

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

FINANCIAL STATEMENTS

For the Year Ended June 30, 2020



CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

THIS PAGE INTENTIONALLY LEFT BLANK

Introductory Section

THIS PAGE INTENTIONALLY LEFT BLANK

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Table of Contents
June 30, 2020**

INTRODUCTORY SECTION	
Table of Contents	3
Official Roster	4
FINANCIAL SECTION	
Independent Auditors' Report	6-8
Management's Discussion and Analysis	9-14
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	16
Statements of Revenues, Expenses, and Changes in Net Position	17
Statements of Cash Flows	18-19
Notes to Financial Statements	20-46
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Proportionate Share of the Net Pension Liability	48
Schedule of Pension Contributions	49
Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Act Plan	50
Schedule of Employer Contributions	50
Notes to Required Supplementary Information	51
SUPPLEMENTARY INFORMATION	
Schedule of Pledged Collateral	53
Schedule of Deposit Accounts and Investments	54-56
Schedule of Joint Powers Agreements	57
COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60-61
Schedule Findings and Responses	62
Other Disclosures	63

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Official Roster
June 30, 2020**

<u>Name</u>	<u>Title</u>
Dona Ana County	
Lynn Ellins	Chair
Isabella Solis	Member
Ramon Gonzales	Member
Fernando Macias	County Manager, Ex-Officio
Chuck McMahon	Assistant County Manager
City of Las Cruces	
Gabriel Vásquez	Vice-Chair
Kasandra A. Gandara	Member
Ken Miyagishima	Mayor
Dr. Jorge Garcia	Ex-Officio
City of Anthony	
Diane Murillo Trujillo	Mayor/Ex-Officio
City of Sunland Park	
Javier Perez	Mayor/Ex-Officio

Financial Section



Independent Auditors' Report

To Brian S. Colón, Esq.
New Mexico State Auditor

Board of Directors
South Central Solid Waste Authority
Las Cruces, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the South Central Solid Waste Authority ("SCSWA") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



the entity'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 we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the SCSWA, as of June 30, 2020, and the changes in its financial position, and where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Reporting Entity

As discussed in Note 1, the financial statements of SCSWA are intended to present the financial position and the changes in financial position of only SCSWA. They do not purport to, and do not, present the financial position of the City of Las Cruces, as of June 30, 2020, the changes in its financial position for the year then ended in conformity in accordance with accounting principles generally accepted in the United State of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 16, the GASB supplementary pension schedules on pages 52 through 47, and the notes to the required supplementary information on page 56 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 comprise the SCSWA's basic financial statements. The other introductory section and the schedules required by 2.2.2 NMAC as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by 2.2.2 NMAC as noted in the table of contents, 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 schedules required by 2.2.2 NMAC as noted in the table of contents, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other disclosures have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020 on our consideration of the 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 the SCSWA's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of SCWSA for the year ended June 30, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on December 2, 2019. Our opinion is not modified with respect to this matter.

Pattillo, Brown & Hill, LLP

Pattillo, Brown & Hill, L.L.P.
Albuquerque, New Mexico
November 18, 2020

**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, 2020**

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, 2020 and 2019. 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

The statement of net position presents SCSWA’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources and net position at fiscal year-end. The term “net position” refers to the difference between total assets and deferred outflows and total liabilities and deferred inflows. 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 position presents all changes in net position during the fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, cash flows related to some revenues and expenses that are reported in this statement may occur in future fiscal periods (i.e., accrued liabilities).

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

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2020

Fiscal Agent

The City 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 2020, net position increased to \$6,324,041 from \$5,483,593 in fiscal year 2019. The \$841k increase is due to an increase in rates in fiscal year 2020. In addition, there was a Pre1965 Landfill City of Las Cruces project, as well as a new Inter-Governmental Service Agreement contract with White Sands Muscle Range that increased the tonnage revenue. Table 1 summarizes the assets, liabilities, and net position of SCSWA.

Table 1
Net Position
As of June 30, 2020, 2019, and 2018

	2020	2019	2018
Assets			
Current assets	\$ 3,148,688	\$ 5,438,720	\$ 4,176,759
Noncurrent assets	8,809,070	5,514,522	2,149,747
Capital assets, net	14,521,629	10,211,399	10,419,384
Total assets	26,479,387	21,164,641	16,745,890
Deferred outflows related to pension & OPEB	1,622,428	1,433,302	1,327,547
Total assets and deferred outflows of resources	\$ 28,101,815	\$ 22,597,943	\$ 18,073,437
Liabilities			
Current liabilities	\$ 1,772,315	\$ 1,571,694	\$ 868,608
Long-term liabilities	10,459,937	6,482,510	3,579,424
Net OPEB liability	1,884,748	2,353,760	2,509,440
Net pension liability	6,283,000	5,667,572	3,575,873
Total liabilities	20,400,000	16,075,536	10,533,345
Deferred inflows of resources related to pension & OPEB	1,377,774	1,038,814	1,140,938
Net position			
Net investment in capital assets	5,667,088	8,735,393	8,631,590
Restricted	8,809,070	5,514,522	2,149,747
Unrestricted	(8,152,117)	(8,766,322)	(4,382,183)
Total net position	6,324,041	5,483,593	6,399,154
Total liabilities, deferred inflows of resources, and net position	\$ 28,101,815	\$ 22,597,943	\$ 18,073,437

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, 2020

Changes in Net Position—Total operating revenues for the year ended June 30, 2020, were \$14,504,210 compared with operating expenses of \$13,794,627.

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

Table 2
Changes in Net Position
For the Years Ended June 30, 2020, 2019, and 2018

	2020	2019	2018
Operating revenues			
Charges for services	\$ 14,343,074	\$ 12,415,938	\$ 10,773,789
Rental income	-	-	3,000
Other revenues	161,136	224,996	205,982
Total operating revenues	14,504,210	12,640,934	10,982,771
Operating expenses	13,794,627	13,909,689	11,521,859
Operating income (loss)	709,583	(1,268,755)	(539,088)
Nonoperating revenues (expenses)			
Gain / (Loss) on disposition of assets	(62,319)	95,252	(8,633)
Investment income	243,771	321,466	2,634
Interest expense	(133,363)	(71,852)	(55,463)
Grants - State	115,496	43,929	6,219
Debt issuance costs	(32,720)	(24,359)	-
Total nonoperating revenue (expenses)	130,865	364,436	(55,243)
Transfers			
Transfers in	2,255,083	2,579,057	-
Transfers out	(2,255,083)	(2,590,299)	-
Total transfers	-	(11,242)	-
Change in net position	840,448	(915,561)	(594,331)
Net position, beginning of year, as originally stated	5,483,593	6,399,154	9,922,237
Net position - restatement	-	-	(2,928,752)
Net position, beginning of year, as restated	5,483,593	6,399,154	6,993,485
Net position, end of year	\$ 6,324,041	\$ 5,483,593	\$ 6,399,154

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, 2020

In 2020, revenues from operations increased by approximately \$1,863,276 from 2019 revenues. The increase is due to price per ton increase by \$4.10 (10.25%) for commercial roll-off and residential services, and residential recycling rates increased to \$6.65. Operating expenses decreased by \$115,062 over fiscal year 2019. The decrease is attributed to the capitalized expenditures for equipment, infrastructure, and the Harris compactor and cell construction. In addition, the decrease is attributed to capital lease and depreciation expenses, operations expenses, pension expense, and Friedman Recycling fees.

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, 2020.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2020

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 13,434,857	\$ 13,458,711	\$ 14,343,074	\$ 884,363	7%
Other	20,000	200,000	161,136	(38,864)	-19%
Total revenue	13,454,857	13,658,711	14,504,210	845,499	6%
Expenses					
Operating expenses	15,026,998	10,376,827	13,794,627	(3,417,800)	-33%
Revenues over (under) expenditures	(1,572,141)	3,281,884	709,583	2,572,301	78%
Nonoperating revenues					
Gain on disposition of assets	50,000	50,000	(62,319)	112,319	225%
Investment income (loss)	-	-	243,771	(243,771)	0%
Interest expense	-	(86,821)	(133,363)	46,542	-54%
Grants - State	125,000	125,000	115,496	9,504	8%
Debt issuance costs	-	(32,720)	(32,720)	-	0%
Total nonoperating revenues (expenses)	175,000	55,459	130,865	(75,406)	-136%
Transfers					
Transfers in	1,225,000	2,241,137	2,255,083	13,946	0%
Transfers out	(1,408,209)	(2,241,137)	(2,255,083)	(13,946)	0%
Total transfers	(183,209)	-	-	-	0%
Change in net position	\$ (1,397,141)	\$ 3,337,343	\$ 840,448	\$ 2,496,895	75%

**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, 2020**

The difference between the original and final budget is due primarily to the COVID-19 Pandemic which affected revenues, as well as expenses for FY20. Revenues were largely stable due to the increase in rates approved by the SCSWA Board of Directors. Actual expenses were larger than budgeted primarily due to EOY accruals and COVID-19 expenses for PPE.

Long-Term Debt

At the end of fiscal year 2020, SCSWA had total long-term debt outstanding of \$964,170 in bonds, \$7,381,987 with the New Mexico Finance Authority, and \$508,390 with PNC Equipment Finance, LLC. In 2020, this consisted solely of 2014 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds. Decreases to long-term liabilities resulted from bond principal payments of \$145,000 in 2020 and 2019, \$228,613 payments to the New Mexico Finance Authority, and \$118,445 to PNC Equipment Finance, LLC. In addition, in FY20, the Authority entered into a loan agreement with the New Mexico Finance Authority in the amount of \$4,362,679 for the construction of a landfill cell at the Corralitos Landfill, specifically Cell 4. Additional information on SCSWA’s long-term debt can be found in Note 5.

Capital Assets

As of June 30, 2020, the Authority’s capital assets totaled \$14,521,629 net of accumulated depreciation of \$19,943,433. Table 4 provides details of the capital assets and related depreciation.

**Table 4
Capital Assets and
Accumulated Depreciation
As of June 30, 2020, 2019, and 2018**

	2020	2019	2018
Buildings	\$ 6,915,057	\$ 6,896,750	\$ 6,696,297
Equipment	16,478,163	12,690,243	12,278,359
Infrastructure	1,056,988	1,056,988	1,056,988
Landfill cell/site	7,416,869	7,416,869	7,413,352
	31,867,077	28,060,850	27,444,996
Accumulated depreciation	(19,943,433)	(19,488,077)	(18,541,763)
Total depreciable assets	11,923,644	8,572,773	8,903,233
Land and construction in progress	2,597,985	1,638,626	1,516,151
Capital assets, net	\$ 14,521,629	\$ 10,211,399	\$ 10,419,384

During 2020, the Authority purchased \$3,806,227 of equipment, rolling stock, buildings, infrastructure and a landfill cell/site to include a Harris Amfab Compactor, networking infrastructure/equipment, McNeilus Front Loader, CAT Articulated Water Wagon, a grapppler, and cell construction and engineering.

**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, 2020**

Economic Outlook

The 2020 economic outlook of the City of Las Cruces shows negative economic conditions driven by the pandemic of COVID-19. The slowdown is consistent with the generalized trends in the nation and the state of New Mexico. Las Cruces Metropolitan Statistical Area (MSA) experienced consistent economic output growth over the past several years up to 2019.

The U.S. Census Bureau reports median household income for the City of Las Cruces in 2018 at \$40,551. In comparison, the State of New Mexico has a household income of \$48,059 for 2018, a difference of \$7,508 between the State and the City.

The pandemic also had a negative effect in labor. The unemployment rate for the City of Las Cruces is higher than the State of New Mexico and lower than the Nation. The May 2020 preliminary figures of the not seasonally adjusted unemployment rate for the City of Las Cruces is 9%, while the State indicates an 8.8% unemployment rate. In comparison, the Nation has 13% for the same measurement.

The number of payroll jobs in Las Cruces MSA has decreased from a year ago. The preliminary numbers on total non-farm payroll employment in Las Cruces MSA for May 2020 indicate a total of 67,000 payroll jobs. In comparison to the May 2019 figures at 73,800 payroll jobs, it represents a loss of roughly 6,800 jobs. The decrease in payroll jobs is also a characteristic of the negative economic effects associated to the pandemic of COVID-19.

The new business registrations data indicates a downward tendency in new business registrations. In the first 5 months of 2020, there were 164 new business registrations, which is below the first 5 months of 2019 at 194. In the same manner, business registration renewals for the first 5 months of 2020 totaled 883 which is below the first 5 months of 2019 at 1,009.

Median listing home prices have been increasing since August 2017. The median listing home prices, according to realtor.com, is \$242,050 for June 2020.

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
2865 W. Amador Avenue
Las Cruces, NM 88005
(575) 528-3800

Basic Financial Statements

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

<i>June 30,</i>	2020	2019
Assets		
Current assets		
Pooled cash and investments	\$ 2,331,837	\$ 4,619,587
Accounts receivable, net of allowance	816,851	819,133
Total current assets	3,148,688	5,438,720
Noncurrent assets		
Restricted cash and investments	8,809,070	5,514,522
Capital assets, net	14,521,629	10,211,399
Total noncurrent assets	23,330,699	15,725,921
Total assets	26,479,387	21,164,641
Deferred outflows of resources		
Deferred charges related to OPEB	337,178	54,150
Deferred charges related to pensions	1,285,250	1,379,152
Total deferred outflows of resources	1,622,428	1,433,302
Total assets and deferred outflows of resources	\$ 28,101,815	\$ 22,597,943
Liabilities		
Current liabilities		
Accounts payable	\$ 117,447	\$ 907,883
Accrued liabilities	987,596	130,809
Current portion of long-term liabilities	667,272	533,002
Total current liabilities	1,772,315	1,571,694
Noncurrent liabilities		
Long-term liabilities	10,459,937	6,482,510
Net OPEB liability	1,884,748	2,353,760
Net pension liability	6,283,000	5,667,572
Total liabilities	20,400,000	16,075,536
Deferred inflows of resources		
Deferred inflows related to OPEB	1,189,373	665,041
Deferred inflows related to pensions	188,401	373,773
Total deferred inflows of resources	1,377,774	1,038,814
Total liabilities and deferred inflows of resources	21,777,774	17,114,350
Net Position		
Net investment in capital assets	5,667,088	8,735,393
Restricted	8,809,070	5,514,522
Unrestricted	(8,152,117)	(8,766,322)
Total net position	6,324,041	5,483,593
Total liabilities, deferred inflows of resources, and net position	\$ 28,101,815	\$ 22,597,943

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

<i>For the Years Ended June 30,</i>	2020	2019
Operating Revenues		
Charges for services	\$ 14,343,074	\$ 12,415,938
Rental Income	-	
Other revenue	161,136	224,996
Total operating revenues	14,504,210	12,640,934
Operating Expenses		
Personnel	4,785,457	5,753,391
Professional services	3,942,977	3,382,392
Repairs and maintenance	1,459,263	1,303,088
Landfill closure/post closure	25,316	123,007
Administrative charges	158,620	154,000
Insurance	419,919	344,184
Fuel	636,231	796,778
Utilities	117,536	140,979
Rent	117,994	38,182
Supplies	579,929	301,069
Depreciation	1,276,595	1,268,058
Other	274,790	304,561
Total operating expenses	13,794,627	13,909,689
Operating income (loss)	709,583	(1,268,755)
Nonoperating Revenues (Expenses)		
Gain on disposition of assets	(62,319)	95,252
Investment income (loss)	243,771	321,466
Interest expense	(133,363)	(71,852)
Grants - State	115,496	43,929
Other Financing Sources - Issuance of Debt	(32,720)	(24,359)
Total nonoperating revenue (expense)	130,865	364,436
Transfers		
Transfers in	2,255,083	2,579,057
Transfers out	(2,255,083)	(2,590,299)
Total Transfers	-	(11,242)
Change in net position	840,448	(915,561)
Net position, beginning of year	5,483,593	6,399,154
Net position, end of year	\$ 6,324,041	\$ 5,483,593

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 Flow

<i>For the Years Ended June 30,</i>	2020	2019
Cash flows from operating activities		
Cash received from customers	\$ 14,506,492	\$ 12,468,294
Cash paid to suppliers	(6,698,290)	(6,371,697)
Cash paid to employees	(5,457,141)	(4,025,251)
Net cash provided by operating activities	2,351,061	2,071,346
Cash flows from noncapital financing activities		
Grants - State	115,496	43,929
Transfer in	2,255,083	-
Transfer out	(2,255,083)	(11,242)
Net cash provided by noncapital financing activities	115,496	32,687
Cash flows from capital and related financing activities		
Proceeds from disposals of capital assets	(62,319)	95,252
Purchases of capital assets	(5,586,825)	(1,060,075)
Proceeds from notes payable	4,670,139	3,401,421
Principal paid on long-term debt	(558,442)	(311,790)
Interest paid on long-term debt	(133,363)	(71,852)
Debt issuance costs	(32,720)	(24,359)
Net cash provided (used) by capital and related financing activities	(1,703,530)	2,028,597
Cash flows from investing activities		
Interest income received	243,771	321,466
Net cash provided by investing activities	243,771	321,466
Net increase (decrease) in pooled cash and investments	1,006,798	4,454,096
Cash and investments, beginning of year	10,134,109	5,680,013
Cash and investments, end of year	\$ 11,140,907	\$ 10,134,109

(Continued)

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

<i>For the Years Ended June 30,</i>	2020	2019
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 709,583	\$ (1,268,755)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,276,595	1,268,058
Change in assets and liabilities		
Accounts receivable	2,282	(172,640)
Deferred outflows of resources related to pensions	93,902	(99,835)
Deferred outflows of resources related to OPEB	(283,028)	(5,920)
Accounts payable	(790,436)	451,628
Accrued liabilities	856,787	64,915
Net pension liability	615,428	2,091,699
Net OPEB liability	(469,012)	(155,680)
Deferred inflows of resources related to pensions	(185,372)	(196,022)
Deferred inflows of resources related to OPEB	524,332	93,898
Total adjustments	1,641,478	3,340,101
Net cash provided (used) by operating activities	\$ 2,351,061	\$ 2,071,346
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 2,331,837	\$ 4,619,587
Restricted cash and investments	8,809,070	5,514,522
Total cash and cash equivalents	\$ 11,140,907	\$ 10,134,109

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

NOTE 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.

The City of Las Cruces is the fiscal agent for SCSWA and accounts for its resources as an agency. SCSWA does not have any component units.

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.

Grants are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

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 \$2,131,580 and \$6,677,490 for debt related services. 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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The legal level of budgetary control is at the fund level. 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. SCSWA budgets at the fund level.

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 acquisition 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	30-50
Land Improvements	30
Buildings and improvements	15-30
Landfill cell/site improvements	6-8 (see note below)
Equipment	4-10

Depreciation of SCSWA landfill cell and site improvements is based on the cubic yard usage of the facility on an individual cell basis. As of June 30, 2020, the cumulative usage of the facility was approximately 94.65%.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Expenses

Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2020, along with applicable PERA, Retiree Health Care, Social Security Taxes, and Medicare payable.

Accounts Payable

The liability for account payables consists of unpaid amounts due to vendors.

Compensated Absences

The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

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 as a part of long-term liabilities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (RHCA) and additions to/deductions from RHCA's fiduciary net position have been determined on the same basis as they are reported by RHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position of SCSWA are classified and displayed as three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. SCSWA includes unspent bond proceeds in the amount of \$7,381,987 in net position.
- b. Restricted net position – Consists of funds with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net funds that do not meet the definition of "net investment in capital assets" or "restricted".

Where there are expenditures for purposes for which both restricted and unrestricted net position are available it is the policy of SCSWA to first expend restricted funds.

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.

Adoption of New Accounting Pronouncements

For the year ended June 30, 2020, the City implemented the provisions of GASB Statement No. 95: *Postponement of the Effective Dates of Certain Authoritative Guidance*.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

- ◆ Statement No. 84: *Fiduciary Activities*
- ◆ Statement No. 87: *Lease Accounting Standards*
- ◆ Statement No. 89: *Accounting for Interest Cost Incurred before the End of a Construction Period*
- ◆ Statement No. 90: *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*
- ◆ *Statement No. 91: Conduit Debt Obligations*
- ◆ *Statement No. 92: Omnibus 2020*
- ◆ *Statement No. 93: Replacement of Interbank Offered Rates*
- ◆ *Statement No. 94: Public-Private and Public-Public Partnerships and Availability Payment of Arrangements*
- ◆ *Statement No. 96: Subscription-Based Information Technology Arrangements*

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

NOTE 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, 2020 and 2019

	2020		2019
Cash and investment - current	\$ 2,331,837	\$	4,519,587
Restricted cash and investments - noncurrent	8,809,070		5,514,522
Total cash and investment pool	\$ 11,140,907	\$	10,034,109

At June 30, 2020 and 2019, the City's cash and investment pool consists of the following:

	2020		2019
Carrying amount of bank deposits	\$ 8,492,663	\$	9,592,017
Investments at fair value	152,074,328		159,093,603
Accrued interest	253,018		668,161
Total cash and investment pool	\$ 160,820,009	\$	169,353,781

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, 2020, the City's deposits, totaling \$9,733,040 was insured by FDIC or collateralized by a letter of credit with FHLB CINCINNATI valued at \$25,000,000 and thus was not exposed to custodial credit risk.

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

Investments

The City's investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) obligations of state and local governments, school districts and public authorities which are rated in the top three rating categories by a nationally recognized rating agency; d) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; e) accounts of deposit at federally-insured financial institutions; f) pooled funds maintained by the State Treasurer; and g) mutual funds whose portfolios consist solely of allowed investments.

As of June 30, 2020, the City's investment pool had the following investments:

Investment Type	Fair Value	Weighted Avg Maturity (Yrs)
First American Treasury Obligations	\$ 6,894,554	N/A
U.S. Agency Coupon Bonds	98,155,656	2.2
U.S. Treasury Securities	39,568,118	0.27
Negotiable CDs	7,456,000	0.63
Total Pooled Investments	\$ 152,074,328	

As of June 30, 2019, the City's investment pool had the following investments:

Investment Type	Fair Value	Weighted Avg Maturity (Yrs.)
U.S. agency coupon bonds	\$ 152,748,895	9.01
U.S. Treasury Bills	5,343,636	0.21
Negotiable CDs	1,001,072	0.79
Total pooled investments	\$ 159,093,603	

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 does not include any step-up coupon securities that are 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 years to maturity.

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, 2020, the City's investments in coupon bonds of U.S. agencies and Municipal Bonds were rated AA+ or better by Standard & Poor's and Aaa by Moody's Investors Service. The external investment pools of the NM State Investment Council are not rated.

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

NOTE 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, 2020, 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, 2020, 6% of the City’s investment pool was in Fannie Mae (FNMA), 17% was in Federal Home Loan Mortgage Corporation (FHLMC), 20% in Federal Home Loan Bank (FHLB), 25% was in Federal Farm Credit Bank (FFCB), 27% was in U.S. Treasuries and 5% was in Certificates of Deposits. Of the Telshor Fund, 20% was in FHLB, 49% was in FFCB and 31% was in FHLMC. Of the Water and Wastewater Funds portfolio, 100% was in FHLB. Of the Gas Funds portfolio, 100% was in FHLB. Of the TIDD Funds portfolio, 27% was in FHLB, 33% was in Certificates of Deposits and 40% was in Municipal Bonds. Of the Debt Service Fund portfolio 78% was in FHLB and 22% was in Certificates of Deposits. Of the Capital Projects, 62% was in FHLB, 20% was in U.S. Treasuries, 15% was in Certificates of Deposits and 3% was in Municipal Bonds.

Fair Market Value Hierarchy. The City categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets: Level 2 inputs are significant other observable inputs: Level 3 inputs are significant unobservable inputs. The valuation method for recurring fair value measurements of investments is the market approach.

The City has the following recurring fair value measurements as of June 30, 2020:

Investment Type	Level 1		Level 2	
New Mexico State Investment Council	\$	18,078,688	\$	5,386,638
First American Treasury Obligations				6,894,554
U.S. Agency Coupon Bonds				138,500,109
U.S. Treasury Securities				45,565,598
Negotiable CDs				13,907,000
Municipal Bonds				2,383,995
Total Pooled Investments	\$	18,078,688	\$	212,637,894

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

The City has the following recurring fair value measurements as of June 30, 2019:

Investment Type	Level 1	Level 2
New Mexico state investment councils pool	\$ 17,656,116	\$ 5,144,744
U.S. agency securities	11,807,729	185,086,310
U.S. treasury securities	22,305,569	-
Negotiable CDs	-	1,001,074
Total pooled investments	\$ 51,769,414	\$ 191,232,128

NOTE 3: RECEIVABLES

The accounts receivable represents amounts due from customers for services provided by SCSWA. Receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence.

	Balance June 30, 2020	Balance June 30, 2019
Customer receivables	\$ 608,565	\$ 618,855
Due from other governments	107,475	84,915
Other	246,098	187,721
Total accounts receivable	962,138	891,491
Less: allowance for doubtful accounts	(145,287)	(72,358)
	\$ 816,851	\$ 819,133

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

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2020, are as follows:

	Balance June 30, 2019	Additions	Dispositions	Transfer	Balance June 30, 2020
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - Construction progress	831,350	959,359	-	-	1,790,709
Total	1,638,626	959,359	-	-	2,597,985
Capital assets being depreciated					
Buildings	6,896,750	18,307	-	-	6,915,057
Equipment	12,690,243	4,790,438	(1,002,518)	-	16,478,163
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,416,869	-	-	-	7,416,869
Total	28,060,850	4,808,745	(1,002,518)	-	31,867,077
Less accumulated depreciation					
Buildings	3,131,177	166,503	-	-	3,297,680
Equipment	9,401,943	1,099,160	(821,239)	-	9,679,864
Infrastructure	875,378	10,089	-	-	885,467
Landfill cell/site	6,079,579	843	-	-	6,080,422
Total accumulated depreciation	19,488,077	1,276,595	(821,239)	-	19,943,433
Total capital assets, net	\$ 10,211,399	\$ 4,491,509	\$ (181,279)	\$ -	\$ 14,521,629

SCSWA depreciation expense was \$1,276,595 for the year ended June 30, 2020, the substantial increase is due major equipment purchases and infrastructure.

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

NOTE 4: CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Dispositions	Transfer	Balance June 30, 2019
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - Construction in progress	708,875	122,475	-	-	831,350
Total	1,516,151	122,475	-	-	1,638,626
Capital assets being depreciated					
Buildings	6,696,297	200,453	-	-	6,896,750
Equipment	12,278,359	763,103	(351,219)	-	12,690,243
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,413,352	3,517	-	-	7,416,869
Total	27,444,996	967,073	(351,219)	-	28,060,850
Less accumulated depreciation					
Buildings	2,942,775	188,402	-	-	3,131,177
Equipment	8,706,402	1,017,285	(321,744)	-	9,401,943
Infrastructure	865,289	10,089	-	-	875,378
Landfill cell/site	6,027,297	52,282	-	-	6,079,579
Total accumulated depreciation	18,541,763	1,268,058	(321,744)	-	19,488,077
Total capital assets, net	\$ 10,419,384	\$ (178,510)	\$ (29,475)	\$ -	\$ 10,211,399

SCSWA depreciation expense was \$1,268,058 for the year ended June 30, 2019, the substantial increase was due to capital leases and major equipment purchases.

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

NOTE 5: LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2020, are as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 1,109,170	\$ -	\$ 145,000	\$ 964,170	\$ 145,000
New Mexico Finance Autho	3,247,921	4,362,679	228,613	7,381,987	325,119
Other noncurrent liabilities					
Estimated landfill closure/postclosure liability	2,106,264	47,461.00	22,145	2,131,580	-
Compensated absences	185,321	-	44,239	141,082	28,217
Capital leases	366,836	259,999	118,445	508,390	168,936
	\$ 7,015,512	\$ 4,670,139	\$ 558,442	\$ 11,127,209	\$ 667,272

Changes in long-term liabilities for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019	Amount Due Within One Year
Long-term debt					
Due to City of Las Cruces	\$ 1,254,170	\$ -	\$ 145,000	\$ 1,109,170	\$ 145,000
New Mexico Finance Autho	-	3,247,921	-	3,247,921	228,613
Other noncurrent liabilities					
Estimated landfill closure/postclosure liability	1,983,257	123,007	-	2,106,264	-
Compensated absences	154,831	30,490	-	185,321	37,152
Capital leases	533,626	-	166,790	366,836	122,237
	\$ 3,925,884	\$ 3,401,418	\$ 311,790	\$ 7,015,512	\$ 533,002

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Due to City of Las Cruces	
	Principal	Interest
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
2026-2028	194,170	33,430
	\$ 964,170	\$ 145,023
Balance due	\$ 964,170	
Required reserve being used for last year's D		278,000
1/12 of fiscal year 2020 with CLC		42,830
Amount of DS liability by CLC		(1,285,000)
Difference	\$	-

Due to City of Las Cruces

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 bond issue is secondarily secured by the environmental gross receipts tax of the City which totaled \$1.9 million in 2020.

Due to New Mexico Finance Authority

In 2020, SCSWA entered a direct borrowing and direct placement with New Mexico Finance Authority (NMFA) Loan No. PPRF-5129 to fund the construction of Cell 4 in the amount of \$4,362,679. The loan is secured by Net Revenues of the System which totaled \$1,986,178 in 2020. The initial interest payment is due on November 1, 2020 and the first principal payment on May 1, 2021.

NMFA Loan No. PPRF-4879 was issued to fund a stationary compactor, facility improvements that will house the compactor, and the purchase of a new slider in the amount of \$2,180,827. The loan is secured by Net Revenues of the System which totaled \$1,986,178 in 2020. For the current year, principal and interest paid was \$83,454 and \$44,780, respectively.

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

NMFA Loan No. PPRF-4806 was issued to fund a new landfill compactor for the Corralito's Landfill operations in the amount of \$1,067,094. The loan is secured by Net Revenues of the Systems which totaled \$1,986,178 in 2020. For current year, principal and interest paid was \$145,159 and \$17,759, respectively.

Leases

SCSWA has various lease commitments for real property. The lease commitments are from one to five years, most being for five years. Lease expenses of \$118,445 were incurred for the year ended June 30, 2020. Lease commitments for the future years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2021	\$ 187,410
2022	187,410
2023	57,227
2024	57,227
2025	57,227
	<u>\$ 546,500</u>

Their debt service ratio is the total of Net Revenues of the System which totaled \$1,986,178 divided by the debt service payment of \$625,424 totaling 3.18.

Landfill Closure and Post-Closure Liability

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

The SCSWA landfill closure and post-closure liability was \$2,131,580 on June 30, 2020 based on the use of the estimated capacity of the open cells at the regional landfill as well as estimates of environmental remediation for the transfer station located at 2865 West Amador Avenue. The \$2,131,580 is held in a restricted cash reserve for landfill closure and post-closure liability on June 30, 2020 and represents 94.6% of total closure post closure expense for the 72 acre utilized for waste disposal and the transfer station. Currently there is a total of 128 acres available which has an estimated life of 85.6 years. (see page 2 of report Cumulative Air Space Depletion). Of the total cells, design has been completed for the eastern 200 acres and 72 acres have been utilized for disposal.

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

The \$2,131,580 reported as SCSWA's landfill closure and post-closure liability on June 30, 2020, is based on the Financial Assurance required to be in place for the currently lined area (cells 1-3) is \$2,201,922 along with current year estimates of requirements for the closure of the transfer station. Using the 2020 volumetric and landfill life survey data, the active lined area of cells 1-3 is currently at 94.65% capacity. The current financial assurance required to be currently in place would therefore be \$2,084,119 for the landfill plus an additional \$13,344 for the Corralito's Asbestos Monofill and \$34,117 for the transfer station for a total requirement of \$2,131,580.

NOTE 6: CURBSIDE RECYCLING PROGRAM

On April 28, 2020, the Authority's Board of Directors approved Resolution 2020-10 annual price adjustment with a 5% increase in place due the increase costs associated with the landfill gas system requirement and an increase in debt service.

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

SCSWA, for the purposes of Employee Retirement, are included in the City's pension liability as reported by the Public Employees Retirement Fund ("PERA Fund") and SCSWA's share is proportionate to the City of Las Cruces.

Public Employees Retirement Fund. The PERA Fund is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officers, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund, unless specifically excluded.

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

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2019 available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

Contributions. The contribution requirements of defined benefit plan members and SCSWA are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY19 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY19 annual audit report at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

The PERA coverage options that apply to SCSWA are: General Municipal, Police and Fire. Statutorily required contributions to the pension plan from SCSWA were \$252,708 and employer paid member benefits that were “picked up” by the employer were \$190,601 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2019. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2019. Therefore, there were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2019. SCSWA’s proportion of the net pension liability was based on a projection of SCSWA’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For SCSWA at June 30, 2020, a liability of \$6,283,000 was recorded for its proportionate share of the City’s net pension liability. At June 30, 2020, SCSWA’s proportionate share was 3.77 percent of the City’s proportionate share, which was higher from its proportion measured as of June 30, 2019.

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

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For the year ended June 30, 2020, SCSWA recognized pension expense of \$776,666. At June 30, 2020, SCSWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 346,746	\$ 27,006
Differences between expected and actual experience	233,151	118,614
Net difference between projected and actual earnings on pension plan investments	262,044	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	190,601	42,781
SCSWA contributions subsequent to the measurement date	252,708	-
Total	\$ 1,285,250	\$ 188,401

SCSWA made contributions subsequent to the measurement date June 30, 2019 in the amount of \$252,708. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2021	\$	380,020
2022		269,285
2023		154,219
2024		40,618
	\$	844,141

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

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Actuarial assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date:

PERA FUND	
Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Period	Level Percentage of Pay
Asset Valuation Method	Solved for based on statutory rates
Actuarial Assumptions:	
· Investment rate of return	7.25% annual rate, net of investment expense
· Projected benefit payment	100 years
· Payroll Growth	3.00%
· Projected salary increases	3.25% to 13.50 annual rate
· Includes inflation at	2.50%
	2.75% all other years
· Mortality Assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
· Experience Study Dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2017 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2019. These assumptions were adopted by the Board use in the June 30, 2018 actuarial valuation.

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

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Long-Term Expected Rate of Return. The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	42.33%	7.48%
Risk Reduction & Mitigation	21.37%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Multi-Risk Allocation	1.30%	
TOTAL	100.00%	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2019. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

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

NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

Sensitivity of the SCSWA’s proportionate share of the City’s net pension liability to changes in the discount rate. The following tables show the sensitivity of SCSWA’s net pension liability to changes in the discount rates. In particular, the tables present SCSWA’s portion of the City’s net pension liability in the PERA Fund Division that SCSWA participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 9,502,658	\$ 6,283,000	\$ 3,619,164

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY19 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2020 there were no contributions due and payable to PERA for SCSWA. Contractually required contributions are remitted to PERA monthly.

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

General Information about the OPEB

SCSWA, for the purposes of Retiree Health Care, are include in the City’s net OPEB liability as reported by New Mexico Retiree Health Care Authority (“NMRHCA”) and SCSWA’s share is proportionate to the City of Las Cruces (“City”).

Plan description. Employees of the City are provided with OPEB through the Retiree Health Care Fund (“the Fund”)—a cost-sharing multiple-employer defined benefit OPEB plan administered by NMRHCA. NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (“the Act”) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA’s financial information is included with the financial presentation of the State of New Mexico.

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

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

Benefits provided. The Fund is a multiple employer cost sharing defined benefit healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Employees covered by benefit terms. At June 30, 2020, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan membership	
Current retirees and surviving spouses	52,179
Inactive and eligible for deferred benefit	10,916
Current active members	91,082
	154,177
Active membership	
State general	17,097
State police and corrections	1,830
Municipal general	17,538
Municipal police	3,159
Municipal fire	1,966
Educational Retirement Board	49,492
	91,082

Contributions – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from SCSWA were \$56,078 for the year ended June 30, 2020.

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

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2020, SCSWA reported a liability of \$1,884,748 for its proportionate share of the City’s net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. SCSWA’s proportion of the City’s net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2020, SCSWA’s proportionate share was 0.06240 percent of the City’s proportionate share.

For the year ended June 30, 2020, SCSWA recognized OPEB benefit of (\$115,552). At June 30, 2020 SCSWA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Differences Between Expected and Actual Experience	\$ -	\$ 493,436
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments		18,231
Changes of Assumptions		632,851
Change in Proportion	281,100	44,855
Contributions made after the measurement date	56,078	
	<u>\$ 337,178</u>	<u>\$ 1,189,373</u>

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

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

Deferred outflows of resources totaling \$56,078 represent SCSWA’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	
2021	\$ (257,377)
2022	(257,377)
2023	(220,475)
2024	(118,677)
2025	(54,367)
<u>Total</u>	<u>\$ (908,273)</u>

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Valuation date	June 30, 2019
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB members; 2.50% for PERA members
Projected payroll increases	3.25% to 13.50%, based on years of service, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs
Mortality	ERB members: RP-2000 Combined Healthy Mortality Table with White Collar Adjustment (males) and GRS Southwest Region Teacher Mortality Table (females) PERA members: RP-2014 Combined Healthy Mortality

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

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

The best estimates for the long-term expected rate of return is summarized as follows:

<u>Asset Class</u>	<u>Long-Term Rate of Return</u>
U.S core fixed income	2.1%
U.s equity -large cap	7.1%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S equity - small /mid cap	7.1%

Discount Rate. The discount rate used to measure the total OPEB liability is 4.16% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2039. The 7.25% discount rate, which includes the assumed inflation rate of 2.50%, was used to calculate the net OPEB liability through 2039. Beyond 2039, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher (3.50%) was applied. Thus 4.16% is the blended discount rate.

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

NOTE 8: OTHER POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of SCSWA, as well as what SCSWA’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.16 percent) or 1-percentage-point higher (4.16 percent) than the current discount rate:

1% Decrease (3.16%)	Current Discount (4.16%)	1 % Increase (5.16%)
\$ 2,305,501	\$ 1,884,748	\$ 1,553,997

The following presents the net OPEB liability of SCSWA, as well as what SCSWA’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1 % Increase
\$ 1,569,174	\$ 1,884,748	\$ 2,137,410

OPEB plan fiduciary net position. Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2019.

Payable Changes in the Net OPEB Liability. At June 30, 2020, SCSWA did not have a payable due to NMRHCA for the year ended June 30, 2020.

NOTE 9: 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. The Authority is disclosing two claims totaling \$2,250,000 that have been filed against it and are currently being managed by our insurance carrier. As a Governmental agency, the Authority is subject to limitations as defined by the New Mexico Tort Claims Act.

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

NOTE 10: CONTINGENT LIABILITIES

Management is not aware of any pending litigation that would adversely affect SCSWA's financial position.

NOTE 11: RELATED-PARTY TRANSACTIONS

In 2020, the City of Las Cruces and Dona Ana County paid approximately \$3,329,981 and \$1,010,864 respectively, to SCSWA for services. In 2019, the City of Las Cruces and Dona Ana County paid approximately \$3,030,258 and \$1,013,764 respectively, to SCSWA for services.

In 2020, SCSWA paid the City of Las Cruces \$158,620 for fiscal agent services, and \$154,000 in 2019.

NOTE 12: MEMORANDUMS OF AGREEMENT OR UNDERSTANDING

By mutual agreement, the Authority and City approved a Memorandum of Agreement with the City on July 27, 2018. 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 2020, the charge for recycling for City residents was \$3,034,571.

The Authority entered into a Memorandum of Agreement with the County effective July 1, 2009, to operate and manage eight county-owned solid waste collection centers. The County agreed to pay the Authority \$1,010,864 per year for this service. In 2020, the full payment was made to the Authority.

A Memorandum of Understanding between the City of Truth or Consequences ("T or C") and the Authority was signed on October 10, 2012. In this exchange the Authority will transport T or C's solid waste to the Corralito's landfill. Since then, the MOU has been extended by both parties. In FY 20, the Authority was paid \$49.87 per ton. This agreement allows for an extension and annual CPI price increase per the Bureau of Labor Statistics.

In September 2017, the Authority extended the Memorandum of Understanding (MOU) with the City of Sunland Park, New Mexico. The MOU allows the Authority to collect and dispose of solid waste, as well as recycling, monthly grappler and 6 community clean-ups' annually. The rate for FY 20 for residents was \$18.77 per month. This agreement allows for an extension and annual CPI price increase per the Bureau of Labor Statistics.

NOTE 13: TAX ABATEMENTS

SCSWA is not impacted by tax abatements and therefore has nothing to disclose.

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

NOTE 14: COMMITMENTS-SCSWA

SCSWA has no commitments as of June 30, 2020.

NOTE 15: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2020, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 18, 2020, which is the date on which the financial statements were issued.

Impact of COVID-19

On March 11, 2020 the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. As of the date of issuance, this public health emergency stands to substantially impact the global economy, including significant volatility in the financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The Investments change from the 4th quarter of 2019 to the 4th quarter of 2020 does reflect the precipitous drop-in interest rates due to the pandemic of over 50%. Fortunately, SCSWA does not rely heavily on its investment earnings as a source of income especially compared with many 501c3 nonprofit entities, so while it will feel the effects of reduced investment income, it should not have a material effect. The Authority's budgeted loss through June 30, 2020 is estimated to be \$50k, due to necessary implementations of PPE. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents potential material uncertainty and risk with respect to the Authority, its performance, and its financial results.

On March 27, 2020, the President of the United States signed into law the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

We continue to examine the impact that the CARES Act may have on our business. Currently, we are unable to determine the impact that the CARES Act will have on our financial condition, results of operations, or liquidity.

Required Supplementary Information

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Proportionate Share of Net Pension Liability
Public Employees Retirement Association (PERA)
Last 10 Fiscal Years*

	Fiscal Year		
	2020 Measurement Date (As of and for the year ended June 30, 2019)	2019 Measurement Date (As of and for the year ended June 30, 2018)	2018 Measurement Date (As of and for the year ended June 30, 2017)
SCSWA's proportion of the net pension liability (asset)	3.7700%	3.6600%	3.6500%
SCSWA's proportionate share of the net pension liability (asset)	\$ 6,283,000	\$ 5,667,572	\$ 3,575,873
SCSWA's covered payroll	\$ 2,683,251	\$ 2,398,285	\$ 2,059,821
SCSWA's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	234.16%	236.32%	173.60%
Plan fiduciary net position as a percentage of the total pension liability	70.52%	71.13%	73.74%

*The amounts presented were determined as of June 30, 2020. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the South-Central Solid Waste Authority will present information for those years for which information is available. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30 of the previous year.

	Fiscal Year			
	2017 Measurement Date (As of and for the year ended June 30, 2016)	2016 Measurement Date (As of and for the year ended June 30, 2015)	2015 Measurement Date (As of and for the year ended June 30, 2014)	2014 Measurement Date (As of and for the year ended June 30, 2013)
	8.7400%	2.0100%	3.6600%	Information not Available
	\$ 4,466,252	\$ 1,946,890	\$ 1,223,363	
	\$ 1,941,108	\$ 1,949,389	\$ 1,749,962	
	230.09%	99.87%	69.91%	
	69.18%	76.99%	81.29%	

See independent auditors' report.
See notes to required supplementary information.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Pension Contributions
Public Employees Retirement Association (PERA)
Last 10 Fiscal Years*

	Fiscal Year		
	2020	2019	2018
Contractually required contribution	\$ 318,727	\$ 242,552	\$ 229,022
Contributions in relation to the contractually required contribution	\$ 318,727	\$ 242,552	\$ 229,022
Contribution deficiency (excess)	\$ -	\$ -	\$ -
SCSWA's covered payroll	\$ 2,683,251	\$ 2,389,082	\$ 2,398,285
Contributions as a percentage of covered payroll	11.88%	10.15%	9.55%

*The amounts presented were determined as of June 30, 2020. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the South Central Solid Waste Authority will present information for those years for which information is available.

	Fiscal Year			
	2017	2016	2015	2014
	\$ 198,337	\$ 157,248	\$ 322,322	\$ 206,000
	\$ 198,337	\$ 157,248	\$ 322,322	\$ 206,000
	\$ -	\$ -	\$ -	\$ -
	\$ 2,059,821	\$ 1,941,108	\$ 1,949,389	\$ 1,749,962
	9.63%	8.10%	16.53%	11.77%

See independent auditors' report.
See notes to required supplementary information.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Employer's Proportionate Share of the Net OPEB Liability of
New Mexico Retiree Health Care Act Plan
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years*

	Fiscal Year		
	2020 Measurement Date As of and for the Year Ended June 30, 2020	2019 Measurement Date As of and for the Year Ended June 30, 2019	2018 Measurement Date As of and for the Year Ended June 30, 2018
SCSWA's proportion of the net OPEB liability	0.06240%	0.03462%	0.05538%
SCSWA's proportionate share of the net OPEB liability	1,884,748	2,353,760	2,509,440
SCSWA's covered Employee payroll	2,536,449	2,400,597	1,843,168
SCSWA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	74.31%	98.05%	136.15%
Plan Fiduciary net position as a percentage of the total OPEB liability	18.92%	13.14%	11.34%

*The amounts presented were determined as of June 30, 2020. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the South Central Solid Waste Authority will present information for those years for which information is available.

	Fiscal Year		
	2020	2019	2018
Contractually required Contributions	56,078	54,150	48,230
Contributions in relation to the contractually required Contribution	(56,078)	(54,150)	(48,230)
<u>Contributions deficiency (excess)</u>	<u>0</u>	<u>0</u>	<u>0</u>
SCSWA's covered employee payroll	2,683,251	2,536,449	2,400,597
Contributions as a percentage of covered employee payroll	2.09%	2.13%	2.00%

* The amounts presented were determined as of June 30, 2020. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the South Central Solid Waste Authority will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Required Supplementary Information
June 30, 2019**

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY19 CAFR available at <https://www.saonm.org>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 2019 report is available at <http://www.nmpera.org/>.

NEW MEXICO RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN

Changes of benefit terms. The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHCA FY19 audit available at <https://www.nmrhca.org/financial-audits/>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2019 report is available at <https://www.nmrhca.org/actuarial-valuation-reports/>. See the notes to the financial statements beginning on page 14 which summarizes actuarial assumptions and methods effective with the June 30, 2019 valuation.

See independent auditors' report.

Supplementary Information

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Pledged Collateral
June 30, 2020**

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.

Summary of Collateralization

US Bank

Ending bank balance	\$	9,733,040
Less: FDIC insurance		(250,000)
<hr/>		
Total Uninsured Public Funds		<u>9,483,040</u>

US Bank - FHLB Letter of Credit (expiration 9-1-2020)	\$	25,000,000
100% Collateral requirement		<u>9,483,040</u>

Pledged Collateral in Excess of requirement	\$	15,516,960
Uninsured and uncollateralized	\$	<u>-</u>

See independent auditors' report.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments
June 30, 2020

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	Fair Value Level	Pooled Cash & Investments	SCSWA Accounts	Total Reconciled Balance	On Deposit 6/30/2020
DEPOSIT ACCOUNTS						
<i>US Bank</i>						
Community Development Checking	Checking		\$ -	\$ -	\$ -	\$ 94,954
Metro Savings	Savings		-	-	-	95,701
Treasury Master	Checking		9,607,856	-	9,607,856	9,542,385
Payroll	Checking		(801,443)	-	(801,443)	-
Accounts Payable	Checking		(681,845)	-	(681,845)	-
Depository	Checking		368,094	-	368,094	-
TOTAL DEPOSIT ACCOUNTS			8,492,663	-	8,492,663	\$ 9,733,040

INVESTMENTS

US Bank

FIRST AMERICAN TREASURY OBLIGATIONS	Sweep	2	6,894,554	-	6,894,554
-------------------------------------	-------	---	-----------	---	-----------

First Horizon

ALLY BANK 0.75 4/30/2021	Investment	2	248,000	-	248,000
BANK RHODE ISLAND 0.65 5/7/2021	Investment	2	250,000	-	250,000
BANKWELL BANK 1.15 9/30/2020	Investment	2	248,000	-	248,000
BARCLAYS BANK/DELAWARE 0.9 9/25/2020	Investment	2	248,000	-	248,000
BERKSHIRE BK/PITTSFIELD 1.05 1/21/2021	Investment	2	248,000	-	248,000
BMO HARRIS BANK NA 1 11/1/2023-20	Investment	2	248,000	-	248,000
BROOKLINE BANK 0.65 5/7/2021	Investment	2	250,000	-	250,000
EAGLEMARK SAVINGS BANK 0.15 9/24/2020	Investment	2	248,000	-	248,000
ESSA BANK AND TRUST PA 0.2 9/30/2020	Investment	2	248,000	-	248,000
FFCB 0.15 5/26/2021	Investment	2	7,999,600	-	7,999,600
FFCB 0.2 9/8/2021-20	Investment	2	3,000,210	-	3,000,210
FFCB 0.21 6/23/2021-20	Investment	2	1,999,900	-	1,999,900
FFCB 0.53 11/27/2023-20	Investment	2	3,000,120	-	3,000,120
FHLB 0 11/12/2020	Investment	2	3,997,480	-	3,997,480
FHLB 0 7/16/2020	Investment	2	999,950	-	999,950
FHLB 0 7/24/2020	Investment	2	799,936	-	799,936
FHLB 0 7/7/2020	Investment	2	1,899,962	-	1,899,962
FHLB 1.97 9/11/2024-20	Investment	2	7,518,750	-	7,518,750
FHLMC 0.35 11/18/2022-21	Investment	2	3,998,600	-	3,998,600
FHLMC 0.45 11/18/2022-20	Investment	2	6,998,250	-	6,998,250
FHLMC 0.625 4/27/2023-20	Investment	2	4,000,920	-	4,000,920
FHLMC 1.75 1/17/2023-20	Investment	2	2,500,925	-	2,500,925
FHLMC 1.75 1/17/2025-20	Investment	2	2,501,350	-	2,501,350
FHLMC 1.85 2/18/2025-20	Investment	2	821,148	-	821,148
FIFTH THIRD BANK 0.9 9/25/2020	Investment	2	248,000	-	248,000
FIRST CMTY BK OF TENN 0.1 7/22/2020	Investment	2	248,000	-	248,000
FIRST CMTY BK TENN 1.05 9/28/2020	Investment	2	250,000	-	250,000
GREAT SOUTHERN BANK 0.8 9/30/2020	Investment	2	248,000	-	248,000
GREENWOODS STATE BK WI 0.15 9/30/2020	Investment	2	248,000	-	248,000
HOWARD BANK/ELLCOTT 1.05 9/30/2020	Investment	2	248,000	-	248,000

continued

See independent auditors' report.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments
June 30, 2020

continued

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	SCSWA Accounts	Total Reconciled Balance
HSBC BANK USA NA 1 5/8/2023-21	Investment	2	248,000	-	248,000
JP MORGAN CHASE BANK NA 0.6 5/5/2021-20	Investment	2	248,000	-	248,000
KENNEBEC SAVINGS BANK 0.15 9/24/2020	Investment	2	248,000	-	248,000
LAKELAND BANK 0.85 9/28/2020	Investment	2	248,000	-	248,000
M1 BANK 1.05 9/30/2020	Investment	2	248,000	-	248,000
MEADOWS BANK 0.15 12/28/2020	Investment	2	248,000	-	248,000
MIDDLETOWN VALLEY BK 1.15 9/30/2020	Investment	2	250,000	-	250,000
PACIFIC CITY BANK 0.55 1/29/2021	Investment	2	250,000	-	250,000
PINNACLE BANK TN 1 5/6/2022	Investment	2	250,000	-	250,000
PREFERRED BANK LA CALIF 0.6 5/7/2021	Investment	2	248,000	-	248,000
SANTANDER BANK NA 0.2 9/24/2020	Investment	2	248,000	-	248,000
STERLING BANK AND TRUST 0.95 9/16/2020	Investment	2	248,000	-	248,000
SUNFLOWER BANK NA 1 9/21/2020	Investment	2	250,000	-	250,000
TAB BANK INC 0.7 12/28/2020	Investment	2	250,000	-	250,000
T-Bill 0 7/30/2020	Investment	2	3,999,600	-	3,999,600
UMPQUA BANK ROSEBURG 1.05 11/30/2020	Investment	2	248,000	-	248,000
<i>Oppenheimer & CO. INC.</i>					
FFCB 0.53 11/27/2023-20	Investment	2	2,000,080	-	2,000,080
FFCB 0.53 11/27/2023-20	Investment	2	2,000,080	-	2,000,080
FFCB 1.89 11/27/2024-20	Investment	2	16,096,000	-	16,096,000
FHLB 0 4/27/2021	Investment	2	2,995,740	-	2,995,740
FHLMC 0 7/23/2020	Investment	2	3,999,720	-	3,999,720
T-Bill 0 12/17/2020	Investment	2	3,997,160	-	3,997,160
<i>US Bank</i>					
FHLB 0 4/27/2021	Investment	2	2,995,740	-	2,995,740
FHLB 0 5/17/2021	Investment	2	1,997,000	-	1,997,000
FHLB 0 5/27/2021	Investment	2	1,996,800	-	1,996,800
FHLB 0 7/8/2020	Investment	2	999,973	-	999,973
FNMA 0 12/15/2020	Investment	2	4,996,000	-	4,996,000
T-Bill 0 10/22/2020	Investment	2	3,998,100	-	3,998,100
T-Bill 0 7/14/2020	Investment	2	2,999,895	-	2,999,895
T-Bill 0 7/2/2020	Investment	2	3,999,700	-	3,999,700
T-Bill 0 7/30/2020	Investment	2	4,999,500	-	4,999,500
T-Bill 0 8/25/2020	Investment	2	3,999,200	-	3,999,200
FHLB 0 9/16/2020	Investment	2	1,999,400	-	1,999,400
T-Bill 0 11/27/2020	Investment	2	3,997,340	-	3,997,340
T-Bill 0 8/25/2020	Investment	2	2,999,400	-	2,999,400
T-Note 2.25 4/30/2021	Investment	2	2,543,458	-	2,543,458
FNMA 1.25 5/6/2021	Investment	2	2,018,300	-	2,018,300
FNMA 1.25 8/17/2021	Investment	2	2,023,722	-	2,023,722
T-Note 2.25 4/30/2021	Investment	2	2,034,766	-	2,034,766
TOTAL INVESTMENTS			152,074,328	-	152,074,328
TOTAL DEPOSITS AND INVESTMENTS			160,566,991	-	160,566,991

continued

See independent auditors' report.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments
June 30, 2020

continued

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	SCSWA Accounts	Total Reconciled Balance
<i>Other Cash:</i>					
Petty Cash & Change Funds	Cash		-	1,550	1,550
<i>NMFA</i>					
PPRF 4879	Program Funds		-	45,071	45,071
PPRF 4879	Debt Service		-	33,345	33,345
NMFA Loan 4806	Program Funds		-	165,023	165,023
PPRF 4879	Debt Service		-	142,118	142,118
NMFA Loan 4806	Debt Service		-	108,904	108,904
PPRF 5129	Debt Service		-	28,601	28,601
PPRF 5129	Program Funds		-	3,917,293	3,917,293
PPRF 5129	Debt Service		-	431,658	431,658
PPRF 4879	Debt Service		-	4,633	4,633
PPRF 4806	Debt Service		-	42,770	42,770
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled Investments	Accrued Int		253,018	-	253,018
TOTAL CASH AND INVESTMENTS			160,820,009	4,920,968	165,740,977
Less balances in City of Las Cruces funds			154,600,070		154,600,070
SCSWA cash and investment balance			\$ 6,219,939	\$ 4,920,968	\$ 11,140,907

See independent auditors' report.

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Joint Powers Agreements
June 30, 2020**

Participants	Responsible Party	Description	Beginning Date
City of Las Cruces	SCSWA	Designing , constructing, financing , operating and maintaining regional solid waste landfills and related facilities	December 13, 1994
Dona Ana County	SCSWA	Designing , constructing, financing , operating and maintaining regional solid waste landfills and related facilities	December 13, 1994
City of Las Cruces	SCSWA	Designing , constructing, financing , operating and maintaining regional solid waste landfills and related facilities	June 18, 2009
Dona Ana County	SCSWA	Operate and manage eight county-owned solid waste collection centers	July 1, 2009
City of Truth and Consequences	SCSWA	Transport at Tor C's solid waste to the Corralito's landfill	October 10, 2012
City of Sunland Park, NM	SCSWA	Collect and dispose of solid waste off the City of Sunland Park	November 2, 2012

Ending Date	Project Amount	County Portion	Current Year Contributions	Audit responsibility
Perpetual	1/16% Municipal Environmental Services Gross Receipts Tax(tax revenues)	Unknown	\$ 3,329,981	City of Las Cruces
Perpetual	1/8% Municipal Environmental Services Gross Receipts Tax(tax revenues)	Unknown	\$ 1,013,764	City of Las Cruces
Perpetual	Rate is \$6.65 per cart and \$6.65 per additional cart City's existing recycling program	Unknown	\$ 3,034,571	City of Las Cruces
Perpetual (upon delivery of written notice at least six months prior to the intended date of termination)	\$1,347,818 per year	Unknown	\$ 1,010,864	City of Las Cruces
Contract extended untily January 2019	Rate is \$49.87/Ton 2020	Unknown	\$ 1,548	City of Las Cruces
Perpetual	\$18.77 per cart (base rate) for the monthly residential solid waste service fee. Additional carts will charged an additional \$8.16 per month	Unknown	\$ 987,943	City of Las Cruces

See independent auditors' report.

THIS PAGE INTENTIONALLY LEFT BLANK

Compliance Section

INDEPENDENT AUDITORS' REPORT 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*

To Brian S. Colón, Esq.
New Mexico State Auditor

Board of Directors
South Central Solid Waste Authority
Las Cruces, New Mexico

We have audited, 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, the financial statements of the South Central Solid Waste Authority ("SCSWA") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the SCSWA's basic financial statements, and have issued our report thereon dated November 18, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the SCSWA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SCSWA's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

financial reporting 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 the 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 financial statements. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pattillo, Brown & Hill, LLP
Albuquerque, New Mexico
November 18, 2020

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Findings and Responses
June 30, 2020**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified. | None Noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None Noted |
| c. Noncompliance material to the financials? | None Noted |

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – PRIOR YEAR AUDIT FINDINGS

NM 2019-001 Cash Appropriations in Excess of Available Cash Balances (resolved)

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Other Disclosures
June 30, 2020**

EXIT CONFERENCE

An exit conference was conducted on November 18, 2020 with the following individuals in attendance:

City of Las Cruces (Fiscal Agent)

Kenneth Miyagishima	Mayor
Gabe Vasquez	City Councilor
Ifo Pili	City Manager
Terri Gayhart	Director of Financial Services
Jennifer Vega-Brown	City Attorney
Karin Byrum	Treasurer
Josie Medina	Accounting Manager
Maria Sanchez	Senior Accountant
Joshua Saffell	Senior Accountant
Amador Espinosa	Accountant
Viola Perea	Internal Audit
Veronica Luna	Management Analysis
Virginia Barela	Executive Administrative Assistant

SCSWA

Patrick Peck	Director
Delilah Walsh	Utilities Director

Pattillo, Brown an& Hill, LLP

Chris Garner, CPA	Partner
-------------------	---------

FINANCIAL STATEMENT PREPARATION

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