropriations approved by the Authority. According to the agreement, the Authority established restricted cash reserve in the amount of \$1,500,000. The amount of the cash reserve will be reduced ratably over the five-year term of the agreement using a straight line approach. The balance of the restricted cash at June 30, 2011, was \$1,500,723.



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**6) Employee Benefit Plans**

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/](http://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.

*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

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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 30<sup>th</sup> 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 11.47% of gross salary.

Contribution requirements for the years ended are as follows:

	SCSWA	Employee	Total	Percentage Contributed
June 30, 2011	\$ 186,938	\$ 110,612	\$ 297,550	100%
June 30, 2010	168,499	102,445	270,944	100%
June 30, 2009	78,752	63,235	141,987	100%

The payroll wages for SCSWA employees covered by PERA for the years ended June 30, 2011 and 2010 was \$1,629,874 and \$1,481,087, respectively. The total payroll of all SCSWA employees for the years ended June 30, 2011 and 2010 was \$2,311,796 and \$2,161,405, 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.

Eligible employers include institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state

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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 1.666 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to 0.833 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 employer's required contributions, which were as follows:

2011	\$	25,478
2010		18,764
2009		9,823

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.

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.

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**7) Risk Management**

SCSWA is exposed to various risks of loss from torts; theft of, damage to, and/or 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 and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**8) Related Party Transactions**

In 2011, the City of Las Cruces and Dona Ana County paid approximately \$2.4 million and \$559,601, respectively, to SCSWA for services. In 2010, the City of Las Cruces and Dona Ana County paid approximately \$2.4 million and \$850,250, respectively, to SCSWA for services.

In 2011 and 2010, SCSWA paid the City of Las Cruces \$83,360 and \$83,990, respectively, for fiscal agent services.

**9) Memorandum of Agreement**

By mutual agreement, the Authority and City approved a Memorandum of Agreement with the City on June 18, 2009. This agreement creates a regional recycling program administered by the Authority. The City dedicates the recycling component charge from its residential solid waste customers. In 2011, the charge for recycling for City residents was \$1,074,152.

The Authority entered into a Memorandum of Agreement with Dona Ana County effective July 1, 2009, to operate and manage eight county-owned solid waste collection centers. The County agreed to pay the Authority \$865,000 per year for this service. In 2011, the full payment was made to the Authority.

**10) Subsequent Event**

On September 21, 2011, South Central Solid Waste Authority (Authority) entered into a Memorandum of Understanding (MOU) with the City of Anthony, New Mexico. The MOU allows the Authority to operate as the solid waste department for the City of Anthony. The increase in operational activity should have a positive effect on future revenues. In addition, the City of Anthony was given a non-voting seat on the Authority's board of directors.

## Supplementary Information

**South Central Solid Waste Authority**  
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**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Budget and Actual (Audited)**  
**For the Year Ended June 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>Operating Revenues</b>				
Charges for services	\$ 5,723,754	\$ 5,953,746	\$ 6,542,297	\$ 588,551
Provision for uncollectible accounts	-	-	(69,000)	(69,000)
Net charges for services	5,723,754	5,953,746	6,473,297	519,551
Other revenues	200	200	79,267	79,067
Total operating revenues	<u>5,723,954</u>	<u>5,953,946</u>	<u>6,552,564</u>	<u>598,618</u>
<b>Operating Expenses</b>				
Personnel	2,311,596	2,440,528	2,311,796	128,732
Professional services	506,250	1,612,524	1,363,474	249,050
Repairs and maintenance	602,500	716,628	722,644	(6,016)
Landfill closure/post closure	72,500	72,500	311,310	(238,810)
Administrative charges	90,000	88,000	83,360	4,640
Insurance	400,755	408,255	396,348	11,907
Fuel	571,000	633,540	589,975	43,565
Utilities	105,000	92,500	84,961	7,539
Rent	32,000	51,500	31,809	19,691
Supplies	148,600	242,100	201,797	40,303
Depreciation	1,156,024	1,346,424	1,287,387	59,037
Other	16,250	11,750	12,188	(438)
Total operating expenses	<u>6,012,475</u>	<u>7,716,249</u>	<u>7,397,049</u>	<u>319,200</u>
Operating income (loss)	<u>(288,521)</u>	<u>(1,762,303)</u>	<u>(844,485)</u>	<u>917,818</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment income (loss)	75,000	75,000	(33,843)	(108,843)
Interest expense	(839,766)	(839,766)	(159,766)	680,000
Grants and contributions	-	189,200	200,539	11,339
Total nonoperating revenues (expenses)	<u>(764,766)</u>	<u>(575,566)</u>	<u>6,930</u>	<u>582,496</u>
Change in net assets	(1,053,287)	(2,337,869)	(837,555)	1,500,314
Net assets, beginning of the year	<u>12,344,505</u>	<u>12,344,505</u>	<u>12,344,505</u>	<u>4,368,458</u>
<b>Net assets, end of the year</b>	<u>\$ 11,291,218</u>	<u>\$ 10,006,636</u>	<u>\$ 11,506,950</u>	<u>\$ 5,868,772</u>

**South Central Solid Waste Authority**  
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**Schedule of Pledged Collateral**  
**For the Year Ended June 30, 2011**

The City of Las Cruces is the fiscal agent of SCSWA. Therefore, SCSWA participates in the City's pooling of cash and investments. The schedule of collateral below represents the amounts that pertain to the City of Las Cruces pooled deposits.

<u>Institution/Security</u>	<u>CUSIP #</u>	<u>Maturity Date</u>	<u>Safe Keeping Location</u>	<u>Market Value</u>
<b>Wells Fargo Bank, NA</b>			Wells Fargo Bank	
FG G01838 5.000% 07/01/2035	3128LXBF8	7/1/2035		\$ 3,885
FG G04832 5.000% 10/01/2038	3128M6VZ8	10/1/2038		45,086
FG H01489 6.000% 04/01/2038	3128MTUN6	4/1/2038		41,496
FN 825776 6.000% 08/01/2035	31407BMZ9	8/1/2035		2,647
FN 868293 6.000% 04/01/2036	31409DUS0	4/1/2036		4,859
FN 888268 6.000% 03/01/2037	31410FZ99	3/1/2037		1,670
FN 933732 6.000% 04/01/2038	31412SY58	4/1/2038		1,951,736
FN 983377 5.500% 08/01/2038	31415LM20	8/1/2038		694,215
				<u>\$ 2,745,594</u>

**Summary of Collateralization**

**Wells Fargo Bank**

Ending bank balance	\$ 24,352,237
Less: FDIC insurance	<u>(21,610,567)</u>
Total uninsured public funds	<u>\$ 2,741,670</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 2,745,594
100% collateral requirement	<u>2,741,670</u>
Pledged collateral in excess of requirement	<u>\$ 3,924</u>
Uninsured and uncollateralized	<u>\$ -</u>

**South Central Solid Waste Authority**  
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**Schedule of Deposit Accounts and Investments**  
**For the Year Ended June 30, 2011**

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. The schedule below presents the amounts of South Central Solid Waste Authority's cash and investments in the pool.

Account	Type of Account	Pooled Cash & Investments	SCSWA Accounts	Total Reconciled Balance	On Deposit 6/30/2011
<b>Deposit Accounts</b>					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 113,085
Community Development Home Rehab	Checking	-	-	-	20,717
Community Development Home Program	Checking	-	-	-	28,010
Community Development MONAS Loan	Checking	-	-	-	2,098
Metro Narcotics Agency	Savings	-	-	-	95,458
5375 Wells Fargo MM	Savings	-	-	-	1,395,488
8710 Wells Fargo MM	Savings	-	1,500,723	1,500,723	1,500,723
Treasury Fund - Operating	Checking	21,125,868	-	21,125,868	21,173,326
Payroll Direct Deposit Account	Checking	(37,867)	-	(37,867)	-
Accounts Payable	Checking	(1,822,344)	-	(1,822,344)	-
On Demand	Checking	5,349	-	5,349	23,331
Rio Grande Natural Gas Assoc Revenue	Checking	(154,870)	-	(154,870)	-
Depository	Checking	453,379	-	453,379	-
Credit Card	Checking	4,657	-	4,657	-
Electronic	Checking	(78,506)	-	(78,506)	-
Total deposit accounts		<u>19,495,666</u>	<u>1,500,723</u>	<u>20,996,389</u>	<u>\$ 24,352,237</u>
<b>Investments</b>					
<i>Wells Fargo Brokerage Services, LLC</i>					
FNMA	Investment	9,979,650	-	9,979,650	
<i>First Tennessee</i>					
FHLB	Investment	2,955,874	-	2,955,874	
FHLMC	Investment	29,130,836	-	29,130,836	
FNMA	Investment	38,235,570	-	38,235,570	
<i>Morgan Keegan</i>					
FHLB	Investment	7,955,680	-	7,955,680	
FHLMC	Investment	10,663,530	-	10,663,530	
FNMA	Investment	9,828,200	-	9,828,200	
<i>State Treasurer New Mexigrow LGIP</i>					
New Mexico State Treasurer LGIP	Investment	-	-	-	
Total investments		<u>108,749,340</u>	<u>-</u>	<u>108,749,340</u>	
Total deposits and investments		128,245,006	1,500,723	129,745,729	
<i>Other Cash</i>					
Petty Cash & Change Funds		-	1,100	1,100	
<i>Accrued Interest Receivable</i>					
Accrued Interest – Pooled Investments		<u>709,515</u>	<u>-</u>	<u>709,515</u>	
Total cash and investments		128,954,521	1,501,823	130,456,344	
Less balances in City of Las Cruces funds		<u>123,024,707</u>	<u>-</u>	<u>123,024,707</u>	
SCSWA cash and cash equivalents		<u>\$ 5,929,814</u>	<u>\$ 1,501,823</u>	<u>\$ 7,431,637</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, State Auditor of New Mexico 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, 2011 and 2010, and have issued our report thereon dated November 22, 2011. 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 audits, we considered SCSWA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of SCSWA's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether 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 22, 2011

**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, 2011**

There were no audit findings for the fiscal year ended June 30, 2011.

**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, 2010**

There were no audit findings for the fiscal year ended June 30, 2010.

**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Exit Conference and Financial Statement Preparation**  
**For the Year Ended June 30, 2011**

**Exit Conference**

An exit conference was conducted on November 15, 2011, 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

Miguel G. Silva	Chair
Olga Pedroza	Vice-Chair
Leticia Duarte-Benavidez	Commissioner
Jorge A. Garcia, PhD	Board Member

SCSWA Administration

Veronica L. Ferri

City of Las Cruces (Fiscal Agent)

Pat Degman, CGFM	Comptroller
Maria Villa	Accounting Supervisor
Melissa Nelson	Accounting Supervisor

REDW LLC

Bruce Bleakman, CPA	Principal
Javier Machuca, CPA, CGFM	Senior Manager
Michele Ziegler, CPA	Manager

**Financial Statement Preparation**

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