

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

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2019 and 2018



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RIGGS &
INGRAM

CPAs and Advisors

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Introductory Section

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South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
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June 30, 2019

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South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Official Roster
June 30, 2019

<u>Name</u>	<u>Title</u>
Dona Ana County	
Isabella Solis	Vice-Chair
Lynn Ellins	Member
Ramon Gonzales	Member
Fernando Macias	County Manager, Ex-Officio
Chuck McMahon	Assistant County Manager
City of Las Cruces	
Gabriel Vásquez	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

Brian S. Colón, Esq.
New Mexico State Auditor
To the 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 years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion 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 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, 2019 and 2018, and the changes in 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 South Central Solid Waste Authority. They do not purport to, and do not, present fairly the financial position of the City of Las Cruces, as of June 30, 2019, the changes in its financial position for the year then ended in conformity in accordance with accounting principles generally accepted in the United States 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 50 through 53, the GASB supplementary OPEB Schedules on pages 54 through 55 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCSWA's basic financial statements. The introductory section, the schedule of pledged collateral, the schedule of deposit accounts and investments, the schedule of joint powers agreements, and other disclosures are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of pledged collateral, the schedule of deposit accounts and investments, and the schedule of joint powers agreements 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of pledged collateral, the schedule of deposit accounts and investments, and the schedule of joint powers agreements are fairly stated, in all material respects, in relation to the financial statements taken 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 December 2, 2019, on our consideration of SCSWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SCSWA's 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 2, 2019



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, 2019

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, 2019 and 2018. 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 positions presents all changes in net positions during the fiscal year. Changes in net position are reported when the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, cash flows related to some revenues and expenses that are reported in this statement may occur in future fiscal periods (i.e., accrued liabilities).

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

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

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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 2019, net position decreased to \$5,483,593 from \$6,399,154 in fiscal year 2018. The significant decrease is due to an increase in pension expense offset by a rate increases in fiscal year 2019. In addition, there was a large number of projects coming from NASA and Holloman AFB that increased the tonnage revenue. Table 1 summarizes the assets, liabilities, and net position of SCSWA.

**Table 1
Net Position
As of June 30, 2019, 2018, and 2017**

	2019	2018	2017
Assets			
Current assets	\$ 5,438,720	\$ 4,176,759	\$ 4,102,422
Noncurrent assets	5,514,522	2,149,747	2,079,146
Capital assets, net	10,211,399	10,419,384	9,930,441
Total assets	21,164,641	16,745,890	16,112,009
Deferred outflows related to pension & OPEB	1,433,302	1,327,547	2,269,564
Total assets and deferred outflows of resources	\$ 22,597,943	\$ 18,073,437	\$ 18,381,573
Liabilities			
Current liabilities	\$ 1,571,694	\$ 868,608	\$ 666,348
Long-term liabilities	6,482,510	3,579,424	3,248,704
Net OPEB liability	2,353,760	2,509,440	-
Net pension liability	5,667,572	3,575,873	4,466,252
Total liabilities	16,075,536	10,533,345	8,381,304
Deferred inflows of resources related to pension & OPEB	1,038,814	1,140,938	78,182
Net position			
Net investment in capital assets	8,735,393	8,631,590	8,446,284
Unrestricted	(3,251,800)	(2,232,436)	1,475,803
Total net position	5,483,593	6,399,154	9,922,087
Total liabilities, deferred inflows of resources, and net position	\$ 22,597,943	\$ 18,073,437	\$ 18,381,573

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, 2019

Changes in Net Position—Total operating revenues for the year ended June 30, 2019, were \$12,640,934 compared with operating expenses of \$13,909,689.

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, 2019, 2018, and 2017

	2019	2018	2017
Operating revenues			
Charges for services	\$ 12,415,938	\$ 10,773,789	\$ 10,313,931
Rental income	-	3,000	-
Other revenues	224,996	205,982	195,523
Total operating revenues	12,640,934	10,982,771	10,509,454
Operating expenses	13,909,689	11,521,859	10,036,798
Operating income (loss)	(1,268,755)	(539,088)	472,656
Nonoperating revenues (expenses)			
Gain / (Loss) on disposition of assets	95,252	(8,633)	(13,932)
Investment income	321,466	2,634	(13,531)
Interest expense	(71,852)	(55,463)	(46,920)
Grants - State	43,929	6,219	-
Debt issuance costs	(24,359)	-	-
Total nonoperating revenue (expenses)	364,436	(55,243)	(74,383)
Transfers			
Transfers in	2,579,057	-	-
Transfers out	(2,590,299)	-	-
Total transfers	(11,242)	-	-
Change in net position	(915,561)	(594,331)	398,273
Net position, beginning of year, as originally stated	6,399,154	9,922,237	9,523,964
Net position - restatement	-	(2,928,752)	-
Net position, beginning of year, as restated	6,399,154	6,993,485	9,523,964
Net position, end of year	\$ 5,483,593	\$ 6,399,154	\$ 9,922,237

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, 2019

In 2019, revenues from operations increased by approximately \$1,658,163 from 2018 revenues. The increase is due to price per ton increase by \$1.00 (3%) for commercial roll-off and residential services, and residential recycling rates increased to \$6.50. Operating expenses increased by \$2,387,830 over fiscal year 2018. The increase is attributed to the capitalized expenditures for equipment, scales and cell construction. In addition, the increase is attributed to capital lease and depreciation expenses, operations expenses (due to tonnage increase), 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, 2019.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2019

	Budget		Actual	Variance	Percent Variance
	Original	Final			
Revenues					
Charges for services	\$ 11,085,342	\$ 12,299,472	\$ 12,415,938	\$ 116,466	1%
Other	193,000	193,000	224,996	31,996	17%
Total revenue	11,278,342	12,492,472	12,640,934	148,462	1%
Expenses					
Operating expenses	10,750,909	12,771,693	13,909,689	(1,137,996)	-9%
Revenues over (under) expenditures	527,433	(279,221)	(1,268,755)	989,534	-354%
Nonoperating revenues					
Gain on disposition of assets	-	-	95,252	95,252	0%
Investment income (loss)	-	-	321,466	321,466	0%
Interest expense	-	(21,092)	(71,852)	(50,760)	241%
Grants - State	-	58,100	43,929	(14,171)	0%
Debt issuance costs	-	(45,361)	(24,359)	21,002	100%
Total nonoperating revenues (expenses)	-	(8,353)	364,436	372,789	-4463%
Transfers					
Transfers in	599,200	2,581,950	2,579,057	(2,893)	0%
Transfers out	(599,200)	(2,593,325)	(2,590,299)	3,026	0%
Total transfers	-	(11,375)	(11,242)	133	-100%
Change in net position	\$ 527,433	\$ (298,949)	\$ (915,561)	\$ 1,362,456	-4563%

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, 2019

The difference between the original and final budget is due to increase in capitalized expenditures for new equipment, scales, cell construction, engineering ; a new NMFA loan for a landfill compactor, a new NMFA loan for the stationary compactor and McNeilus; payroll for temporary services in all funds and increase in services for Sunland Park.

Long-Term Debt

At the end of fiscal year 2019, SCSWA had total long-term debt outstanding of \$1,109,170 in bonds. In 2019, 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 2019, and \$140,000 in 2018, respectively. In addition, the Authority entered into two loan agreements with the New Mexico Finance Authority for the purchase of a Landfill Compactor in the amount of \$1,067,095 and a Harris stationary compactor and McNeilus truck in the amount of \$2,180,826. Additional information on SCSWA's long-term debt can be found in Note 5.

Capital Assets

As of June 30, 2019, the Authority's capital assets totaled \$10,211,399 net of accumulated depreciation of \$19,488,077. Table 4 provides details of the capital assets and related depreciation.

Table 4
Capital Assets and
Accumulated Depreciation
As of June 30, 2019, 2018, and 2017

	2019	2018	2017 As Restated
Buildings	\$ 6,896,750	\$ 6,696,297	\$ 6,366,646
Equipment	12,690,243	12,278,359	11,687,186
Infrastructure	1,056,988	1,056,988	1,056,988
Landfill cell/site	7,416,869	7,413,352	7,413,352
	28,060,850	27,444,996	26,524,172
Accumulated depreciation	(19,488,077)	(18,541,763)	(17,509,082)
Total depreciable assets	8,572,773	8,903,233	9,015,090
Land and construction in progress	1,638,626	1,516,151	1,516,151
Capital assets, net	\$ 10,211,399	\$ 10,419,384	\$ 10,531,241

During 2019, the Authority purchased \$967,073 of equipment, rolling stock and buildings to include a tire cutter, a grappler, new scales and a landfill compactor, 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, 2019**

Economic Outlook

The 2019 economic outlook of the City of Las Cruces shows mixed economic conditions with low growth anticipated in the future.

Since the Great Recession, the City of Las Cruces has undergone a long, slow growth. The industry structure of Las Cruces which is reliant on government, health care, and education provides relative stability in Las Cruces economy, however although these sectors are stable, they are not expected to grow much. There are no expected growth scenarios without significant changes to the structure of the Las Cruces economy.

The seasonally adjusted preliminary unemployment rate figures for the City of Las Cruces in February 2019 was 4.7%, which is below the State of New Mexico with a rate of 5.1%, but above the nation at 3.8%.

The U.S. Census Bureau reports median household income for the City of Las Cruces in 2017 at \$40,924. In comparison, the state of New Mexico has a household income of \$46,718 for 2017, a difference of \$5,794 between the State and the City's median household income. However, even though the City has a smaller median household income than the State, the trend has been positive overall since 2010, but decreasing since 2015. In 2015, the median household income in the City was \$41,330 which means that median household income has decreased \$406 in 2 years, but it has increased \$2,533 since 2010.

Median listing home prices have been increasing since June 2017. The median listing home prices according to the three websites are: \$190,500, \$185,000, and \$196,675 for Zillow.com, Trulia.com, and Realtor.com respectively in February 2019. It is important to point out that even though there is an upward trend in home prices, there are steep fluctuations in median listing prices of homes in the City of Las Cruces.

The new business registrations data indicates a downward tendency in new business registrations. In February 2019, there were 30 new business registrations, which is below the 2010-2018 average for February at 58. Business registration renewals indicate that on February 2019, 173 business renewed their registrations with the City. This is smaller than the 2018 figures for the same month by 95.

Contacting the Management

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

South Central Solid Waste Authority Board
PO Box 20000
Las Cruces, NM 88004
(575) 528-3800

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>	2019	2018
Assets		
Current assets		
Pooled cash and investments	\$ 4,619,587	\$ 3,530,266
Accounts receivable, net of allowance	819,133	646,493
Total current assets	5,438,720	4,176,759
Noncurrent assets		
Restricted cash and investments	5,514,522	2,149,747
Capital assets, net	10,211,399	10,419,384
Total noncurrent assets	15,725,921	12,569,131
Total assets	21,164,641	16,745,890
Deferred outflows of resources		
Deferred charges related to OPEB	54,150	48,230
Deferred charges related to pension	1,379,152	1,279,317
Total deferred outflows of resources	1,433,302	1,327,547
Total assets and deferred outflows of resources	\$ 22,597,943	\$ 18,073,437
Liabilities		
Current liabilities		
Accounts payable	\$ 907,883	\$ 456,255
Accrued liabilities	130,809	65,894
Current portion of long-term liabilities	533,002	346,459
Total current liabilities	1,571,694	868,608
Noncurrent liabilities		
Long-term liabilities	6,482,510	3,579,424
Net OPEB liability	2,353,760	2,509,440
Net pension liability	5,667,572	3,575,873
Total liabilities	16,075,536	10,533,345
Deferred inflows of resources		
Deferred inflows related to OPEB	665,041	571,143
Deferred inflows related to pensions	373,773	569,795
Total deferred inflows of resources	1,038,814	1,140,938
Total liabilities and deferred inflows of resources	17,114,350	11,674,283
Net position		
Net investment in capital assets	8,735,393	8,631,590
Unrestricted	(3,251,800)	(2,232,436)
Total net position	5,483,593	6,399,154
Total liabilities, deferred inflows of resources, and net position	\$ 22,597,943	\$ 18,073,437

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>	2019	2018
Operating revenues		
Charges for services	\$ 12,415,938	\$ 10,773,789
Rental income	-	3,000
Other revenue	224,996	205,982
Total operating revenues	12,640,934	10,982,771
Operating expenses		
Personnel	5,753,391	4,408,924
Professional services	3,382,392	3,004,666
Repairs and maintenance	1,303,088	1,245,489
Landfill closure/post closure	123,007	24,331
Administrative charges	154,000	87,550
Insurance	344,184	327,079
Fuel	796,778	644,694
Utilities	140,979	100,713
Rent	38,182	58,528
Supplies	301,069	375,673
Depreciation	1,268,058	1,066,607
Other	304,561	177,605
Total operating expenses	13,909,689	11,521,859
Operating income (loss)	(1,268,755)	(539,088)
Nonoperating revenues (expenses)		
Gain (loss) on disposition of assets	95,252	(8,633)
Investment income	321,466	2,634
Interest expense	(71,852)	(55,463)
Grants - State	43,929	6,219
Debt issuance costs	(24,359)	-
Total nonoperating revenue (expense)	364,436	(55,243)
Transfers		
Transfers in	2,579,057	-
Transfers out	(2,590,299)	-
Total transfers	(11,242)	-
Change in net position	(915,561)	(594,331)
Net position, beginning of year, as originally stated	6,399,154	9,922,237
Net position - restatement	-	(2,928,752)
Net position, beginning of year, as restated	6,399,154	6,993,485
Net position, end of year	\$ 5,483,593	\$ 6,399,154

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>	2019	2018
Cash flows from operating activities		
Cash received from customers	\$ 12,468,294	\$ 10,771,304
Cash paid to suppliers	(6,371,697)	(5,971,549)
Cash paid to employees	(4,025,251)	(3,765,905)
Net cash provided by operating activities	2,071,346	1,033,850
Cash flows from noncapital financing activities		
Grants - State	43,929	6,219
Transfer out	(11,242)	-
Net cash provided by noncapital financing activities	32,687	6,219
Cash flows from capital and related financing activities		
Proceeds from disposals of capital assets	95,252	(8,633)
Purchases of capital assets	(1,060,075)	(954,749)
Proceeds from notes payable	3,401,421	-
Principal paid on long-term debt	(311,790)	(142,599)
Interest paid on long-term debt	(71,852)	(55,463)
Debt issuance costs	(24,359)	-
Net cash provided (used) by capital and related financing activities	2,028,597	(1,161,444)
Cash flows from investing activities		
Interest income received	321,466	2,634
Net cash provided by investing activities	321,466	2,634
Net increase (decrease) in pooled cash and investments	4,454,096	(118,741)
Cash and investments, beginning of year	5,680,013	5,798,754
Cash and investments, end of year	\$ 10,134,109	\$ 5,680,013

(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>	2019	2018
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (1,268,755)	\$ (539,088)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,268,058	1,066,607
Change in assets and liabilities		
Accounts receivable	(172,640)	(263,530)
Deferred outflows of resources related to pensions	(99,835)	990,247
Deferred outflows of resources related to OPEB	(5,920)	(48,230)
Accounts payable	451,628	88,861
Accrued liabilities	64,915	(14,081)
Net pension liability	2,091,699	1,199,748
Net OPEB liability	(155,680)	(2,509,440)
Deferred inflows of resources related to pensions	(196,022)	491,613
Deferred inflows of resources related to OPEB	93,898	571,143
Total adjustments	3,340,101	1,572,938
Net cash provided (used) by operating activities	\$ 2,071,346	\$ 1,033,850
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 4,619,587	\$ 3,530,266
Restricted cash and investments	5,514,522	2,149,747
Total cash and cash equivalents	\$ 10,134,109	\$ 5,680,013

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.

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

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 \$2,246,386 and \$3,268,136 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, 2019, the cumulative usage of the facility was approximately 93.92%.

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, 2019, 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 \$3,247,921 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.

**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)

Change in Accounting Principle

For the year ended June 30, 2019, SCSWA implemented the provisions of GASB Statement No. 88, *Certain Discourses Related to Debt, including Direct Borrowing and Direct Placement* and GASB Statement No. 83, *Certain Asset Retirement Obligation*. These Statements were required to be implemented for years beginning after June 15, 2018. These statements did not materially impact SCSWA's financial statements.

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by SCSWA. Management anticipates that, upon adoption by SCSWA, none of these statements will have a significant impact on SCSWA's financial position or results of operations. Pronouncements that are not applicable have been omitted.

- ◆ Statement No. 84: *Fiduciary Activities*
- ◆ Statement No. 87: *Leases*
- ◆ 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*

**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, 2019 and 2018:

	2019	2018
Cash and investment - current	\$ 4,619,587	\$ 3,530,266
Restricted cash and investments - noncurrent	5,514,522	2,149,747
Total cash and cash equivalents	\$ 10,134,109	\$ 5,680,013

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2019 and 2018, the City's cash and investment pool consists of the following:

	2019	2018
Carrying amount of bank deposits	\$ 9,592,017	\$ 13,683,280
Investments at fair value	159,093,603	140,941,241
Accrued interest	668,161	645,271
Total cash and investment pool	\$ 169,353,781	\$ 155,269,792

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, 2019, the City's deposits, totaling \$14,012,345 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) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) accounts of deposit at federally-insured financial institutions; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

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	

As of June 30, 2018, the City's investment pool had the following investments:

Investment Type	Fair Value	Weighted Avg Maturity (Yrs.)
Overnight repurchase agreement	\$ 10,376,615	
U.S. agency coupon bonds	126,581,306	12.81
U.S. treasury bills	3,983,320	0.22
Total pooled investments	\$ 140,941,241	

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$114,702,875 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, 2019, the City's investments in coupon bonds of U.S. agencies were rated AA+ or better by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAA by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

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

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, 2019, all of the City's securities are held 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, 2019, 35% of the City's investment pool was in Fannie Mae (FNMA), 29% was in Federal Home Loan Mortgage Corporation (FHLMC), 27% in Federal Home Loan Bank (FHLB), 5% was in Federal Farm Credit Bank (FFCB), 3% was in U.S. Treasuries and 1% was in Certificates of Deposits. Of the Telshor Fund, 33% was in FHLB and 41% was in FFCB, 11% was in FNMA, 6% was in FAMC and 9% was in U.S. Treasuries. 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, 100% was in FNMA. Of the Debt Service Fund portfolio 100% was FHLB. Of the Capital Projects, 26% was in FHLB, 15% was in FHLMC and 59% was in U.S. Treasuries.

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, 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

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, 2018:

Investment Type	Level 1	Level 2
Overnight repurchase agreement	\$ -	\$ 10,376,615
U.S. agency coupon bonds	126,581,306	-
U.S. treasury bills	3,983,320	-
Total pooled investments	\$ 130,564,626	\$ 10,376,615

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	Balance
	June 30, 2019	June 30, 2018
Customer receivables	\$ 618,855	\$ 565,309
Due from other governments	84,915	82,025
Other	187,721	79,721
Total accounts receivable	891,491	727,055
Less: allowance for doubtful accounts	(72,358)	(80,562)
	\$ 819,133	\$ 646,493

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, 2019, are as follows:

	Balance June 30, 2018	Additions	Dispositions	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 expenses was \$1,268,058 for the year ended June 30, 2019, the substantial increase is 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 4: CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended June 30, 2018, are as follows:

	Balance June 30, 2017 as Reclassified	Additions	Dispositions	Transfer	Balance June 30, 2018
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	708,875	-	-	-	708,875
Intangible assets	-	-	-	-	-
Total	1,516,151	-	-	-	1,516,151
Capital assets being depreciated					
Buildings	6,366,646	230,926	-	98,726	6,696,297
Equipment	11,687,186	746,168	(56,269)	(98,726)	12,278,359
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,413,352	-	-	-	7,413,352
Total	26,524,172	977,094	(56,269)	-	27,444,996
Less accumulated depreciation					
Buildings	2,712,765	138,476	-	91,534	2,942,775
Equipment	7,970,737	861,125	(33,926)	(91,534)	8,706,402
Infrastructure	855,200	10,089	-	-	865,289
Landfill cell/site	5,970,380	56,916	-	-	6,027,297
Total accumulated depreciation	17,509,082	1,066,606	(33,926)	-	18,541,763
Total capital assets, net	\$ 10,531,241	\$ (89,512)	\$ (22,343)	\$ -	\$ 10,419,384

During the 2018 year, there was a \$600,800 reclassification to equipment for the year ended June 30, 2017.

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, 2019, are as follows:

	Balance			Balance	Amount
	June 30, 2018	Increases	Decreases	June 30, 2019	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 Authority	-	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	154,830	30,491	-	185,321	37,152
Capital leases	533,626	-	166,790	366,836	122,237
	\$ 3,925,883	\$ 3,401,419	\$ 311,790	\$ 7,015,512	\$ 533,002

Changes in long-term liabilities for the year ended June 30, 2018, are as follows:

	Balance			Balance	Amount
	June 30, 2017	Increases	Decreases	June 30, 2018	Due Within
	as Restated				One Year
Long-term debt					
Due to City of Las Cruces	\$ 1,394,170	\$ -	\$ 140,000	\$ 1,254,170	\$ 145,000
Other noncurrent liabilities					
Estimated landfill closure/ postclosure liability	1,841,775	141,482	-	1,983,257	-
Compensated absences	141,751	15,075	1,996	154,830	30,996
Capital leases	690,787	-	157,161	533,626	170,463
	\$ 4,068,483	\$ 156,557	\$ 299,157	\$ 3,925,883	\$ 346,459

**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:

<u>Year Ending June 30, 2019</u>	<u>Due to City of Las Cruces</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 145,000	\$ 38,421
2021	145,000	35,869
2022	150,000	32,897
2023	155,000	29,432
2024	160,000	25,541
2025-2028	354,170	54,715
	<u>\$ 1,109,170</u>	<u>\$ 216,874</u>
Balance due		\$ 1,109,170
Required reserve being used for last year's DS		278,000
1/12 of fiscal year 2019 with CLC		42,830
Amount of DS liability by CLC		<u>(1,430,000)</u>
Difference		<u>\$ -</u>

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 \$1.8 million in 2019.

Due to New Mexico Finance Authority

In 2019, SCSWA entered a direct borrowing and direct placement with the New Mexico Finance Authority (NMFA) Loan No. PPRF-4879 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 \$2,022,564 in 2019. Their debt service ratio is the total of Net Service of the System divided by the debt payment in lieu of debt of \$145,000 totaling 8.39. The initial interest payment is due on November 1, 2019, and first principal payment on May 1, 2020.

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

In 2019, SCSWA entered a direct borrowing and direct placement with NMFA Loan No. PPRF-4806 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 \$2,022,564 in 2019. Their debt service ratio is the total of Net Service of the System divided by the debt payment in lieu of debt of \$145,000 totaling 8.39. The initial interest payment is due on November 1, 2019, with a first principal payment date of May 1, 2020.

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 \$2,106,264 reported as SCSWA's landfill closure and post-closure liability at June 30, 2019, is 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 12865 West Amador Avenue. The \$2,106,264 held in a restricted cash reserve for landfill closure and post-closure liability at June 30, 2019 represent the total liability expense for the 72 acres utilized for waste disposal and the transfer station. In 2014, 10 acres were closed and are no longer available for waste acceptance. Currently there is a total of 128 acres available which has an estimated life of 86.7 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.

The \$2,106,264 reported as SCSWA's landfill closure and post-closure liability at June 30, 2019, is based on the Financial Assurance required to be in place for the currently lined area (cells 1-3) is \$2,191,403 along with current year estimates of requirements for the closure of the transfer station. Using the 2019 volumetric and landfill life survey data, the active lined area of cells 1-3 is currently at 93.92% capacity. The current financial assurance required to be currently in place would therefore be \$2,059,105 for the landfill plus an additional \$13,261 for the Corralito's Abestos Monofill and \$33,898 for the transfer station for a total requirement of \$2,106,264.

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

NOTE 5: LONG-TERM LIABILITIES (Continued)

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 \$166,790 were incurred for the year ended June 30, 2019. Lease commitments for the future years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2020	\$ 130,184
2021	130,184
2022	130,184
	<u>\$ 390,552</u>

NOTE 6: CURBSIDE RECYCLING PROGRAM

On April 19, 2019, the Authority’s Board of Directors approved Resolution 2019-06 annual price adjustment that increased rates per ton at both the landfill and transfer station by \$2.00. Curbside recycling rates also increased by 15 cents per month to \$6.65 to reflect the change in the consumer price index (2.3%).

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, 2018 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 FY18 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 FY18 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 \$242,552 and employer paid member benefits that were “picked up” by the employer were \$190,486 for the year ended June 30, 2019.

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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2018. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. 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, 2019, a liability of \$5,667,572 was recorded for its proportionate share of the City’s net pension liability. At June 30, 2019, SCSWA’s proportionate share was 3.66 percent of the City’s proportionate share, which was higher from its proportion measured as of June 30, 2018.

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, 2019, SCSWA recognized pension expense of \$662,680. At June 30, 2019, 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	\$ 491,046	\$ 53,785
Differences between expected and actual experience	168,279	245,601
Net difference between projected and actual earnings on pension plan investments	352,612	-
Changes in proportion and differences between SCSWA's contributions and proportionate share of contributions	124,663	74,387
Contributions subsequent to the measurement date	242,552	-
Total	\$ 1,379,152	\$ 373,773

SCSWA made contributions subsequent to the measurement date June 30, 2018 in the amount of \$242,552. 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, 2019.

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:		
2020	\$	480,565
2021		169,868
2022		94,259
2023		18,135
	\$	762,827

**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, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement date:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Actuarial period	Solved for based on statutory rates
Asset valuation method	Market value of assets
Actuarial Assumptions:	
Investment rate of return, net	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% annual rate first 9 years, 2.75% all other years
Mortality assumptions	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, 2018 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board use in the June 30, 2017 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:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50%	7.48%
Risk Reduction & Mitigation	21.50%	2.37%
Credit Oriented Fixed Income	15.00%	5.47%
Real Assets to include Real Estate Equity	20.00%	6.48%
Total	100.0%	

Discount rate: A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. 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%)
SCSWA's proportionate share of the City's net pension liability	\$ 8,406,929	\$ 5,667,572	\$ 3,414,477

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. At June 30, 2019 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, 2019, the Fund’s measurement date, the following employees were covered by the benefit terms:

Plan Membership	
Current retirees and surviving spouses	51,205
Inactive and eligible for deferred benefit	11,471
Current active members	93,349
	156,025
Active membership	
State general	19,593
State police and corrections	1,886
Municipal general	17,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	93,349

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 \$54,150 for the year ended June 30, 2019.

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, 2019, SCSWA reported a liability of \$2,353,760 for its proportionate share of the City’s net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018. At June 30, 2019, SCSWA’s proportionate share was 3.4622131 percent of the City’s proportionate share.

For the year ended June 30, 2019, SCSWA recognized OPEB benefit of (\$15,043). At June 30, 2019 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
Changes of assumptions	\$ -	\$ 440,373
Net difference between projected and actual earnings on pension plan investments	-	29,437
Changes in proportion and differences between contributions and proportionate share of contributions	-	55,576
SCSWA's contributions subsequent to the measurement date	54,150	-
Difference between expected and actual experience	-	139,655
Total	\$ 54,150	\$ 665,041

**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 \$54,150 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, 2020. 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:	
2020	\$ (166,627)
2021	(166,627)
2022	(166,626)
2023	(131,359)
2024	(33,802)
<u>Total</u>	<u>\$ (665,041)</u>

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

Actuarial valuation date	June 30, 2017
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; 2.25% for PERA members
Projected payroll increases	3.5% to 12.50%, 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 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-2000 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:

Asset Class	Long-Term Rate of Return
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 Fund’s total OPEB liability is 4.08% as of June 30, 2018. 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, 2029. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 4.08% 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 (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current discount rate:

1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
\$ 2,848,603	\$ 2,353,760	\$ 1,963,712

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 Rates	1% Increase
\$ 1,989,752	\$ 2,353,760	\$ 2,639,149

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, 2018.

Payable Changes in the Net OPEB Liability. At June 30, 2019, SCSWA did not have a payable due to NMRHCA for the year ended June 30, 2019.

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 a \$2 million dollar claim filed based on the maximum allowed by the New Mexico Tort Claims Act.

NOTE 10: CONTINGENT LIABILITIES

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

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

NOTE 11: RELATED-PARTY TRANSACTIONS

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 2018, the City of Las Cruces and Dona Ana County paid approximately \$2.8 million and \$982,898 respectively, to SCSWA for services.

In 2019, SCSWA paid the City of Las Cruces \$154,000 for fiscal agent services, and \$87,550 in 2018.

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 2019, the charge for recycling for City residents was \$2,780,069.

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 \$1,013,764 per year for this service. In 2019, 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 19, the Authority was paid \$48.80 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-up’s annually. The rate for FY 19 for residents was \$18.40 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.

NOTE 14: COMMITMENTS

SCSWA has no commitments as of June 30, 2019.



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

NOTE 15: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 2, 2019, which is the date on which the financial statements were issued.

The SCSWA has awarded a 5 year PNC Lease for the purchase of a Peterbilt McNeilus Front Loader estimated amount of \$286,133. In addition, SCSWA has begun the process authorizing the director to negotiate and execute an agreement with WSMR for commercial solid waste and recycling services.

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	
	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 City's proportion of the net pension liability	3.66%	3.65%
SCSWA's proportionate share of the City's net pension liability	\$ 5,667,572	\$ 3,575,873
SCSWA's covered payroll	2,398,285	2,059,821
SCSWA's proportionate share of the City's net pension liability as a percentage of its covered payroll	236.32%	173.60%
Plan judiciary net position as a percentage of the total pension liability	71.13%	73.74%

*The amounts presented were determined as of June 30, 2019. 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.

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

Fiscal Year			
2017	2016	2015	2014
Measurement Date	Measurement Date	Measurement Date	Measurement Date
(As of and for the Year Ended June 30, 2016)	(As of and for the Year Ended June 30, 2015)	(As of and for the Year Ended June 30, 2014)	(As of and for the Year Ended June 30, 2013)
8.74%	2.01%	3.66%	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	
	2019*	2018
Statutorily required contribution	\$ 242,552	\$ 229,022
SCSWA's contributions in relation to the statutorily required contribution	242,552	229,022
SCSWA's contribution deficiency (excess)	\$ -	\$ -
SCSWA's covered payroll	\$ 2,389,082	\$ 2,398,285
SCSWA's contribution as a percentage of covered payroll	10.15%	9.55%

*The amounts presented were determined as of June 30, 2019. 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.*

Fiscal Year			
2017	2016	2015	2014
\$ 198,337	\$ 157,248	\$ 322,322	\$ 206,006
198,337	157,248	322,322	206,006
\$ -	\$ -	\$ -	\$ -
\$ 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***

	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 City's net OPEB liability	0.03462%	0.05538%
SCSWA's proportionate share of the net OPEB liability	\$ 2,353,760	\$ 2,509,440
SCSWA's covered-employee payroll	\$ 2,536,449	\$ 2,400,597
SCSWA's proportionate share of the City's net OPEB liability as a percentage of its covered-employee payroll	92.80%	104.53%
Plan fiduciary net position as a percentage of the total OPEB liability	13.14%	11.34%

*The amounts presented were determined as of June 30, 2019. 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)
Schedule of Employer Contributions
New Mexico Retiree Health Care Authority (NMRHCA) Plan
Last 10 Fiscal Years***

	2019	2018
Contractually required contributions	\$ 54,150	\$ 48,230
Contributions in relation to the contractually required contribution	(54,150)	(48,230)
Contribution deficiency (excess)	\$ -	\$ -
SCSWA's covered-employee payroll	\$ 2,536,449	\$ 2,400,597
Contributions as a percentage of covered-employee payroll	2.13%	2.00%

* The amounts presented were determined as of June 30. 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 FY18 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 2018 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 FY18 audit available at <http://nmrhca.org/financial-documents.aspx>.

Changes of assumptions. The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at <http://nmrhca.org/financial-documents.aspx>. See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

Supplementary Information

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Pledged Collateral
June 30, 2019

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	\$ 14,012,345
Less: FDIC insurance	(250,000)
Total uninsured public funds	\$ 13,762,345
US Bank -FHLB Letter of Credit (expiration 9-3-19)	\$ 25,000,000
100% Collateral requirement	13,762,345
Pledged collateral in excess of requirement	11,237,655
Uninsured and uncollateralized	\$ -

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, 2019

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	Other Cash & Investments	Total Reconciled Balance	On Deposit June 30, 2019
Deposit Accounts						
<i>US Bank</i>						
Community Development	Checking		\$ -	\$ 641,051	\$ 641,051	\$ 642,151
Community Development Home	Checking		-	9,445	9,445	9,445
Community Development Savings	Savings		-	81,778	81,778	81,778
Metro Savings	Savings		-	95,689	95,689	95,689
Treasury Master	Checking		13,183,282	-	13,183,282	13,183,282
Payroll	Checking		(2,266,468)	-	(2,266,468)	-
Accounts Payable	Checking		(1,011,057)	-	(1,011,057)	-
Depository	Checking		(313,740)	-	(313,740)	-
Total deposit accounts			\$ 9,592,017	\$ 827,963	\$ 10,419,980	\$14,012,345

Investments

First Tennessee

BMO HARRIS BANK NA 2 4/1/2020	Investment	2	\$ 250,000	\$ -	\$ 250,000
FFCB 2.09 9/8/2026	Investment	2	-	9,815,800	9,815,800
FFCB 2.24 11/10/2027-16	Investment	2	4,941,900	-	4,941,900
FFCB 2.24 7/6/2027-17	Investment	2	2,966,220	-	2,966,220
FHLB 0 11/27/2019	Investment	2	4,956,550	-	4,956,550
FHLB 0 7/12/2019	Investment	2	-	836,439	836,439
FHLB 0 7/12/2019	Investment	2	-	1,778,807	1,778,807
FHLB 0 7/12/2019	Investment	2	-	999,330	999,330
FHLB 0 7/19/2019	Investment	2	-	1,198,680	1,198,680
FHLB 0 7/22/2019	Investment	2	-	6,491,680	6,491,680
FHLB 0 8/1/2019	Investment	2	5,988,600	-	5,988,600
FHLB 0 8/29/2019	Investment	2	5,978,280	-	5,978,280
FHLB 0 9/10/2019	Investment	2	2,987,220	-	2,987,220
FHLB 2.05 9/29/2026-18	Investment	2	-	3,920,800	3,920,800
FHLB 2.2 10/13/2026-17	Investment	2	-	969,238	969,238
FHLB 2.2 10/13/2026-17	Investment	2	-	1,487,289	1,487,289
FHLB 2.2 10/13/2026-17	Investment	2	989	-	989
FHLB 2.35 12/27/2024-16	Investment	2	818,182	-	818,182
FHLB 2.35 12/27/2024-16	Investment	2	-	1,000,000	1,000,000
FHLB Step 1/30/2023-18	Investment	2	-	1,000,360	1,000,360
FHLB Step 5/9/2031-16	Investment	2	7,484,250	-	7,484,250
FHLB Step 9/15/2027-18	Investment	2	9,921,200	-	9,921,200
FHLMC Step 2/23/2031-16	Investment	2	10,911,780	-	10,911,780
FHLMC Step 4/20/2032-17	Investment	2	5,000,300	-	5,000,300
FHLMC Step 5/23/2031-16	Investment	2	18,226,940	-	18,226,940
FHLMC Step 5/23/2031-16	Investment	2	11,844,480	-	11,844,480
FNMA 0 7/11/2019	Investment	2	1,998,780	-	1,998,780
FNMA 0 7/22/2019	Investment	2	-	2,846,352	2,846,352
FNMA Step 2/10/2031-17	Investment	2	3,995,360	-	3,995,360
FNMA Step 2/20/2031-17	Investment	2	7,962,240	-	7,962,240
FNMA Step 2/24/2031-17	Investment	2	7,991,120	-	7,991,120

(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, 2019

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	Other Cash & Investments	Total Reconciled Balance
FNMA Step 3/10/2031-17	Investment	2	\$ 14,467,086	\$ -	\$ 14,467,086
FNMA Step 4/7/2031-17	Investment	2	15,897,760	-	15,897,760
<i>Patriot Bank N//Stamford</i>					
2 12/30/2019	Investment	2	250,000	-	250,000
PROSPECT BANK 2 11/29/2019	Investment	2	250,000	-	250,000
T-Bill 0 7/5/2019	Investment	1	3,999,120	-	3,999,120
T-Bill 0 9/12/2019	Investment	1	-	1,991,640	1,991,640
<i>Stifel Nicolaus</i>					
FAMC 1.41 3/6/2020	Investment	2	-	1,490,460	1,490,460
FHLMC 0.875 7/19/2019	Investment	1	-	3,697,003	3,697,003
FNMA 1.4 11/26/2019-19	Investment	2	-	2,637,382	2,637,382
<i>JP Morgan Bank Step</i>					
12/26/2020-19	Investment	2	251,072	-	251,072
STIFELCASH	Investment	2	1	-	1
<i>US Bank</i>					
FHLB 0 11/27/2019	Investment	2	-	1,982,620	1,982,620
FHLB 0 8/28/2019	Investment	2	-	1,992,905	1,992,905
FHLB 0 8/28/2019	Investment	2	298,932	-	298,932
FHLB 1.5 10/21/2019	Investment	1	4,967,000	-	4,967,000
FNMA 0.875 8/2/2019	Investment	1	3,143,726	-	3,143,726
T-Bill 0 7/9/2019	Investment	1	-	692,522	692,522
T-Bill 0 7/9/2019	Investment	1	-	1,081,368	1,081,368
T-Bill 0 7/9/2019	Investment	1	-	207,984	207,984
T-Bill 0 7/9/2019	Investment	1	-	1,016,793	1,016,793
T-Bill 0 7/9/2019	Investment	1	-	692,522	692,522
T-Bill 0 7/9/2019	Investment	1	-	1,081,368	1,081,368
T-Bill 0 7/9/2019	Investment	1	-	207,984	207,984
T-Bill 0 7/9/2019	Investment	1	-	1,016,793	1,016,793
T-Bill 0 8/22/2019	Investment	1	-	2,072,245	2,072,245
T-Bill 0 8/22/2019	Investment	1	-	3,235,794	3,235,794
T-Bill 0 8/22/2019	Investment	1	-	622,355	622,355
T-Bill 0 8/22/2019	Investment	1	-	3,042,566	3,042,566
T-Note 1.5 4/15/2020	Investment	1	1,344,516	-	1,344,516
<i>NM State Investment Council</i>					
Large Cap Active Equity Pool	Investment	1	-	7,786,450	7,786,450
Large Cap Index Equity Pool	Investment	2	-	5,144,744	5,144,744
Non-U.S. Developed Equity Pool	Investment	1	-	3,220,062	3,220,062
Mid/Small Cap Equity Pool	Investment	1	-	6,649,604	6,649,604
Total investments			\$ 159,093,603	\$ 83,907,939	\$ 243,001,542

(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, 2019

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	Other Cash & Investments	Total Reconciled Balance
Total deposits and investments			\$ 168,685,620	\$ 84,735,902	\$ 253,421,522
<i>Other Cash:</i>					
Petty Cash & Change Funds	Cash		-	16,797	16,797
<i>New Mexico Finance Authority</i>					
2018 Gasoline Tax Revenue					
4788-PP	Debt Service		-	2,536,442	2,536,442
2018 Gasoline Tax Revenue					
4788-PP	Debt Service		-	241	241
2018 MGRT 4738-PP	Debt Service		-	125,242	125,242
2018 MGRT 4738-PP	Debt Service		-	40,114	40,114
2018 A PPRF JU	Debt Service		-	2,468,100	2,468,100
2018 A PPRF JU	Debt Service		-	2,575,825	2,575,825
2018 A PPRF JU	Debt Service		-	85	85
2018 A PPRF JU	Debt Service		-	86	86
ZS PP-3116	Debt Service		-	284,181	284,181
JB DW-1974	Debt Service		-	36	36
2018 HHGRT 4756-PP	Debt Service		-	9,635,738	9,635,738
2018 HHGRT 4756-PP	Debt Service		-	410	410
RPL-2472	Debt Service		-	104	104
JB PP-2248	Program Funds		-	163	163
D. MST PP-3252	Debt Service		-	274	274
PP-3661 VAF Loan	Debt Service		-	26,388	26,388
PP-3661 VAF Loan	Debt Service		-	315	315
D. MST PP-3228	Debt Service		-	37	37
PP-3712	Debt Service		-	4,774,352	4,774,352
PPRF 4879	Debt Service		-	2,025,001	2,025,001
NMFA Loan 4806	Debt Service		-	952,381	952,381
PPRF 4879	Debt Service		-	139,469	139,469
NMFA Loan 4806	Debt Service		-	106,709	106,709
2018 TIDD SPNG BD	TIDD		-	1,651,270	1,651,270
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled					
Investments	Accrued Int		668,161	-	668,161
Total cash and investments			\$ 169,353,781	\$ 112,095,663	\$ 281,449,444

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, 2019**

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

See independent auditors' report.

Ending Date	Project Amount	County Portion	Current Year Contributions	Audit Responsibility
Perpetual	1/16% Municipal Environmental Services Gross Receipts Tax (tax revenues)	Unknown	\$ 3,030,258	City of Las Cruces
Perpetual	1/8% Municipal Environmental Services Gross Receipts Tax (tax revenues)	Unknown	\$ 595,608	City of Las Cruces
Perpetual	Rate is \$5.40 per cart and \$5.40 per additional cart City's existing recycling program	Unknown	\$ 2,780,069	City of Las Cruces
Perpetual (upon delivery of written notice at least six months prior to the intended date of termination)	\$982,898 per year	Unknown	\$ 1,013,764	City of Las Cruces
Contract extended until January 2019	Rate is \$48.50/Ton July 2018	Unknown	\$ 17,474	City of Las Cruces
Perpetual	\$18.50 per cart (base rate) for the monthly residential solid waste service fee. Additional carts will charged an additional \$9.00 per month.	Unknown	\$ 518,441	City of Las Cruces

See independent auditors' report.

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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*

Brian S. Colón, Esq.
New Mexico State Auditor
To the 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, 2019, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements, and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses pursuant to Section 12-6-5 NMSA 1978 as items NM 2019-001 and NM 2019-002.

SCSWA's Response to Finding

SCSWA's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. SCSWA's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
December 2, 2019

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Findings and Responses
June 30, 2019

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

NM 2019-001 – Cash Appropriations in Excess of Available Cash Balances (Other noncompliance)

Condition: SCSWA maintained a deficit budget in excess of available cash balances in the following fund:

Designated cash	\$ 5,885,041
Beginning year cash and federal A/R	5,680,013
<u>Cash appropriations in excess of available</u>	<u>\$ 205,028</u>

Criteria: Section 2.2.2.10. (P) (1), NMAC, requires all SCSWA funds, to be budgeted by the local governing body and submitted to the DFA LGD for approval. Cash balances rebudgeted to make up for deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect: SCSWA will have to supplement the budget deficit with other funds, which may lead to financial difficulties and deplete the budget in other funds.

Cause: SCSWA has internal controls in place to monitor budget versus available cash, however these funds were missed in the process.

Auditors’ Recommendations: Budget deficits for future years should be reviewed to insure all funds have adequate budget authority and sufficient cash balances for budgeted deficits. Greater attention should be given to the budget monitoring process end-of-the-year cash balance estimates.

View of Responsible Officials and Planned Corrective Actions: SCSWA was over budget due to their capital accounts that are budgeted and then cleared in a clearing account. SCSWA will budget the clearing account as a negative for a zero-net outcome. The Director will ensure that changes are implemented by June 30, 2020.

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Findings and Responses
June 30, 2019**

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

NM 2019-002 – Board Member not present at the Exit Conference (Other noncompliance)

Condition: A member of the board was not present at the exit conference held on November 20, 2019.

Criteria: Section 2.2.2.10. (M) NMAC, requires a member of the governing body to be present at the exit conference.

Effect: Those charged with governance may not receive the required communication from the independent auditors’.

Cause: SCSWA did not have a board member present at the exit conference.

Auditors’ Recommendations: A member of the board should be present for the entrance and exit conferences held by the independent auditors on an annual basis.

View of Responsible Officials and Planned Corrective Actions: SCSWA was not aware that a member of the board was required to be present. The Director of Financial Services will ensure that a member of the board will be present at the next exit conference in November 2020.

SECTION III – PRIOR YEAR AUDIT FINDINGS

FS 2018-001 – Utility Billing Receivable and Revenue Accruals (Resolved)

FS 2018-002 – Estimated landfill closure/Post-closure liability (Resolved)

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Other Disclosures
June 30, 2019

EXIT CONFERENCE

An exit conference was conducted on November 20, 2019 with the following individuals in attendance:

SCSWA Board of Directors

City of Las Cruces (Fiscal Agent)

Yvonne Flores	City Councilor
Jack Eakman	City Councilor
William Studer	Interim City Manager
David Dollahon	Assistant City Manager/Operations
Barbara DeLeon	Interim Assistant City Manager/Administration
Terri Gayhart	Director of Financial Services
Alfredo Pacheco	Deputy Finance Director/Finance/Administration
Karin Byrum	Treasurer/Finance/Treasury
Josie Medina	Accounting Manager/Finance/Accounting
Maria Sanchez	Senior Accountant/Finance/Accounting
Joshua Saffell	Senior Accountant/Finance/Accounting

SCSWA

Patrick Peck	Director
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Carr, Riggs & Ingram, LLC

Alan D. "A.J." Bowers, Jr., CPA, CITP	Partner
Vicki Dallas, CPA, CITP	Manager

FINANCIAL STATEMENT PREPARATION

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