

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

**FINANCIAL STATEMENTS**

**For the Years Ended**  
**June 30, 2018 and 2017**



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## **Introductory Section**

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

<b>INTRODUCTORY SECTION</b>	
Table of Contents	1-2
Official Roster	3
<b>REPORT</b>	
Independent Auditors' Report	5-7
Management's Discussion and Analysis	8-15
<b>BASIC FINANCIAL STATEMENTS</b>	
Statements of Net Position	17
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19-20
Notes to Financial Statements	21-43
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of the Net Pension Liability	45-46
Schedule of Pension Contributions	47-48
Schedule of Employer's Proportionate Share of the Net OPEB Liability of New Mexico Retiree Health Care Act Plan	49
Schedule of Employer Contributions	50
Notes to Required Supplementary Information	51
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Pledged Collateral	53
Schedule of Deposit Accounts and Investments	54
Schedule of Joint Powers Agreements	55-56
<b>COMPLIANCE SECTION</b>	
Report of Independent Auditors on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
Schedule Findings and Responses	61-62



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

**COMPLIANCE SECTION (Continued)**

Schedule of Prior Year Findings and Responses	63
Other Disclosures	64

**South Central Solid Waste Authority  
(A Component Unit of the City of Las Cruces)  
Official Roster  
June 30, 2018**

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

## Report

## **INDEPENDENT AUDITORS' REPORT**

Wayne Johnson  
New Mexico State Auditor  
To the Board of Directors  
South Central Solid Waste Authority  
Las Cruces, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the South Central Solid Waste Authority ("SCSWA") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the South Central Solid Waste Authority as of June 30, 2018, and the changes in financial position, cash flows, where applicable, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter- Reporting Entity**

As described in Note 1, the financial statements of the SCSWA, the Authority adopted Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which resulted in a cumulative effect of change in accounting principle of (\$2,928,752) to the June 30, 2017 net position for business-type activities. Our opinions are not modified with respect to this matter.

## **Prior Period Financial Statements**

The financial statements of SCSWA as of June 30, 2017, were audited by other auditors whose report dated November 22, 2017, expressed an unmodified opinion.

## **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 8 through 15, the GASB Supplementary Pension Schedules on pages 45 through 48, and the GASB Supplementary OPEB Schedules on pages 49 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SCSWA's basic financial statements. The introductory section, , the Schedule of Pledged Collaterals, the Schedule of Deposit Accounts and Investments; and the Schedule of Joint Powers Agreements within the Supporting Schedules section required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Pledged Collateral, the Schedule of Deposit Accounts and Investments; and the Schedule of Joint Powers Agreements within the Supporting Schedules section in the table of contents are the

responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 Collateral Pledged by Depository for Public Funds, the Schedule of Deposit Accounts and Investments; and the Schedule of Joint Powers Agreements within the Supporting Schedules section are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The introductory section 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 December 3, 2018, on our consideration of SCSWA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SCSWA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCSWA's internal control over financial reporting and compliance.

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

Carr, Riggs & Ingram, LLC  
Albuquerque, NM  
December 3, 2018

**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, 2018**

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, 2018 and 2017. 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, 2018**

**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 2018, net position decreased to \$6,399,154 from \$9,922,237 in fiscal year 2017. The significant decrease is due to the OPEB restatement. Table 1 summarizes the assets, liabilities, and net position of SCSWA.

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

	2018	2017
<b>Assets</b>		
Current and other assets	\$ 4,176,759	\$ 4,102,422
Capital and other assets	12,569,131	12,009,587
<b>Total assets</b>	<b>16,745,890</b>	<b>16,112,009</b>
Deferred outflows related to pensions & OPEB	1,327,547	2,269,564
<b>Total assets and deferred outflows of resources</b>	<b>\$ 18,073,437</b>	<b>\$ 18,381,573</b>
<b>Liabilities</b>		
Current liabilities	\$ 868,608	\$ 666,348
Noncurrent liabilities	3,579,424	3,248,704
Net liability related to other postemployment benefits	2,509,440	
Net pension liability	3,575,873	4,466,252
<b>Total liabilities</b>	<b>10,533,345</b>	<b>8,381,304</b>
Deferred inflows of resources related to pensions & OPEB	1,140,938	78,182
<b>Total liabilities and deferred inflows of resources</b>	<b>11,674,283</b>	<b>8,459,486</b>
<b>Net Position</b>		
Net investment in capital assets	8,631,590	8,446,284
Restricted	-	-
Unrestricted	(2,232,436)	1,475,803
<b>Total net position</b>	<b>6,399,154</b>	<b>9,922,087</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 18,073,437</b>	<b>\$ 18,381,573</b>

**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, 2018**

*Changes in Net Position*—Total operating revenues for the year ended June 30, 2018, were \$10,994,274 compared with operating expenses of \$11,521,859.

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, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating revenues</b>		
Charges for services	\$ 10,773,789	\$ 10,313,931
Rental Income	3,000	-
Other revenues	205,982	195,523
<b>Total operating revenues</b>	<b>10,982,771</b>	<b>10,509,454</b>
<b>Operating expenses</b>	<b>11,521,859</b>	<b>10,036,798</b>
<b>Operating income (loss)</b>	<b>(539,088)</b>	<b>472,656</b>
<b>Nonoperating revenues (expenses)</b>		
Gain / (Loss) on disposition of assets	(8,633)	(13,932)
Investment income	2,634	(13,531)
Grants and contributions	6,219	-
Interest expense	(55,463)	(46,920)
<b>Total nonoperating revenue (expenses)</b>	<b>(55,243)</b>	<b>(74,383)</b>
<b>Change in net position</b>	<b>(594,331)</b>	<b>398,273</b>
<b>Net position, beginning of year, as originally reported</b>	<b>9,922,237</b>	<b>9,523,964</b>
Net position- restatement ( Note 13)	(2,928,752)	-
<b>Net position, beginning of year, as restated</b>	<b>6,993,485</b>	<b>9,523,964</b>
<b>Net position, end of year</b>	<b>\$ 6,399,154</b>	<b>\$ 9,922,237</b>

In 2018, revenues from operations increased by approximately \$473,317 from 2017 revenues. The increase is due to customer price increases in Sunland Park, New Mexico and the Chaparral Transfer Station was fully operational in FY18.

**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, 2018**

Operating expenses increased by \$1,485,061 over fiscal year 2017. The increases are attributed to the Chaparral Transfer Station operations, the Friedman Recycling fees, additional capital leases and depreciation expenses, Sunland Park Impact fees, and hiring a new Fleet Manager.

*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, 2018.

**Table 3**  
**Budgetary Comparison**  
**For the Year Ended June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>	<u>Percent Variance</u>
	<u>Original</u>	<u>Final</u>			
<b>Revenues</b>					
Charges for services	\$ 10,776,259	\$ 10,826,259	\$ 10,773,789	\$ (52,470)	0%
Other	205,000	279,000	208,982	(70,018)	-25%
Total Revenue	10,981,259	11,105,259	10,982,771	(122,488)	-1%
<b>Expenses</b>					
Operating expenses	10,926,472	11,942,099	11,521,859	420,240	4%
Revenues over (under) expenditures	54,787	(836,840)	(539,088)	(297,752)	36%
<b>Nonoperating Revenues (Expenses)</b>					
Gain on disposition of assets	-	-	(8,633)	(8,633)	-100%
Investment income (loss)	-	-	2,634	2,634	100%
Payment in lieu	(182,006)	(182,006)	(55,463)	(126,543)	70%
Grants - State	-	6,219	6,219	-	0%
Change in net position	\$ (127,219)	\$ (1,012,627)	\$ (594,331)	\$ (430,294)	42%

**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, 2018**

The difference between the original and final budget are due to increase in Building Improvements-due to completion of the Chaparral Transfer Station; Rolling Equipment due to the new Lease Crawler Dozer, as well as equipment repairs for the compactor/equipment repairs; Payroll for Temporary Services in all funds due to Chaparral Transfer Station and increase in services for Sunland Park; Engineering.

**Long-Term Debt**

At the end of fiscal year 2018, SCSWA had total long-term debt outstanding of \$1,254,170 in bonds. In 2018, this consisted solely of 2014 SCSWA Environmental Services Gross Receipts Tax/Project Revenue Refunding Bonds. Decreases to long-term liabilities resulted from bond principal payments of \$140,000 and \$140,000 in 2018, and 2017, respectively. Additional information on SCSWA's long-term debt can be found in Note 4.

**Capital Assets**

As of June 30, 2018, the Authority's capital assets totaled \$10,419,384 net of accumulated depreciation of \$18,541,762. Table 4 provides details of the capital assets and related depreciation.

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

	2018	2017
Buildings	\$ 6,696,298	\$ 6,366,646
Equipment	12,278,359	11,086,386
Infrastructure	1,056,988	1,056,988
Landfill cell/site	7,413,352	7,413,352
Total depreciable assets	27,444,997	25,923,372
Accumulated depreciation	(18,541,762)	(17,509,082)
Total depreciable assets, net	8,903,235	8,414,290
Land and construction in progress	1,516,151	1,516,151
Capital assets, net	\$ 10,419,386	\$ 9,930,441

During 2018, the Authority purchased \$746,168 of equipment, rolling stock and heavy equipment, and building improvements increased by \$230, 926 dues to completion of the Chaparral Station.

**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, 2018**

**Economic Outlook**

The 2018 economic outlook of the City of Las Cruces shows mild economic improvements with low, steady growth anticipated in the near future.

*Goods & Services Production*

The Bureau of Economic Analysis (BEA) reports that Gross Metropolitan Product (GMP), which is the value of all goods and services produced within Las Cruces metropolitan statistical area (MSA) grew by only 0.07 percent from 2015 to 2016. This has been the trend in recent years and is expected to continue in the next fiscal year.

*Labor Market*

The seasonally-adjusted preliminary unemployment rate figures for the City of Las Cruces in February 2018 was 4.9%, which is below the State of New Mexico with a rate of 5.8%, but above the nation at 4.1%. The annual change in the unemployment rate indicates that although the City was not as affected as the State by the Great Recession (December 2007 – June 2009), it is still behind the unemployment rate levels it had prior to the Great Recession. Las Cruces has a large portion of the labor force employed by education, government, and healthcare which creates a certain amount of stability in the unemployment rate.

Enrollment at New Mexico State University is on the decline, but the number of degrees awarded has increased, including the Science, Technology, Engineering, Mathematics, and Health (STEMH) disciplines which comprise about 38% of the Bachelor's Degrees in 2016.

*Income*

The U.S. Census Bureau reports median household income for the City of Las Cruces in 2016 at \$41,215. In comparison, the state of New Mexico has a household income of \$45,674 for 2016. A difference of \$4,459 between the State and the City's median household income. However, even though the City has a smaller median household income than the State, the trend has been positive overall. In 2010 the median household income in the City was \$38,391, which means that median household income has increased \$2,824 in 6 years.

For the City of Las Cruces, about 33% of households earn less than \$24,999 annually. This represents 1 out of every 3 households in the City earn below \$24,999. In comparison to the State, with 29% of households earning below \$24,999, the City has a larger proportion of households earning less annual income. Las Cruces has instituted their own minimum wage above the Federal and State levels that appears to have aided the median wage, but many households remain within \$3.00 per hour of the current minimum wage of \$9.30 per hour. The minimum wage level is anticipated to increase in January of 2019 for Las Cruces pending City Council confirmation in 2018.



**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, 2018**

*Housing Market*

Median listing home prices as reported by Trulia.com and Realtor.com in the City of Las Cruces were \$188,928 and \$186,550 respectively for February 2018. This represents a change from January 2018 of \$1,851 for Trulia.com and -\$950 for Realtor.com, which are mixed signals in the housing market. The Federal Housing Financing Agency (FHFA) report the All-Transactions House Price Indexes, which is an index on the purchase-only data by adding prices from appraisal and sales of homes in a geographic area. Las Cruces faces a lower index than compared to the state of New Mexico as a whole.

*Local Business*

There were 53 new business and 268 businesses renewed permits in February 2018, which are both below their averages for that month from previous years. This continues the recent trend of declining numbers of businesses. As GMP increased slightly, this suggests fewer small businesses (fewer than 20 employees) and that larger businesses (20 or more employees) are capturing more of the market than in prior years.

*Technology & Innovation*

The number of utility patents assigned by inventors from City of Las Cruces in February 2018 was 4. Once adjusted for population, the City of Las Cruces produces more patents per person than El Paso, but is still behind Albuquerque or Santa Fe. The annual technology production as a percentage of 2016 GMP for Las Cruces MSA is close to 1% of the total GMP. In comparison El Paso, MSA has 4.2% of its GMP from technology, whereas New Mexico has about 5% of its gross product coming from industries in technology.

*Tourism*

The Average Daily Rate (ADR) is a measure of the room income per month divided by the room nights rented per month. The annual average for 2017 of the ADR is \$82.67 (excluding December). Since January 2016, the average daily rate per room has been increasing. Occupancy rates have remained relatively steady overall at just below 50% for most months, but the most recent months with data (September, October, and November 2017) have occupancy rates higher than the average for Las Cruces from 2011-2017 for those months.

*Concluding Thoughts*

Since the Great Recession, the United States has undergone a long, slow growth. This has been true for Las Cruces as well, although the growth is lower than the US as a whole or even the state of NM. The stability of the Las Cruces economy reduces the impact of economic downturns and allows for a mildly positive expectation of the future, but does not portend any high growth spurts without significant changes to the structure of the Las Cruces economy.

**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, 2018**

**AUTHORS:**

FRANCISCO PALLARES, ECONOMIST

CHRIS KIOLBASA, INTERIM SR. BUDGET ANALYST

Source: United States Patent and Trademark Office

Source: City of Las Cruces and Jobs EQ

Source: City of Las Cruces Economic Development Department

Source: US Bureau of Economic Analysis

Source: US Bureau of Labor Statistics

Source: US Census Bureau ACS 5 Year Estimates

Source: NMSU Office of Institutional Analysis

Source: US Federal Housing Finance Authority

Source: Zillow.com, Trulia.com, Realtor.com

Source: City of Las Cruces Community Development Department

**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**

<b>June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Pooled cash and investments	\$ 3,530,266	\$ 3,719,609
Accounts receivable, net of allowance	646,493	382,963
Total current assets	4,176,759	4,102,572
Noncurrent assets		
Restricted cash and investments	2,149,747	2,079,146
Capital assets, net	10,419,384	9,930,441
Total noncurrent assets	12,569,131	12,009,587
Total assets	16,745,890	16,112,159
<b>Deferred outflows of resources</b>		
Deferred charges related to other postemployment benefits	48,230	-
Deferred charges related to pensions	1,279,317	2,269,564
Total deferred outflows of resources	1,327,547	2,269,564
Total assets and deferred outflows of resources	\$ 18,073,437	\$ 18,381,723
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 456,255	\$ 367,394
Accrued liabilities	65,894	79,975
Current portion of long-term liabilities	346,459	218,979
Total current liabilities	868,608	666,348
Noncurrent of long-term liabilities		
Net liability related to other postemployment benefits	3,579,424	3,248,704
Net pension liability	2,509,440	-
Net pension liability	3,575,873	4,466,252
Total liabilities	10,533,345	8,381,304
<b>Deferred inflows of resources</b>		
Deferred inflows related to other postemployment benefits	571,143	-
Deferred inflows related to pensions	569,795	78,182
Total deferred inflows of resources	1,140,938	78,182
Total liabilities and deferred inflows of resources	11,674,283	8,459,486
<b>Net Position</b>		
Net investment in capital assets	8,631,590	8,446,284
Unrestricted	(2,232,436)	1,475,953
Total net position	6,399,154	9,922,237
Total liabilities, deferred inflows of resources, and net position	\$ 18,073,437	\$ 18,381,723

*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**

<b>For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenues</b>		
Charges for services	\$ 10,773,789	\$ 10,313,931
Rental income	3,000	-
Other revenue	205,982	195,523
<b>Total operating revenues</b>	<b>10,982,771</b>	<b>10,509,454</b>
<b>Operating Expenses</b>		
Personnel	4,408,924	3,675,451
Professional services	3,004,666	2,607,925
Repairs and maintenance	1,245,489	1,331,437
Landfill closure/post closure	24,331	11,175
Administrative charges	87,550	85,000
Insurance	327,079	310,997
Fuel	644,694	469,829
Utilities	100,713	83,980
Rent	58,528	76,198
Supplies	375,673	239,883
Depreciation	1,066,607	980,466
Other	177,605	164,457
<b>Total operating expenses</b>	<b>11,521,859</b>	<b>10,036,798</b>
<b>Operating income (loss)</b>	<b>(539,088)</b>	<b>472,656</b>
<b>Nonoperating Revenues (Expenses)</b>		
Loss on disposition of assets	(8,633)	(13,932)
Investment income (loss)	2,634	(13,531)
Interest expense	(55,463)	(46,920)
Grants - State	6,219	-
<b>Total nonoperating revenue (expense)</b>	<b>(55,243)</b>	<b>(74,383)</b>
<b>Change in net position</b>	<b>(594,331)</b>	<b>398,273</b>
<b>Net position, beginning of year, as originally reported</b>	<b>9,922,237</b>	<b>9,523,964</b>
<b>Net Position - restatement (Note 13)</b>	<b>(2,928,752)</b>	<b>-</b>
<b>Net position, beginning of year, as restated</b>	<b>6,993,485</b>	<b>9,523,964</b>
<b>Net position, end of year</b>	<b>\$ 6,399,154</b>	<b>\$ 9,922,237</b>

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

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

<b>For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Cash received from customers	\$ 10,771,304	\$ 10,721,703
Cash paid to suppliers	(5,971,549)	(5,437,834)
Cash paid to employees	(3,765,905)	(3,212,493)
Net cash provided by operating activities	<b>1,033,850</b>	2,071,376
<b>Cash flows from noncapital financing activities</b>		
Grants - State	6,219	-
Net cash provided by noncapital financing activities	<b>6,219</b>	-
<b>Cash flows from capital and related financing activities</b>		
Proceeds from disposals of capital assets	(8,633)	70,844
Purchases of capital assets	(954,749)	(1,759,464)
Principal paid on long-term debt	(142,599)	(189,618)
Interest paid on long-term debt	(55,463)	(46,920)
Net cash used by capital and related financing activities	<b>(1,161,444)</b>	(1,925,158)
<b>Cash flows from investing activities</b>		
Interest income (loss) on investments	2,634	(13,531)
Net cash provided by investing activities	<b>2,634</b>	(13,531)
Net (decrease) increase in pooled cash and investments	<b>(118,741)</b>	132,687
<b>Cash and investments, beginning of year</b>	<b>5,798,755</b>	5,666,068
<b>Cash and investments, end of year</b>	<b>\$ 5,680,013</b>	<b>\$ 5,798,755</b>

*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**

<b>For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ (539,088)	\$ 472,656
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	1,066,607	980,466
Accounts receivable	(263,530)	212,249
Deferred Outflows of resources related to pensions	942,017	(2,105,071)
Accounts payable	88,861	(168,599)
Accrued liabilities	(14,081)	(12,930)
Landfill closure estimate	-	124,434
Net Pension Liability	(1,361,754)	2,519,362
Deferred inflows of resources related to pensions	1,062,756	48,809
Total adjustments	1,520,876	1,598,720
Net cash provided by operating activities	\$ 981,788	\$ 2,071,376
Cash and cash equivalents consist of		
Pooled cash and investments	\$ 3,530,266	\$ 3,719,609
Restricted cash and investments	2,149,747	2,079,146
Total cash and cash equivalents	\$ 5,680,013	\$ 5,798,755

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

South Central Solid Waste Authority (SCSWA) was established by a joint powers agreement between the City of Las Cruces (the “City”) and Dona Ana County (the “County”) on December 13, 1994. The Authority provides collection and burial of community solid waste from the City and County. SCSWA is a component unit of the City of Las Cruces and is funded primarily by revenues generated from landfill operations.

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

Proprietary Fund Accounting

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

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

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

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 \$1,983,257. 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. The legal level of budgetary control is at the fund level. If a fund is not overspent, it is in compliance with state law. The budget may be amended by SCSWA’s board of directors; however, State of New Mexico, Department of Finance and Administration approval must be obtained for budget increases and budget transfers between funds. SCSWA budgets at the fund level



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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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, 2018, the cumulative usage of the facility was approximately 89.86%. During the year ended June 30, 2016, SCSWA had a change in accounting estimate for depreciation of its capital assets (see Note 4).

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 FY17, SCSWA changed its estimate relating to its accrued closure and post closure care costs. See Note 5.

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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Other Postemployment Benefits (OPEB)

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

Net Position

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

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

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

Use of Estimates

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

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. 83: *Certain Asset Retirement Obligations*
- ◆ Statement No. 84: *Fiduciary Activities*
- ◆ Statement No. 87: *Leases*
- ◆ Statement No. 88: *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*
- ◆ Statement No. 89: *Accounting for Interest Cost Incurred before the End of a Construction Period*
- ◆ Statement No. 90: *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*

**NOTE 2: CASH AND CASH EQUIVALENTS**

SCSWA participates in a pool of cash and investments maintained by the Treasurer of the City of Las Cruces. SCSWA's share of the City of Las Cruces cash and investment pool is immediately available for spending and is therefore considered a cash equivalent.

Cash and cash equivalents consist of the following at June 30, 2018 and 2017

	2018	2017
Cash and investments - current	\$ 3,530,266	\$ 3,719,609
Restricted cash and investments - noncurrent	2,149,747	2,079,146
Total cash and cash equivalents	\$ 5,680,013	\$ 5,798,755

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

	2018	2017
Carrying amount of bank deposits	\$ 13,683,280	\$ (736,459)
Investments at fair value	140,941,241	142,922,868
Accrued interest	645,271	671,325
Total cash and cash equivalents	\$ 155,269,792	\$ 142,857,734

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

**NOTE 2: CASH AND CASH EQUIVALENTS-(Continued)**

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, 2018, the City’s deposits, totaling 64,596,307 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.

In 2017, the City’s deposits totaling \$73,503,732 were insured by FDIC or collateralized by securities held in trust by a third party for the depository bank in the City’s name and thus were not exposed to credit risk.

Investments

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

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

Investment Type	Fair Value	Weighted Avg Maturity (Yrs)
Overnight repurchase agreement	10,376,615	
U.S. agency coupon bonds	126,581,306	12.81
U.S. treasury bills	3,983,320	0.22
Total Pooled Investments	<u>140,941,241</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 \$108,540,495 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, 2018, 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**

**NOTE 2: CASH AND CASH EQUIVALENTS (Continued)**

*Custodial Credit Risk.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2018, 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, 2018, 35% of the City's investment pool was in Fannie Mae (FNMA), 31% was in Federal Home Loan Mortgage Corporation (FHLMC), 24% in Federal Home Loan Bank (FHLB), 7% was in Federal Farm Credit Bank (FFCB) and 3% was in U.S. Treasuries.

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

The City has the following recurring fair value measurements as of June 30, 2018:

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

The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Fair Value	Weighted Avg Maturity (Yrs)
Stagecoach Seep Repo	\$ 16,674,840	
U.S. Agency Coupon Bonds	124,250,088	13.31
U.S. Treasury Securities	1,997,940	0.53
Total Pooled Investments	<u>\$ 142,922,868</u>	

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

**NOTE 3: RECEIVABLES**

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

	<b>Balance</b>	<b>Balance</b>
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Customer receivables	\$ 565,309	\$ 343,166
Due from other governments	82,025	22,277
Other	79,721	66,558
<b>Total accounts receivable</b>	<b>727,055</b>	<b>432,001</b>
Less: allowance for doubtful accou	(80,562)	(49,038)
<b>Accounts receivable, net</b>	<b>\$ 646,493</b>	<b>\$ 382,963</b>

**NOTE 4: CAPITAL ASSETS**

During the year ended June 30, 2018, the City reclassified its beginning number in capital assets for a capital lease not accounted for in the prior year. Changes in capital assets for the year ended June 30, 2018, are as follows:

	<b>Balance</b>				<b>Balance</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Dispositions</b>	<b>Transfer</b>	<b>June 30, 2018</b>
	<b>as Reclassified</b>				
<b>Capital assets not being depreciated</b>					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site	708,875	-	-	-	708,875
Intangible assets	-	-	-	-	-
<b>Total</b>	<b>1,516,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,516,151</b>
<b>Capital assets being depreciated</b>					
Buildings	6,366,646	230,925	-	98,726	6,696,297
Equipment	11,687,186	746,168	(56,269)	(98,726)	12,278,359
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,413,352	-	-	-	7,413,352
<b>Total</b>	<b>26,524,172</b>	<b>977,093</b>	<b>(56,269)</b>	<b>-</b>	<b>27,444,996</b>
<b>Less accumulated depreciation</b>					
Buildings	2,712,765	138,476	-	91,534	2,942,775
Equipment	7,970,737	861,125	(33,926)	(91,534)	8,706,402
Infrastructure	855,200	10,089	-	-	865,289
Landfill cell/site	5,970,380	56,917	-	-	6,027,297
<b>Total accumulated depreciation</b>	<b>17,509,082</b>	<b>1,066,607</b>	<b>(33,926)</b>	<b>-</b>	<b>18,541,763</b>
<b>Total capital assets, net</b>	<b>\$ 10,531,241</b>	<b>\$ (89,514)</b>	<b>\$ (22,343)</b>	<b>\$ -</b>	<b>\$ 10,419,384</b>

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

**NOTE 4: CAPITAL ASSETS (Continued)**

SCSWA depreciation expenses was \$1,066,607 for the year ended June 30, 2018, the substantial increase is due to two recent executed capital leases.

There was a \$230,926 increase to building improvements due to the completion of the Chaparral Transfer Station, in addition to a \$98,726., reclass entry to buildings. During 2018, the Authority purchased \$746,168 of equipment, rolling stock and heavy equipment.

Changes in capital assets for the year ended June 30, 2017, are as follows:

	Balance June 30, 2016	Additions	Dispositions	Transfer	Balance June 30, 2017
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	708,875	-	-	-	708,875
Construction in progress	196,826	995,249	-	(1,192,075)	-
<b>Total</b>	<b>1,712,977</b>	<b>995,249</b>	<b>-</b>	<b>(1,192,075)</b>	<b>1,516,151</b>
Capital assets being depreciated					
Buildings	5,142,099	32,472	-	1,192,075	6,366,646
Equipment	10,979,318	731,743	(624,675)	-	11,086,386
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,413,352	-	-	-	7,413,352
<b>Total</b>	<b>24,591,757</b>	<b>764,215</b>	<b>(624,675)</b>	<b>1,192,075</b>	<b>25,923,372</b>
Less accumulated depreciation					
Buildings	2,606,267	106,498	-	-	2,712,765
Equipment	7,703,674	806,962	(539,899)	-	7,970,737
Infrastructure	845,110	10,090	-	-	855,200
Landfill cell/site	5,913,464	56,916	-	-	5,970,380
<b>Total accumulated depreciation</b>	<b>17,068,515</b>	<b>980,466</b>	<b>(539,899)</b>	<b>-</b>	<b>17,509,082</b>
<b>Total capital assets, net</b>	<b>\$ 9,236,219</b>	<b>\$ 778,998</b>	<b>\$ (84,776)</b>	<b>\$ -</b>	<b>\$ 9,930,441</b>

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

**NOTE 5: LONG-TERM LIABILITIES**

Changes in long-term liabilities for the year ended June 30, 2018, are as follows, including a restatement of capital leases not properly reported in the prior year:

	<b>Balance June 30, 2017 as Restated</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2018</b>	<b>Amount Due Within One Year</b>
Long-term debt					
Due to City of Las Cruces	\$ 1,394,170	\$ -	\$ 140,000	\$ 1,254,170	\$ 145,000
Other noncurrent liabilities					
Estimated landfill closure/ postclosure liability	1,841,775	141,482	-	1,983,257	-
Compensated absences	141,751	15,076	1,996	154,831	30,996
Capital lease	690,787	-	157,161	533,626	170,463
	<b>\$ 4,068,483</b>	<b>\$ 156,558</b>	<b>\$ 299,157</b>	<b>\$ 3,925,884</b>	<b>\$ 346,459</b>

Changes in long-term liabilities for the year ended June 30, 2017, are as follows:

	<b>Balance June 30, 2016</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balances June 30, 2017</b>	<b>Amount Due Within One Year</b>
Long-term debt					
Due to City of Las Cruces	\$ 1,534,170	\$ -	\$ 140,000	\$ 1,394,170	\$ 140,000
Other noncurrent liabilities					
Estimated landfill closure/ postclosure liability	1,717,341	124,434	-	1,841,775	-
Compensated absences	141,893	-	143	141,750	28,350
Capital lease	139,605	-	49,617	89,988	50,629
	<b>\$ 3,533,009</b>	<b>\$ 124,434</b>	<b>\$ 189,760</b>	<b>\$ 3,467,683</b>	<b>\$ 218,979</b>



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

**NOTE 5: LONG-TERM LIABILITIES (Continued)**

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

	<b>Due to City of Las Cruces</b>	
<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>
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
2024-2028	514,170	80,256
	\$ 1,254,170	\$ 257,340
Balance due	\$	1,254,170
Required reserve being used for last year's 1/12 of fiscal year 2018 with CLC		278,000 42,830
Amount of DS liability by CLC		(1,575,000)
Difference	\$	-

Due to City of Las Cruces

On June 20, 2014, the City borrowed \$2,780,000 from the New Mexico Finance Authority to refund the 2004 SCSWA Environmental Gross Receipts tax bonds, finance various facilities projects, and pay the costs of issuance. The proceeds for the advance refunding was deposited in an irrevocable trust and the associated debt was defeased. The interest rate on the new note is 1.08% with a final maturity of June 1, 2028. The bond issue is secondarily secured by the environmental gross receipts tax of the City which totaled \$1.8 million in 2018.

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

**NOTE 5: LONG-TERM LIABILITIES (Continued)**

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 \$1,983,257 reported as SCSWA's landfill closure and post-closure liability at June 30, 2018, is based on the use of the estimated capacity of the open cells at the regional landfill as well as estimates of environmental remediation for the transfer station located at 12865 West Amador Avenue. The \$1,983,257 held in a restrict cash reserve for landfill closure and post-closure liability at June 30th, 2018 represent the total liability expense for the 52 acres utilized for waste disposal and the transfer station. In 2014, 10 acres were closed and are no longer available for waste acceptance. Currently there is a total of 390 acres available which has an estimated life of 89.6 years. Of the total cells, design has been completed for the eastern 200 acres and 190 acres have been utilized for disposal.

The \$1,983,257 reported as SCSWA's landfill closure and post-closure liability at June 30, 2018, is based on the Financial Assurance required to be in place for the currently lined area (cells 1-3) is \$2,155,453 along with current year estimates of requirements for the closure of the transfer station. Using the 2018 volumetric and landfill life survey data, the active lined area of cells 1-3 is currently at 89.86% capacity. The current financial assurance required to be currently in place would therefore be \$1,983,257 (92% of \$2.07M) for the landfill plus an additional \$33,325 for the transfer station for a total requirement of \$1,983,257.

Leases

The SCSWA has various lease commitments for real property. The lease commitments are from one to five years, most being for five years. Lease expenses of \$157,161 were incurred for the year ended June 30, 2018. Lease commitments for the future years are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
FY 2019	\$ 183,623
FY 2020	130,184
FY 2021	130,184
FY 2022	130,184
	<u>\$ 574,173</u>

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

**NOTE 6: CURBSIDE RECYCLING PROGRAM**

On March 26, 2018, the Authority's Board of Directors approved Resolution 2018-06 amending the existing contract for processing single stream recycling for a period of one year and to establish a new rate of \$6.50 per household, per month for curbside residential recycling collection and not exceed \$13.20. per year.

**NOTE 7: PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

General Information about the Pension Plan

*Plan description.* According to the Department of Finance and Administration (DFA), compliant with the requirements of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The City, as part of the primary government of the State of New Mexico, is a contributing employer to the cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the CAFR of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of Santa Fe Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tire I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service.

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

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

The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

*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, 2017 available at <http://www.nmpera.org/financial-overview>.

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.

*Contributions.* The contribution requirements of defined benefit plan members and 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 FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 28 through 29 of the PERA FY17 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>

The PERA coverage options that apply to City of Las Cruces are: General Municipal, Police and Fire. Statutorily required contributions to the pension plan from the City of Las Cruces were \$8,137,021 and employer paid member benefits that were "picked up" by the employer were \$3,080,056 for the year ended June 30, 2018. These contributions of the City include its discretely presented component unit and fiduciary funds.

*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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017.

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

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

Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year ended June 30, 2017 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.

For the SCSWA at June 30, 2018, a liability of \$3,575,873 was recorded for its proportionate share of the net pension liability. At June 30, 2018, the SCSWA's proportion was 3.65 percent, which was lower from its proportion measured of June 30, 2017.

For the year ended June 30, 2018, SCSWA recognized pension expense of \$292,053. At June 30, 2018, SCSWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumption	\$ 347,524	\$ 77,875
Differences between expected and actual experience	67,093	443,548
Net difference between projected and actual earnings on investment plans	618,434	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,244	48,372
SCSWA contributions subsequent to the measurement date	229,022	-
	<b>\$ 1,279,317</b>	<b>\$ 569,795</b>

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

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

SCSWA made contributions subsequent to the measurement date June 30, 2017 in the amount of \$229,022. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2019	\$	177,380
2020		177,380
2021		177,380
2022		177,380

*Actuarial assumptions.* The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 Year smoothed Market Value
Actuarial Assumptions:	
· Investment rate of return	7.51% annual rate, net of investment expense
· Projected benefit payment	100 years
· Payroll Growth	2.75% for first 9 years, then 3.25% annual rate
· Projected salary increases	2.75% to 14.00% annual rate
· Includes inflation at	2.25% annual rate first 9 years, 2.75% all other years
· Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
· Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2016 (economic)

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

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

*Long-Term Expected Rate of Return.* The long-term expected rate of return on pension plan investments was determined using a 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
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets to include Real Estate Equity	20.00%	7.35%
Total	100.0%	

*Discount rate:* The discount rate used to measure the total pension liability was 7.75 percent. 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 GASBS 67. Therefore, the 7.51% 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 rates. 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

PERA Fund Division - SCSWA	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Las Cruces' proportionate share of the net pension liability	3,099,725	3,575,873	4,052,021

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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

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

***General Information about the OPEB***

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

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

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

***Employees covered by benefit terms.*** At June 30, 2018, the Fund’s measurement date, the following employees were covered by the benefit terms:

<b>Plan Membership</b>	
Current retirees and surviving spouses	51,208
Inactive and eligible for deferred benefit	11,478
Current active members	97,349
	160,035
<b>Active membership</b>	
State general	19,593
State police and corrections	1,886
Municipal general	21,004
Municipal police	3,820
Municipal FTRE	2,290
Educational Retirement Board	48,756
	97,349



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

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

**Contributions** – Employer and employee contributions to the Fund total 3% for non-enhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee’s salary as required by Section 10-7C-15 NMSA 1978. The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer’s participation in the Fund. Contributions to the Fund from the Agency were \$47,545 for the year ended June 30, 2018.

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

At June 30, 2017, the Agency reported a liability of \$2,509,440 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Agency’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2017. At June 30, 2018, the Agency’s proportion was 0.05538 percent.

For the year ended June 30, 2018, the recognized OPEB expense of \$99,767. At June 30, 2018 the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	\$ 438,744
Net difference between projected and actual earnings on pension plan investments	-	36,100
Agency's contributions subsequent to the measurement date	48,230	-
Difference between expected and actual experience	-	96,299
<b>Total</b>	<b>\$ 48,230</b>	<b>\$ 571,143</b>

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

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

Deferred outflows of resources totaling \$48,230 represent the Agency’s contributions to the Fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:		
2019	\$	(121,429)
2020		(121,429)
2021		(121,429)
2022		(121,429)
2023		(85,427)
<u>Total</u>	<u>\$</u>	<u>(571,143)</u>

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal, level percent of pay, calculated on individual employee basis
Asset valuation method	Market value of assets
Actuarial assumptions:	
Inflation	2.50% for ERB; 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation
Health care cost trend rate	8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

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

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

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

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

<b>Asset Class</b>	<b>Long-Term Rate of Return</b>
U.S. core fixed income	4.1%
U.S. equity - large cap	9.1
Non U.S. - emerging markets	12.2
Non U.S. - developed equities	9.8
Private equity	13.8
Credit and structured finance	7.3
Real estate	6.9
Absolute return	6.1
U.S. equity - small/mid cap	9.1

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

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

**Discount Rate.** The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Agency, as well as what the Agency’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

<b>1% Decrease (2.81%)</b>	<b>Current Discount Rate (3.81%)</b>	<b>1% Increase (4.81%)</b>
\$ 3,043,912	\$ 2,509,440	\$ 2,090,099

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

<b>1% Decrease</b>	<b>Current Trend Rates</b>	<b>1% Increase</b>
\$ 2,134,452	\$ 2,509,440	\$ 2,801,838

**OPEB plan fiduciary net position.** Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2017.

**Payable Changes in the Net OPEB Liability.** At June 30, 2018, the Agency did not have a payable for outstanding contributions due to NMRHCA for the year ended June 30, 2018.

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

**NOTE 9: RISK MANAGEMENT**

SCSWA is exposed to various risks of loss from torts; theft of, damage to, and/or destruction of assets; business interruption; errors and omissions; and natural disasters for which SCSWA carries commercial insurance. 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.

**NOTE 10: CONTINGENT LIABILITIES**

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

**NOTE 11: RELATED-PARTY TRANSACTIONS**

In 2018, the City of Las Cruces and Dona Ana County paid approximately \$2.8 million and \$982,898, respectively, to SCSWA for services. In 2017, the City of Las Cruces and Dona Ana County paid approximately \$2.7 million and \$599,378 respectively, to SCSWA for services.

In 2018, SCSWA paid the City of Las Cruces \$87,550 for fiscal agent services, and \$85,000 in 2017.

**NOTE 12: 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 2018, the charge for recycling for City residents was \$2,374,028.

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 \$982,898 per year for this service. In 2018, 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**

**NOTE 13: RESTATEMENT OF PRIOR PERIOD NET POSITION**

During the year ended June 30, 2018, SCSWA implemented GASB Statement No. 75. In addition, SCSWA did not properly record the utility billing receivable in the prior year, therefore beginning net position/fund balance was restated as follows:

		<b>South Central Solid Waste</b>
Net position, beginning of year, as originally reported	\$	9,922,237
Billing receivable restatement		52,063
GASB 75 Other postemployment benefits		(2,980,815)
Net position, beginning of year, as restated	\$	6,993,485

**NOTE 14: SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 3, 2018, which is the date on which the financial statements were issued.

The SCSWA NMFA Loan for the 826K Compactor for the Corralito's landfill has been approved by governing board; pending receipt of funds of approximately \$900,000. In addition, SCSWA has begun the process for the NMFA Loan for the AmFab Compactor for the Amador transfer station.

## **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		
	2018	2017	2016
SCSWA's proportion of the net pension liability	3.65%	8.74%	2.01%
SCSWA's proportionate share of the net pension liability	\$ 3,575,873	\$ 4,466,252	\$ 1,946,890
SCSWA's covered-employee payroll	2,398,285	2,059,821	1,941,108
SCSWA's proportionate share of the net pension liability as a percentage of its covered employees payroll	149.10%	216.83%	100.30%

\*The amounts presented were determined as of June 30, 2018. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the South Central Solid Waste Authority will present information for those years for which information is available. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30 of the previous year.

*See notes to required supplementary information.*



Fiscal Year	
2015	2014
3.66%	Information not available
\$ 1,223,363	
1,949,389	
62.76%	

*See notes to required supplementary information.*

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

	Fiscal Year		
	2018	2017	2016
Statutorily required contribution	\$ 229,022	\$ 198,337	\$ 157,248
SCSWA's contributions in relation to the statutorily required contribution	229,022	198,337	157,248
SCSWA's contribution deficiency (excess)	-	-	-
SCSWA's covered-employee payroll	\$ 2,398,285	\$ 2,059,821	\$ 1,941,108
SCSWA's contribution as a percentage of covered-employee payroll	9.55%	9.63%	8.10%

\*The amounts presented were determined as of June 30, 2018. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the South Central Solid Waste Authority will present information for those years for which information is available.

*See notes to required supplementary information.*

<b>Fiscal Year</b>	
<b>2015</b>	<b>2014</b>
\$ 322,322	\$ 206,006
322,322	206,006
-	-
\$ 1,949,389	\$ 1,749,962
16.53%	11.77%

*See notes to required supplementary information.*

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

	<b>2018 Measurement Date (As of and for the Year Ended June 30, 2017)</b>
SCSWA's proportion of the net OPEB liability	0.05538%
SCSWA's proportionate share of the net OPEB liability	\$ 2,509,440
SCSWA's covered-employee payroll	\$ 2,400,597
SCSWA's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	104.53%
Plan fiduciary net position as a percentage of the total OPEB liability	11.34%

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

*See notes to required supplementary information.*

**South Central Solid Waste Authority  
(A Component Unit of the City of Las Cruces)  
Schedule of Employer Contributions  
New Mexico Retiree Health Care Authority (NMRHCA) Plan  
Last 10 Fiscal Years\***

	<b>As of and for the Year Ended June 30, 2018</b>
Contractually required contributions	\$ 48,230
Contributions in relation to the contractually required contribution	(48,230)
Contribution deficiency (excess)	\$ -
City of Las Cruces' covered-employee payroll	\$ 2,400,597
Contributions as a percentage of covered-employee payroll	2.00%

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

*See notes to required supplementary information.*

**South Central Solid Waste Authority  
(A Component Unit of the City of Las Cruces)  
Notes to Required Supplementary Information  
June 30, 2018**

**PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)**

**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 FY17 audit available at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2017.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2017.pdf)

**Changes of assumptions** The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2017-PERA-Valuation-Report-FINAL.pdf>.

The summary of Key Findings for the PERA Fund (on page 2 of the report).

**NEW MEXICO RETIREE HEALTH CARE AUTHORITY (NMRHCA) PLAN**

**Changes of benefit terms.** The NMRHCA eligibility benefits changes in recent years are described in Note 1 of the NMRHC FY17 audit available at [http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM\\_RHCA\\_Audited\\_FS\\_6.3\\_0.17.pdf](http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NM_RHCA_Audited_FS_6.3_0.17.pdf).

**Changes of assumptions.** The New Mexico Retiree Healthcare Authority (NMRHCA) Actuarial Valuation as of June 30, 2017 report is available at [http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA\\_5507316\\_Final\\_per\\_Auditor\\_update\\_Final\\_Report\\_11.21.17.pdf](http://nmrhca.org/uploads/FileLinks/5fccea70107e4b9fa9b1a47723691d2a/NMRHCA_5507316_Final_per_Auditor_update_Final_Report_11.21.17.pdf). See the notes to the financial statements beginning on page 24 which summarizes actuarial assumptions and methods effective with the June 30, 2017 valuation.

## Supplementary Information

**South Central Solid Waste Authority  
(A Component Unit of the City of Las Cruces)  
Schedule of Pledged Collateral  
June 30, 2018**

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

**DEPOSITS**

Institution/Security	CUSIP #	Maturity Date	Safe Keeping Location	Market Value
<b>Wells Fargo Bank, NA</b>			BNY Mellon	
FMAC FGPC 3.500% 07/01/2045	3128MJWQ9	7/01/2045		\$ 128,757
FNMA FNMS 3.500% 09/01/47	31418CPE8	9/01/2047		70,776,646
				<b>\$ 70,905,403</b>

**Summary of Collateralization**

<b>Wells Fargo Bank</b>		
Ending bank balance		\$ 64,596,307
Less: FDIC insurance		(500,000)
<b>Total uninsured public funds</b>		<b>\$ 64,096,307</b>
Pledged collateral held by the pledging bank's trust department in the City's name		
		\$ 70,905,403
100% collateral requirement		64,096,307
Pledged collateral in excess of requirement		\$ 6,809,096
Uninsured and uncollateralized		\$ -



**South Central Solid Waste Authority**  
**(A Component Unit of the City of Las Cruces)**  
**Schedule of Deposit Accounts and Investments**  
**June 30, 2018**

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	Other Cash & Investments	Total Reconciled Balance	On Deposit 6/30/2018
<b>DEPOSIT ACCOUNTS</b>					
<i>Wells Fargo Bank</i>					
Community Development	Checking	\$ -	\$ -	\$ -	\$ 244,991
Community Development Home Rehab	Checking	-	-	-	61,098
Community Development Home Program	Checking	-	-	-	6,221
Metro Narcotics Agency	Savings	-	-	-	95,674
2006 Water Projects	Savings	131,034	-	131,034	131,034
Revenue Bonds Proceeds	Savings	-	-	-	48,954,817
Treasury Fund - Operating	Checking	15,088,030	-	15,088,030	15,082,563
Payroll Direct Deposit Account	Checking	(442,559)	-	(442,559)	-
Accounts Payable	Checking	(1,292,910)	-	(1,292,910)	-
On Demand	Checking	4,277	-	4,277	19,910
Depository	Checking	116,024	-	116,024	-
Credit Card	Checking	24,466	-	24,466	-
Electronic	Checking	54,917	-	54,917	-
<b>TOTAL DEPOSIT ACCOUNTS</b>		<b>\$ 13,683,279</b>	<b>\$ -</b>	<b>\$ 13,683,279</b>	<b>\$ 64,596,308</b>
<b>INVESTMENTS</b>					
<i>Wells Fargo Bank</i>					
Stagecoach Sweep Repo	Sweep	\$ 10,376,615	\$ -	\$ 10,376,615	
<i>First Tennessee</i>					
FFCB 1.45 6/3/2019	Investment	1,982,480	-	1,982,480	
FFCB 2.24 11/10/2027-16	Investment	4,593,100	-	4,593,100	
FFCB 2.24 7/6/2027-17	Investment	2,758,350	-	2,758,350	
FHLB 0 11/30/2018	Investment	3,965,960	-	3,965,960	
FHLB 2.2 10/13/2026-17	Investment	922	-	922	
FHLB 2.35 12/27/2024-16	Investment	775,399	-	775,399	
FHLB Step 5/9/2031-16	Investment	7,060,050	-	7,060,050	
FHLB Step 9/15/2027-18	Investment	9,694,500	-	9,694,500	
FHLMC Step 2/23/2031-16	Investment	10,162,900	-	10,162,900	
FHLMC Step 4/20/2032-17	Investment	4,817,150	-	4,817,150	
FHLMC Step 5/23/2031-16	Investment	16,848,135	-	16,848,135	
FHLMC Step 5/23/2031-16	Investment	11,359,080	-	11,359,080	
FNMA Step 2/10/2031-17	Investment	3,909,320	-	3,909,320	
FNMA Step 2/20/2031-17	Investment	\$ 7,678,400	\$ -	7,678,400	
FNMA Step 2/24/2031-17	Investment	7,806,000	-	7,806,000	
FNMA Step 3/10/2031-17	Investment	14,138,080	-	14,138,080	
FNMA Step 4/7/2031-17	Investment	15,066,880	-	15,066,880	
T-Bill 0 9/20/2018	Investment	3,983,320	-	3,983,320	
<i>Stifel Nicolaus</i>					
FHLB 1.375 5/28/2019	Investment	3,964,600	-	3,964,600	
<b>TOTAL INVESTMENTS</b>		<b>140,941,241</b>	<b>-</b>	<b>140,941,241</b>	
<b>TOTAL DEPOSITS AND INVESTMENTS</b>		<b>154,624,520</b>	<b>-</b>	<b>154,624,520</b>	
<i>Other Cash:</i>					
Petty Cash & Change Funds	Cash	-	1,550	1,550	
<i>Accrued Interest Receivable</i>					
Accrued Interest - Pooled Investments	Accrued Int	645,271	-	645,271	
<b>TOTAL CASH AND INVESTMENTS</b>		<b>\$ 155,269,791</b>	<b>\$ 1,550</b>	<b>\$ 155,271,341</b>	
Less: balances in City of Las Cruces Funds		(149,591,328)	-	(149,591,328)	
<b>SCSWA pooled cash and investment balance</b>		<b>5,678,463</b>	<b>1,550</b>	<b>5,680,013</b>	

**South Central Solid Waste Authority  
(A Component Unit of the City of Las Cruces)  
Schedule of Joint Powers Agreements  
June 30, 2018**

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

<b>Ending Date</b>	<b>Project Amount</b>	<b>County Portion</b>	<b>Current Year Contributions</b>	<b>Audit responsibility</b>
Perpetual	1/16% Municipal Environmental Services Gross Receipts Tax (tax revenues)	Unknown	\$ 2,840,827	City of Las Cruces
Perpetual	1/8% Municipal Environmental Services Gross Receipts Tax (tax revenues)	Unknown	\$ 559,637	City of Las Cruces
Perpetual	Rate is \$5.40 per cart and \$5-40 per additional cart City's existing recycling program	Unknown	\$ 2,374,028	City of Las Cruces
Perpetual (upon delivery of written notice at least six months prior to the intended date of termination )	\$982,898 per year	Unknown	\$ 982,898	City of Las Cruces
Contract extended until January 2019	Rate is \$48.50/Ton July 2018	Unknown	\$ 30,977	City of Las Cruces
Perpetual	\$18.50 per cart ( base rate) for the monthly residential solid waste service fee. Additional carts will charged an additional \$9.00 per month	Unknown	\$ 419,311	City of Las Cruces

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## **Compliance Section**

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

**INDEPENDENT AUDITORS' REPORT**

Wayne Johnson  
New Mexico State Auditor  
To the Board of Directors  
South Central Solid Waste Authority  
Las Cruces, New Mexico

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, financial statements and related notes of the South Central Solid Waste Authority ("SCSWA") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise SCSWA's basic financial statements, and have issued our report thereon dated December 3, 2018.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, identified as FS 2018-001.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies, identified as FS 2018-002.

### **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*.

### **SCSWA's Response to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SCSWA'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.

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

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
December 3, 2018

**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, 2018**

**FS 2018-001 – Utility Billing Receivable and Revenue Accruals (Material Weakness)**

*Condition:* SCSWA did not properly record the utility billing receivable in the prior year, additionally SCSWA did not accrue the utility billing receivable in the current year. This resulted in a restatement to net position and an adjustment to revenues in the following funds:

	<b>PY Restatement</b>	<b>CY Adjustment</b>
SCSWA	\$ 52,063	\$ 40,560
Total	\$ 52,063	\$ 40,560

*Criteria:* In order to present SCSWA's financial statements in accordance with GAAP, accruals should be made for all utility services provided at the end of each fiscal year at June 30.

*Effect:* SCSWA's utility billing receivables and revenue were misstated at year end prior to the proposed audit adjusting entry.

*Cause:* SCSWA did not record all utility billing receivables and revenue through June 30, 2018.

*Auditor's Recommendation:* CRI recommends that the Authority record all utility billing revenue and receivables through year end and make all adjustments for unbilled utilities as part of their financial close process.

*Agency Response:* The Treasury department at the City will provide the necessary supporting documentation to record revenues and receivables through year end and related adjustments to the management analyst at the Authority. Remediation on this finding will began immediately and will be resolved by June 30, 2019.



**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, 2018**

**FS 2018-002 – Estimated landfill closure/Post-closure liability (Significant Deficiency)**

*Condition:* The Authority's landfill closure and post-closure liability was misstated by \$46,452 per the Total Financial Assurance required provided by an independent Engineering Group.


*Criteria:* The City is required to follow GASB No. 18 Accounting for Municipal Solid Waste Landfill Closure and Post closure Care Costs. The authoritative language reads the City is required to value and recognize closure costs over the expected useful life of a landfill rather than after the closer takes place. The government must record the assessed useful life of a landfill and the prospective costs required to close and monitor the landfill after closure as assessed and disclosed as the Total Financial Assurance required.

*Effect:* The Authority's landfill closure and post-closure was incorrectly valued at June 30, 2018.

*Cause:* The City did not properly reconcile the valuation from the third party assessor's Total Financial Assurance required amount.

*Auditor's Recommendation:* CRI recommends that the Authority has a second review of the postings and is more diligent/aware of valuations, their reconciling amounts, and the corresponding journal entries.

*Agency's Response:* The management analyst at the Authority will request a second review of the Closure Post Closure entry at year end from the City for a more diligent/awareness of valuations. The Accounting Manager will have the final review of the entry and post the entry to the general ledger. Remediation on this finding will began immediately and will be resolved by June 30, 2019.



**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, 2018**

There were no audit findings for the fiscal year ended June 30, 2017.

**South Central Solid Waste Authority  
(A Component Unit of the City of Las Cruces)  
Other Disclosures  
For the Year Ended June 30, 2018**

**Exit Conference**

An exit conference was conducted on November 28, 2018 with the following individuals in attendance:

SCSWA Board of Directors

Isabel Solis	Chair
Chuck McMahon	Ex-Officio

SCSWA Administration

Patrick Peck	Director
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City of Las Cruces (Fiscal Agent)

Stuart Ed	City Manager
William Studer	Assistant City Manager – Acting Director of Financial Services
Jennifer Vega-Brown	City Attorney
Karin Byrum	Treasurer
Maria Sanchez	Financial Reporting Analyst Senior
Amador Espinosa	Financial Reporting Analyst

Carr, Riggs & Ingram, LLC

Danny Martinez, CPA, CGFM	Partner
Alan D. "A.J." Bowers, Jr., CPA	Partner
Vicki Dallas, CPA	Manager

**Financial Statement Preparation**

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