



Report of Independent Auditors and Financial
Statements with Supplementary Information for

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

June 30, 2012 and 2011

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Acumen. Agility. Answers.

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)**

OFFICIAL ROSTER

June 30, 2012

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

REPORT OF INDEPENDENT AUDITORS

Mr. Hector H. 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 year ended June 30, 2012, 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 opinions on these financial statements and schedule based on our audit. The basic financial statements of SCSWA as of and for the year ended June 30, 2011, were audited by other auditors whose report dated November 22, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the financial position of SCSWA, as of June 30, 2012 and 2011, 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, 2012, 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 14, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central Solid Waste Authority's basic financial statements. The accompanying Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments on pages 28 through 30 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments are fairly stated in all material respects in relation to the financial statements as a whole.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2012

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, 2012 and 2011

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, 2012 and 2011. 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 Year Ended June 30, 2012 and 2011

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 2012, net assets decreased to \$11,317,165 from \$11,506,950 in fiscal year 2011. Table 1 summarizes the assets, liabilities, and net assets of SCSWA.

Table 1
Net Assets
As of June 30,

	<u>2012</u>	2011	2010
Assets			
Current and other assets	\$ 3,125,688	\$ 4,053,235	\$ 7,056,518
Capital and other assets	<u>12,879,779</u>	<u>12,873,941</u>	<u>10,868,309</u>
Total assets	<u>\$ 16,005,467</u>	<u>\$ 16,927,176</u>	<u>\$ 17,924,827</u>
Liabilities			
Current liabilities	\$ 1,041,870	\$ 1,075,710	\$ 834,028
Noncurrent liabilities	<u>3,646,432</u>	<u>4,344,516</u>	<u>4,746,294</u>
Total liabilities	<u>4,688,302</u>	<u>5,420,226</u>	<u>5,580,322</u>
Net Assets			
Invested in capital assets, net of related debt	6,572,831	6,181,459	5,311,328
Restricted	1,201,326	1,500,723	-
Unrestricted	<u>3,543,008</u>	<u>3,824,768</u>	<u>7,033,177</u>
Total net assets	<u>11,317,165</u>	<u>11,506,950</u>	<u>12,344,505</u>
Total liabilities and net assets	<u>\$ 16,005,467</u>	<u>\$ 16,927,176</u>	<u>\$ 17,924,827</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, 2012 and 2011

Changes in Net Assets—Total operating revenues for the year ended June 30, 2012, were \$7,643,752 compared with operating expenses of \$7,910,063.

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,

	<u>2012</u>	2011	2010
Operating revenues			
Charges for services	\$ 7,500,715	\$ 6,542,297	\$ 6,193,205
Provision for uncollectible accounts	<u>-</u>	<u>(69,000)</u>	<u>-</u>
Net charges for services	7,500,715	6,473,297	6,193,205
Rental income	390	-	-
Other revenues	<u>142,647</u>	<u>79,267</u>	<u>10,966</u>
Total operating revenues	7,643,752	6,552,564	6,204,171
Operating expenses	7,910,063	7,397,049	5,660,670
Operating income (loss)	<u>(266,311)</u>	<u>(844,485)</u>	<u>543,501</u>
Nonoperating revenues (expenses)			
Investment income	214,532	(33,843)	183,361
Grants and contributions	-	200,539	38,711
Interest expense	<u>(138,006)</u>	<u>(159,766)</u>	<u>(184,729)</u>
Total nonoperating revenue (expenses)	<u>76,526</u>	<u>6,930</u>	<u>37,343</u>
Change in net assets	(189,785)	(837,555)	580,844
Net assets, beginning of year	11,506,950	12,344,505	11,763,661
Net assets, end of year	\$ 11,317,165	\$ 11,506,950	\$ 12,344,505

In 2012, revenues from operations increased by approximately \$1.09 million from 2011 revenues. The increase resulted primarily from the operation of new recycling programs.

Operating expenses increased by \$513,014 over fiscal year 2011. The increase was attributable to the cost of the curbside recycling program in the City.

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, 2012 and 2011

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, 2012.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2012

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 7,053,896	\$ 7,187,776	\$ 7,500,715	\$ 312,939	4%
Rental income	-	-	390	390	100%
Other	-	-	142,647	142,647	100%
Total revenue	7,053,896	7,187,776	7,643,752	455,976	6%
Expenses					
Operating expenses	8,079,994	8,681,530	7,910,063	771,467	9%
Revenues over (under) expenditures	(1,026,098)	(1,493,754)	(266,311)	1,227,443	-82%
Nonoperating revenues					
Investment income (loss)	-	-	214,532	214,532	100%
Interest expense	(842,960)	(842,960)	(138,006)	704,954	-84%
Change in net assets	\$ (1,869,058)	\$ (2,336,714)	\$ (189,785)	\$ 2,146,929	-92%

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 closure/post-closure costs.

Long-Term Debt

At the end of fiscal year 2012, SCSWA had total long-term debt outstanding of \$2,267,000 in bonds. In 2012, this consisted solely of 2004 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds. Decreases to long-term liabilities resulted from bond principal payments of \$705,000, \$680,000, and \$660,000 in 2012, 2011, and 2010, respectively. Additional information on SCSWA's long-term debt can be found in Note 4.

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, 2012 and 2011

Capital Assets

As of June 30, 2012, the Authority's capital assets totaled \$8,839,831, net of accumulated depreciation of \$13,584,459. Table 4 provides details of the capital assets and related depreciation.

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

	<u>2012</u>	2011	<u>2010</u>
Buildings	\$ 4,495,070	\$ 4,392,047	\$ 4,241,248
Equipment	9,085,244	8,616,213	7,483,692
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>
	19,160,617	18,588,563	17,305,243
Accumulated depreciation	<u>(13,584,459)</u>	<u>(12,520,075)</u>	<u>(11,232,688)</u>
Total depreciable assets	5,576,158	6,068,488	6,072,555
Land and construction in progress	<u>3,263,673</u>	<u>3,068,971</u>	<u>2,890,773</u>
Capital assets, net	<u>\$ 8,839,831</u>	<u>\$ 9,137,459</u>	<u>\$ 8,963,328</u>

During 2012, the Authority purchased \$469,031 of heavy equipment, spent \$194,702 on landfill improvements, and \$103,023 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 Year Ended June 30, 2012 and 2011

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of SCSWA. With some notable exceptions, the City of Las Cruces has experienced the same lack luster recovery from the "Great Recession". The City's economic outlook calls for slow growth in most indicators. One exception is new residential construction which has yet to experience a turn around. Total construction valuation is anticipated to show little change in the coming fiscal year with residential gains being partially offset by a mild recovery in commercial activity. On a positive note, lodging tax receipts have shown resilience and continue to point to the area's emergence as a travel destination, plus the positive contributions of the City's new Convention Center.

Population migration continues to be hampered by national housing market. The inability of people to sell homes in other parts of the country and relocate or retire to Las Cruces has yet to abate. In addition to slower population growth holding down residential construction the residential units being built have, on average, become smaller. This reflects the residential market adjusting to homes that are affordable based on local labor market conditions.

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
(575) 528-3800

Financial Statements

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

	2012	2011
Assets		
Current assets		
Pooled cash and investments	\$ 2,836,063	\$ 3,711,155
Accounts receivable, net of allowance	<u>289,625</u>	<u>342,080</u>
Total current assets	<u>3,125,688</u>	<u>4,053,235</u>
Noncurrent assets		
Restricted cash and investments	4,039,948	3,720,482
Capital assets, net	8,839,831	9,137,459
Other	<u>-</u>	<u>16,000</u>
Total noncurrent assets	<u>12,879,779</u>	<u>12,873,941</u>
Total assets	<u>\$ 16,005,467</u>	<u>\$ 16,927,176</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 192,993	\$ 254,424
Accrued liabilities	95,019	90,849
Current portion of long-term liabilities	<u>753,858</u>	<u>730,437</u>
Total current liabilities	1,041,870	1,075,710
Long-term liabilities	<u>3,646,432</u>	<u>4,344,516</u>
Total liabilities	<u>4,688,302</u>	<u>5,420,226</u>
Net Assets		
Invested in capital assets, net of related debt	6,572,831	6,181,459
Restricted	1,201,326	1,500,723
Unrestricted	<u>3,543,008</u>	<u>3,824,768</u>
Total net assets	<u>11,317,165</u>	<u>11,506,950</u>
Total liabilities and net assets	<u>\$ 16,005,467</u>	<u>\$ 16,927,176</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,

	2012	2011
Operating Revenues		
Charges for services	\$ 7,500,715	\$ 6,542,297
Provision for uncollectible accounts	-	(69,000)
Net charges for services	7,500,715	6,473,297
Rental income	390	-
Other revenue	142,647	79,267
Total operating revenues	7,643,752	6,552,564
Operating Expenses		
Personnel	2,295,692	2,311,796
Professional services	2,596,440	1,363,474
Repairs and maintenance	545,207	722,644
Landfill closure/post closure	13,230	311,310
Administrative charges	70,000	83,360
Insurance	350,234	396,348
Fuel	685,361	589,975
Utilities	82,478	84,961
Rent	15,374	31,809
Supplies	174,344	201,797
Depreciation	1,064,384	1,287,387
Other	17,319	12,188
Total operating expenses	7,910,063	7,397,049
Operating income (loss)	(266,311)	(844,485)
Nonoperating Revenues (Expenses)		
Investment income (loss)	214,532	(33,843)
Interest expense	(138,006)	(159,766)
Grants - State	-	200,539
Total nonoperating revenue expense	76,526	6,930
Change in net assets	(189,785)	(837,555)
Net assets, beginning of year	11,506,950	12,344,505
Net assets, end of year	\$ 11,317,165	\$ 11,506,950

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,

	2012	2011
Cash flows from operating activities		
Cash received from customers	\$ 7,696,207	\$ 6,538,792
Cash paid to suppliers	(4,594,018)	(3,267,852)
Cash paid to employees	<u>(2,278,585)</u>	<u>(2,321,906)</u>
Net cash provided by operating activities	<u>823,604</u>	<u>949,034</u>
Cash flows from noncapital financing activities		
Grants - State	<u>-</u>	<u>200,539</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>200,539</u>
Cash flows from capital and related financing activities		
Proceeds from capital grants	-	-
Purchases of capital assets	(766,756)	(1,461,518)
Principal paid on long-term debt	(705,000)	(680,000)
Interest paid on long-term debt	<u>(122,006)</u>	<u>(175,766)</u>
Net cash used by capital and related financing activities	<u>(1,593,762)</u>	<u>(2,317,284)</u>
Cash flows from investing activities		
Interest income received	<u>214,532</u>	<u>(33,843)</u>
Net cash provided by (used in) investing activities	<u>214,532</u>	<u>(33,843)</u>
Net (decrease) in pooled cash and investments	(555,626)	(1,201,554)
Cash and investments, beginning of year	<u>7,431,637</u>	<u>8,633,191</u>
Cash and investments, end of year	<u>\$ 6,876,011</u>	<u>\$ 7,431,637</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,

	2012	2011
Reconciliation of operating income to net cash provided by operating activities		
Operating (loss)	<u>\$ (266,311)</u>	<u>\$ (844,485)</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	1,064,384	1,287,387
Change in landfill closure and post-closure liability	13,230	311,310
Change in assets and liabilities		
Accounts receivable	52,455	(13,772)
Accounts payable	(61,431)	211,553
Accrued liabilities	4,170	7,151
Other noncurrent liability	<u>17,107</u>	<u>(10,110)</u>
Total adjustments	<u>1,089,915</u>	<u>1,793,519</u>
Net cash provided by operating activities	<u>\$ 823,604</u>	<u>\$ 949,034</u>
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 2,836,063	\$ 3,711,155
Restricted cash and investments	<u>4,039,948</u>	<u>3,720,482</u>
Total cash and cash equivalents	<u>\$ 6,876,011</u>	<u>\$ 7,431,637</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, 2012 and 2011

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 \$1,200,000 is 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, 2012 and 2011

1) Summary of Significant Accounting Policies (continued)

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, 2012 and 2011

1) Summary of Significant Accounting Policies (continued)

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. 62: Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.
- ◆ Statement No. 65: Items Previously Reported as Assets and Liabilities.
- ◆ Statement No. 66: Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.
- ◆ Statement No. 67: Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.
- ◆ Statement No. 68: Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.

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, 2012 and 2011:

	2012	2011
Pooled cash and investments	\$ 2,836,063	\$ 3,711,155
Restricted cash and investments	4,039,948	3,720,482
Total cash and cash equivalents	\$ 6,876,011	\$ 7,431,637

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

2) Cash and Cash Equivalents (continued)

At June 30, 2012, the City's cash and investment pool consists of the following:

Carrying amount of bank deposits	\$ 10,191,172
Investments at fair value	128,837,526
Accrued interest	<u>611,014</u>
Total	<u>\$ 139,639,712</u>

Bank Balance of Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment ordinance requires collateralization of 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, 2012, the City's bank deposits, totaling \$27,653,926, 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, 2012, \$1,201,326 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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

2) Cash and Cash Equivalents (continued)

As of June 30, 2012, the City's investment pool had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Yrs)</u>
U.S. agency coupon bonds	\$ 119,173,345	0.70
Repurchase agreement	9,664,181	0.00
Total Pooled Investments	<u>\$ 128,837,526</u>	

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 \$119,173,345, 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, 2012, 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.

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, 2012, 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, 2012, 20% of the City's investment pool was in Federal Home Loan Mortgage Corporation (FHLMC), 66% in Fannie Mae (FNMA), and 7% in Federal Home Loan Bank (FHLB).

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

3) Capital Assets

Changes in capital assets for the year ended June 30, 2012, are as follows:

	Balances June 30, 2011	Additions	Balances June 30, 2012
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>2,261,695</u>	<u>194,702</u>	<u>2,456,397</u>
Total	<u>3,068,971</u>	<u>194,702</u>	<u>3,263,673</u>
Capital assets being depreciated			
Buildings	4,392,047	103,023	4,495,070
Equipment	8,616,213	469,031	9,085,244
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
Total	<u>18,588,563</u>	<u>572,054</u>	<u>19,160,617</u>
<i>Less accumulated depreciation</i>			
Buildings	2,034,950	169,736	2,204,686
Equipment	5,746,273	812,387	6,558,660
Infrastructure	369,945	26,424	396,369
Landfill cell/site	<u>4,368,907</u>	<u>55,837</u>	<u>4,424,744</u>
Total accumulated depreciation	<u>12,520,075</u>	<u>1,064,384</u>	<u>13,584,459</u>
Total capital assets, net	<u>\$ 9,137,459</u>	<u>\$ (297,628)</u>	<u>\$ 8,839,831</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

3) Capital Assets (continued)

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	<u>2,083,497</u>	<u>178,198</u>	<u>2,261,695</u>
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	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
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	<u>4,274,824</u>	<u>94,083</u>	<u>4,368,907</u>
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>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are as follows:

	Balances June 30, 2011	Increases	Decreases	Balances June 30, 2012	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 2,972,000	\$ -	\$ 705,000	\$ 2,267,000	\$ 725,000
Other noncurrent liabilities					
Estimated landfill closure/post-closure liability	1,975,770	13,230	-	1,989,000	-
Compensated absences	127,183	17,107	-	144,290	28,858
	<u>\$ 5,074,953</u>	<u>\$ 30,337</u>	<u>\$ 705,000</u>	<u>\$ 4,400,290</u>	<u>\$ 753,858</u>

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/post-closure liability	1,664,460	311,310	-	1,975,770	-
Compensated absences	137,293	4,515	14,625	127,183	25,437
	<u>\$ 5,453,753</u>	<u>\$ 315,825</u>	<u>\$ 694,625</u>	<u>\$ 5,074,953</u>	<u>\$ 730,437</u>

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2013	\$ 725,000	\$ 114,213
2014	750,000	88,838
2015	780,000	61,650
2016	810,000	32,400
	<u>\$ 3,065,000</u>	<u>\$ 297,101</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

4) Long-Term Liabilities (continued)

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, 2012, \$3,215,000 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.

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 \$1,989,000 reported as SCSWA's landfill closure and post-closure liability at June 30, 2012, includes \$545,000 restricted for a gas control system at the landfill. The remaining liability of \$1,444,000 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 \$13,230 in 2012. The liability increase is due to an increase in available 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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

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 beginning December 2011. The balance of the restricted cash at June 30, 2012, was \$1,201,326 including interest earned.

6) Pension Plan – Public Employees Retirement Association

Plan Description

Substantially all of the SCSWA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer, defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 11.35% of their gross salary. The SCSWA is required to contribute 11.35% of the gross covered salary. The contribution requirements of plan members and the SCSWA are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of legislature. The SCSWA's contribution to PERA for the fiscal years ending June 30, 2012, 2011, and 2010 were \$175,078, \$186,938, and \$168,499, respectively, which equal the amount of the required contributions for each fiscal year.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

7) Post-Employee Benefits – State Retiree Health Care Plan

Plan Description

SCSWA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing, multiple-employer, defined post-employment, health care plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, surviving spouses, and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan, and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf, unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who serve at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for health care benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate scheduled for the medical plus basic life plan, plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

7) Post-Employee Benefits – State Retiree Health Care Plan (continued)

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee’s annual salary; each participating employee was required to contribute .917% of their salary. In fiscal year ending June 30, 2013 the contribution rates for employees and employers will rise as follows:

(1) For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.000%	1.000%

(2) For employees who are members of an enhanced retirement plan, during the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 2.292% of each participating employee’s annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal year ending June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY13	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agree-upon intervals.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

7) Post-Employee Benefits – State Retiree Health Care Plan (continued)

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee, and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contribution can be changed by the New Mexico State Legislature.

The SCSWA's contributions to the RHCA for the years ended June 30, 2012, 2011, and 2010 were \$27,726, \$25,478, and \$18,764, respectively, which equal the required contributions for each year.

8) 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.

9) Related Party Transactions

In 2012, the City of Las Cruces and Dona Ana County paid approximately \$2.3 million and \$500,066, respectively, to SCSWA for services. 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 2012 and 2011, SCSWA paid the City of Las Cruces \$70,000 and \$83,360, respectively, for fiscal agent services.

10) 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 2012, the charge for recycling for City residents was \$1,778,928.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2012 and 2011

10) Memorandum of Agreement (continued)

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 2012, the full payment was made to the Authority.

11) Subsequent Event

On November 2, 2012, South Central Solid Waste Authority (Authority) entered into a Memorandum of Understanding (MOU) with the City of Sunland Park, New Mexico. The MOU allows the Authority to collect and dispose of solid waste for the City of Sunland Park. This increase in operational activity should have a positive effect on future operating income.

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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 7,053,896	\$ 7,187,776	\$ 7,500,715	\$ 312,939
Rental income	-	-	390	390
Other revenues	-	-	142,647	142,647
Total operating revenues	<u>7,053,896</u>	<u>7,187,776</u>	<u>7,643,752</u>	<u>455,976</u>
Operating Expenses				
Personnel	2,475,524	2,440,903	2,295,692	145,211
Professional services	2,155,196	2,794,662	2,596,440	198,222
Repairs and maintenance	529,500	593,688	545,207	48,481
Landfill closure/post-closure	72,500	36,250	13,230	23,020
Administrative charges	90,000	76,640	70,000	6,640
Insurance	377,850	365,950	350,234	15,716
Fuel	660,000	751,419	685,361	66,058
Utilities	99,600	87,759	82,478	5,281
Rent	25,000	18,501	15,374	3,127
Supplies	234,300	181,725	174,344	7,381
Depreciation	1,346,424	1,315,623	1,064,384	251,239
Other	14,100	18,410	17,319	1,091
Total operating expenses	<u>8,079,994</u>	<u>8,681,530</u>	<u>7,910,063</u>	<u>771,467</u>
Operating income (loss)	<u>(1,026,098)</u>	<u>(1,493,754)</u>	<u>(266,311)</u>	<u>1,227,443</u>
Nonoperating Revenues (Expenses)				
Investment income (loss)	-	-	214,532	214,532
Interest expense	(842,960)	(842,960)	(138,006)	704,954
Total nonoperating revenues (expenses)	<u>(842,960)</u>	<u>(842,960)</u>	<u>76,526</u>	<u>919,486</u>
Change in net assets	(1,869,058)	(2,336,714)	(189,785)	2,146,929
Net assets , beginning of the year	<u>11,506,950</u>	<u>11,506,950</u>	<u>11,506,950</u>	<u>-</u>
Net assets , end of the year	<u>\$ 9,637,892</u>	<u>\$ 9,170,236</u>	<u>\$ 11,317,165</u>	<u>\$ 2,146,929</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, 2012

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.

Deposits

<u>Institution/Security</u>	<u>CUSIP #</u>	<u>Maturity Date</u>	<u>Safe Keeping Location</u>	<u>Market Value</u>
Wells Fargo Bank, NA			BNY Mellon	
FMAC FGPF 5.000% 10/01/2038	3128M6VZ8	10/01/2038		\$ 66,597
FNMA FNMS 4.000% 12/01/2040	3138A1AG6	12/01/2040		87,240
FNMA FNMS 3.000% 12/01/2025	3138A1G62	12/01/2025		4,223
FNMA FNMS 3.500% 12/01/2025	3138A2CF4	12/01/2025		12,036
FNMA FNMS 4.000% 01/01/2041	31409DUS0	01/01/2041		39,277
FNMA FNMS 4.000% 01/01/2041	3138A2WW5	01/01/2041		46,457
FNMA FNMS 3.500% 01/01/2041	3138A36S1	01/01/2041		4,741
FNMA FNMS 4.000% 01/01/2041	3138A3S65	01/01/2041		9,461
FNMA FNMS 4.000% 01/01/2041	3138A4XY6	01/01/2041		916,732
FNMA FNMS 4.500% 03/01/2041	3138A74F2	03/01/2041		208,072
FNMA FNMS 4.000% 03/01/2041	3138A8RD0	03/01/2041		33,006
FNMA FNMS 4.500% 02/01/2041	3138A8XX9	02/01/2041		139,848
FNMA FNMS 4.500% 04/01/2041	3138ABZX0	04/01/2041		4,321
FNMA FNMS 3.000% 11/01/2026	31418ABC1	11/01/2026		13,752,247
FNMA FNMS 3.500% 03/01/2042	31418AD96	03/01/2042		462,330
				<u>\$ 15,786,588</u>

Summary of Collateralization

Wells Fargo Bank	
Ending bank balance	\$ 27,836,926
Less: FDIC insurance	<u>(12,633,362)</u>
Total uninsured public funds	<u>\$ 15,203,564</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 15,786,588
100% collateral requirement	<u>15,203,564</u>
Pledged collateral in excess of requirement	<u>\$ 583,024</u>
Uninsured and uncollateralized	<u>\$ -</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments
For the Year Ended June 30, 2012

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 6/30/2012
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 62,204
Community Development Home Rehab	Checking	-	-	-	22,774
Community Development Home Program	Checking	-	-	-	854
Community Development MONAS Loan	Checking	-	-	-	8
Community Development NSP Program	Checking	-	-	-	63,933
Metro Narcotics Agency	Savings	-	-	-	95,495
2006 Water Projects	Savings	-	-	-	1,398,837
Fiscal Account SCSWA	Savings	-	1,201,326	1,201,326	1,201,326
Revenue Bonds Proceeds	Savings	-	-	-	12,574,907
Treasury Fund - Operating	Checking	12,129,135	-	12,129,135	12,182,885
Payroll Direct Deposit Account	Checking	(32,862)	-	(32,862)	-
Accounts Payable	Checking	(1,619,282)	-	(1,619,282)	-
On Demand	Checking	42,847	-	42,847	50,703
Depository	Checking	482,815	-	482,815	-
Credit Card	Checking	2,862	-	2,862	-
Electronic	Checking	(814,343)	-	(814,343)	-
Total deposit accounts		<u>\$ 10,191,172</u>	<u>\$ 1,201,326</u>	<u>\$ 11,392,498</u>	<u>\$ 27,653,926</u>
Investments					
<i>Well Fargo Bank</i>					
Stagecoach Sweep Repo	Sweep	9,664,181	-	9,664,181	
<i>Wells Fargo Brokerage Services, LLC</i>					
FNMA Step 2/8/2027-13	Investment	3,001,440	-	3,001,440	
<i>First Tennessee</i>					
FFCB 1.57 11/7/2016-12	Investment	9,745	-	9,745	
FHLMC Step 7/27/2023-12	Investment	3,005,220	-	3,005,220	
FHLMC 1.4 1/25/2017-13	Investment	1,005	-	1,005	
FHLMC Step 1/25/2027-13	Investment	7,026,600	-	7,026,600	
FHLMC Step 2/22/2027-13	Investment	4,017,840	-	4,017,840	
FNMA 1.25 3/14/2017-13	Investment	2,003	-	2,003	
FNMA Step 2/8/2027-13	Investment	7,003,360	-	7,003,360	
FNMA Step 2/8/2027-13	Investment	5,004,500	-	5,004,500	
FNMA Step 3/12/2027-13	Investment	3,004,830	-	3,004,830	
FNMA Step 1/25/2027-13	Investment	7,048,020	-	7,048,020	
FNMA Step 4/16/2027-13	Investment	8,070,400	-	8,070,400	
FNMA Step 4/26/2027-13	Investment	5,028,200	-	5,028,200	
FNMA Step 5/24/2027-13	Investment	10,013,500	-	10,013,500	
FNMA Step 5/24/2027-13	Investment	9,011,700	-	9,011,700	
FNMA Step 6/21/2027-13	Investment	12,095,401	-	12,095,401	
FNMA Step 6/28/2027-13	Investment	7,975,760	-	7,975,760	
<i>Morgan Keegan</i>					
FHLB Step 3/5/2027-12	Investment	8,401,512	-	8,401,512	
FHLMC Step 11/21/2023-12	Investment	3,000,000	-	3,000,000	
FHLMC Step 2/22/2027-13	Investment	8,447,509	-	8,447,509	
FNMA Step 5/24/2027-13	Investment	8,004,800	-	8,004,800	
Total investments		<u>128,837,526</u>	<u>-</u>	<u>128,837,526</u>	
Total deposits and investments		<u>139,028,698</u>	<u>1,201,326</u>	<u>140,230,024</u>	
<i>Other Cash:</i>					
Petty Cash & Change Funds		-	1,100	1,100	
<i>Accrued Interest Receivable</i>					
Accrued Interest – Pooled Investments		611,014	-	611,014	
Total cash and investments		139,639,712	1,100	140,842,138	
Less balances in City of Las Cruces funds		133,966,127	-	133,966,127	
SCSWA cash and cash equivalents		<u>\$ 5,673,585</u>	<u>\$ 1,202,426</u>	<u>\$ 6,876,011</u>	

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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, 2012 and 2011, and have issued our report thereon dated November 14, 2012. 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

Management of the SCSWA is responsible for establishing and maintaining effective 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 the entity'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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCSWA's financial statements are free of material misstatement, we 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 management, the board of directors, others within the entity, and 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.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2012

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, 2012

There were no audit findings for the fiscal year ended June 30, 2012.

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, 2012

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)
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2012

Exit Conference

An exit conference was conducted on November 14, 2012, 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
Ken Miyagishima	Mayor
Olga Pedroza	Councilor
Jorge A. Garcia, PhD	Board Member

SCSWA Administration

Patrick Peck	Director
Veronica L. Ferri	

City of Las Cruces (Fiscal Agent)

Mark Winson	Assistant City Manager – Chief Administrative Officer
Brian Denmark	Assistant City Manager – Chief Operating Officer
Maria Villa	Accounting Supervisor
Melissa Nelson	Accounting Supervisor
Gene Connelly	City Attorney

Moss Adams LLP

Larry Carmony	Partner
Ryan Luetkemeyer	Senior Manager
Lupita Martinez	Senior Manager

Financial Statement Preparation

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