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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, 2013 and 2012

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, 2013

City of Las Cruces

Miguel G. Silva	Chair
Olga Pedroza	Councilor
Ken Miyagishima	Mayor
Dr. Jorge Garcia	Ex-Officio

Dona Ana County

Billy G. Garrett	Vice-Chair
Leticia Duarte-Benavidez	Commissioner
Wayne D. Hancock	Commissioner
Sue Padilla	Ex-Officio

City of Anthony

Amulfo Castaneda	Mayor
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City of Sunland Park

Javier Perea	Mayor
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REPORT OF INDEPENDENT AUDITORS

Mr. Hector Balderas, State Auditor of New Mexico and
The Board of Directors of South Central Solid Waste Authority

Report on the Financial Statements

We have audited the accompanying 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SCSWA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Central Solid Waste Authority as of June 30, 2013 and 2012, and the respective 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.

Emphasis of Matters

As discussed in Note 11 to the financial statements, SCSWA changed its estimate for closure and post closure costs. Our opinion is not modified with respect to this matter.

As discussed in Note 12 to the financial statements, the 2012 financial statements have been restated to correct a material misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 11 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.

Other Information

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 Schedule of Revenues, Expenses and Changes in Net Position Budget and Actual on pages 31 and 32 and the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments on pages 33 and 34, are schedules required by 2.2.2 *NMAC* and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position Budget and Actual and the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments, schedules required by 2.2.2 *NMAC*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Revenues, Expenses and Changes in Net Position Budget and Actual and the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments, schedules required by 2.2.2 *NMAC*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCSWA's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 13, 2013

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, 2013

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, 2013 and 2012. 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 three parts:

1. Management's discussion and analysis.
2. Basic financial statements.
3. Notes to the basic financial statements.

The statement of net position presents SCSWA's assets, liabilities and net position at fiscal year-end. The term "net position" 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 position 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 positions presents all changes in net positions during the fiscal year. Changes in net position 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.

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, 2013

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

As further described in Note 12 of SCSWA's financial statements, the 2012 and 2011 financial statements have been restated to correct certain errors related to landfill costs.

Net Position—In fiscal year 2013, net position decreased to \$10,454,298 from \$10,489,766 in fiscal year 2012. Table 1 summarizes the assets, liabilities, and net position of SCSWA.

Table 1
Net Position
As of June 30,

	2013	As Restated 2012	As Restated 2011
Assets			
Current and other assets	\$ 2,392,921	\$ 3,125,688	\$ 4,053,235
Capital and other assets	<u>11,627,880</u>	<u>12,052,380</u>	<u>12,272,196</u>
Total assets	<u>\$ 14,020,801</u>	<u>\$ 15,178,068</u>	<u>\$ 16,325,431</u>
Liabilities			
Current liabilities	\$ 1,299,560	\$ 1,041,870	\$ 1,075,710
Noncurrent liabilities	<u>2,266,943</u>	<u>3,646,432</u>	<u>4,344,516</u>
Total liabilities	<u>\$ 3,566,503</u>	<u>\$ 4,688,302</u>	<u>\$ 5,420,226</u>
Net Position			
Net investment in capital assets	\$ 7,242,256	5,745,432	5,579,714
Restricted	901,246	1,201,326	1,500,723
Unrestricted	<u>2,310,796</u>	<u>3,543,008</u>	<u>3,824,768</u>
Total net position	<u>10,454,298</u>	<u>10,489,766</u>	<u>10,905,205</u>
Total liabilities and net position	<u>\$ 14,020,801</u>	<u>\$ 15,178,068</u>	<u>\$ 16,325,431</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, 2013

Changes in Net Position—Total operating revenues for the year ended June 30, 2013, were \$7,867,503 compared with operating expenses of \$8,242,115.

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

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

	2013	As Restated 2012	As Restated 2011
Operating revenues			
Charges for services	\$ 7,752,723	\$ 7,500,715	\$ 6,542,297
Provision for uncollectible accounts	<u>(6,133)</u>	-	(69,000)
Net charges for services	7,746,590	7,500,715	6,473,297
Rental Income	28,340	390	-
Other revenues	<u>92,573</u>	142,647	79,267
Total operating revenues	7,867,503	7,643,752	6,552,564
Operating expenses	8,242,115	8,135,717	7,622,703
Operating loss	<u>(374,612)</u>	(491,965)	(1,070,139)
Nonoperating revenues (expenses)			
Gain on disposition of assets	2,338	-	-
Investment income	(103,878)	214,532	(33,843)
Grants and contributions	9,897	-	200,539
Interest expense	<u>(114,213)</u>	(138,006)	(159,766)
Total nonoperating revenue (expenses)	<u>(205,856)</u>	76,526	6,930
Change in net position	(580,468)	(415,439)	(1,063,209)
Special item from change in accounting estimate	<u>545,000</u>	-	-
Change in net position	(35,468)	(415,439)	(1,063,209)
Net position, beginning of year, as originally reported	10,489,766	10,905,205	12,344,505
Prior period adjustment (Note 12)	<u>-</u>	-	(376,091)
Net position, beginning of year, restated	10,489,766	10,905,205	11,968,414
Net position, end of year	<u>\$ 10,454,298</u>	<u>\$ 10,489,766</u>	<u>\$ 10,905,205</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, 2013

In 2013, revenues from operations increased by approximately \$223,751 from 2012 revenues. The increase resulted primarily from the addition of Sunland Park and the City of Truth or Consequences (T or C) accounts.

Operating expenses increased by \$106,398 over fiscal year 2012. The increase was attributed to the increase of tonnage that SCSWA collected.

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, 2013.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2013

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services, net	\$ 8,584,588	\$ 8,303,319	\$ 7,746,590	\$ (556,729)	-7%
Rental income	-	-	28,340	28,340	100%
Other	235,000	30,438	92,573	62,135	100%
Total revenue	8,819,588	8,333,757	7,867,503	(466,254)	-6%
Expenses					
Operating expenses	8,618,053	9,438,030	8,242,115	1,195,915	13%
Revenues over (under) expenditures	201,535	(1,104,273)	(374,612)	729,661	66%
Nonoperating revenues					
Gain on disposition of assets	-	-	2,338	2,338	100%
Investment income (loss)	-	-	(103,878)	(103,878)	-100%
Interest expense	(839,213)	(839,213)	(114,213)	725,000	86%
Grants - State	-	-	9,897	9,897	100%
Special item from change in accounting estimate	-	-	545,000	545,000	100%
Change in net position	\$ (637,678)	\$ (1,943,486)	\$ (35,468)	\$ 1,908,018	98%

The difference between the original and final budget for charges for services is primarily due to the T or C contract. This was anticipated to begin August 2012, however, did not start until March 2013. Budgets were accordingly adjusted downward. In addition, the weak economy contributed to the difference.

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, 2013

The difference between the original and final budget for operating expenses is primarily due to vertical expansion of the new landfill permit. In addition, the difference is due to additional expenses for operating the T or C and Sunland Park contracts.

Long-Term Debt

At the end of fiscal year 2013, SCSWA had total long-term debt outstanding of \$1,542,000 in bonds. In 2013, 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 \$725,000, \$705,000, and \$680,000 in 2013, 2012 and 2011, respectively. Additional information on SCSWA's long-term debt can be found in Note 4.

Capital Assets

As of June 30, 2013, the Authority's capital assets totaled \$8,784,256 net of accumulated depreciation of \$14,129,763. Table 4 provides details of the capital assets and related depreciation.

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

	2013	As Restated 2012	As Restated 2011
Buildings	\$ 4,540,840	\$ 4,495,070	\$ 4,392,047
Equipment	8,543,044	8,374,601	8,616,213
Infrastructure	1,056,988	1,056,988	1,056,988
Landfill cell/site	<u>7,413,342</u>	<u>6,328,549</u>	<u>6,328,549</u>
	21,554,214	20,255,208	20,393,797
Accumulated depreciation	<u>(14,129,763)</u>	<u>(13,701,215)</u>	<u>(13,121,820)</u>
Total depreciable assets	7,424,451	6,553,993	7,271,977
Land and construction in progress	<u>1,359,805</u>	<u>1,458,439</u>	<u>1,263,737</u>
Capital assets, net	<u>\$ 8,784,256</u>	<u>\$ 8,012,432</u>	<u>\$ 8,535,714</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, 2013

During 2013, the Authority purchased \$823,808 of heavy equipment, and spent \$1,084,793 on landfill improvements and \$45,770 on transfer station and scale house improvements. Cell 3B was completed during 2013 and was added to land improvements. \$278,262 of prior year construction in progress for Cell 3A was also transferred to land improvements. Further explanation for landfill improvements can be found in Footnote 12.

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of SCSWA. The regional area continues to experience the same muted pace of recovery from the "Great Recession". Additionally, the local economy must also deal with the impacts of federal sequestration. The economic outlook calls for slow growth in most indicators. New residential construction, which has advanced nationally, has yet to filter into the region. Total construction valuation is anticipated to show a drop because of two large multifamily projects permitted in FY2013.

A key to achieving the rate of employment forecast for the region is the relationship between private and government sectors. The recovery to date has been concentrated in private jobs with public jobs actually declining in recent years. The outlook anticipates all new jobs being created in the private sector while the public sector slowly returns to a level close to zero growth.

Population migration continues to be hampered by the 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. Residential units being built have become smaller which 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 Position
June 30,

	<u>2013</u>	<u>As Restated 2012</u>
Assets		
Current assets		
Pooled cash and investments	\$ 2,035,872	\$ 2,836,063
Accounts receivable, net of allowance	<u>357,049</u>	<u>289,625</u>
Total current assets	<u>2,392,921</u>	<u>3,125,688</u>
Noncurrent assets		
Restricted cash and investments	2,843,624	4,039,948
Capital assets, net	<u>8,784,256</u>	<u>8,012,432</u>
Total noncurrent assets	<u>11,627,880</u>	<u>12,052,380</u>
Total assets	<u>\$ 14,020,801</u>	<u>\$ 15,178,068</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 411,847	\$ 192,993
Accrued liabilities	109,772	95,019
Current portion of long-term liabilities	<u>777,941</u>	<u>753,858</u>
Total current liabilities	<u>1,299,560</u>	<u>1,041,870</u>
Long-term liabilities	<u>2,266,943</u>	<u>3,646,432</u>
Total liabilities	<u>3,566,503</u>	<u>4,688,302</u>
Net Position		
Net investment in capital assets	7,242,256	5,745,432
Restricted	901,246	1,201,326
Unrestricted	<u>2,310,796</u>	<u>3,543,008</u>
Total net position	<u>10,454,298</u>	<u>10,489,766</u>
Total liabilities and net position	<u>\$ 14,020,801</u>	<u>\$ 15,178,068</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 Position
For the Years Ended June 30,

	<u>2013</u>	<u>As Restated 2012</u>
Operating Revenues		
Charges for services	\$ 7,752,723	\$ 7,500,715
Provision for uncollectible accounts	<u>(6,133)</u>	<u>-</u>
Net charges for services	7,746,590	7,500,715
Rental Income	28,340	390
Other revenue	<u>92,573</u>	<u>142,647</u>
Total operating revenues	<u>7,867,503</u>	<u>7,643,752</u>
Operating Expenses		
Personnel	2,155,669	2,295,692
Professional services	2,949,149	2,596,440
Repairs and maintenance	586,923	545,207
Landfill closure/post closure	26,194	13,230
Administrative charges	70,000	70,000
Insurance	236,662	350,234
Fuel	814,804	685,361
Utilities	83,029	82,478
Rent	80,471	15,374
Supplies	143,601	174,344
Depreciation	1,083,913	1,290,038
Other	<u>11,700</u>	<u>17,319</u>
Total operating expenses	<u>8,242,115</u>	<u>8,135,717</u>
Operating loss	<u>(374,612)</u>	<u>(491,965)</u>
Nonoperating Revenues (Expenses)		
Gain on disposition of assets	2,338	-
Investment income (loss)	(103,878)	214,532
Interest expense	(114,213)	(138,006)
Grants - State	<u>9,897</u>	<u>-</u>
Total nonoperating revenue (expense)	<u>(205,856)</u>	<u>76,526</u>
Change in net position before special item	(580,468)	(415,439)
Special item from change in accounting estimate	<u>545,000</u>	<u>-</u>
Change in net position	<u>(35,468)</u>	<u>(415,439)</u>
Net position, beginning of year, as originally reported	10,489,766	11,506,950
Prior period adjustment (Note 12)	<u>-</u>	<u>(601,745)</u>
Net position, beginning of year, restated	<u>10,489,766</u>	<u>10,905,205</u>
Net position, end of year	<u>\$ 10,454,298</u>	<u>\$ 10,489,766</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,

	<u>2013</u>	<u>As Restated 2012</u>
Cash flows from operating activities		
Cash received from customers	\$ 7,800,079	\$ 7,696,207
Cash paid to suppliers	(4,742,732)	(4,594,018)
Cash paid to employees	<u>(2,267,268)</u>	<u>(2,278,585)</u>
Net cash provided by operating activities	<u>790,079</u>	<u>823,604</u>
Cash flows from noncapital financing activities		
Grants - State	<u>9,897</u>	<u>-</u>
Net cash provided by noncapital financing activities	<u>9,897</u>	<u>-</u>
Cash flows from capital and related financing activities		
Proceeds from disposal of capital assets	76,991	-
Purchases of capital assets	(1,930,391)	(766,756)
Principal paid on long-term debt	(725,000)	(705,000)
Interest paid on long-term debt	<u>(114,213)</u>	<u>(122,006)</u>
Net cash used by capital and related financing activities	<u>(2,692,613)</u>	<u>(1,593,762)</u>
Cash flows from investing activities		
Interest income received (loss)	<u>(103,878)</u>	<u>214,532</u>
Net cash (used in) provided by investing activities	<u>(103,878)</u>	<u>214,532</u>
Net decrease in pooled cash and investments	(1,996,515)	(555,626)
Cash and investments, beginning of year	<u>6,876,011</u>	<u>7,431,637</u>
Cash and investments, end of year	<u>\$ 4,879,496</u>	<u>\$ 6,876,011</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,

	<u>2013</u>	<u>2012 As Restated</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating loss	<u>\$ (374,612)</u>	<u>\$ (491,965)</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,083,913	1,290,038
Change in landfill closure and postclosure liability	26,194	13,230
Change in assets and liabilities		
Accounts receivable	(67,424)	52,455
Accounts payable	218,854	(61,431)
Accrued liabilities	14,753	4,170
Accrued landfill closure cost	(107,013)	-
Other noncurrent liability	<u>(4,586)</u>	<u>17,107</u>
Total adjustments	<u>1,164,691</u>	<u>1,089,915</u>
Net cash provided by operating activities	<u>\$ 790,079</u>	<u>\$ 823,604</u>
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 2,035,872	\$ 2,836,063
Restricted cash and investments	<u>2,843,624</u>	<u>4,039,948</u>
Total cash and cash equivalents	<u>\$ 4,879,496</u>	<u>\$ 6,876,011</u>
NONCASH OPERATING ACTIVITIES		
Special item-reduction of landfill closure/postclosure costs	<u>\$ 545,000</u>	<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)
Notes to Financial Statements
June 30, 2013

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

Adoption of New Accounting Pronouncements

In FY13, SCSWA adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and Statement No.63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. These statements had minimal impact to the Governmental Department’s financial statements or related accounting and financial reporting. The primary effects of implementing these statements was to change all previous references to “net assets” to “net position” and remove footnote disclosure in the Summary of Significant Accounting Policies referencing private sector standards issued subsequent to November 30, 1989. There were no other changes to the Governmental Department’s financial statements as a result of implementing these standards.

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.

Propriety fund accounting distinguishes operating revenues and expenses from nonoperating items. Revenues are recognized when earned and expenses are recorded when liabilities are incurred. Operating revenues and expenses result from transactions associated with the principal activity of SCSWA. Nonoperating revenues and expenses result from ancillary activities.

South Central Solid Waste Authority
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Notes to Financial Statements
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1) Summary of Significant Accounting Policies (continued)

Schedule 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 of \$1,363,180. In addition, a restricted cash amount of \$900,000 is set aside for the recycling program. These restricted resources are only used for the stated purposes and, accordingly, net position is also restricted by the amount of restricted cash held at fiscal year-end. See Note 11 for an update to restricted cash balances.

Use of Restricted Resources

SCSWA uses restricted resources first when expenses are incurred for purposes for which both restricted and unrestricted net positions 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	6-8
Equipment	4-10

South Central Solid Waste Authority
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Notes to Financial Statements
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1) Summary of Significant Accounting Policies (continued)

Landfill Closure and Post Closure Care Costs – SCSWA closure and post closure care costs are based on the current estimated total costs to perform closure and post closure activities. SCSWA records a liability for such costs based on the estimated remaining operational life of the Landfill. During FY13, SCSWA changed its estimate relating to its accrued closure and post closure care costs. See Note 11.

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.

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. 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.*
- ◆ Statement No. 69: *Government Combinations and Disposals of Government Operations.*
- ◆ Statement No. 70: *Accounting and Reporting for Nonexchange Financial Guarantees.*

South Central Solid Waste Authority
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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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Pooled cash and investments	\$ 2,035,872	\$ 2,836,063
Restricted cash and investments (see Note 11)	<u>2,843,624</u>	<u>4,039,948</u>
Total cash and cash equivalents	<u>\$ 4,879,496</u>	<u>\$ 6,876,011</u>

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

	<u>2013</u>	<u>2012</u>
Carrying amount of bank deposits	\$ 16,787,789	\$ 10,191,172
Investments at fair value	116,049,059	128,837,526
Accrued interest	<u>594,292</u>	<u>611,014</u>
Total	<u>\$ 133,431,140</u>	<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, 2013, the City's deposits, totaling \$31,318,315, 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, 2013, \$902,346 of SCSWA's restricted cash and investments was not included in the City's pool. This investment, as well as the City's investment pool, 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.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2013

2) Cash and Cash Equivalents (continued)

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, 2013, the City's investment pool had the following investments:

Investment Type	Fair Value	Weighted Avg Maturity (Yrs)
U.S. agency coupon bonds	\$ 116,049,059	11.97
Total Pooled Investments	<u>\$ 116,049,059</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 \$116,049,059, issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City changed its method this year to duration. In prior years the City used first call date because the experience of the City was step-up coupon bonds were called at the first call date. During the current year the step-up coupon bonds were not being called. As a result the method for calculating interest rate risk was changed to reflect current experience.

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 AA+ 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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2013

2) Cash and Cash Equivalents (continued)

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, 2013, 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, 2013, 62% of the City's investment pool was in Fannie Mae (FNMA) and 38% in Federal Home Loan Bank (FHLB).

3) Capital Assets

Changes in capital assets for the year ended June 30, 2013, are as follows:

	Restated Balances June 30, 2012	Additions	Dispositions	Transfer	Balances June 30, 2013
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	651,163	179,628	-	(278,262)	552,529
Total	<u>1,458,439</u>	<u>179,628</u>	<u>-</u>	<u>(278,262)</u>	<u>1,359,805</u>
Capital assets being depreciated					
Buildings	4,495,070	45,770	-	-	4,540,840
Equipment	8,374,601	898,462	(730,019)	-	8,543,044
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	6,328,549	806,531	-	278,262	7,413,342
Total	<u>20,255,208</u>	<u>1,750,763</u>	<u>(730,019)</u>	<u>278,262</u>	<u>21,554,214</u>
Less accumulated depreciation					
Buildings	2,204,686	106,687	-	-	2,311,373
Equipment	5,848,017	703,924	(655,365)	-	5,896,576
Infrastructure	396,369	26,424	-	-	422,793
Landfill cell/site	5,252,143	246,878	-	-	5,499,021
Total accumulated depreciation	<u>13,701,215</u>	<u>1,083,913</u>	<u>(655,365)</u>	<u>-</u>	<u>14,129,763</u>
Total capital assets, net	<u>\$ 8,012,432</u>	<u>\$ 846,478</u>	<u>\$ (74,654)</u>	<u>\$ -</u>	<u>\$ 8,784,256</u>

South Central Solid Waste Authority
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Notes to Financial Statements
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3) Capital Assets (continued)

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

	Restated Balances June 30, 2011	Additions	Dispositions	Transfer	Restated Balances June 30, 2012
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	456,461	194,702	-	-	651,163
Total	<u>1,263,737</u>	<u>194,702</u>	<u>-</u>	<u>-</u>	<u>1,458,439</u>
Capital assets being depreciated					
Buildings	4,392,047	103,023	-	-	4,495,070
Equipment	8,616,213	480,866	(722,478)	-	8,374,601
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	6,328,549	-	-	-	6,328,549
Total	<u>20,393,797</u>	<u>583,889</u>	<u>(722,478)</u>	<u>-</u>	<u>20,255,208</u>
<i>Less accumulated depreciation</i>					
Buildings	2,034,950	169,736	-	-	2,204,686
Equipment	5,746,273	821,789	(720,045)	-	5,848,017
Infrastructure	369,945	26,424	-	-	396,369
Landfill cell/site	4,970,652	281,491	-	-	5,252,143
Total accumulated depreciation	<u>13,121,820</u>	<u>1,299,440</u>	<u>(720,045)</u>	<u>-</u>	<u>13,701,215</u>
Total capital assets, net	<u>\$ 8,535,714</u>	<u>\$ (520,849)</u>	<u>\$ (2,433)</u>	<u>\$ -</u>	<u>\$ 8,012,432</u>

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are as follows:

	Balances June 30, 2012	Increases	Decreases	Balances June 30, 2013	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 2,267,000	\$ -	\$ 725,000	\$ 1,542,000	\$ 750,000
Other noncurrent liabilities					
Estimated landfill closure/postclosure liability	1,989,000	-	625,820	1,363,180	-
Compensated absences	144,290	-	4,586	139,704	27,941
	<u>\$ 4,400,290</u>	<u>\$ -</u>	<u>\$ 1,355,406</u>	<u>\$ 3,044,884</u>	<u>\$ 777,941</u>

South Central Solid Waste Authority
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Notes to Financial Statements
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4) Long-Term Liabilities (continued)

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

	Balances			Balances		Amount
	June 30, 2011	Increases	Decreases	June 30, 2012		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/postclosure 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>\$</u>	<u>753,858</u>

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2014	\$ 750,000	\$ 88,838
2015	780,000	61,650
2016	810,000	32,400
	<u>\$ 2,340,000</u>	<u>\$ 182,888</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, 2013, \$2,480,000 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.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2013

4) Long-Term Liabilities (continued)

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 \$1,363,180 reported as SCSWA's landfill closure and post-closure liability at June 30, 2013, is based on the use of the estimated capacity of the open cells at the regional landfill. The \$1,363,180 held in a restrict cash reserve for landfill closure and post-closure liability at June 30th, 2013 represent the total liability expense for the 51 acres utilized for waste disposal. In 2013, 10 acres we closed and are no longer available for waste acceptance. Currently there is a total of 390 acres available which has an estimated life of over 100 years. Of the total cells, design has been completed for the eastern 200 acres and 30% percent have been utilized for disposal.

An engineering study completed in September 2013 concluded that the Corralitos landfill will not be required to install a gas control system. See Note 11.

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 is 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, 2013, was \$901,246 including interest earned.

South Central Solid Waste Authority
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Notes to Financial Statements
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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 6.65% of their gross salary. The SCSWA is required to contribute 11.65% 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, 2013, 2012 and 2011 were \$179,653, \$175,078, and \$186,938, respectively, which equal the amount of the required contributions for each fiscal year.

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 postemployment healthcare 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, and 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 healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

South Central Solid Waste Authority
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7) Post-Employee Benefits – State Retiree Health Care Plan (continued)

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 postemployment healthcare 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 healthcare 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.

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, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary.

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, 2013, 2012 and 2011 were \$30,419, \$26,575 and \$25,478, respectively, which equal the required contributions for each year.

South Central Solid Waste Authority
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Notes to Financial Statements
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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 2013, the City of Las Cruces and Dona Ana County paid approximately \$2.1 million and \$516,625, respectively, to SCSWA for services. 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 2013 and 2012, SCSWA paid the City of Las Cruces \$70,000 each year respectively, for fiscal agent services.

10) Memorandum of Agreement

By mutual agreement, the South Central Solid Waste Authority (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 2013, the charge for recycling for City residents was \$1,814,559.

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 2013, the full payment was made to the Authority.

A Memorandum of Understanding between the City of Truth or Consequences (T or C) and the Authority was signed on October 10, 2012. In this exchange the Authority will transport T or C's solid waste to the Corralitos landfill. The Authority will be paid \$6,400 per month plus fuel and tipping fees. This two year agreement allows for an extension and price increase after the initial term.

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10) Memorandum of Agreement (continued)

On November 02, 2012, the 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 for the next three years. At the end of the three year term the City of Sunland Park will have the option to re-take control of operations or, with assistance from the Authority, bid out the service.

11) Change in Accounting Estimate

In September of 2013, the SWSCA received the results of the air quality Tier II sampling for the Corralitos Regional Landfill conducted by an engineering firm during the week of April 2, 2013. As per 40 CFR 60.757(b)(1), the calculated mass emission rate using site-specific non methane organic compound concentrations were less than 50 Mg/year, therefore causing the installation of an active landfill gas collection and controls system to be no longer required for the landfill. This event affected SCSWA's accounting estimate for the closure and post closure of its landfill and affected its assets and liabilities as follows:

Restricted Cash – As discussed in the Company's significant accounting policies in Note 1, SCSWA maintains restricted cash for the purpose of funding the future costs of the closure/post-closure of the landfill. During the year ended June 30, 2013, SCSWA recorded a gain from the reduction of the landfill closure and post closure care costs of \$545,000, reported as a Special Item in the Statements of Revenues, Expenses and Changes in Net Position. SCSWA has not reduced its restricted cash for the reduction in future costs required to be funded. Per Resolution 2009-15, restricted cash of \$545,000 for the gas monitoring system will not be moved until such time that the SCSWA Board of Directors approves the movement from restricted to unrestricted cash.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2013

11) Change in Accounting Estimate (continued)

Landfill closure and post closure care costs – SCSWA’s closure and post closure care costs are based on the current estimated total costs to perform closure and post closure activities, and the estimated remaining economic life of the Landfill, which is affected by the SCSWA’s assessment of how long the Landfill will continue to operate. The SCSWA records an expense and a liability for such costs based on the SCSWA’s evaluation of those factors. In past years, SCSWA recorded an expense of \$545,000, based on its assumption that the Landfill would be required to install a gas collection and controls monitoring system.

12) Prior Period Adjustment

During FY13, certain financial statement errors were identified that had resulted in the overstatement of landfill construction in progress, the understatement of landfill improvements in operation, and the understatement of depreciation recorded on the landfill improvements as of July 1, 2009. The errors related to the failure to transfer the constructed 3A landfill cell from construction in progress to equipment and landfill cell site improvements when it was opened in October 2008. SCSWA also determined that it did not record depreciation on the cell since the opening date of the cell through June 30, 2012. SCSWA restated its financial statements to correct these errors. The effects of the prior period adjustments on the financial statements as of and for the year ended June 30, 2012 for SCSWA are shown below.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2013

12) Prior Period Adjustment (continued)

	As Previously Reported 6.30.12	As Restated 6.30.12	Effect of Change
Statement of Net Position			
Capital assets not being depreciated:			
Land	\$ 807,276	\$ 807,276	\$ -
Construction in progress	2,456,397	651,163	(1,805,234)
Total	<u>3,263,673</u>	<u>1,458,439</u>	<u>(1,805,234)</u>
Capital assets being depreciated			
Buildings	4,495,070	4,495,070	-
Equipment	9,085,244	8,374,601	(710,643)
Infrastructure	1,056,988	1,056,988	-
Landfill cell/site	4,523,315	6,328,549	1,805,234
Total	<u>19,160,617</u>	<u>20,255,208</u>	<u>1,094,591</u>
Less accumulated depreciation			
Buildings	2,204,686	2,204,686	-
Equipment	6,558,660	5,848,017	(710,643)
Infrastructure	396,369	396,369	-
Landfill cell/site	4,424,744	5,252,143	827,399
Total	<u>13,584,459</u>	<u>13,701,215</u>	<u>116,756</u>
Total capital assets, net	<u>\$ 8,839,831</u>	<u>\$ 8,012,432</u>	<u>\$ (827,399)</u>
Net position, beginning of year			
Net investment in capital assets	\$ 6,181,459	\$ 5,579,714	\$ (601,745)
Restricted	1,500,723	1,500,723	-
Unrestricted	3,824,768	3,824,768	-
Net position, end of year	<u>\$ 11,506,950</u>	<u>\$ 10,905,205</u>	<u>\$ (601,745)</u>
Net position, end of year:			
Net investment in capital assets	\$ 6,572,831	\$ 5,745,432	\$ (827,399)
Restricted	1,201,326	1,201,326	-
Unrestricted	3,543,008	3,543,008	-
Net position, end of year	<u>\$ 11,317,165</u>	<u>\$ 10,489,766</u>	<u>\$ (827,399)</u>
Statement of Revenues, Expenses, and Changes in Net Position			
Total expenditures	\$ 7,910,063	\$ 8,135,717	\$ 225,654
Operating loss	\$ (266,311)	\$ (491,965)	\$ 225,654
Change in net position	\$ (189,785)	\$ (415,439)	\$ (225,654)

Supplementary Information

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Operating Revenues				
Charges for services	\$ 8,584,588	\$ 8,303,319	\$ 7,752,723	\$ (550,596)
Provision for uncollectible accounts	-	-	(6,133)	(6,133)
Net charges for services	8,584,588	8,303,319	7,746,590	(556,729)
Rental income	-	-	28,340	28,340
Other revenues	235,000	30,438	92,573	62,135
Total operating revenues	<u>8,819,588</u>	<u>8,333,757</u>	<u>7,867,503</u>	<u>(466,254)</u>
Operating Expenses				
Personnel	2,498,112	2,586,889	2,155,669	431,220
Professional services	2,858,196	3,319,432	2,949,149	370,283
Repairs and maintenance	500,000	634,610	586,923	47,687
Landfill closure/post closure	72,500	72,500	26,194	46,306
Administrative charges	70,000	70,000	70,000	-
Insurance	383,850	254,905	236,662	18,243
Fuel	695,000	822,032	814,804	7,228
Utilities	97,000	96,807	83,029	13,778
Rent	41,000	97,591	80,471	17,120
Supplies	174,750	204,006	143,601	60,405
Depreciation	1,213,995	1,265,995	1,083,913	182,082
Other	13,650	13,263	11,700	1,563
Total operating expenses	<u>8,618,053</u>	<u>9,438,030</u>	<u>8,242,115</u>	<u>1,195,915</u>
Operating income (loss)	<u>201,535</u>	<u>(1,104,273)</u>	<u>(374,612)</u>	<u>729,661</u>
Nonoperating Revenues (Expenses)				
Gain on disposition of assets	-	-	2,338	2,338
Investment income (loss)	-	-	(103,878)	(103,878)
Interest expense	(839,213)	(839,213)	(114,213)	725,000
Grants - State	-	-	9,897	9,897
Total nonoperating revenues (expenses)	<u>(839,213)</u>	<u>(839,213)</u>	<u>(205,856)</u>	<u>633,357</u>
Change in net position before special item	(637,678)	(1,943,486)	(580,468)	(1,363,018)
Special item from change in accounting estimate	-	-	545,000	545,000
Change in net position	<u>(637,678)</u>	<u>(1,943,486)</u>	<u>(35,468)</u>	<u>1,908,018</u>
Net position , beginning of the year, restated	<u>11,317,165</u>	<u>11,317,165</u>	<u>10,489,766</u>	<u>(827,399)</u>
Net position , end of the year	<u>\$10,679,487</u>	<u>\$ 9,373,679</u>	<u>\$ 10,454,298</u>	<u>\$ 1,080,619</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		As Restated 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	1,290,038	25,585
Other	14,100	18,410	17,319	1,091
Total operating expenses	<u>8,079,994</u>	<u>8,681,530</u>	<u>8,135,717</u>	<u>545,813</u>
Operating income (loss)	<u>(1,026,098)</u>	<u>(1,493,754)</u>	<u>(491,965)</u>	<u>1,001,789</u>
Nonoperating Revenues (Expenses)				
Investment income	-	-	214,532	214,532
Interest expense	<u>(842,960)</u>	<u>(842,960)</u>	<u>(138,006)</u>	<u>704,954</u>
Total nonoperating revenues (expenses)	<u>(842,960)</u>	<u>(842,960)</u>	<u>76,526</u>	<u>919,486</u>
Change in net position	<u>(1,869,058)</u>	<u>(2,336,714)</u>	<u>(415,439)</u>	<u>1,921,275</u>
Net position , beginning of the year, as originally reported	11,506,950	11,506,950	11,506,950	-
Prior period adjustment (Note 12)	-	-	<u>(601,745)</u>	<u>(601,745)</u>
Net position , beginning of year, restated	-	-	<u>10,905,205</u>	-
Net position , end of the year	<u>\$ 9,637,892</u>	<u>\$ 9,170,236</u>	<u>\$ 10,489,766</u>	<u>\$ 1,319,530</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, 2013

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 and the deposit of SCSWA.

<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 FGPC 3.000% 09/01/26	3128PWM54	09/01/26		\$ 10,196,931
FNMA FNMS 4.000% 12/01/40	3138A2BQ1	12/01/40		94,206
FNMA FNMS 4.500% 12/01/40	3138A2BX6	12/01/40		308,561
FNMA FNMS 3.000% 12/01/25	3138A2CB3	12/01/25		326,696
FNMA FNMS 4.000% 01/01/41	3138A4XY6	01/01/41		622,014
FNMA FNMS 4.500% 03/01/41	3138A74F2	03/01/41		158,106
FNMA FNMS 4.500% 02/01/41	3138A8XX9	02/01/21		116,863
FNMA FNMS 4.000% 09/01/41	3138ASWB4	09/01/41		574,566
FNMA FNMS 3.000% 12/01/26	3138AV6U4	12/01/26		657,727
FNMA FNMS 3.000% 11/01/26	3138ZVF83	11/01/26		492,840
FNMA FNMS 3.000% 11/01/26	3138AXCP4	11/01/26		392,470
FNMA FNMS 3.000% 11/01/26	3138AXSK8	11/01/26		92,489
FNMA FNMS 3.000% 08/01/26	3138EGU69	08/01/26		505,340
FNMA FNMS 3.500% 11/01/41	3138EHB50	11/01/41		272,420
FNMA FNMS 3.000% 01/01/43	3138MRF30	01/01/43		1,051,074
FNMA FNMS 3.000% 02/01/43	3138MSC56	02/01/43		110,838
FNMA FNMS 3.000% 12/01/42	3138NWR43	12/01/42		124,290
FNMA FNMS 3.000% 01/01/43	3138NXKJ5	01/01/43		696,617
FNMA FNMS 3.000% 03/01/43	3138W7GG3	03/01/43		552,666
FNMA FNMS 3.000% 03/01/43	3138W7GH1	03/01/43		4,692,163
FNMA FNMS 3.000% 05/01/43	3138WQA28	05/01/43		146,486
FNMA FNMS 3.000% 05/01/43	3138WQAY8	05/01/43		141,541
FNMA FNMS 3.000% 01/01/43	31417EKT7	01/01/43		822,022
FNMA FNMS 3.000% 11/01/26	31418ABC1	11/01/26		9,240,049
FNMA FNMS 3.500% 03/01/42	31418AD96	03/01/42		341,603
FNMA FNMS 4.000% 05/01/25	31418UC28	05/01/25		182,252
				<u>\$ 32,912,830</u>

Summary of Collateralization

Wells Fargo Bank	
Ending bank balance	\$ 31,318,315
Less: FDIC insurance	(250,000)
Total uninsured public funds	<u>\$ 31,068,315</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 32,912,830
100% collateral requirement	<u>31,068,315</u>
Pledged collateral in excess of requirement	<u>\$ 1,844,515</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, 2013

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 6/30/2013
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 39,806
Community Development Home Rehab	Checking	-	-	-	27,345
Community Development Home Program	Checking	-	-	-	1,438
Community Development MONAS Loan	Checking	-	-	-	11
Community Development NSP Program	Checking	-	-	-	35,870
Metro Narcotics Agency	Savings	-	-	-	95,533
2006 Water Projects	Savings	-	-	-	1,402,117
Fiscal Account SCSWA	Savings	-	901,246	901,246	901,246
Revenue Bonds Proceeds	Savings	-	-	-	11,031,115
Treasury Fund - Operating	Checking	17,691,754	-	17,691,754	17,746,127
Payroll Direct Deposit Account	Checking	(28,359)	-	(28,359)	-
Accounts Payable	Checking	(1,162,982)	-	(1,162,982)	-
On Demand	Checking	22,428	-	22,428	37,707
Depository	Checking	367,136	-	367,136	-
Credit Card	Checking	5,862	-	5,862	-
Electronic	Checking	(108,050)	-	(108,050)	-
Total deposit accounts		<u>16,787,789</u>	<u>901,246</u>	<u>17,689,035</u>	<u>\$ 31,318,315</u>
Investments					
<i>Wells Fargo Brokerage Services, LLC</i>					
FHLB Step 1/24/2028-13	Investment	<u>2,789,427</u>	-	<u>2,789,427</u>	
<i>Wells Fargo Brokerage Services, LLC</i>					
FNMA Step 12/20/2027-13	Investment	<u>2,788,422</u>	-	<u>2,788,422</u>	
<i>First Tennessee</i>					
FHLB Step 10/15/2027-13	Investment	8,420,850	-	8,420,850	
FHLB Step 10/18/2027-13	Investment	11,131,320	-	11,131,320	
FHLB Step 11/9/2027-13	Investment	7,608,320	-	7,608,320	
FHLB Step 11/8/2027-13	Investment	5,576,340	-	5,576,340	
FHLB Step 5/16/2028-14	Investment	6,514,900	-	6,514,900	
FNMA 1.03 1/30/2018-14	Investment	977	-	977	
FNMA 1 11/29/2017-13	Investment	9,511	-	9,511	
FNMA Step 12/13/2027-13	Investment	7,956,595	-	7,956,595	
FNMA Step 9/20/2027-13	Investment	4,666,600	-	4,666,600	
FNMA Step 9/27/2027-13	Investment	9,435,600	-	9,435,600	
FNMA Step 10/4/2027-13	Investment	2,829,720	-	2,829,720	
FNMA Step 7/23/2027-13	Investment	2,806,830	-	2,806,830	
FNMA Step 8/16/2027-13	Investment	7,509,120	-	7,509,120	
FNMA Step 8/27/2027-13	Investment	6,579,300	-	6,579,300	
FNMA Step 8/23/2027-13	Investment	3,775,360	-	3,775,360	
FNMA Step 8/23/2027-13	Investment	4,701,550	-	4,701,550	
FNMA Step 8/27/2027-13	Investment	6,610,450	-	6,610,450	
FNMA Step 12/21/2027-13	Investment	7,395,760	-	7,395,760	
FNMA Step 1/28/2028-15	Investment	5,059,835	-	5,059,835	
FNMA 1.05 3/27/2018-13	Investment	<u>1,952</u>	-	<u>1,952</u>	
<i>Stiffel Nicolaus</i>					
FHLB Step 4/26/2028-13	Investment	1,880,320	-	1,880,320	
Total investments		<u>116,049,059</u>	-	<u>116,049,059</u>	
Total deposits and investments		<u>132,836,848</u>	<u>901,246</u>	<u>133,738,094</u>	
<i>Other Cash:</i>					
Petty Cash & Change Funds		-	1,100	1,100	
<i>Accrued Interest Receivable</i>					
Accrued Interest – Pooled Investments		594,292	-	594,292	
Total cash and investments		594,292	1,100	595,392	
Less balances in City of Las Cruces funds		<u>129,453,990</u>	-	<u>129,453,990</u>	
SCSWA cash and cash equivalents		<u>\$ 3,977,150</u>	<u>\$ 902,346</u>	<u>\$ 4,879,496</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, in accordance with the 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, the 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements, and have issued our report thereon dated November 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SCSWA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of SCSWA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses for the year ended June 30, 2013, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2013-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SCSWA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

SCSWA's Response to Findings

SCSWA's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses for the year ended June 30, 2013. SCSWA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCSWA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mess Adams LLP

Albuquerque, New Mexico
November 13, 2013

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, 2013

Finding 2013-01: Restatement of Beginning of Year Net Position - Material Weakness

Criteria: In order to produce accurate and timely financial reports and year-end financial statements, good internal controls include ensuring that all material account balances, including capital assets, construction in progress, and depreciation of landfill improvements are reconciled to subsidiary ledgers and/or other detailed schedules and reviewed with Landfill Management.

Condition: At the beginning of audit fieldwork, the SCSWA's general ledger had been reconciled for construction in progress, however, the liner and excavation costs for cells 3A and the excavation costs for cells 3b had not.

Effect: During the audit, there were material adjustments made to reconcile these balances to the general ledger and financial statements. The material errors that were identified had the effect of overstatement of its construction in progress and net position by \$1,805,234 and \$827,399, respectively. The beginning net position as of July 1, 2012 was adjusted for this misstatement. Additionally, cell 3B construction in progress was adjusted in the current year for \$278,262 and related depreciation expense was adjusted in the current year for \$233,384 related to cells 3A and 3B.

Cause: SCSWA did not accurately adjust these accounts and did not review the volumetric report with the Landfill Management to ensure the reasonableness of the depreciation of the landfill's cells in operation.

Recommendation: SCSWA should thoroughly review the construction in progress and depreciation accounts to ensure amounts accurately report the landfill's estimates and operations.

Management's Response: SCSWA, through its' Fiscal Agent, the City of Las Cruces will review construction in progress and depreciation on a monthly basis. This will ensure the amounts are accurate. SCSWA will continue to more than adequately budget depreciation expense to allow for adjustments that may occur as a result of the review of these accounts.

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, 2013

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)
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2013

Exit Conference

An exit conference was conducted on November 13, 2013, 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

Mayor Ken Miyagishima Board Member

SCSWA Administration

Patrick Peck Director

City of Las Cruces (Fiscal Agent)

Mark Winson Assistant City Manager – Chief Administrative Officer
Victoria Fredrick Director of Financial Services
Maria Villa Accounting Manager
Melissa Nelson Accounting Manager
Brent Hatley Accountant

Moss Adams LLP

Brandon Valentini Partner
Ryan Luetkemeyer Senior Manager
Lupita Martinez Senior Manager
Monica Guerrero Manager

Financial Statement Preparation

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