



Report of Independent Auditors and Financial
Statements with Supplementary Information for
South Central Solid Waste Authority
(A Component Unit of the
City of Las Cruces)

June 30, 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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

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

OFFICIAL ROSTER

June 30, 2015

City of Las Cruces

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

Dona Ana County

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

City of Anthony

| | |
|-------------------|-------|
| Arnulfo Castaneda | Mayor |
|-------------------|-------|

City of Sunland Park

| | |
|--------------|-------|
| Javier Perea | Mayor |
|--------------|-------|

REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund, including the budgetary comparisons, of the South Central Solid Waste Authority (SCSWA) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the South Central Solid Waste Authority as of June 30, 2015 and 2014, and the respective changes in financial position and budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, South Central Solid Waste Authority adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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 6 through 11 and pension schedules of pages 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Central Solid Waste Authority's basic financial statements. The Schedule of Revenues, Expenses and Changes in Net Position Budget and Actual on pages 42 and 43 and the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments on pages 44 through 46 and Schedule of Joint Powers Agreements and Memoranda of Understanding on page 47, are schedules required by 2.2.2 NMAC and are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues, Expenses and Changes in Net Position Budget and Actual, Schedule of Pledged Collateral, Schedule of Deposit Accounts and Investments, and, Schedule of Joint Powers Agreements and Memoranda of Understanding are schedules required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenues, Expenses and Changes in Net Position Budget and Actual and the Schedule of Pledged Collateral and Schedule of Deposit Accounts and Investments, Schedule of Joint Powers Agreements and Memoranda of Understanding are schedules required by 2.2.2 NMAC, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Vendor Information for Purchases Exceeding \$60,000 has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of SCSWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCSWA's internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
November 30, 2015

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, 2015

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, 2015 and 2014. It is intended to be read in conjunction with the financial statements, which follow this section.

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

Overview of Financial Statements

This annual report consists of four parts:

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

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

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

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

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Fiscal Agent

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

Financial Analysis of SCSWA

Net Position—In fiscal year 2015, net position decreased to \$8,657,661 from \$10,992,240 in fiscal year 2014. Table 1 summarizes the assets, liabilities, and net position of SCSWA.

Table 1
Net Position
As of June 30,

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|----------------------|
| Assets | | | |
| Current and other assets | \$ 3,065,626 | \$ 3,034,918 | \$ 2,392,921 |
| Capital and other assets | <u>12,015,763</u> | <u>12,551,144</u> | <u>11,627,880</u> |
| Total assets | <u>15,081,389</u> | <u>15,586,062</u> | <u>14,020,801</u> |
| Deferred Outflows of Resources | | | |
| Deferred outflows related to pensions | <u>322,322</u> | - | - |
| Total assets and deferred outflows of resources | <u>\$ 15,403,711</u> | <u>\$ 15,586,062</u> | <u>\$ 14,020,801</u> |
| Liabilities | | | |
| Current liabilities | \$ 1,280,039 | \$ 940,515 | \$ 1,299,560 |
| Noncurrent liabilities | 3,427,322 | 3,653,307 | 2,266,943 |
| Net pension liability | <u>1,223,363</u> | - | - |
| Total liabilities | <u>5,930,724</u> | <u>4,593,822</u> | <u>3,566,503</u> |
| Deferred Inflows of Resources Related to Pensions | <u>815,326</u> | - | - |
| Net Position | | | |
| Net investment in capital assets | 4,242,549 | 6,047,829 | 7,242,256 |
| Restricted | 300,341 | 600,761 | 901,246 |
| Unrestricted | <u>4,114,771</u> | <u>4,343,650</u> | <u>2,310,796</u> |
| Total net position | <u>8,657,661</u> | <u>10,992,240</u> | <u>10,454,298</u> |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 15,403,711</u> | <u>\$ 15,586,062</u> | <u>\$ 14,020,801</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Changes in Net Position—Total operating revenues for the year ended June 30, 2015, were \$8,633,857 compared with operating expenses of \$9,413,929.

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

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

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|---------------------|----------------------|----------------------|
| Operating revenues | | | |
| Charges for services | \$ 8,519,488 | \$ 8,430,194 | \$ 7,752,723 |
| Provision for uncollectible accounts | <u>(5,745)</u> | <u>-</u> | <u>(6,133)</u> |
| Net charges for services | 8,513,743 | 8,430,194 | 7,746,590 |
| Rental Income | - | 2,967 | 28,340 |
| Other revenues | <u>120,114</u> | <u>806,042</u> | <u>92,573</u> |
| Total operating revenues | 8,633,857 | 9,239,203 | 7,867,503 |
| Operating expenses | <u>9,413,929</u> | <u>8,585,604</u> | <u>8,242,115</u> |
| Operating income (loss) | <u>(780,072)</u> | <u>653,599</u> | <u>(374,612)</u> |
| Nonoperating revenues (expenses) | | | |
| Gain on disposition of assets | (38,509) | - | 2,338 |
| Investment income | 181,850 | 78,972 | (103,878) |
| Grants and contributions | 201,000 | - | 9,897 |
| Interest expense | <u>(50,393)</u> | <u>(194,629)</u> | <u>(114,213)</u> |
| Total nonoperating revenue (expenses) | <u>293,948</u> | <u>(115,657)</u> | <u>(205,856)</u> |
| Change in net position | (486,124) | 537,942 | (580,468) |
| Special item from change in accounting estimate | <u>-</u> | <u>-</u> | <u>545,000</u> |
| Change in net position | <u>(486,124)</u> | <u>537,942</u> | <u>(35,468)</u> |
| Net position, beginning of year, as originally reported | 10,992,240 | 10,454,298 | 10,489,766 |
| Restatement for pensions, Note 1 | <u>(1,848,455)</u> | <u>-</u> | <u>-</u> |
| Net position, beginning of year, as restated | <u>9,143,785</u> | <u>10,454,298</u> | <u>10,489,766</u> |
| Net position, end of year | <u>\$ 8,657,661</u> | <u>\$ 10,992,240</u> | <u>\$ 10,454,298</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2015

In 2015, revenues from operations decreased by approximately \$605,346 from 2014 revenues. The decrease is due to repayment from the City to SCSWA excess payments in lieu of debt in FY14 of \$644,031. In this consideration of debt, revenues actually increased from year to year by \$38,685 or 0.5% mainly due to rate increases.

Operating expenses increased by \$828,325 over fiscal year 2014. The increase was attributed to an increase equipment repairs, the hiring of temporary personnel, and the income in depreciation due to the change in accounting estimate for infrastructure assets related to the landfill cells 1 through 3. See Note 11.

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, 2015.

Table 3
Budgetary Comparison
For the Year Ended June 30, 2015

| | Budget | | Actual | Variance | Percent Variance |
|--------------------------------------|--------------|----------------|--------------|--------------|---------------------|
| | Original | Final | | | |
| Revenues | | | | | |
| Charges for services | \$ 9,054,011 | \$ 8,609,011 | \$ 8,519,488 | \$ (89,523) | -1% |
| Provision for uncollectible accounts | - | - | (5,745) | (5,745) | 0% |
| Other | 30,500 | 30,500 | 120,114 | 89,614 | 294% |
| Total revenue | 9,084,511 | 8,639,511 | 8,633,857 | (5,654) | 0% |
| Expenses | | | | | |
| Operating expenses | 9,077,367 | 9,587,067 | 9,413,929 | 551,397 | 6% |
| Revenues over (under) expenditures | 7,144 | (947,556) | (780,072) | 545,743 | -58% |
| Nonoperating revenues | | | | | |
| Loss on disposition of assets | - | - | (38,509) | (38,509) | 0% |
| Investment income | - | - | 181,850 | 181,850 | 100% |
| Interest expense | (515,000) | (515,000) | (50,393) | 464,607 | -90% |
| Grants - State | - | 201,000 | 201,000 | - | 0% |
| Change in net position | \$ (507,856) | \$ (1,261,556) | \$ (486,124) | \$ 1,153,691 | -91% |

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, 2015

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

The difference between the original and final budget for operating expenses is primarily due to an increase in equipment repairs for rolling equipment, as well as the compactor. In addition, there were additional employee's hired for the landfill.

Long-Term Debt

At the end of fiscal year 2015, SCSWA had total long-term debt outstanding of \$1,989,170 in bonds. In 2015, this consisted solely of 2014 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds. The increase of \$470,000 is the 2004 outstanding principal. Decreases to long-term liabilities resulted from bond principal payments of \$455,000, \$470,000, and 725,000 in 2015, 2014 and 2013, respectively. Additional information on SCSWA's long-term debt can be found in Note 4.

Capital Assets

As of June 30, 2015, the Authority's capital assets totaled \$8,284,020 net of accumulated depreciation of \$16,389,385. Table 4 provides details of the capital assets and related depreciation.

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

| | <u>2015</u> | 2014 | 2013 |
|-----------------------------------|---------------------|---------------------|---------------------|
| Buildings | \$ 4,540,840 | \$ 4,540,840 | \$ 4,540,840 |
| Equipment | 9,968,910 | 9,230,228 | 8,543,044 |
| Infrastructure | 1,056,988 | 1,056,988 | 1,056,988 |
| Landfill cell/site | <u>7,413,352</u> | <u>7,413,352</u> | <u>7,413,342</u> |
| | 22,980,090 | 22,241,408 | 21,554,214 |
| Accumulated depreciation | <u>(16,389,385)</u> | <u>(15,015,652)</u> | <u>(14,129,763)</u> |
| Total depreciable assets | 6,590,705 | 7,225,756 | 7,424,451 |
| Land and construction in progress | <u>1,693,315</u> | <u>1,516,151</u> | <u>1,359,805</u> |
| Capital assets, net | <u>\$ 8,284,020</u> | <u>\$ 8,741,907</u> | <u>\$ 8,784,256</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Management's Discussion and Analysis
For the Year Ended June 30, 2015

During 2015, the Authority purchased \$709,827 of equipment, rolling stock and heavy equipment. There were three construction in progress projects that totaled \$177,164. The three projects were for the construction of the Amador Transfer Station, Chaparral Transfer Station and Corralitos Communication Infrastructure.

Economic Outlook

Changes in the general economic conditions of the City of Las Cruces and the surrounding area influence the economic condition of SCSWA. The local economy is expected to follow the U.S. economy in a slow and uneven recovery. Health Care, Service and Leisure/Hospitality are two sectors that are expected to do well over the near term. The local job picture, in total, will still underperform the nation in part due to our dependence on Public Sector jobs. Private sector job growth should offset public sector job losses leading to a 0.5% growth in FY15.

The public sector is anticipated to be flat in the coming year as state education funding for local schools and NMSU begins to turn around. A return to modest revenue growth, both locally and at the state level, will generate a stable employment picture. Federal government, especially in Postal Services, is expected to shed jobs through FY15.

Population growth which slowed along with the national economy is expected to show a very modest gain in FY15. While the region is expected to add approximately 1,000 net new residents in FY15, the rate of growth will be under 2% for the fifth year in a row. The slowly expanding population base is directly linked to local jobs opportunities and to the national housing market. As retirees planning to relocate begin to see some progress on selling houses in other areas of the U.S., to Las Cruces should see a pick-up in people moving into the area.

Contacting the Management

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

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

Financial Statements

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

| | 2015 | 2014 |
|--|---------------|---------------|
| Assets | | |
| Current assets | | |
| Pooled cash and investments | \$ 2,572,618 | \$ 2,620,407 |
| Accounts receivable, net of allowance | 493,008 | 414,511 |
| Total current assets | 3,065,626 | 3,034,918 |
| Noncurrent assets | | |
| Restricted cash and investments | 3,731,743 | 3,809,237 |
| Capital assets, net | 8,284,020 | 8,741,907 |
| Total noncurrent assets | 12,015,763 | 12,551,144 |
| Total assets | 15,081,389 | 15,586,062 |
| Deferred Outflows of Resources | | |
| Deferred outflows related to pensions | 322,322 | - |
| Total deferred outflows of resources | 322,322 | - |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 598,177 | 250,763 |
| Accrued liabilities | 142,201 | 123,241 |
| Current portion of long-term liabilities | 539,661 | 566,511 |
| Total current liabilities | 1,280,039 | 940,515 |
| Long-term liabilities | 3,427,322 | 3,653,307 |
| Net pension liability | 1,223,363 | - |
| Total liabilities | 5,930,724 | 4,593,822 |
| Deferred Inflows of Resources | | |
| Deferred inflows related to pensions | 815,326 | - |
| Total deferred inflows of resources | 815,326 | - |
| Total liabilities and deferred inflows of resources | 6,746,050 | 4,593,822 |
| Net Position | | |
| Net investment in capital assets | 4,242,549 | 6,047,829 |
| Restricted | 300,341 | 600,761 |
| Unrestricted | 4,114,771 | 4,343,650 |
| Total net position | 8,657,661 | 10,992,240 |
| Total liabilities, deferred inflows of resources, and net position | \$ 15,403,711 | \$ 15,586,062 |

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

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

| | <u>2015</u> | <u>2014</u> |
|--|----------------------------|-----------------------------|
| Operating Revenues | | |
| Charges for services | \$ 8,519,488 | \$ 8,430,194 |
| Provision for uncollectible accounts | <u>(5,745)</u> | <u>-</u> |
| Net charges for services | 8,513,743 | 8,430,194 |
| Rental Income | - | 2,967 |
| Other revenue | <u>120,114</u> | <u>806,042</u> |
| Total operating revenues | <u>8,633,857</u> | <u>9,239,203</u> |
| Operating Expenses | | |
| Personnel | 2,873,425 | 2,401,369 |
| Professional services | 2,735,468 | 2,908,304 |
| Repairs and maintenance | 966,265 | 807,221 |
| Landfill closure/postclosure | 182,624 | (54,384) |
| Administrative charges | 85,000 | 70,000 |
| Insurance | 305,222 | 273,730 |
| Fuel | 665,513 | 829,906 |
| Utilities | 74,588 | 88,365 |
| Rent | 43,820 | 60,060 |
| Supplies | 221,236 | 205,493 |
| Depreciation | 1,325,569 | 975,448 |
| Other | <u>(64,801)</u> | <u>20,092</u> |
| Total operating expenses | <u>9,413,929</u> | <u>8,585,604</u> |
| Operating income (loss) | <u>(780,072)</u> | <u>653,599</u> |
| Nonoperating Revenues (Expenses) | | |
| Gain on disposition of assets | (38,509) | - |
| Investment income | 181,850 | 78,972 |
| Interest expense | (50,393) | (194,629) |
| Grants - State | <u>201,000</u> | <u>-</u> |
| Total nonoperating revenue (expense) | <u>293,948</u> | <u>(115,657)</u> |
| Change in net position | <u>(486,124)</u> | <u>537,942</u> |
| Net position, beginning of year, as originally reported | 10,992,240 | 10,454,298 |
| Restatement for pension costs, Note 1 | <u>(1,848,455)</u> | <u>-</u> |
| Net position, beginning of year, as restated | <u>9,143,785</u> | 10,454,298 |
| Net position, end of year | <u>\$ 8,657,661</u> | <u>\$ 10,992,240</u> |

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Cash Flows
For the Years Ended June 30,

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 8,555,360 | \$ 9,181,741 |
| Cash paid to suppliers | (4,802,587) | (5,356,402) |
| Cash paid to employees | <u>(2,787,314)</u> | <u>(2,401,369)</u> |
| Net cash provided by operating activities | <u>965,459</u> | <u>1,423,970</u> |
| Cash flows from noncapital financing activities | | |
| Grants - State | <u>201,000</u> | <u>-</u> |
| Net cash provided by noncapital financing activities | <u>201,000</u> | <u>-</u> |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (906,191) | (686,519) |
| Proceeds from notes payable | - | 2,502,000 |
| Principal paid on long-term debt | (517,008) | (1,584,830) |
| Interest paid on long-term debt | <u>(50,393)</u> | <u>(183,445)</u> |
| Net cash used by capital and related financing activities | <u>(1,473,592)</u> | <u>47,206</u> |
| Cash flows from investing activities | | |
| Interest income received | <u>181,850</u> | <u>78,972</u> |
| Net cash provided by investing activities | <u>181,850</u> | <u>78,972</u> |
| Net (decrease) increase in pooled cash and investments | (125,283) | 1,550,148 |
| Cash and investments, beginning of year | <u>6,429,644</u> | <u>4,879,496</u> |
| Cash and investments, end of year | <u>\$ 6,304,361</u> | <u>\$ 6,429,644</u> |

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Statements of Cash Flows — continued
For the Years Ended June 30,

| | 2015 | 2014 |
|--|--------------|--------------|
| Reconciliation of operating income to net cash provided by operating activities | | |
| Operating income (loss) | \$ (780,072) | \$ 653,599 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | |
| Depreciation | 1,325,569 | 975,448 |
| Change in landfill closure and postclosure liability | 178,062 | (54,384) |
| Change in assets and liabilities | | |
| Accounts receivable | (78,497) | (57,462) |
| Deferred outflows of resources related to pensions | (322,322) | - |
| Accounts payable | 347,414 | (161,084) |
| Accrued liabilities | 18,960 | 67,853 |
| Deferred inflows of resources related to pensions | 815,326 | - |
| Other noncurrent liability | (538,981) | - |
| Total adjustments | 1,745,531 | 770,371 |
| Net cash provided by operating activities | \$ 965,459 | \$ 1,423,970 |
| Cash and cash equivalents consist of | | |
| Pooled cash and investments | \$ 2,572,618 | \$ 2,620,407 |
| Restricted cash and investments | 3,731,743 | 3,809,237 |
| Total cash and cash equivalents | \$ 6,304,361 | \$ 6,429,644 |

SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES

| | | |
|----------------------------|------|------------|
| Purchase of capital leases | \$ - | \$ 246,580 |
|----------------------------|------|------------|

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES

| | | |
|---|--------------|------|
| Increase in net pension liability related to previous years | \$ 1,848,455 | \$ - |
|---|--------------|------|

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

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.

Proprietary Fund Accounting

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

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

1) Summary of Significant Accounting Policies (continued)

Schedule Restricted Cash and Investments

SCSWA maintains a restricted cash account for the purpose of funding future costs of the closure/post-closure of the landfill of \$1,613,007. In addition, a restricted cash amount of \$300,000 is set aside for the recycling program. These restricted resources are only used for the stated purposes and, accordingly, net position is also restricted by the amount of restricted cash held at fiscal year-end.

Use of Restricted Resources

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

Budgets

SCSWA's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, using an estimate of anticipated revenues and expenses. New Mexico State law prohibits expenses in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by SCSWA's board of directors; however, State of New Mexico, Department of Finance and Administration approval must be obtained for budget increases and budget transfers between funds.

Accounts Receivable

Accounts receivable represent amounts due from customers for services provided to them. The provision for uncollectible accounts was established following a review of outstanding receivables, particularly for non-governmental customers.

Capital Assets

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

Depreciation

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

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|---------------------------------|-------------------------------|
| Infrastructure | 40 |
| Buildings | 15-30 |
| Landfill cell/site improvements | 6-8 (see note below) |
| Equipment | 4-10 |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

1) Summary of Significant Accounting Policies (continued)

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, 2015, the cumulative usage of the facility was approximately 79%. During the year ended June 30, 2015, SCSWA had a change in accounting estimate for depreciation of its capital assets (see Note 11).

Landfill Closure and Post Closure Care Costs – SCSWA closure and post closure care costs are based on the current estimated total costs to perform closure and post closure activities. SCSWA records a liability for such costs based on the estimated remaining operational life of the Landfill. During FY15, SCSWA changed its estimate relating to its accrued closure and post closure care costs. See Note 11.

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.

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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

1) Summary of Significant Accounting Policies (continued)

- 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".

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.

Change in Accounting Principle

For the year ended June 30, 2015, SCSWA implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension (assets and) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

| | |
|--|------------------|
| Net position as previously reported at June 30, 2014 | \$ 10,992,240 |
| Prior period adjustment - | |
| implementation of GASB 68: | |
| Net pension liability (measurement date as of June 30, 2013) | (2,054,461) |
| Deferred outflows - SCSWA contributions made during fiscal year 2014 | 206,006 |
| Total prior period adjustment | (1,848,455) |
| Net position as restated, July 1, 2014 | \$ 9,143,785 |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

1) Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

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

- ◆ Statement No. 72: *Fair Value Measurement and Application*
- ◆ Statement No. 73: *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*
- ◆ Statement No. 74: *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- ◆ Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- ◆ Statement No. 76: *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

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, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|
| Cash and investments - current | \$ 2,572,618 | \$ 2,620,407 |
| Restricted cash and investments - noncurrent | <u>3,731,743</u> | <u>3,809,237</u> |
| Total cash and cash equivalents | <u>\$ 6,304,361</u> | <u>\$ 6,429,644</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

2) Cash and Cash Equivalents (continued)

At June 30, 2015, the City's cash and investment pool consists of the following:

| | <u>2015</u> | <u>2014</u> |
|----------------------------------|------------------------------|-----------------------|
| Carrying amount of bank deposits | \$ 21,081,988 | \$ 16,469,316 |
| Investments at fair value | 139,210,670 | 120,992,095 |
| Accrued interest | <u>664,651</u> | <u>594,304</u> |
| Total cash and cash equivalents | <u>\$ 160,957,309</u> | <u>\$ 138,055,715</u> |

Bank Balance of Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment ordinance requires collateralization of 100% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2015, the City's deposits, totaling \$45,383,583, was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

As of June 30, 2015, \$300,341 of SCSWA's restricted cash and investments was not included in the City's pool. This investment, as well as the City's investment pool, was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City's name and thus was not exposed to custodial credit risk.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

2) Cash and Cash Equivalents (continued)

Investments

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

As of June 30, 2015, the City's investment pool had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Avg Maturity (Yrs)</u> |
|--------------------------------|-----------------------|--|
| Overnight repurchase agreement | \$ 15,234,123 | |
| U.S. agency coupon bonds | 123,976,547 | 10.67 |
| Total Pooled Investments | <u>\$ 139,210,670</u> | |

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$123,963,893, issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City uses duration.

Credit Risk. The City's investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2015, the City's investments in coupon bonds of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service. The City's money market fund investments were rated AAAM by Standard & Poor's and/or Aaa by Moody's. The external investment pools of the NM State Investment Council are not rated.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

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, 2015, all of the City's securities are held in either the street name or by a third-party financial institution in the City's name.

Concentration of Credit Risk. The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2015, 58% of the City's investment pool was in Fannie Mae (FNMA), 11% was in Federal Home Loan Mortgage Corporation (FHLMC) and 31% in Federal Home Loan Bank (FHLB).

3) Capital Assets

Changes in capital assets for the year ended June 30, 2015, are as follows:

| | Balances | | | | Balances |
|---|---------------------|---------------------|--------------------|----------------|---------------------|
| | June 30, 2014 | Additions | Dispositions | Transfer | June 30, 2015 |
| Capital assets not being depreciated | | | | | |
| Land | \$ 807,276 | \$ - | \$ - | \$ - | \$ 807,276 |
| Landfill cell/site - construction in progress | 708,875 | - | - | - | 708,875 |
| Construction in progress | - | 177,164 | - | - | 177,164 |
| Total | <u>1,516,151</u> | <u>177,164</u> | <u>-</u> | <u>-</u> | <u>1,693,315</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 4,540,840 | - | - | - | 4,540,840 |
| Equipment | 9,230,228 | 729,027 | (162,078) | 171,733 | 9,968,910 |
| Infrastructure | 1,056,988 | - | - | - | 1,056,988 |
| Landfill cell/site | 7,413,352 | - | - | - | 7,413,352 |
| Total | <u>22,241,408</u> | <u>729,027</u> | <u>(162,078)</u> | <u>171,733</u> | <u>22,980,090</u> |
| Less accumulated depreciation | | | | | |
| Buildings | 2,418,627 | 93,899 | - | - | 2,512,526 |
| Equipment | 6,477,286 | 659,841 | (123,569) | 171,733 | 7,185,291 |
| Infrastructure | 449,220 | 385,800 | - | - | 835,020 |
| Landfill cell/site | 5,670,519 | 186,029 | - | - | 5,856,548 |
| Total accumulated depreciation | <u>15,015,652</u> | <u>1,325,569</u> | <u>(123,569)</u> | <u>171,733</u> | <u>16,389,385</u> |
| Total capital assets, net | <u>\$ 8,741,907</u> | <u>\$ (419,378)</u> | <u>\$ (38,509)</u> | <u>\$ -</u> | <u>\$ 8,284,020</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

3) Capital Assets (continued)

Changes in capital assets for the year ended June 30, 2014, are as follows:

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are as follows:

| | Balances June 30, 2014 | Increases | Decreases | Balances June 30, 2015 | Amount Due Within One Year |
|--|---------------------------|-------------------|-------------------|-----------------------------------|----------------------------------|
| Long-term debt | | | | | |
| Due to City of Las Cruces | \$ 2,459,170 | \$ - | \$ 470,000 | \$ 1,989,170 | \$ 455,000 |
| Capital lease | 234,908 | - | 47,008 | 187,900 | 49,280 |
| Other noncurrent liabilities | | | | | |
| Estimated landfill closure/postclosure liability | 1,434,945 | 178,062 | - | 1,613,007 | - |
| Compensated absences | 90,795 | 198,030 | 111,919 | 176,906 | 35,381 |
| | <u>\$ 4,219,818</u> | <u>\$ 376,092</u> | <u>\$ 628,927</u> | <u>\$ 3,966,983</u> | <u>\$ 539,661</u> |

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

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

4) Long-Term Liabilities (continued)

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

| Year Ending June 30, | <u>Due to City of Las Cruces</u> | |
|----------------------|----------------------------------|-------------------|
| | Principal | Interest |
| 2016 | 455,000 | 45,236 |
| 2017 | 140,000 | 43,098 |
| 2018 | 140,000 | 42,006 |
| 2019 | 145,000 | 40,466 |
| 2020 | 145,000 | 38,421 |
| 2021 | 145,000 | 35,869 |
| 2022 | 150,000 | 32,897 |
| 2023 | 155,000 | 29,432 |
| 2024 | 160,000 | 25,541 |
| 2025 | 160,000 | 21,285 |
| 2026 | 165,000 | 16,565 |
| 2027 | 170,000 | 11,285 |
| 2028 | 180,000 | 5,580 |
| | <u>\$ 2,310,000</u> | <u>\$ 387,681</u> |

| | |
|---|--------------------|
| Balance due | \$ 1,989,170 |
| Required reserve being used for last years' DS 1/12 of fiscal year 2015 with CLC | 278,000 42,830 |
| Amount of DS liability by CLC | <u>(2,310,000)</u> |
| Difference | <u>\$ -</u> |

Due to City of Las Cruces

In 2004, the City issued the South Central Solid Waste Authority Environmental Gross Receipts Tax/Project Revenue Bonds with the purpose of refunding the outstanding 1995 Series. The bond is payable from and secured through maturity by a portion of the SCSWA net revenues. The bond issue is secondarily secured by the environmental gross receipts tax of the City which totaled \$1.7 million in 2015.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

4) Long-Term Liabilities (continued)

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

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

Landfill Closure and Post-Closure Liability

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

The \$1,613,007 reported as SCSWA's landfill closure and post-closure liability at June 30, 2015, is based on the use of the estimated capacity of the open cells at the regional landfill. The \$1,613,007 held in a restrict cash reserve for landfill closure and post-closure liability at June 30th, 2015 represent the total liability expense for the 52 acres utilized for waste disposal. In 2014, 10 acres were closed and are no longer available for waste acceptance. Currently there is a total of 390 acres available which has an estimated life of over 100 years. Of the total cells, design has been completed for the eastern 200 acres and 190 acres have been utilized for disposal. See Note 11 for updates to the landfill capacity.

In FY15, the SCSWA implemented GASB Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Post Closure Care Costs. The \$1,613,007 reported as SCSWA's landfill closure and post-closure liability at June 30, 2015, is based on the Financial Assurance required to be in place for the currently lined area (cells 1-3) is \$2,041,782. Using the 2015 volumetric and landfill life survey data, the active lined area of cells 1-3 is currently at 79% capacity. The current financial assurance required to be currently in place would therefore be \$1,613,007 (79% of \$2.04M).

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

5) Curbside Recycling Program

On December 1, 2010, the Authority's Board of Directors approved Resolution 2010-34 which authorized a contract for curbside recycling collection service between Friedman Recycling, Inc. (Friedman) of El Paso, Texas and the Authority. Friedman will provide curbside collections of recyclables biweekly for the approximate 28,000 residential solid waste customers of the City of Las Cruces. The term of the agreement is for five years beginning on April 1, 2011. The agreement may be renewed by the parties for an additional five-year term prior to the expiration of the initial five-year term. An extension of the agreement must be by written mutual agreement and include annual budget appropriations approved by the Authority. According to the agreement, the Authority established restricted cash reserve in the amount of \$1,500,000. The amount of the cash reserve is reduced ratably over the five-year term of the agreement using a straight line approach beginning December 2011. The balance of the restricted cash at June 30, 2015, was \$300,341 including interest earned.

6) Pension Plan – Public Employees Retirement Association

Plan Description

Substantially all of the SCSWA's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Fund (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 Officer, 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), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

6) Pension Plan – Public Employees Retirement Association

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

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, 2014 available at

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions

The contribution requirements of defined benefit plan members and SCSWA, an agency fund of the City of Las Cruces 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 FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf

The PERA coverage options that apply to the City of Las Cruces and SCSWA are: 4.97% and 5.36% of the City's proportionate allocation. Statutorily required contributions to the pension plan from SCSWA were \$322,322 and employer paid member benefits that were "picked up" by the employer were \$58,880 for the year ended June 30, 2015.

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, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

6) Pension Plan – Public Employees Retirement Association (continued)

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Las Cruces' proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

At June 30, 2015, SCSWA reported a liability of \$1,223,363 for its proportionate share of the net pension liability. At June 30, 2014, the SCSWA's proportionate share of the net pension liability was 3.67% of the City's net pension liability; which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, SCSWA recognized pension expense of \$190,234. At June 30, 2015, SCSWA reported \$322,322 of deferred outflows of resources and \$815,326 of deferred inflows of resources.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

6) Pension Plan – Public Employees Retirement Association (continued)

\$322,322 reported as deferred outflows of resources related to pensions resulting from SCSWA’s contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 815,326 |
| Changes in proportion and differences between SCSWA's contributions and proportionate share of contributions | - | - |
| SCSWA's contributions subsequent to the measurement date | <u>322,322</u> | <u>-</u> |
| Total | <u>\$ 322,322</u> | <u>\$ 815,326</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

6) Pension Plan – Public Employees Retirement Association (continued)

Actuarial assumptions

As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014.

These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

| | | |
|------------------------------|--|--------------------------------------|
| Actuarial valuation date | | June 30, 2013 |
| Actuarial cost method | | Entry age normal |
| Amortization method | | Level percentage of pay |
| Amortization period | | Solved for based on statutory rates |
| Asset valuation method | | Fair value |
| Actuarial assumptions: | | |
| • Investment rate of return | | 7.75% annual rate, net of investment |
| • Payroll growth | | 3.50% annual rate |
| • Projected salary increases | | 3.50% to 14.25% annual rate |
| • Includes inflation at | | 3.00% annual rate |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

6) Pension Plan – Public Employees Retirement Association (continued)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis 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 most recent 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 |
|--------------------------------|--------------------------|---|
| U.S. Equity | 21.1% | 5.00% |
| International Equity | 24.8 | 5.20 |
| Private Equity | 7.0 | 8.20 |
| Core and Global Fixed Income | 26.1 | 1.85 |
| Fixed Income Plus Sectors | 5.0 | 4.80 |
| Real Estate | 5.0 | 5.30 |
| Real Assets | 7.0 | 5.70 |
| Absolute Return | <u>4.0</u> | 4.15 |
| Total | <u>100.0%</u> | |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

6) Pension Plan – Public Employees Retirement Association (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the SCSWA's proportionate share of the net pension liability to changes in the discount rate

The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present SCSWA's net pension liability in each 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 (6.75%) or one percentage point higher (8.75%) than the single discount rate.

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|--------------------------------|--|--------------------------------|
| SCSWA's proportionate share of net pension liability | \$ 1,065,509 | \$ 1,223,363 | \$ 1,381,216 |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

7) Post-Employee Benefits – State Retiree Health Care Plan

Plan Description

SCSWA contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who serve at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate scheduled for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

7) Post-Employee Benefits – State Retiree Health Care Plan (continued)

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The SCSWA's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$37,810, \$32,090 and \$30,419, respectively, which equal the required contributions for each year.

8) Risk Management

SCSWA is exposed to various risks of loss from torts; theft of, damage to, and/or destruction of assets; business interruption; errors and omissions; and natural disasters for which SCSWA carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

9) Related-Party Transactions

In 2015, the City of Las Cruces and Dona Ana County paid approximately \$2.4 million and \$520,490, respectively, to SCSWA for services. In 2014, the City of Las Cruces and Dona Ana County paid approximately \$2.3 million and \$507,380, respectively, to SCSWA for services.

In 2015 and 2014, SCSWA paid the City of Las Cruces \$70,000 each year respectively, for fiscal agent services.

10) Memorandum of Agreement

By mutual agreement, the South Central Solid Waste Authority (Authority) and City approved a Memorandum of Agreement with the City on June 18, 2009. This agreement creates a regional recycling program administered by the Authority. The City dedicates the recycling component charge from its residential solid waste customers. In 2015, the charge for recycling for City residents was \$2,051,762.

The Authority entered into a Memorandum of Agreement with Dona Ana County effective July 1, 2009, to operate and manage eight county-owned solid waste collection centers. The County agreed to pay the Authority \$924,231 per year for this service. In 2014, the full payment was made to the Authority.

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

On November 02, 2012, the Authority entered into a Memorandum of Understanding (MOU) with the City of Sunland Park, New Mexico. The MOU allows the Authority to collect and dispose of solid waste for the City of Sunland Park for the next three years. At the end of the three year term the City of Sunland Park will have the option to re-take control of operations or, with assistance from the Authority, bid out the service.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Financial Statements
June 30, 2015

11) Change in Accounting Estimate

On September 8, 2015, SCSWA's new permit authorizing a vertical expansion to the approved north slope and south top of the existing 1994 footprint of cells 1, 2, and 3 for SCSWA's facility, was approved. This expansion has resulted in an increase to the Landfill's estimated capacity from approximately 5.478 million cubic yards to 6.875 million cubic yards, which would extend the Landfill's life an additional 5.5 to 5.75 years of operation, from an estimated date of year 2015 to year 2021. The increased capacity estimate had the effect of decreasing the cumulative usage of the facility from 99% as of June 30, 2014 to 79% as of June 30, 2015. This change in accounting estimate affected the SCSWA's assets and liabilities as follows:

Capital assets – As discussed in the SCSWA's significant accounting policies in Note 1, depreciation of SCSWA landfill cell and site improvements is based on the cubic yard usage of the facility on an individual cell basis. During the years ended June 30, 2015 and 2014, the Company recorded \$963,257 and \$975,448 in depreciation expense. During the year ended June 30, 2015, SCSWA recorded additional depreciation expense from the change in accounting estimate of \$362,312.

Landfill closure and post closure care costs – SCSWA's closure and post closure care costs are based on the current estimated total costs to perform closure and post closure activities, and the estimated remaining economic life of the Landfill, which is affected by the SCSWA's assessment of how long the Landfill will continue to operate as a profitable operating business. The SCSWA records an expense and a liability for such costs based on the SCSWA's evaluation of those factors. SCSWA recorded 79% or \$1,613,007 of its \$2.04 million estimated closure and post closure costs.

Required Supplementary Information

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

| | Fiscal Year | | 2013 through 2016 |
|---|--------------|--------------|------------------------------|
| | 2015 | 2014 | |
| Statutorily required contribution | \$ 322,322 | \$ 206,006 | Information not available |
| SCSWA's contributions in relation to the statutorily required contribution | 322,322 | 206,006 | |
| SCSWA's contribution deficiency (excess) | \$ - | \$ - | |
| SCSWA's covered-employee payroll | \$ 1,949,389 | \$ 1,749,962 | |
| SCSWA's contribution as a percentage of covered-employee payroll | 16.53% | 11.77% | |

*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.

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 | |
|--|----------------|-------------------------|
| | 2015 (2014) | 2014 through 2016 |
| SCSWA's proportion of the City's net pension liability | 3.66% | Information |
| SCSWA's proportionate share of the net pension liability | \$ 1,223,363 | not available |
| SCSWA's covered-employee payroll | \$ 1,949,389 | |
| SCSWA's proportionate share of the net pension liability as a percentage of its covered employees payroll | 62.76% | |
| Plan fiduciary net position as a percentage of the total pension liability | 81.29% | |

*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.

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Notes to Required Supplementary Information
June 30, 2015

- 1) ***Changes of benefit terms*** The Public employee Retirement Association (PERA) Fund, COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202014.pdf).
- 2) ***Changes of assumptions*** The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation.” The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13 percent to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

Supplementary Information

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Audited)
For the Year Ended June 30, 2015

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|---------------------|----------------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| Operating Revenues | | | | |
| Charges for services | \$ 9,054,011 | \$ 8,609,011 | \$ 8,519,488 | \$ (89,523) |
| Provision for uncollectible accounts | - | - | (5,745) | (5,745) |
| Net charges for services | 9,054,011 | 8,609,011 | 8,513,743 | (95,268) |
| Rental income | - | - | - | - |
| Other revenues | <u>30,500</u> | <u>30,500</u> | <u>120,114</u> | <u>89,614</u> |
| Total operating revenues | <u>9,084,511</u> | <u>8,639,511</u> | <u>8,633,857</u> | <u>(5,654)</u> |
| Operating Expenses | | | | |
| Personnel | 2,967,966 | 3,023,841 | 3,005,513 | 18,328 |
| Professional services | 2,770,650 | 2,912,053 | 2,735,468 | 176,585 |
| Repairs and maintenance | 602,500 | 1,021,063 | 966,265 | 54,798 |
| Landfill closure/post closure | - | - | 182,624 | (182,624) |
| Administrative charges | 108,416 | 108,416 | 85,000 | 23,416 |
| Insurance | 314,451 | 298,051 | 305,222 | (7,171) |
| Fuel | 860,000 | 738,800 | 665,513 | 73,287 |
| Utilities | 97,700 | 85,837 | 74,588 | 11,249 |
| Rent | 36,000 | 44,956 | 43,820 | 1,136 |
| Supplies | 171,050 | 236,416 | 221,236 | 15,180 |
| Depreciation | 1,075,934 | 1,038,934 | 1,325,569 | (286,635) |
| Pension costs net | - | - | (132,088) | 132,088 |
| Lease expense | 55,000 | 55,000 | - | 55,000 |
| Other | <u>17,700</u> | <u>23,700</u> | <u>(64,801)</u> | <u>88,501</u> |
| Total operating expenses | <u>9,077,367</u> | <u>9,587,067</u> | <u>9,413,929</u> | <u>173,138</u> |
| Operating income (loss) | <u>7,144</u> | <u>(947,556)</u> | <u>(780,072)</u> | <u>167,484</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Gain on disposition of assets | - | - | (38,509) | (38,509) |
| Investment income (loss) | - | - | 181,850 | 181,850 |
| Interest expense | (515,000) | (515,000) | (50,393) | 464,607 |
| Grants - State | <u>-</u> | <u>201,000</u> | <u>201,000</u> | <u>-</u> |
| Total nonoperating revenues (expenses) | <u>(515,000)</u> | <u>(314,000)</u> | <u>293,948</u> | <u>607,948</u> |
| Change in net position | <u>(507,856)</u> | <u>(1,261,556)</u> | <u>(486,124)</u> | <u>775,432</u> |
| Net position , beginning of the year, as originally reported | 10,992,240 | 10,992,240 | 10,992,240 | - |
| Restatement for pension costs, Note 1 | <u>-</u> | <u>-</u> | <u>(1,848,455)</u> | <u>(1,848,455)</u> |
| Net position , beginning of the year, as restated | <u>10,992,240</u> | <u>10,992,240</u> | <u>9,143,785</u> | <u>(1,848,455)</u> |
| Net position , end of the year | <u>\$ 10,484,384</u> | <u>\$ 9,730,684</u> | <u>\$ 8,657,661</u> | <u>\$ (1,073,023)</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Revenues, Expenses and Changes in Net Position
Budget and Actual (Audited)
For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual | Variance with |
|---|----------------------|---------------------|-----------------------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| Operating Revenues | | | | |
| Charges for services | \$ 8,950,194 | \$ 8,425,194 | \$ 8,430,194 | \$ 5,000 |
| Provision for uncollectible accounts | - | - | - | - |
| Net charges for services | 8,950,194 | 8,425,194 | 8,430,194 | 5,000 |
| Rental income | - | - | 2,967 | 2,967 |
| Other revenues | 313,225 | 228,037 | 806,042 | 578,005 |
| Total operating revenues | <u>9,263,419</u> | <u>8,653,231</u> | <u>9,239,203</u> | <u>585,972</u> |
| Operating Expenses | | | | |
| Personnel | 2,531,715 | 2,661,015 | 2,401,369 | 259,646 |
| Professional services | 2,867,696 | 2,915,596 | 2,908,304 | 7,292 |
| Repairs and maintenance | 562,500 | 905,477 | 807,221 | 98,256 |
| Landfill closure/post closure | - | - | (54,384) | 54,384 |
| Administrative charges | 70,000 | 70,000 | 70,000 | - |
| Insurance | 306,877 | 297,700 | 273,730 | 23,970 |
| Fuel | 825,000 | 870,000 | 829,906 | 40,094 |
| Utilities | 98,200 | 98,500 | 88,365 | 10,135 |
| Rent | 39,500 | 72,500 | 60,060 | 12,440 |
| Supplies | 134,050 | 218,381 | 205,493 | 12,888 |
| Depreciation | 1,209,953 | 1,192,929 | 975,448 | 217,481 |
| Other | 12,900 | 22,000 | 20,092 | 1,908 |
| Total operating expenses | <u>8,658,391</u> | <u>9,324,098</u> | <u>8,585,604</u> | <u>738,494</u> |
| Operating income (loss) | <u>605,028</u> | <u>(670,867)</u> | <u>653,599</u> | <u>1,324,466</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Investment income (loss) | - | - | 78,972 | 78,972 |
| Interest expense | (838,838) | (939,689) | (194,629) | 745,060 |
| Total nonoperating revenues (expenses) | <u>(838,838)</u> | <u>(939,689)</u> | <u>(115,657)</u> | <u>824,032</u> |
| Change in net position | <u>(233,810)</u> | <u>(1,610,556)</u> | <u>537,942</u> | <u>(2,148,498)</u> |
| Net position , beginning of the year, restated | <u>10,454,298</u> | <u>10,454,298</u> | <u>10,454,298</u> | <u>10,454,298</u> |
| Net position , end of the year | <u>\$ 10,220,488</u> | <u>\$ 8,843,742</u> | <u>\$ 10,992,240</u> | <u>\$ (12,602,796)</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Pledged Collateral
For the Year Ended June 30, 2015

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

| <u>Institution/Security</u> | <u>CUSIP #</u> | <u>Maturity Date</u> | <u>Safe Keeping Location</u> | <u>Market Value</u> |
|--------------------------------|----------------|----------------------|------------------------------|----------------------|
| Wells Fargo Bank, NA | | | BNY Mellon | |
| FMAC FGPC 3.000% 09/01/26 | 3128MC4M4 | 9/1/2026 | | \$ 1,271,475 |
| FMAC FGPC 3.500% 04/01/42 | 31292LFZ3 | 4/1/2042 | | 161,357 |
| FNMA FNST 1.500% 01/01/34 | 3136FCDH6 | 1/1/2034 | | 4,008,372 |
| FNMA FNMS 3.000% 11/01/26 | 3138ABUK3 | 11/1/2026 | | 1,530,839 |
| FNMA FNMS 3.000% 06/01/42 | 3138LXRA9 | 6/1/2042 | | 525,260 |
| FNMA FNMS 3.000% 05/01/43 | 3138WQAY8 | 5/1/2043 | | 24,639,944 |
| FNMA FNMS 4.000% 09/01/43 | 3138X3XU1 | 9/1/2043 | | 4,086,488 |
| FNMA FNMS 3.000% 01/01/43 | 31417EKT7 | 1/1/2043 | | 7,507,236 |
| FNMS 03.000 CL 3.000% 05/01/43 | 31417GHW9 | 5/1/2043 | | 741,883 |
| FNMA FNMS 4.000 10/01/40 | 31419GP65 | 10/1/2040 | | 5,234,305 |
| | | | | <u>\$ 49,707,159</u> |

Summary of Collateralization

| | | |
|--|--|----------------------|
| Wells Fargo Bank | | |
| Ending bank balance | | \$ 45,383,583 |
| Less: FDIC insurance | | (250,000) |
| Total uninsured public funds | | <u>\$ 45,133,583</u> |
| Pledged collateral held by the pledging bank's trust department in the City's name | | \$ 49,707,159 |
| 100% collateral requirement | | 45,133,583 |
| Pledged collateral in excess of requirement | | <u>\$ 4,573,576</u> |
| Uninsured and uncollateralized | | <u>\$ -</u> |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments
For the Year Ended June 30, 2015

The City of Las Cruces is the fiscal agent of South Central Solid Waste Authority. Therefore, South Central Solid Waste Authority participates in the City's pooling of cash and investments. The schedule below presents the amounts of South Central Solid Waste Authority's cash and investments in the pool.

| Account | Type of Account | Pooled Cash & Investments | SCSWA Accounts | Total Reconciled Balance | On Deposit 6/30/2015 |
|--|-----------------|---------------------------|----------------|--------------------------|----------------------|
| DEPOSIT ACCOUNTS | | | | | |
| <i>Wells Fargo Bank</i> | | | | | |
| Community Development | Checking | \$ - | \$ - | \$ - | \$ 54,164 |
| Community Development Home Rehab | Checking | - | - | - | 22,169 |
| Community Development Home Program | Checking | - | - | - | 1,356 |
| Metro Narcotics Agency | Savings | - | - | - | 95,589 |
| 2006 Water Projects | Savings | - | - | - | 1,407,894 |
| Fiscal Account SCSWA | Savings | - | - | - | 300,341 |
| Revenue Bonds Proceeds | Savings | - | 300,341 | 300,341 | 20,835,251 |
| Treasury Fund - Operating | Checking | 22,636,246 | - | 22,636,246 | 22,635,841 |
| Payroll Direct Deposit Account | Checking | (37,236) | - | (37,236) | - |
| Accounts Payable | Checking | (1,342,033) | - | (1,342,033) | - |
| On Demand | Checking | 21,620 | - | 21,620 | 30,978 |
| Depository | Checking | 67,591 | - | 67,591 | - |
| Credit Card | Checking | 15,274 | - | 15,274 | - |
| Electronic | Checking | (279,474) | - | (279,474) | - |
| TOTAL DEPOSIT ACCOUNTS | | 21,081,988 | 300,341 | 21,382,329 | \$ 45,383,583 |
| INVESTMENTS | | | | | |
| <i>Wells Fargo Bank</i> | | | | | |
| Stagecoach Sweep Repo | Sweep | 15,234,123 | - | 15,234,123 | |
| <i>Wells Fargo Brokerage Services, LLC</i> | | | | | |
| FHLB Step 1/24/2028-13 | Investment | 2,911,710 | - | 2,911,710 | |
| FNMA Step 12/20/2027-13 | Investment | 2,957,538 | - | 2,957,538 | |
| <i>First Tennessee</i> | | | | | |
| FHLB Step 10/15/2027-13 | Investment | 8,780,670 | - | 8,780,670 | |
| FHLB Step 10/18/2027-13 | Investment | 11,458,800 | - | 11,458,800 | |
| FHLB Step 11/9/2027-13 | Investment | 7,909,040 | - | 7,909,040 | |
| FHLB Step 5/16/2028-14 | Investment | 6,852,370 | - | 6,852,370 | |
| FHLMC Step 2/4/2030-15 | Investment | 14,049,195 | - | 14,049,195 | |
| FNMA 1.03 1/30/2018-14 | Investment | 1,001 | - | 1,001 | |
| FNMA 1 11/29/2017-13 | Investment | 9,664 | - | 9,664 | |
| FNMA Step 12/13/2027-13 | Investment | 8,356,435 | - | 8,356,435 | |
| FNMA Step 9/20/2027-13 | Investment | 4,780,900 | - | 4,780,900 | |
| FNMA Step 9/27/2027-13 | Investment | 9,899,700 | - | 9,899,700 | |
| FNMA Step 10/4/2027-13 | Investment | 2,963,310 | - | 2,963,310 | |
| FNMA Step 7/23/2027-13 | Investment | 2,885,250 | - | 2,885,250 | |
| FNMA Step 8/16/2027-13 | Investment | 7,729,360 | - | 7,729,360 | |
| FNMA Step 8/27/2027-13 | Investment | 6,886,040 | - | 6,886,040 | |
| FNMA Step 8/23/2027-13 | Investment | 3,885,760 | - | 3,885,760 | |
| FNMA Step 8/23/2027-13 | Investment | 4,851,650 | - | 4,851,650 | |
| FNMA Step 12/21/2027-13 | Investment | 7,662,960 | - | 7,662,960 | |
| FNMA Step 1/28/2028-15 | Investment | 7,174,125 | - | 7,174,125 | |
| FNMA 1.05 3/27/2018-13 | Investment | 1,989 | - | 1,989 | |
| FNMA Step 4/28/2028-13 | Investment | 1,969,080 | - | 1,969,080 | |
| TOTAL INVESTMENTS | | 139,210,670 | - | 139,210,670 | |
| TOTAL DEPOSITS AND INVESTMENTS | | 160,292,658 | 300,341 | 160,592,999 | |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Deposit Accounts and Investments (Continued)
For the Year Ended June 30, 2015

| Account | Type of Account | Pooled Cash & Investments | SCSWA Accounts | Total Reconciled Balance | On Deposit 6/30/2015 |
|---|-----------------|---------------------------|-------------------|--------------------------|----------------------|
| <i>Other Cash:</i> Petty Cash & Change Funds | Cash | - | 984 | 984 | |
| Accrued Interest Receivable | Accrued Int | 664,651 | - | 664,651 | |
| Total cash and investments | | 160,957,309 | 301,324 | 161,258,634 | |
| Less balances in City of Las Cruces funds | | 154,954,271 | - | 154,954,271 | |
| SCSWA cash and investment balance | | <u>\$ 6,003,038</u> | <u>\$ 301,324</u> | <u>\$ 6,304,362</u> | |

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Joint Powers Agreements and Memoranda of Understanding
June 30, 2015

| Participants | Responsible Party | Description | Beginning Date | Ending Date | Project Amount | County Portion | Current Year Contributions | Audit Responsibility |
|--|--------------------------|---|-----------------------|---|---|-----------------------|-----------------------------------|-----------------------------|
| City of Las Cruces | SCSWA | Designing, constructing, financing, operating, and maintaining regional solid waste landfills and related facilities | December 13, 1994 | Perpetual | 1/16% Municipal Environmental Services Gross Receipts Tax (tax revenues) | Unknown | \$ 2,462,535 | City of Las Cruces |
| Dona Ana County | SCSWA | Designing, constructing, financing, operating, and maintaining regional solid waste landfills and related facilities | December 13, 1994 | Perpetual | 1/8% County Environmental Services Gross Receipts Tax (tax revenues) | Unknown | \$ 520,490 | City of Las Cruces |
| City of Las Cruces | SCSWA | Regional recycling program administered by SCSWA for residential, multi-family, commercial and institutional properties | June 18, 2009 | Perpetual | \$3.09 per month charge for the City's existing recycling program | Unknown | \$ 2,051,762 | City of Las Cruces |
| Dona Ana County | SCSWA | Operate and manage eight county-owned solid waste collection centers | July 1, 2009 | Perpetual (upon delivery of written notice at least six months prior to the intended date of termination) | \$865,000 per year | Unknown | \$ 957,503 | City of Las Cruces |
| City of Truth or Consequences (T or C) | SCSWA | Transport T or C's solid waste to the Corralitos landfill | October 10, 2012 | After two years (after end of term have the option to an extension and price increase) | \$6,430 per month plus fuel and tipping fees | Unknown | \$ 123,847 | City of Las Cruces |
| City of Sunland Park, NM | SCSWA | Collect and dispose of solid waste for the City of Sunland Park | November 2, 2012 | Perpetual | \$12.50 per cart (base rate) for the monthly residential solid waste service fee. Additional carts will be charged an additional \$6.50 per month | Unknown | \$ 602,025 | City of Las Cruces |

Other Information

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund, including the budgetary comparisons of the South Central Solid Waste Authority (SCSWA), Las Cruces, New Mexico, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements, and have issued our report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the Schedule of Findings and Responses for the year ended June 30, 2015, we identified certain deficiencies in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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

Moss Adams LLP

Albuquerque, New Mexico
November 30, 2015

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Findings and Responses
For the Year Ended June 30, 2015

There were no audit findings for the fiscal year ended June 30, 2015.

**South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Schedule of Prior Year Findings and Responses
For the Year Ended June 30, 2015**

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

South Central Solid Waste Authority
(A Component Unit of the City of Las Cruces)
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2015

Exit Conference

An exit conference was conducted on November 24, 2015, in a closed meeting of the Board of Directors pursuant to *Section 12-6-5 NMSA, 1978* with the following individuals in attendance:

SCSWA Board of Directors

| | |
|------------------|--------------|
| Ken Miyagishima | Mayor |
| Olga Pedroza | Vice-Chair |
| Kasandra Gandara | Commissioner |

SCSWA Administration

| | |
|------------------|--------------------|
| Patrick Peck | Director |
| Veronica L. Luna | Operations Analyst |

City of Las Cruces (Fiscal Agent)

| | |
|-------------------|------------------------------------|
| Victoria Fredrick | Director of Financial Services |
| Melissa Nelson | Accounting Manager |
| Maria Sanchez | Financial Reporting Analyst Senior |

Moss Adams LLP

| | |
|-------------------|----------------|
| Brandon Valentini | Partner |
| Ryan Luetkemeyer | Senior Manager |
| Lupita Martinez | Senior Manager |

Financial Statement Preparation

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