



South Central Solid Waste Authority

(A Component Unit of the City of Las Cruces)

Financial Statements and
Independent Auditors' Report

June 30, 2010 and 2009

REDW

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

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

BOARD OF DIRECTORS

June 30, 2010

City of Las Cruces

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

Dona Ana County

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

Independent Auditors' Report

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

We have audited the accompanying basic financial statements of the South Central Solid Waste Authority (SCSWA), a component unit of the City of Las Cruces, New Mexico, as of and for the years ended June 30, 2010 and 2009, as listed in the table of contents. We have also audited the schedule of revenues, expenses and changes in net assets—budget and actual listed as supplementary information in the table of contents. These financial statements and schedule are the responsibility of SCSWA's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and the budget comparison schedule are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of SCSWA, as of June 30, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison schedule referred to above presents fairly, in all material respects, the budgetary comparison of SCSWA for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, on our consideration of SCSWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCSWA's basic financial statements and the budgetary comparison schedule. The accompanying schedules of pledged collateral and deposit accounts and investments are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REDW LLC

November 17, 2010

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, 2010

The Management Discussion and Analysis for South Central Solid Waste Authority (the "Authority" or "SCSWA") presents an overview of the financial performance during the years ended June 30, 2010 and 2009. It is intended to be read in conjunction with the financial statements, which follow this section.

The Authority was created by a joint powers agreement between the City of Las Cruces (the "City") and Dona Ana County (the "County"). As a partnership between the City and County, SCSWA provides integrated solid waste management solutions for area residents and businesses.

Overview of Financial Statements

This annual report consists of four parts:

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

The statement of net assets presents SCSWA's assets, liabilities and net assets at fiscal year-end. The term "net assets" refers to the difference between total assets and total liabilities. It is an indicator of the Authority's current financial condition. The change in the net assets over time is an indication of either improvement or deterioration of the financial condition of SCSWA.

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

The statement of cash flows provides information about sources and uses of cash during the fiscal year. This statement classifies sources and uses of cash into four categories, operating, noncapital, capital, and investing activities. The statement assists in determining if the entity has the ability to generate sufficient net cash flows to meet the Authority's obligations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. The statements are followed by a section of supplementary schedules, including a comparison of actual and budgetary expenditures.

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, 2010

Fiscal Agent

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

Financial Analysis of SCSWA

Net Assets—Net assets increased to \$12,344,505 in fiscal year 2010 from \$11,763,661 in fiscal year 2009. Table 1 summarizes the assets, liabilities, and net assets of SCSWA.

Table 1
Net Assets
As of June 30,

	<u>2010</u>	2009	2008
Current and other assets	\$ 7,056,518	\$ 7,365,083	\$ 7,378,461
Capital and other assets	<u>10,868,309</u>	<u>10,625,635</u>	<u>10,039,367</u>
Total assets	<u>\$ 17,924,827</u>	<u>\$ 17,990,718</u>	<u>\$ 17,417,828</u>
Current liabilities	\$ 834,028	\$ 755,967	\$ 783,308
Noncurrent liabilities	<u>4,746,294</u>	<u>5,471,090</u>	<u>6,074,837</u>
Total liabilities	<u>5,580,322</u>	<u>6,227,057</u>	<u>6,858,145</u>
Net Assets			
Invested in capital assets, net of related debt	5,311,328	4,363,994	3,244,260
Restricted	1,904,981	1,949,641	1,843,107
Unrestricted	<u>5,128,196</u>	<u>5,450,026</u>	<u>5,472,316</u>
Total net assets	<u>12,344,505</u>	<u>11,763,661</u>	<u>10,559,683</u>
Total liabilities and net assets	<u>\$ 17,924,827</u>	<u>\$ 17,990,718</u>	<u>\$ 17,417,828</u>

South Central Solid Waste Authority
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Management's Discussion and Analysis
For the Year Ended June 30, 2010

Changes in Net Assets—Total operating revenues for the year ended June 30, 2010, were \$6,204,171 compared with operating expenses of \$5,660,670. Table 2 summarizes the changes in net assets for the current year and prior two years.

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

	<u>2010</u>	2009	<u>2008</u>
Operating revenues			
Charges for services	\$ 6,193,205	\$ 4,479,502	\$ 4,949,005
Rental income	4,413	62,875	70,343
Other revenues	<u>6,553</u>	<u>56,450</u>	<u>129,486</u>
Total operating revenues	6,204,171	4,598,827	5,148,834
Operating expenses	<u>5,660,670</u>	3,427,585	<u>3,148,709</u>
Operating income	<u>543,501</u>	<u>1,171,242</u>	<u>2,000,125</u>
Nonoperating revenues (expenses)			
Investment income	183,361	231,502	367,106
Grants and contributions	38,711	-	-
Interest expense	<u>(184,729)</u>	<u>(198,766)</u>	<u>(268,029)</u>
Total nonoperating revenue (expenses)	<u>37,343</u>	<u>32,736</u>	<u>99,077</u>
Change in net assets	580,844	1,203,978	2,099,202
Net assets, beginning of year	<u>11,763,661</u>	<u>10,559,683</u>	<u>8,460,481</u>
Net assets, end of year	<u>\$ 12,344,505</u>	<u>\$ 11,763,661</u>	<u>\$ 10,559,683</u>

Revenues from operations increased by \$1,605,344 in 2010, compared with 2009. The increase resulted primarily from the operation of new recycling programs and community collection centers, an increase in commercial construction, and several large demolition projects.

South Central Solid Waste Authority
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Management's Discussion and Analysis
For the Year Ended June 30, 2010

Budget Information—The board of directors approves the annual budget and, when necessary, revisions to the budget. Therefore, budgetary information is presented as required supplementary information. SCSWA makes every effort to ensure operational expenses do not exceed funds available. Table 3 summarizes the variance between the budgeted and actual revenues and expenses for the year ended June 30, 2010.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2010

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 4,400,000	\$ 6,321,000	\$ 6,193,205	\$ (127,795)	-2%
Rental income	-	-	4,413	4,413	100%
Other	250	250	6,553	6,303	100%
Total revenue	4,400,250	6,321,250	6,204,171	(117,079)	-2%
Expenses					
Operating expenses and interest expense	3,780,038	6,342,025	5,845,399	496,626	8%
Revenues over (under) expenditures	620,212	(20,775)	358,772	379,547	-1827%
Nonoperating revenues					
Investment income	87,000	87,000	183,361	96,361	111%
Grants and contributions	-	-	38,711	38,711	100%
Change in net assets	<u>\$ 707,212</u>	<u>\$ 66,225</u>	<u>\$ 580,844</u>	<u>\$ 514,619</u>	777%

The difference between the original and final budget for charges for services is due to the additional revenues generated when SCSWA assumed responsibility of the recycling programs from the City of Las Cruces and management of the Dona Ana County Community Collection Centers.

The difference between the original and final budget for operating expenses reflects the additional expenses for operating the recycling programs, the community collections centers, and necessary upgrades to facilities at the eight community collection sites.

South Central Solid Waste Authority
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Management's Discussion and Analysis
For the Year Ended June 30, 2010

Long-Term Debt

At the end of fiscal year 2010, SCSWA had total long-term debt outstanding of \$3,652,000 in bonds. In 2010, this consisted solely of 2004 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds.

Table 4
Outstanding Debts to the City
As of June 30,

	2010	2009	2008
Revenue bonds outstanding	\$ 3,652,000	\$ 4,312,000	\$ 4,952,000

Decreases to long-term liabilities resulted from bond principal payments of \$660,000, \$640,000, and \$574,583 in 2010, 2009 and 2008, respectively.

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

South Central Solid Waste Authority
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Management's Discussion and Analysis
For the Year Ended June 30, 2010

Capital Assets

As of June 30, 2010, the Authority's capital assets totaled \$8,963,328, net of accumulated depreciation of \$11,232,688. Table 5 provides details of the capital assets and related depreciation.

Table 5
Capital Assets and
Accumulated Depreciation
As of June 30,

	<u>2010</u>	2009	<u>2008</u>
Equipment	\$ 7,483,692	\$ 6,141,794	\$ 4,969,912
Buildings	4,241,248	4,241,248	4,133,043
Landfill cell/site	4,523,315	4,523,315	4,523,315
Infrastructure	<u>1,056,988</u>	<u>1,056,988</u>	<u>1,056,988</u>
	17,305,243	15,963,345	14,683,258
Accumulated depreciation	<u>(11,232,688)</u>	<u>(10,025,400)</u>	<u>(9,099,509)</u>
Total depreciable assets	6,072,555	5,937,945	5,583,749
Land and construction in progress	<u>2,890,773</u>	<u>2,738,049</u>	<u>2,612,511</u>
	<u>\$ 8,963,328</u>	<u>\$ 8,675,994</u>	<u>\$ 8,196,260</u>

During 2010, the Authority purchased \$1,341,898 of heavy equipment, including \$466,765 paid to the City of Las Cruces and \$422,702 paid to Dona Ana County for recycling and collection center equipment, respectively. The Authority also spent \$152,724 on landfill improvements.

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 has not been immune to the effects of the national recession that began in December of 2007. The most recent economic indicators clearly show that the rate of employment growth has been adversely impacted along with the overall value of construction activity. While these impacts are a departure from the past, they have not been of the magnitude that other areas in the nation and state have experienced. The area has begun to record monthly job growth and the expectation is for the coming year to reflect a gradually improving economy.

South Central Solid Waste Authority
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Management's Discussion and Analysis
For the Year Ended June 30, 2010

Table 6
Las Cruces Economic Indicators

Item	Fiscal Year		Change	
	2010	2009	Number	Percent
Total Employment (MSA)*	68,008	68,908	(900)	-1.3%
Lodging Tax Receipts	\$1,717,810	\$1,663,616	\$54,194	3.3%
Gross Receipts Tax	\$70,701,556	\$70,169,219	\$532,337	0.8%
Single Family Building Permits	654	562	92	16.4%
Total Permit Valuation (Millions)	\$151	\$178	-\$27	-15.2%
Population Estimate**	93,452	90,792	2,660	2.9%

* Preliminary - Data for Metropolitan Statistical Area

** Census Bureau Estimates as of July 1

The region continues to benefit from quality of life elements, including climate, culture, higher education opportunities at the university campus, and growth in health care services. The City and region have also experienced growth in travel and tourism. Additionally, the military buildup in El Paso, Texas has had a positive impact on the region. These items enhance the economic recovery opportunities in the future.

Contacting the Management

This financial report is designed to provide the community and others with an overview of SCSWA's finances and demonstrate the organization's accountability for the money it receives. Questions about this report or requests for additional information may be addressed to the board at:

South Central Solid Waste Authority Board
 PO Box 20000
 Las Cruces, NM 88004
 (505) 528-3800

Financial Statements

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

	2010	2009
Assets		
Current assets		
Pooled cash and investments	\$ 6,728,210	\$ 7,122,270
Accounts receivable	328,308	236,536
Prepaid expenses	-	6,277
Total current assets	7,056,518	7,365,083
Noncurrent assets		
Restricted cash and investments	1,904,981	1,949,641
Capital assets, net	8,963,328	8,675,994
Total noncurrent assets	10,868,309	10,625,635
Total assets	\$ 17,924,827	\$ 17,990,718
Liabilities		
Current liabilities		
Accounts payable	\$ 42,871	\$ 35,057
Accrued liabilities	83,698	43,858
Current portion of long-term liabilities	707,459	677,052
Total current liabilities	834,028	755,967
Long-term liabilities	4,746,294	5,471,090
Total liabilities	5,580,322	6,227,057
Net Assets		
Invested in capital assets, net of related debt	5,311,328	4,363,994
Restricted for closure/post-closure	1,904,981	1,949,641
Unrestricted	5,128,196	5,450,026
Total net assets	12,344,505	11,763,661
Total liabilities and net assets	\$ 17,924,827	\$ 17,990,718

The accompanying notes are an integral part of these financial statements.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30,

	2010	2009
Operating Revenues		
Charges for services	\$ 6,193,205	\$ 4,479,502
Rental income	4,413	62,875
Other revenue	6,553	56,450
Total operating revenues	6,204,171	4,598,827
Operating Expenses		
Personnel	2,161,405	1,069,564
Professional services	502,772	233,105
Repairs and maintenance	644,500	357,420
Landfill closure/postclosure	(86,420)	57,760
Administrative charges	83,990	85,404
Insurance	393,850	168,017
Fuel	435,393	300,069
Utilities	87,473	89,547
Rent	4,407	2,093
Supplies	208,885	124,889
Depreciation	1,207,288	925,891
Other	17,127	13,826
Total operating expenses	5,660,670	3,427,585
Operating income	543,501	1,171,242
Nonoperating Revenues (Expenses)		
Investment income	183,361	231,502
Interest expense	(184,729)	(198,766)
Total nonoperating revenue (expense)	(1,368)	32,736
Income before grants and contributions	542,133	1,203,978
Grants and contributions	38,711	-
Change in net assets	580,844	1,203,978
Net assets, beginning of year	11,763,661	10,559,683
Net assets, end of year	\$ 12,344,505	\$ 11,763,661

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,

	2010	2009
Cash flows from operating activities		
Cash received from customers	\$ 6,112,399	\$ 4,601,233
Cash paid to suppliers	(2,324,466)	(1,427,611)
Cash paid to employees	(2,109,374)	(1,071,448)
Net cash provided by operating activities	1,678,559	2,102,174
Cash flows from noncapital financing activities		
Grants and contributions	10,545	-
Net cash provided by noncapital financing activities	10,545	-
Cash flows from capital and related financing activities		
Proceeds from capital grants	28,166	-
Purchases of capital assets	(1,494,622)	(1,405,625)
Principal paid on long-term debt	(660,000)	(640,000)
Interest paid on long-term debt	(184,729)	(198,766)
Net cash used by capital and related financing activities	(2,311,185)	(2,244,391)
Cash flows from investing activities		
Interest income received	183,361	231,502
Net cash provided by investing activities	183,361	231,502
Net (decrease) increase in pooled cash and investments	(438,720)	89,285
Pooled cash and investments, beginning of year	9,071,911	8,982,626
Pooled cash and investments, end of year	\$ 8,633,191	\$ 9,071,911

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,

	2010	2009
Reconciliation of operating income to net cash provided by operating activities		
Operating income	<u>\$ 543,501</u>	<u>\$ 1,171,242</u>
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,207,288	925,891
Change in landfill closure and postclosure cost estimate	(86,420)	57,760
Change in assets and liabilities		
Accounts receivable	(91,772)	2,406
Prepaid expenses	6,277	(6,277)
Accounts payable	7,814	(53,615)
Accrued liabilities	39,840	6,651
Other noncurrent liability	<u>52,031</u>	<u>(1,884)</u>
Total adjustments	<u>1,135,058</u>	<u>930,932</u>
Net cash provided by operating activities	<u>\$ 1,678,559</u>	<u>\$ 2,102,174</u>
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 6,728,210	\$ 7,122,270
Restricted cash and investments	<u>1,904,981</u>	<u>1,949,641</u>
Total cash and cash equivalents	<u>\$ 8,633,191</u>	<u>\$ 9,071,911</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, 2010 and 2009

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. Although SCSWA is a component unit of the City of Las Cruces, it is funded solely by operating revenues.

Basis of Presentation, Measurement Focus, Basis of Accounting

The accompanying financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. SCSWA applies pronouncements of the Government Accounting Standards Board (GASB) and statements and interpretations of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. SCSWA has also elected to apply FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Proprietary Fund Accounting

SCSWA follows proprietary fund accounting. Proprietary funds are accounted for using the flow of economic measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

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

Cash and Cash Equivalents

SCSWA participates in a pool of cash and investments with the Treasurer of the City of Las Cruces. All pooled cash and investments are fully insured or collateralized. Amounts are immediately available to SCSWA and are therefore considered cash equivalents.

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. This restricted resource is only used for this purpose and, accordingly, net assets are also restricted by the amount of cash held in this account at fiscal year-end.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

Use of Restricted Resources

SCSWA uses restricted resources first when expenses are incurred for purposes for which both restricted and unrestricted net assets are available.

Budgets

SCSWA's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), 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 (DFA) 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. Accounts receivable balances are considered to be fully collectable; accordingly, no allowance for doubtful accounts has been recorded. If it is determined that an account will not be collectable, it is charged to operations in the current period.

Capital Assets

Assets are capitalized if they have an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost, or, if donated, at fair market value at the date of the donation.

Depreciation

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40
Buildings	15-30
Landfill cell/site improvements	8
Equipment	4-10

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

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:

	2010	2009
Pooled cash and investments	\$ 6,728,210	\$ 7,122,270
Restricted cash and investments	1,904,981	1,949,641
Total cash and cash equivalents	<u>\$ 8,633,191</u>	<u>\$ 9,071,911</u>

At June 30, 2010, the City's cash and investment pool consists of the following:

Carrying amount of bank deposits	\$ 14,981,498
Investments at fair value	90,359,170
Accrued interest	<u>440,152</u>
Total	<u>\$ 105,780,820</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, 2010, the City's bank deposits, totaling \$20,320,542, was insured by federal deposit insurance or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) commercial paper rated not less than A-1, P-1, F-1, or equivalent by a nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

As of June 30, 2010, the City's investment pool had the following investments:

Investment Type	Fair Value	Maturity (Yrs)
U.S. agency coupon bonds	<u>\$ 90,359,170</u>	0.53

Interest Rate Risk. The City manages exposure to declines in fair values by managing exposure to interest rate risk by purchasing investments with increasing coupon rates and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The investment pool includes step-up coupon securities that total \$90,359,170 issued by U.S. government agencies that are callable by the issuer under certain circumstances. The Telshor Facility fund and the Water and Wastewater funds have \$11,093,790 and \$3,310,591, respectively, of similar step-up agency securities. For purposes of calculating weighted average maturity, the City assumes callable securities will be called at the first call option, based on their interest rate, current market interest rate, and the City's recent experience with these securities being called at the first call date.

Credit Risk. The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2010, the City's investments in coupon bonds of U.S. agencies were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2010, 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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2010, 46% of the City's investment pool was invested in Federal Home Loan Mortgage Corporation (FHLMC) securities and 35% was invested in Fannie Mae (FNMA) securities. Of the Telshor Facility Fund portfolio, 47% was in FHLMC and 5% was in FNMA. Of the Water and Wastewater Funds portfolio, 9% was in FHLMC and 11% was in FNMA.

3) Capital Assets

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

	Balances June 30, 2009	Additions	Balances June 30, 2010
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>1,930,773</u>	<u>152,724</u>	<u>2,083,497</u>
Total capital assets not being depreciated	<u>2,738,049</u>	<u>152,724</u>	<u>2,890,773</u>
Other capital assets			
Buildings	4,241,248	-	4,241,248
Equipment	6,141,794	1,341,898	7,483,692
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
Total other capital assets at historic cost	<u>15,963,345</u>	<u>1,341,898</u>	<u>17,305,243</u>
<i>Less accumulated depreciation for</i>			
Buildings	1,694,646	170,568	1,865,214
Equipment	3,832,915	916,214	4,749,129
Landfill cell/site	4,180,742	94,082	4,274,824
Infrastructure	<u>317,097</u>	<u>26,424</u>	<u>343,521</u>
Total accumulated depreciation	<u>10,025,400</u>	<u>1,207,288</u>	<u>11,232,688</u>
Total other capital assets at historic cost, net	<u>5,937,945</u>	<u>134,610</u>	<u>6,072,555</u>
Total capital assets, net	<u>\$ 8,675,994</u>	<u>\$ 287,334</u>	<u>\$ 8,963,328</u>

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

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

	Balances June 30, 2008	Additions	Balances June 30, 2009
Capital assets not being depreciated			
Land	\$ 807,276	\$ -	\$ 807,276
Landfill cell/site - construction in progress	<u>1,805,235</u>	<u>125,538</u>	<u>1,930,773</u>
Total capital assets not being depreciated	<u>2,612,511</u>	<u>125,538</u>	<u>2,738,049</u>
Other capital assets			
Buildings	4,133,043	108,205	4,241,248
Equipment	4,969,912	1,171,882	6,141,794
Infrastructure	1,056,988	-	1,056,988
Landfill cell/site	<u>4,523,315</u>	<u>-</u>	<u>4,523,315</u>
Total other capital assets at historic cost	<u>14,683,258</u>	<u>1,280,087</u>	<u>15,963,345</u>
<i>Less accumulated depreciation for</i>			
Buildings	1,542,536	152,110	1,694,646
Equipment	3,179,641	653,274	3,832,915
Landfill cell/site	4,086,660	94,082	4,180,742
Infrastructure	<u>290,672</u>	<u>26,425</u>	<u>317,097</u>
Total accumulated depreciation	<u>9,099,509</u>	<u>925,891</u>	<u>10,025,400</u>
Total other capital assets at historic cost, net	<u>5,583,749</u>	<u>354,196</u>	<u>5,937,945</u>
Total capital assets, net	<u>\$ 8,196,260</u>	<u>\$ 479,734</u>	<u>\$ 8,675,994</u>

4) Long-Term Liabilities

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

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

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

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

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
2011	\$ 680,000	\$ 159,766
2012	705,000	138,006
2013	725,000	114,213
2014	750,000	88,838
2015	780,000	61,650
2016	810,000	32,400
	<u>\$ 4,450,000</u>	<u>\$ 594,873</u>

Due City of Las Cruces

In 1995, bonds totaling \$10,795,000 were issued in the name of the City for the construction of the SCSWA landfill and transfer station. An agreement between SCSWA and the City requires that the annual debt service on the bonds be remitted to the City. In August 2004, the City defeased the 1995 SCSWA Environmental Services Gross Receipts Tax/Project Revenue 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, 2010, \$4,560,000 of the bonds outstanding is considered defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. 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
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

Landfill Closure and Post-Closure Liability

The SCSWA charges rates that include an amount to raise the funds needed for closure and post-closure activities. State and federal laws and regulations require placement of a final cover on landfill sites when waste is no longer accepted, and performance of certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that a landfill stops accepting waste, a portion of the closure and post-closure costs are reported as operating expenses in each period based on landfill capacity used as of each balance sheet date.

The \$1,664,460 reported as SCSWA's landfill closure and post-closure liability at June 30, 2010, includes \$545,000 restricted for use for a gas control system at the landfill, but is not currently required by the Environmental Protection Agency. The remaining liability of \$1,119,460 represents the cumulative amount reported to date based on the use of the estimated capacity of the open cells at the regional landfill. Actual closure and post-closure costs may be higher due to inflation, changes in technology, or changes in regulations. The liabilities reported reflect a change in the estimate of total closure and post-closure costs of (\$86,420) in 2010. The liability decrease is due to an increase in landfill space, as determined by an engineering study.

5) Employee Benefit Plans

Retirement Plan

Substantially all full-time employees of SCSWA participate in a defined benefit contribution retirement plan through the Public Employees' Retirement Act (PERA) of the State of New Mexico, a cost-sharing multiple employer public employee retirement system. Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and nonvested accumulated plan benefits, the plan's net assets available for benefits and the assumed rate of return used in computing the present value, and ten-year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available by individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the statewide level in a separately issued audit report of PERA. That report may be obtained by writing to PERA, P.O. Box 2123, 1120 Paseo de Peralta, Santa Fe, NM, 87504-2123 or on their internet website at www.state.nm.us/pera/.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

Retirement Eligibility

Eligibility for receiving the monthly benefit equal to the number of years of credited service times 2.5% of their final average monthly salary, the 36 consecutive months of credited service producing the largest average, is as follows:

Employees may retire at:

- Any age with 25 or more years of credited service
- Age 60 or older with 20 or more years of credited service

All employees are eligible for retirement at:

- Age 61 or older with 17 or more years of credited service
- Age 62 or older with 14 or more years of credited service
- Age 63 or older with 11 or more years of credited service
- Age 64 or older with 8 or more years of credited service
- Age 65 or older with 5 or more years of credited service

Benefits vest after five years of credited service.

Disability Benefits

Members or vested former members with five or more years of credited service will receive their normal retirement pension based on credited service and final average salary at the time of disability or retirement. The five-year service requirement is waived if the disability is incurred in the line of duty. Disability retirements are subject to reevaluation until the member reaches normal retirement. Payment of the disability pension is suspended for the balance of any year in which a disability-retired member does not submit an annual statement of earnings from gainful employment by June 30th of each year or if the amount of earnings in the previous year is more than the amount that causes the suspension of, or a decrease in, the Social Security Old Age Benefit for a 65-year old.

Funding Policy

Before November 2000, SCSWA employees were subject to, and participated in, the City's PERA plan and were subject to the same plan provisions, retirement eligibility rules, disability benefits, and funding policy. Effective November 2000, the SCSWA enrolled in a PERA plan with a 2.5% pension factor per year of credited service. Participants and the SCSWA are each required to contribute 9.15% of gross salary.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

Contribution requirements for the years ended are as follows:

	<u>SCSWA</u>	<u>Employee</u>	<u>Total</u>	<u>Percentage Contributed</u>
June 30, 2010	\$ 168,499	\$ 102,445	\$ 270,944	100%
June 30, 2009	78,752	63,235	141,987	100%
June 30, 2008	63,900	63,900	127,800	100%

The payroll wages for SCSWA employees covered by PERA for the years ended June 30, 2010 and 2009 was \$1,481,087 and \$785,194, respectively. The total payroll of all SCSWA employees for the years ended June 30, 2010 and 2009 was \$2,161,405 and \$1,069,565, respectively.

Retiree Health Care Plan

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

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

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

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

The SCSWA paid all of the employer’s required contributions, which were as follows:

2010	\$ 18,764
2009	9,823
2008	8,561

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

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

6) 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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2010 and 2009

7) Related Party Transactions

In 2010, the City of Las Cruces and Dona Ana County paid approximately \$2.4 million and \$850,250, respectively, to SCSWA for services. In 2009, the City of Las Cruces and Dona Ana County paid approximately \$2.5 million and \$820,376, respectively, to SCSWA for services.

In 2010 and 2009, SCSWA paid the City of Las Cruces \$83,990 and \$85,404, respectively, for fiscal agent services.

8) Memorandum of Agreement

By mutual agreement, the Authority and City approved a Memorandum of Agreement with the City on June 18, 2009. This agreement creates a regional recycling program administered by the Authority. The City dedicates the recycling component charge from its residential solid waste customers. In 2010, the charge for recycling for City residents was \$762,373.

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 2010, the full payment was made to the Authority.

Supplementary Information

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Revenues, Expenses and Changes in Net Assets
Budget and Actual (Audited)
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Operating Revenues				
Charges for services	\$ 4,400,000	\$ 6,321,000	\$ 6,193,205	\$ (127,795)
Rental income	-	-	4,413	4,413
Other revenues	250	250	6,553	6,303
Total operating revenues	<u>4,400,250</u>	<u>6,321,250</u>	<u>6,204,171</u>	<u>(117,079)</u>
Operating Expenses				
Personnel	1,194,614	2,248,685	2,161,405	87,280
Professional services	271,250	596,250	502,772	93,478
Repairs and maintenance	335,500	778,696	644,500	134,196
Administrative charges	90,000	90,000	83,990	6,010
Landfill closure/postclosure	72,500	72,500	(86,420)	158,920
Insurance	191,500	466,154	393,850	72,304
Fuel	410,200	528,281	435,393	92,888
Utilities	104,700	109,450	87,473	21,977
Rent	22,000	24,073	4,407	19,666
Supplies	85,450	238,000	208,885	29,115
Depreciation	991,924	1,172,336	1,207,288	(34,952)
Other	10,400	17,600	17,127	473
Total operating expenses	<u>3,780,038</u>	<u>6,342,025</u>	<u>5,660,670</u>	<u>681,355</u>
Operating income (loss)	<u>620,212</u>	<u>(20,775)</u>	<u>543,501</u>	<u>564,276</u>
Nonoperating Revenues (Expenses)				
Investment income	87,000	87,000	183,361	96,361
Interest expense	-	-	(184,729)	(184,729)
Total nonoperating revenues (expenses)	<u>87,000</u>	<u>87,000</u>	<u>(1,368)</u>	<u>(88,368)</u>
Net income before grants and contributions	707,212	66,225	542,133	475,908
Grants and contributions	-	-	38,711	38,711
Change in net assets	707,212	66,225	580,844	514,619
Net assets, beginning of the year	<u>11,763,661</u>	<u>11,763,661</u>	<u>11,763,661</u>	<u>4,368,458</u>
Net assets, end of the year	<u>\$ 12,470,873</u>	<u>\$ 11,829,886</u>	<u>\$ 12,344,505</u>	<u>\$ 4,883,077</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, 2010

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

Deposits

<u>Institution/Security</u>	<u>CUSIP #</u>	<u>Maturity Date</u>	<u>Safe Keeping Location</u>	<u>Market Value</u>
Wells Fargo Bank, NA			Wells Fargo Bank	
FED NATL MTG ASSN POOL #256327	31371MVU8	7/1/2036		\$ 12,098,650
FED NATL MTG ASSN POOL #849021	31408EG63	1/1/2036		10,962,729
FED NATL MTG ASSN POOL #995018	31416BK72	6/1/2038		<u>14,507,090</u>
				<u>\$ 37,568,469</u>

Summary of Collateralization

Wells Fargo Bank

Ending bank balance	\$ 20,320,542
Less: FDIC insurance	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 20,070,542</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 37,568,469
100% collateral requirement	<u>20,070,542</u>
Pledged collateral in excess of requirement	<u>\$ 17,497,927</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, 2010

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 6/30/2010
Deposit Accounts					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 197,752
Community Development Home Rehab	Savings	-	-	-	40,739
Community Development Home Program	Savings	-	-	-	1,270
Metro Narcotics Agency	Savings	-	-	-	95,421
Treasury Fund - Operating	Checking	19,863,617	-	19,863,617	19,951,196
Payroll Direct Deposit Account	Checking	(27,647)	-	(27,647)	-
Accounts Payable	Checking	(2,240,671)	-	(2,240,671)	-
Electronic	Checking	(3,537,060)	-	(3,537,060)	-
Credit Card	Checking	858	-	858	-
On Demand	Checking	34,164	-	34,164	34,164
Rio Grande Natural Gas Assoc Revenue	Checking	(358,107)	-	(358,107)	-
Depository	Checking	1,246,344	-	1,246,344	-
Total deposit accounts		<u>14,981,498</u>	<u>-</u>	<u>14,981,498</u>	<u>\$ 20,320,542</u>
Investments					
<i>Wells Fargo Brokerage Services, LLC</i>					
FNMA	Investment	10,048,450	-	10,048,450	
<i>First Tennessee</i>					
FHLB	Investment	2,005,000	-	2,005,000	
FHLMC	Investment	33,278,450	-	33,278,450	
FNMA	Investment	20,911,410	-	20,911,410	
<i>Morgan Keegan</i>					
FHLMC	Investment	15,071,100	-	15,071,100	
FNMA	Investment	9,044,760	-	9,044,760	
<i>State Treasurer New Mexigrow LGIP</i>					
New Mexico State Treasurer LGIP	Investment	-	-	-	
Total investments		<u>90,359,170</u>	<u>-</u>	<u>90,359,170</u>	
Total deposits and investments		105,340,668	-	105,340,668	
<i>Other Cash:</i>					
Petty Cash & Change Funds		-	900	900	
<i>Accrued Interest Receivable</i>					
Accrued Interest – Pooled Investments		<u>440,152</u>	<u>-</u>	<u>440,152</u>	
Total cash and investments		105,780,820	900	105,781,720	
Less balances in City of Las Cruces funds		<u>97,148,529</u>	<u>-</u>	<u>97,148,529</u>	
SCSWA cash and cash equivalents		<u>\$ 8,632,291</u>	<u>\$ 900</u>	<u>\$ 8,633,191</u>	

Report on Internal Control Over Financial
Reporting and Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

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

We have audited the accompanying basic financial statements and budgetary comparison of the South Central Solid Waste Authority (SCSWA), a component unit of the City of Las Cruces, New Mexico, as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered SCSWA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SCSWA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of SCSWA's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of SCSWA's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, SCSWA's management, the New Mexico Department of Finance and Administration and the New Mexico State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

November 17, 2010

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, 2010

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

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009**

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Other Disclosures
For the Year Ended June 30, 2010

Exit Conference

An exit conference was conducted on November 15, 2010, 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

Olga Pedroza	Vice-Chair
Jorge A. Garcia, PhD	Board Member

SCSWA

Lisa Lee	Management Analyst
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City of Las Cruces (Fiscal Agent)

Pat Degman, CGFM	Interim Finance Director
Audrey Evins, CPA	Interim Comptroller
Carlos Lobato, CIA, CISA	Interim Internal Audit Manager
Melissa Nelson	Accounting Supervisor
Karin DeVogel	Interim Accounting Supervisor

REDW LLC

Bruce Bleakman, CPA	Principal
Michele Ziegler, CPA (by phone)	Manager

Financial Statement Preparation

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