



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, 2014 and 2013

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, 2014

City of Las Cruces

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

Dona Ana County

Wayne D. Hancock	Chair
Billy G. Garrett	Commissioner
Leticia Duarte-Benavidez	Commissioner
Julia Brown	Ex-Officio

City of Anthony

Arnulfo 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 basic financial statements and the budgetary comparisons 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, 2014 and 2013, 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the South Central Solid Waste Authority as of June 30, 2014 and 2013, and the respective changes in financial position, its cash flows, and budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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 5 through 10 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 30 and 31 and the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments on pages 32 and 33, 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 14, 2014 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.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2014

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, 2014

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, 2014 and 2013. 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 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, 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, 2014

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 Position—In fiscal year 2014, net position increased to \$10,992,240 from \$10,454,298 in fiscal year 2013. Table 1 summarizes the assets, liabilities, and net position of SCSWA.

Table 1
Net Position
As of June 30,

	2014	2013	As Restated, See Note 11 2012
Assets			
Current and other assets	\$ 3,034,918	\$ 2,392,921	\$ 3,125,688
Capital and other assets	<u>12,551,144</u>	<u>11,627,880</u>	<u>12,052,380</u>
Total assets	<u>\$ 15,586,062</u>	<u>\$ 14,020,801</u>	<u>\$ 15,178,068</u>
Liabilities			
Current liabilities	\$ 940,515	\$ 1,299,560	\$ 1,041,870
Noncurrent liabilities	<u>3,653,307</u>	<u>2,266,943</u>	<u>3,646,432</u>
Total liabilities	<u>4,593,822</u>	<u>3,566,503</u>	<u>4,688,302</u>
Net Position			
Net investment in capital assets	6,047,829	7,242,256	5,745,432
Restricted	600,761	901,246	1,201,326
Unrestricted	<u>4,343,650</u>	<u>2,310,796</u>	<u>3,543,008</u>
Total net position	<u>10,992,240</u>	<u>10,454,298</u>	<u>10,489,766</u>
Total liabilities and net position	<u>\$ 15,586,062</u>	<u>\$ 14,020,801</u>	<u>\$ 15,178,068</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, 2014

Changes in Net Position—Total operating revenues for the year ended June 30, 2014, were \$9,239,203 compared with operating expenses of \$8,585,604.

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,

	2014	2013	As Restated, See Note 11 2012
Operating revenues			
Charges for services	\$ 8,430,194	\$ 7,752,723	\$ 7,500,715
Provision for uncollectible accounts	-	(6,133)	-
Net charges for services	8,430,194	7,746,590	7,500,715
Rental Income	2,967	28,340	390
Other revenues	806,042	92,573	142,647
Total operating revenues	9,239,203	7,867,503	7,643,752
Operating expenses	8,585,604	8,242,115	8,135,717
Operating income (loss)	653,599	(374,612)	(491,965)
Nonoperating revenues (expenses)			
Gain on disposition of assets	-	2,338	-
Investment income	78,972	(103,878)	214,532
Grants and contributions	-	9,897	-
Interest expense	(194,629)	(114,213)	(138,006)
Total nonoperating revenue (expenses)	(115,657)	(205,856)	76,526
Change in net position	537,942	(580,468)	(415,439)
Special item from change in accounting estimate	-	545,000	-
Change in net position	537,942	(35,468)	(415,439)
Net position, beginning of year, as originally reported	10,454,298	10,489,766	11,506,950
Prior period adjustment (Note 11)	-	-	(601,745)
Net position, beginning of year, restated	10,454,298	10,489,766	10,905,205
Net position, end of year	\$ 10,992,240	\$ 10,454,298	\$ 10,489,766

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, 2014

In 2014, revenues from operations increased by approximately \$1,371,700 from 2013 revenues. The increase resulted primarily from the addition of Sunland Park and the City of Truth or Consequences (T or C) accounts. In addition, due to rate increases, sludge project from Mesquite and repayment from the City to SCSWA excess payments in lieu of debt during fiscal year 2014.

Operating expenses increased by \$343,489 over fiscal year 2013. The increase was attributed to the increase of tonnage that SCSWA collected and Curbside Recycling expenses.

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, 2014.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2014

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 8,950,194	\$ 8,425,194	\$ 8,430,194	\$ 5,000	0%
Rental income	-	-	2,967	2,967	100%
Other	313,225	228,037	806,042	578,005	253%
Total revenue	9,263,419	8,653,231	9,239,203	585,972	7%
Expenses					
Operating expenses	8,655,391	9,324,098	8,585,604	738,494	8%
Revenues over (under) expenditures	608,028	(670,867)	653,599	1,324,466	-197%
Nonoperating revenues					
Investment income (loss)	-	-	78,972	78,972	100%
Interest expense	(838,838)	(939,689)	(194,629)	745,060	-79%
Change in net position	\$ (230,810)	\$ (1,610,556)	\$ 537,942	\$ 2,148,498	-133%

The difference between the original and final budget for charges for services is primarily due to lower tonnage than expected.

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, 2014

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. Also, due to hiring of new personnel, equipment rental expenses, debt issuance costs (from old debt to new debt refunding of the 2014 revenue bonds).

Long-Term Debt

At the end of fiscal year 2014, SCSWA had total long-term debt outstanding of \$2,459,170 in bonds. In 2014, this consisted solely of 2014 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds. The increase of \$2,502,000 consist of \$2,780,000 (2004 bond liability by the City) less \$278,000 (required reserve for last year's debt service). The decrease of \$1,584,830 consist of \$750,000 (2004 bond principal), plus \$1,590,000 (2004 outstanding principal), less \$798,000 (reserve from the 2004 bond issuance), plus \$42,830 (1/12 of fiscal year 2015 principal and interest). Decreases to long-term liabilities resulted from bond principal payments of \$470,000, \$725,000, and 705,000 in 2014, 2013 and 2012, respectively. Additional information on SCSWA's long-term debt can be found in Note 4.

Capital Assets

As of June 30, 2014, the Authority's capital assets totaled \$8,741,907 net of accumulated depreciation of \$15,015,652. Table 4 provides details of the capital assets and related depreciation.

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

	2014	2013	As Restated, See Note 11 2012
Buildings	\$ 4,540,840	\$ 4,540,840	\$ 4,495,070
Equipment	9,230,228	8,543,044	8,374,601
Infrastructure	1,056,988	1,056,988	1,056,988
Landfill cell/site	<u>7,413,352</u>	<u>7,413,342</u>	<u>6,328,549</u>
	22,241,408	21,554,214	20,255,208
Accumulated depreciation	<u>(15,015,652)</u>	<u>(14,129,763)</u>	<u>(13,701,215)</u>
Total depreciable assets	7,225,756	7,424,451	6,553,993
Land and construction in progress	<u>1,516,151</u>	<u>1,359,805</u>	<u>1,458,439</u>
Capital assets, net	<u>\$ 8,741,907</u>	<u>\$ 8,784,256</u>	<u>\$ 8,012,432</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, 2014

During 2014, the Authority purchased \$530,162 of equipment, rolling stock and heavy equipment. The Authority entered into a capital lease to acquire a reach side loading refuse truck for \$246,580.

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 local economy is expected to follow the US economy in a slow and uneven recovery. Health Care, Service and Leisure/Hospitality are two sectors that are expected to do well over the near term. The local job picture, in total, will still underperform the nation in part due to our dependence on Public Sector jobs. Private sector job growth should offset public sector job losses leading to a 0.5% growth in fiscal year 2015.

The public sector is anticipated to be flat in the coming year as state education funding for local schools and NMSU begins to turn around. A return to modest revenue growth, both locally and at the state level, will generate a stable employment picture. Federal government, especially in Postal Services, is expected to shed jobs through fiscal year 2015.

Population growth which slowed along with the national economy is expected to show a very modest gain in fiscal year 2015. While the region is expected to add approximately 1,000 net new residents in fiscal year 2015, the rate of growth will be under 2% for the fifth year in a row. The slowly expanding population base is directly linked to local jobs opportunities and to the national housing market. As retirees planning to relocate begin to see some progress on selling houses in other areas of the US, to Las Cruces should see a pick-up in people moving into the area.

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,

	2014	2013
Assets		
Current assets		
Pooled cash and investments	\$ 2,620,407	\$ 2,035,872
Accounts receivable, net of allowance	<u>414,511</u>	<u>357,049</u>
Total current assets	<u>3,034,918</u>	<u>2,392,921</u>
Noncurrent assets		
Restricted cash and investments	3,809,237	2,843,624
Capital assets, net	<u>8,741,907</u>	<u>8,784,256</u>
Total noncurrent assets	<u>12,551,144</u>	<u>11,627,880</u>
Total assets	<u>\$ 15,586,062</u>	<u>\$ 14,020,801</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 250,763	\$ 411,847
Accrued liabilities	123,241	109,772
Current portion of long-term liabilities	<u>566,511</u>	<u>777,941</u>
Total current liabilities	940,515	1,299,560
Long-term liabilities	<u>3,653,307</u>	<u>2,266,943</u>
Total liabilities	<u>4,593,822</u>	<u>3,566,503</u>
Net Position		
Net investment in capital assets	6,047,829	7,242,256
Restricted	600,761	901,246
Unrestricted	<u>4,343,650</u>	<u>2,310,796</u>
Total net position	<u>10,992,240</u>	<u>10,454,298</u>
Total liabilities and net position	<u>\$ 15,586,062</u>	<u>\$ 14,020,801</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,

	2014	2013
Operating Revenues		
Charges for services	\$ 8,430,194	\$ 7,752,723
Provision for uncollectible accounts	<u>-</u>	<u>(6,133)</u>
Net charges for services	8,430,194	7,746,590
Rental Income	2,967	28,340
Other revenue	<u>806,042</u>	<u>92,573</u>
Total operating revenues	<u>9,239,203</u>	<u>7,867,503</u>
Operating Expenses		
Personnel	2,401,369	2,155,669
Professional services	2,908,304	2,949,149
Repairs and maintenance	807,221	586,923
Landfill closure/post closure	(54,384)	26,194
Administrative charges	70,000	70,000
Insurance	273,730	236,662
Fuel	829,906	814,804
Utilities	88,365	83,029
Rent	60,060	80,471
Supplies	205,493	143,601
Depreciation	975,448	1,083,913
Other	<u>20,092</u>	<u>11,700</u>
Total operating expenses	<u>8,585,604</u>	<u>8,242,115</u>
Operating income (loss)	<u>653,599</u>	<u>(374,612)</u>
Nonoperating Revenues (Expenses)		
Gain on disposition of assets	-	2,338
Investment income (loss)	78,972	(103,878)
Interest expense	(194,629)	(114,213)
Grants - State	<u>-</u>	<u>9,897</u>
Total nonoperating revenue (expense)	<u>(115,657)</u>	<u>(205,856)</u>
Change in net position before special item	537,942	(580,468)
Special item from change in accounting estimate	<u>-</u>	<u>545,000</u>
Change in net position	<u>537,942</u>	<u>(35,468)</u>
Net position, beginning of year	<u>10,454,298</u>	<u>10,489,766</u>
Net position, end of year	<u>\$ 10,992,240</u>	<u>\$ 10,454,298</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,

	2014	2013
Cash flows from operating activities		
Cash received from customers	\$ 9,181,741	\$ 7,800,079
Cash paid to suppliers	(5,356,402)	(4,742,732)
Cash paid to employees	<u>(2,401,369)</u>	<u>(2,267,268)</u>
Net cash provided by operating activities	<u>1,423,970</u>	<u>790,079</u>
Cash flows from noncapital financing activities		
Grants - State	<u>-</u>	<u>9,897</u>
Net cash provided by noncapital financing activities	<u>-</u>	<u>9,897</u>
Cash flows from capital and related financing activities		
Proceeds from disposals of capital assets	-	76,991
Purchases of capital assets	(686,519)	(1,930,391)
Proceeds from notes payable	2,502,000	-
Principal paid on long-term debt	(1,584,830)	(725,000)
Interest paid on long-term debt	<u>(183,445)</u>	<u>(114,213)</u>
Net cash provided (used) by capital and related financing activities	<u>47,206</u>	<u>(2,692,613)</u>
Cash flows from investing activities		
Interest income received	<u>78,972</u>	<u>(103,878)</u>
Net cash provided by investing activities	<u>78,972</u>	<u>(103,878)</u>
Net increase (decrease) in pooled cash and investments	1,550,148	(1,996,515)
Cash and investments, beginning of year	<u>4,879,496</u>	<u>6,876,011</u>
Cash and investments, end of year	<u>\$ 6,429,644</u>	<u>\$ 4,879,496</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,

	2014	2013
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	<u>\$ 653,599</u>	<u>\$ (374,612)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	975,448	1,083,913
Change in landfill closure and post closure liability	(54,384)	26,194
Change in assets and liabilities		
Accounts receivable	(57,462)	(67,424)
Accounts payable	(161,084)	218,854
Accrued liabilities	67,853	14,753
Accrued landfill closure cost	-	(107,013)
Other noncurrent liability	-	(4,586)
Total adjustments	<u>770,371</u>	<u>1,164,691</u>
Net cash provided by operating activities	<u>\$ 1,423,970</u>	<u>\$ 790,079</u>
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 2,620,407	\$ 2,035,872
Restricted cash and investments	<u>3,809,237</u>	<u>2,843,624</u>
Total cash and cash equivalents	<u>\$ 6,429,644</u>	<u>\$ 4,879,496</u>
NONCASH OPERATING ACTIVITIES		
Special item-reduction of landfill closure/post closure costs	<u>\$ -</u>	<u>\$ 545,000</u>
Purchase of capital leases	<u>\$ 246,580</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, 2014

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 fiscal year 2014, SCSWA adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012*- an amendment of GASB Statements No. 10 and No. 62. These statements had minimal impact to the Governmental Department’s financial statements or related accounting and financial reporting. There were no other changes to the Governmental Department’s financial statements as a result of implementing these standards.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2014

1) Summary of Significant Accounting Policies

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. This Statement establishes standards for measuring and recognizing liabilities deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For define benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers where employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. This Statement is effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Management has not yet completed its assessment of this statement; and therefore, the effect of adopting this statement, if any, is not subject to estimation at this time.

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
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2014

1) Summary of Significant Accounting Policies

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 \$1,434,945, a restricted cash amount of \$600,761 is set aside for the recycling program, a restricted cash amount of \$1,600,000 is the environmental gross receipts tax which secures the 2004 South Central Solid Waste Authority Environmental Gross Receipts Tax/Project Revenue Bonds, and other restricted amounts. 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.

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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2014

1) Summary of Significant Accounting Policies

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

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.

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. 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.*

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

1) Summary of Significant Accounting Policies (continued)

- ◆ Statement No. 70: *Accounting and Reporting for Nonexchange Financial Guarantees.*
- ◆ Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68.

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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Pooled cash and investments	\$ 2,620,407	\$ 2,035,872
Restricted cash and investments	<u>3,809,237</u>	<u>2,843,624</u>
Total cash and cash equivalents	<u>\$ 6,429,644</u>	<u>\$ 4,879,496</u>

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

	<u>2014</u>	<u>2013</u>
Carrying amount of bank deposits	\$ 16,469,316	\$ 16,787,789
Investments at fair value	120,992,095	116,049,059
Accrued interest	<u>594,304</u>	<u>594,292</u>
Total cash and investment pool	<u>\$ 138,055,715</u>	<u>\$ 133,431,140</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, 2014, the City's deposits, totaling \$29,186,423, 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, 2014

2) Cash and Cash Equivalents (continued)

As of June 30, 2014, \$600,761 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.

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, 2014, the City's investment pool had the following investments:

Investment Type	Fair Value	Maturity (Yrs)
Overnight repurchase agreement	\$ 4,344,002	11.22
U.S. agency coupon bonds	116,648,093	
Total pooled investments	<u>\$ 120,992,095</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 \$116,635,505, issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City uses duration.

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, 2014, 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
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Notes to Financial Statements
June 30, 2014

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, 2014, 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, 2014, 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, 2014, are as follows:

	Balances			Balances
	June 30, 2013	Additions	Dispositions	June 30, 2014
Capital assets not being depreciated				
Land	\$ 807,276	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>552,529</u>	<u>156,346</u>	<u>-</u>	<u>708,875</u>
Total	<u>1,359,805</u>	<u>156,346</u>	<u>-</u>	<u>1,516,151</u>
Capital assets being depreciated				
Buildings	4,540,840	-	-	4,540,840
Equipment	8,543,044	776,743	(89,559)	9,230,228
Infrastructure	1,056,988	-	-	1,056,988
Landfill cell/site	<u>7,413,342</u>	<u>10</u>	<u>-</u>	<u>7,413,352</u>
Total	<u>21,554,214</u>	<u>776,753</u>	<u>(89,559)</u>	<u>22,241,408</u>
Less accumulated depreciation				
Buildings	2,311,373	107,254	-	2,418,627
Equipment	5,896,576	670,269	(89,559)	6,477,286
Infrastructure	422,793	26,427	-	449,220
Landfill cell/site	<u>5,499,021</u>	<u>171,498</u>	<u>-</u>	<u>5,670,519</u>
Total accumulated depreciation	<u>14,129,763</u>	<u>975,448</u>	<u>(89,559)</u>	<u>15,015,652</u>
Total capital assets, net	<u>\$ 8,784,256</u>	<u>\$ (42,349)</u>	<u>\$ -</u>	<u>\$ 8,741,907</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, 2013, are as follows:

	Restated Balances June 30, 2012	Additions	Dispositions	Transfer	Balances June 30, 2013
<i>Capital assets not being depreciated</i>					
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>
<i>Capital assets being depreciated</i>					
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>
<i>Less accumulated depreciation</i>					
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>

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014, are as follows:

	Balances June 30, 2013	Increases	Decreases	Balances June 30, 2014	Amount Due Within One Year
<i>Long-term debt</i>					
Due to City of Las Cruces	\$ 1,542,000	\$ 2,502,000	\$ 1,584,830	\$ 2,459,170	\$ 470,000
Capital lease	-	246,580	11,672	234,908	47,967
<i>Other noncurrent liabilities</i>					
Estimated landfill closure/post closure liability	1,363,180	71,765	-	1,434,945	30,385
Compensated absences	139,704	139,796	188,705	90,795	18,159
	<u>\$ 3,044,884</u>	<u>\$ 2,960,141</u>	<u>\$ 1,785,207</u>	<u>\$ 4,219,818</u>	<u>\$ 566,511</u>

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

4) Long-Term Liabilities (continued)

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

	Balances			Balances		Amount
	June 30, 2012	Increases	Decreases	June 30, 2013	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/post closure 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>	

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2015	\$ 470,000	\$ 43,962
2016	455,000	45,236
2017	140,000	43,098
2018	140,000	42,006
2019	145,000	40,466
2020	145,000	38,421
2021	145,000	35,869
2022	150,000	32,897
2023	155,000	29,432
2024	160,000	25,541
2025	160,000	21,285
2026	165,000	16,565
2027	170,000	11,285
2028	180,000	5,580
	<u>\$ 2,780,000</u>	<u>\$ 431,643</u>

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

4) Long-Term Liabilities (continued)

Note (L-T debt due to the CLC):

Balance due	\$ 2,459,170
Required reserve being used for last years' DS	278,000
1/12 of fiscal year 2015 with CLC	42,830
Amount of DS liability by CLC	<u>(2,780,000)</u>
 Difference	 <u><u>\$ -</u></u>

Due to City of Las Cruces

In 2004, the City issued the South Central Solid Waste Authority Environmental Gross Receipts Tax/Project Revenue Bonds with the purpose of refunding the outstanding 1995 Series. The bond is payable from and secured through maturity by a portion of the SCSWA net revenues. The bond issue is secondarily secured by the environmental gross receipts tax of the City which totaled \$1,600,000 million in 2014.

On June 20, 2014, the City borrowed \$2,780,000 from the New Mexico Finance Authority to refund the 2004 SCSWA Environmental Gross Receipts tax bonds, finance various facilities projects, and pay the costs of issuance. The proceeds for the advance refunding was deposited in an irrevocable trust and the associated debt was defeased. The interest rate on the new note is 1.08% with a final maturity of June 1, 2028.

The economic gain resulting from this refunding is \$22,068 based upon the net present value from the delivery date. The difference in cash flow requirements to service the old debt of \$1,684,050 and the cash flows to service the debt of \$1,068,622 is \$615,428.

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.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

4) Long-Term Liabilities (continued)

The \$1,434,945 reported as SCSWA's landfill closure and post-closure liability at June 30, 2014, is based on the use of the estimated capacity of the open cells at the regional landfill. The \$1,434,945 held in a restrict cash reserve for landfill closure and post-closure liability at June 30th, 2014 represent the total liability expense for the 52 acres utilized for waste disposal. In 2014, 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.

Capital Lease Liability

On March 14, 2014, SCSWA entered into a capital lease agreement for a reach side loading refuse truck. The lease is secured by the asset itself.

The following is a schedule, by years, of the future minimum lease payments required under these capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending June 30,	
2015	\$ 53,439
2016	53,439
2017	53,439
2018	53,439
2019	<u>53,439</u>
	267,195
Less amount representing interest	<u>20,615</u>
Present value of net minimum lease payments	<u><u>\$ 246,580</u></u>

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

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 balances of the restricted cash at June 30, 2014 and 2013, were \$600,761 and \$901,246, respectively, 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 6.65% of their gross salary. The SCSWA is required to contribute 8.15% 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, 2014, 2013 and 2012 were \$206,006, \$179,653, and \$175,078, respectively, which equal the amount of the required contributions for each fiscal year.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

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.

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.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

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, 2014, 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, 2014, 2013 and 2012 were \$32,090, \$30,419 and \$26,575, 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 2014, the City of Las Cruces and Dona Ana County paid approximately \$2.3 million and \$507,380, respectively, to SCSWA for services. 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 2014 and 2013, SCSWA paid the City of Las Cruces \$70,000 each year respectively, for fiscal agent services.

South Central Solid Waste Authority
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Notes to Financial Statements
June 30, 2014

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 2014 and 2013, the charges for recycling for City residents were \$1,853,963 and \$1,814,559, respectively.

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 \$924,231 per year for this service. In 2014 and 2013, the full payments were 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.

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) Prior Period Adjustment

During fiscal year 2013, 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.

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 (Audited)
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Revenues				
Charges for services	\$ 8,950,194	\$ 8,425,194	\$ 8,430,194	\$ 5,000
Rental income	-	-	2,967	2,967
Other revenues	313,225	228,037	806,042	578,005
Total operating revenues	<u>9,263,419</u>	<u>8,653,231</u>	<u>9,239,203</u>	<u>585,972</u>
Operating Expenses				
Personnel	2,528,715	2,661,015	2,401,369	259,646
Professional services	2,867,696	2,915,596	2,908,304	7,292
Repairs and maintenance	562,500	905,477	807,221	98,256
Landfill closure/post closure	-	-	(54,384)	54,384
Administrative charges	70,000	70,000	70,000	-
Insurance	306,877	297,700	273,730	23,970
Fuel	825,000	870,000	829,906	40,094
Utilities	98,200	98,500	88,365	10,135
Rent	39,500	72,500	60,060	12,440
Supplies	134,050	218,381	205,493	12,888
Depreciation	1,209,953	1,192,929	975,448	217,481
Other	12,900	22,000	20,092	1,908
Total operating expenses	<u>8,655,391</u>	<u>9,324,098</u>	<u>8,585,604</u>	<u>738,494</u>
Operating income (loss)	<u>608,028</u>	<u>(670,867)</u>	<u>653,599</u>	<u>1,324,466</u>
Nonoperating Revenues (Expenses)				
Investment income (loss)	-	-	78,972	78,972
Interest expense	(838,838)	(939,689)	(194,629)	745,060
Total nonoperating revenues (expenses)	<u>(838,838)</u>	<u>(939,689)</u>	<u>(115,657)</u>	<u>824,032</u>
Change in net position	<u>(230,810)</u>	<u>(1,610,556)</u>	<u>537,942</u>	<u>2,148,498</u>
Net position , beginning of the year, restated	<u>10,454,298</u>	<u>10,454,298</u>	<u>10,454,298</u>	<u>-</u>
Net position , end of the year	<u>\$ 10,223,488</u>	<u>\$ 8,843,742</u>	<u>\$ 10,992,240</u>	<u>\$ 2,148,498</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 (Audited)
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	<u>(637,678)</u>	<u>(1,943,486)</u>	<u>(580,468)</u>	<u>1,363,018</u>
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 Pledged Collateral
For the Year Ended June 30, 2014

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

<u>Institution/Security</u>	<u>CUSIP #</u>	<u>Maturity Date</u>	<u>Safe Keeping Location</u>	<u>Market Value</u>
Wells Fargo Bank, NA			BNY Mellon	
FNMA FNMS 3.500% 06/01/43	3138W6RL2	6/1/2043		\$ 429,387
FNMA FNMS 3.000% 05/01/43	3138WQAY8	5/1/2043		25,376,865
FNMA FNMS 4.000% 09/01/43	3138X3XU1	9/1/2043		4,338,949
				<u>\$ 30,145,201</u>

Summary of Collateralization

Wells Fargo Bank

Ending bank balance	\$ 29,186,423
Less: FDIC insurance	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 28,936,423</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 30,145,201
100% collateral requirement	<u>28,936,423</u>
Pledged collateral in excess of requirement	<u>\$ 1,208,778</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, 2014

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 6/30/2014
DEPOSIT ACCOUNTS					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	141,586
Community Development Home Rehab	Checking	-	-	-	16,110
Community Development Home Program	Checking	-	-	-	3,307
Community Development MONAS Loan	Checking	-	-	-	10
Community Development NSP Program	Checking	-	-	-	139,621
Metro Narcotics Agency	Savings	-	-	-	75,561
2006 Water Projects	Savings	-	-	-	1,405,151
Fiscal Account SCSWA	Savings	-	600,761	600,761	600,761
Revenue Bonds Proceeds	Savings	-	-	-	6,764,457
Treasury Fund - Operating	Checking	20,010,497	-	20,010,497	20,009,398
Payroll Direct Deposit Account	Checking	(36,725)	-	(36,725)	-
Accounts Payable	Checking	(3,127,391)	-	(3,127,391)	-
On Demand	Checking	19,270	-	19,270	30,461
Depository	Checking	246,415	-	246,415	-
Credit Card	Checking	3,728	-	3,728	-
Electronic	Checking	(646,478)	-	(646,478)	-
TOTAL DEPOSIT ACCOUNTS		<u>16,469,316</u>	<u>600,761</u>	<u>17,070,077</u>	<u>\$ 29,186,423</u>
INVESTMENTS					
<i>Wells Fargo Bank</i>					
Stagecoach Sweep Repo	Sweep	4,344,002	-	4,344,002	
<i>Wells Fargo Brokerage Services, LLC</i>					
<i>FHLB Step 1/24/2028-13</i>	Investment	2,832,561	-	2,832,561	
<i>FNMA Step 12/20/2027-13</i>	Investment	2,804,649	-	2,804,649	
<i>First Tennessee</i>					
<i>FHLB Step 10/15/2027-13</i>	Investment	8,518,230	-	8,518,230	
<i>FHLB Step 10/18/2027-13</i>	Investment	11,076,120	-	11,076,120	
<i>FHLB Step 11/9/2027-13</i>	Investment	7,689,680	-	7,689,680	
<i>FHLB Step 11/8/2027-13</i>	Investment	5,662,260	-	5,662,260	
<i>FHLB Step 5/16/2028-14</i>	Investment	6,650,350	-	6,650,350	
<i>FNMA 1.03 1/30/2018-14</i>	Investment	990	-	990	
<i>FNMA 1 11/29/2017-13</i>	Investment	9,622	-	9,622	
<i>FNMA Step 12/13/2027-13</i>	Investment	8,120,560	-	8,120,560	
<i>FNMA Step 9/20/2027-13</i>	Investment	4,756,550	-	4,756,550	
<i>FNMA Step 9/27/2027-13</i>	Investment	9,628,500	-	9,628,500	
<i>FNMA Step 10/4/2027-13</i>	Investment	2,883,360	-	2,883,360	
<i>FNMA Step 7/23/2027-13</i>	Investment	2,783,970	-	2,783,970	
<i>FNMA Step 8/16/2027-13</i>	Investment	7,519,600	-	7,519,600	
<i>FNMA Step 8/27/2027-13</i>	Investment	6,426,560	-	6,426,560	
<i>FNMA Step 8/23/2027-13</i>	Investment	3,693,840	-	3,693,840	
<i>FNMA Step 8/23/2027-13</i>	Investment	4,633,950	-	4,633,950	
<i>FNMA Step 8/27/2027-13</i>	Investment	6,595,120	-	6,595,120	
<i>FNMA Step 12/21/2027-13</i>	Investment	7,413,920	-	7,413,920	
<i>FNMA Step 1/28/2028-15</i>	Investment	5,066,545	-	5,066,545	
<i>FNMA 1.05 3/27/2018-13</i>	Investment	1,976	-	1,976	
<i>Stifel</i>					
<i>FHLB Step 4/26/2028-13</i>	Investment	1,879,180	-	1,879,180	
TOTAL INVESTMENTS		<u>120,992,095</u>	<u>-</u>	<u>120,992,095</u>	
TOTAL DEPOSITS AND INVESTMENTS					
		<u>137,461,411</u>	<u>600,761</u>	<u>138,062,172</u>	
Other Cash:					
Petty Cash & Change Funds	Cash	-	1,100	1,100	
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled Investments	Accrued Int	594,304	-	594,304	
Total cash and investments		138,055,715	601,861	138,657,576	
Less balances in City of Las Cruces funds		132,227,932	-	132,227,932	
SCSWA cash and investment balance		<u>\$ 5,827,783</u>	<u>\$ 601,861</u>	<u>\$ 6,429,644</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 and the budgetary comparisons 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, 2014, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements, and have issued our report thereon dated November 14, 2014.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Moss Adams LLP

Albuquerque, New Mexico
November 14, 2014

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Findings
For the Year Ended June 30, 2014

There were no audit findings for the fiscal year ended June 30, 2014.

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, 2014

Prior Audit Finding

Current Status

Finding 2013-001 – Restatement of Beginning
of Year Net Position

Corrected

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, 2014

Exit Conference

An exit conference was conducted on November 14, 2014, 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

Wayne D. Hancock	Chair
Miguel G. Silva	City Councillor District 1
Julia Brown	Board Member/County Manager

SCSWA Administration

Veronica L. Luna	
Patrick L. Peck	Director

City of Las Cruces (Fiscal Agent)

Victoria Fredrick	Director of Financial Services
Melissa Nelson	Accounting Manager
Maria Sanchez	Financial Reporting Analyst
Mark Winson	Assistant City Manager

Moss Adams LLP

Brandon Valentini	Partner
Ryan Luetkemeyer	Senior Manager

Financial Statement Preparation

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