

ANNUAL FINANCIAL REPORT



SFSWMA

Santa Fe Solid Waste Management Agency

For the Year Ended June 30, 2008

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**SANTA FE SOLID WASTE
MANAGEMENT AGENCY**

Official Roster
June 30, 2008

Board of Directors

Virginia Vigil	Chair
Rosemary Romero	Vice-Chair
Paul Campos	Commissioner
Michael D. Anaya	Commissioner
Ronald Trujillo	Councilor

Officers and Management

Randall Kippenbrock, P.E.	Executive Director
Jodie Gonzales	Admin/Scale Manager
Rita Fiore-Lucero	Accounts Coordinator
Randy Watkin	Landfill Manager



CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

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6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Hector H. Balderas, State Auditor
and
Board of Directors
Santa Fe Solid Waste Management Agency

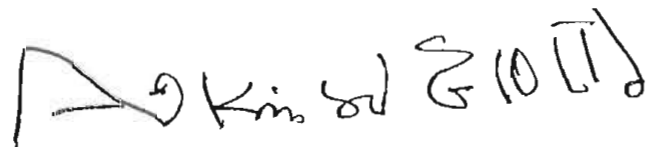
We have audited the accompanying financial statements of the business-type activities of Santa Fe Solid Waste Management Agency (Agency), as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the budgetary comparison statement for the year ended June 30, 2008, listed as supplemental information in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of June 30, 2008, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparison statement referred to above presents fairly, in all material respects the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2008 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Atkinson & Co., Ltd.", with a stylized flourish at the end.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 25, 2008



SANTA FE SOLID WASTE MANAGEMENT AGENCY

Caja del Rio Landfill

Buckman Road Recycling and Transfer Station

Management's Discussion and Analysis (UNAUDITED)

The Santa Fe Solid Waste Management Agency (Agency) was established in February 1995 under a Joint Powers Agreement entered into by and between the City and County of Santa Fe. The Agreement delegated to Agency the power to plan for, operate, construct, maintain, repair, replace or expand a joint regional solid waste disposal facility now known as the Caja del Rio Landfill. It was the desire of the City and County to form a regional landfill to provide a more efficient and cost-effective method of solid waste disposal to City and County citizens. Operations of the landfill commenced on May 12, 1997. Prior to this date the Agency was in a development state, therefore, development expenses incurred before May 12, 1997 were capitalized and amortized.

In 2003 the Agency embarked on the development of a materials recovery facility (MRF) at the old City transfer station to provide critical recycling processing services to Santa Fe as well as communities across northern New Mexico. In 2006 the Agency took over the transfer station, now known as the Buckman Road Recycling and Transfer Station (BuRRT) under a 20 year lease from the City.

The Agency operates as a separate government agency with the City of Santa Fe acting as fiscal agent.

The financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to government units. The Agency is responsible for the fair presentation in the financial statements of net assets, and the related statements of revenues, expenses and changes in net assets, cash flows and statement of revenues and expenses-budget and actual (non-GAAP basis) in conformity with GAAP. The Government Accounting Standards Board (GASB) is the accepted *standard-setting body for establishing governmental accounting and financial reporting principles*. As management of the Agency, we offer readers of the Agency's financial statements which includes narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2008.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's financial statements are comprised of financial statements, notes to the financial statements and other information. The notes to the financial statements provide additional information that are essential to a full understanding of the data provided in financial statements.

The Agency operates under the accrual basis of accounting, required for State and Local Governments. The Agency operates as a single fund and utilizes three cost centers including operations, cell construction, and recycling. The Agency under GASB-34 will continue to track separately all new infrastructure (cell construction) and capital asset costs so they could be recorded and depreciated according to state financial requirements for State and Local Governments.

The Agency adopts an annual appropriate budget at the fund level. A budgetary comparison statement has been provided for all its funds to demonstrate compliance with this budget. This budget is prepared on another comprehensive basis of accounting other than the accrual basis required by GAAP.

Proprietary Funds

The Agency operates as a proprietary fund or enterprise fund for solid waste disposal and materials recovery (recycling) with all operating costs recovered by solid waste user (tipping) fees and income from the sale of recyclable materials. Enterprise funds are used for activities that are financed and operated in a manner similar to a private business enterprise. The intent of the Joint Powers Board is to ensure that the costs (expenses, including depreciation) of providing services, in this case solid waste disposal services and recycling materials recovery to city and county residents on a continuing basis be financed or recovered primarily through solid waste user fees and income from the sale of recyclable materials. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Enterprise funds provide the same time of information as government-wide financial statements, only in more detail.

Proprietary financial statements are designed to provide readers with a broad overview of Agency finances, in a manner similar to a private-sector business.

Statement of Net Assets

The statement of net assets presents information on all of the Agency assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives.

Capitalized landfill costs include expenditures for land and permitting. These costs also include the landfill start-up costs and construction.

The following table provides condensed financial information related to the Agency's net assets at June 30, 2008 as compared to June 30 2007.

	<u>2008</u>	<u>2007</u>
Assets:		
Current Assets	\$ 10,222,945	\$ 9,378,224
Capital Assets	18,369,676	16,756,738
Other non-current assets	2,462,751	2,501,085
Total Assets	<u>31,055,372</u>	<u>28,636,047</u>
Liabilities:		
Current Liabilities	1,073,109	234,104
Noncurrent Liabilities	3,346,334	2,624,890
Total Liabilities	<u>4,419,443</u>	<u>2,858,994</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	18,369,676	16,756,738
Unrestricted	8,266,253	9,020,315
Total Net Assets	<u>26,635,929</u>	<u>25,777,053</u>
Total Liabilities and Net Assets	<u>\$ 31,055,372</u>	<u>\$ 28,636,047</u>

The assets of the Agency exceeded its liabilities at the close of June 2008, the most recent fiscal year by \$26,635,929 (net assets). Of this amount \$18,369,676 is investment in capital assets, none is restricted for debt service, and \$8,266,253 is unrestricted.

In comparison, the assets of the Agency exceeded its liabilities at the close of the June 2007 fiscal year by \$25,777,053 (net assets). Of this amount \$16,756,738 is investment in capital assets, none is restricted for debt service, and \$9,020,315 is unrestricted.

Budgets

The increase in recycling revenues over budget is primarily a result of higher prices from the sale of recyclable materials from a budget average of \$45/ton to an actual average of \$100/ton. Also, the Materials Recovery Facility (MRF) at the Buckman Road Recycling and Transfer Station commenced its operation in February 2007 and operated the last four months of fiscal year 2007. With a full year of operations in fiscal year 2008 both operating expenses and revenues from the MRF via the sale of recyclable materials have increased.

The budget for construction cost for Cell 4B was estimated using historical construction costs from the last cell construction project - Cell 4A-6A in 2006. However, higher than expected construction costs due to inflation significantly increased the overall construction cost for Cell 4B as seen in final budget versus original budget.

Two pieces of landfill equipment (836G compactor and D8R dozer) were certified rebuilt as new equipment as opposed to replacement with new equipment. The rebuilding of the two machines saved the Agency approximately \$444,000 and reduced the delivery time from approximately 22 weeks to 12 weeks.

During fiscal year ending June 30, 2008 the Agency was awarded one grant from the New Mexico Environment Department totaling approximately \$200,000 for an eddy current separator and support equipment for the MRF operation.

Capital Assets

Total net capital assets increased approximately \$1.6 million from prior year. The increase was the result of current year construction in progress activity on the landfill (Cell 4B) of approximately \$2.9 million and investment in equipment and machinery of approximately \$1.3 million, which were partially offset by current year depreciation expense of approximately \$2.6 million. Major equipment and machinery additions for 2008 include the following: Buckman Road Recycling and Transfer Station - excavator, forklift, and eddy current separator; Caja del Rio Landfill – landfill compactor, certified rebuilt landfill compactor, and certified rebuilt dozer.

	<u>2008</u>	<u>2007</u>
Landfill	\$ 3,014,075	\$ 3,014,075
Landfill development cost	6,281,341	6,281,341
Land improvements	334,215	334,215
Cells	11,227,944	11,227,944
Buildings and structures	2,572,452	2,572,452
Furniture and fixtures	1,059	1,059
Equipment and machinery	7,956,500	6,692,152
Vehicles	444,972	444,972
Data processing equipment and software	80,262	80,262
Subtotal	<u>31,912,820</u>	<u>30,648,472</u>
Accumulated depreciation	(16,482,718)	(13,891,734)
Construction in Progress	<u>2,939,574</u>	<u>-</u>
Total Capital Assets	<u>\$ 18,369,676</u>	<u>\$ 16,756,738</u>

Investments

The Agency currently has approximately \$2.46 million in restricted investments for the estimated landfill closure costs as of June 30, 2008. The Agency has no other investments except as discussed above.

The Agency has internally reserved and allocated cash and investments for the following purposes as of June 30:

	<u>2008</u>	<u>2007</u>
Equipment replacement reserve	\$ 1,374,249	\$ 1,477,453
Gas collection system reserve	1,466,814	1,278,464
Insurance deductibles	96,343	91,923
Cell development	1,021,682	610,793
Construction in progress	8,144	7,771
Emergency cash reserves	449,073	428,469
Closure and post closure reserve	3,708,169	3,386,703
Internally reserved	8,124,474	7,281,576
Unreserved	1,512,872	1,399,853
Total	<u>\$ 9,637,346</u>	<u>\$ 8,681,429</u>

Statement of Revenues, Expenses and Changes in Net Assets

The following table provides condensed financial information related to the Agency's changes in net assets for the year ended June 30, 2008 as compared to the year ended June 30, 2007.

	<u>2008</u>	<u>2007</u>
Total operating revenues	\$ 6,518,388	\$ 5,769,754
Total operating expenses	6,419,075	5,970,829
Operating Income (Loss)	99,313	(201,075)
Nonoperating Revenues (expenses):	759,563	745,392
Change in Net Assets	858,876	544,317
Beginning Net Assets	25,777,053	25,232,736
Ending Net Assets	<u>\$ 26,635,929</u>	<u>\$ 25,777,053</u>

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. The tipping fees remained consistent from prior year whereas income from the sale of recyclable materials increased significantly due to a full fiscal year of revenues after starting the MRF in February 2007.

In 2008, a total of 205,375 tons of solid waste were processed at the landfill, up from 197,705 tons in 2007. Overall, the total tons of solid waste processed are consistent with the tonnages reported in the last four fiscal years.

The five largest commercial accounts in order are:

	<u>Revenue Received</u>	<u>Percent</u>
City of Santa Fe	\$ 2,078,200	48.38%
Waste Management	785,861	18.30%
L & L Portables and Waste Service	639,942	14.90%
Santa Fe County	436,044	10.15%
High Mesa Environmental (MCT)	355,367	8.27%
	<u>\$ 4,295,414</u>	<u>100.00%</u>

The increase in operating revenues from 2007 to 2008 is primarily the result of an increase in revenues from the sale of recyclable materials (\$730,650) and rock royalties (\$111,623).

Operating expenses increased approximately \$765,000 over prior year as the result of increases in full year of operating costs related to the operation of the new MRF at the Buckman Road Recycling and Transfer Station (commenced in February 2007) along with added personnel and additional equipment rental at the transfer station. There were increased costs for retired health benefits, off-road tires, fuel, and cost of services to other city department.

Non-operating revenues include \$200,000 from the New Mexico Energy, Minerals, and Natural Resource Department for an eddy current separator and support equipment for the MRF operation.

Items Expected to have a Significant Effect

During fiscal year ending June 30, 2009 the Agency will complete the construction of Cell 4B at the Caja del Rio Landfill for future disposal needs. The construction budget is estimated at \$5.1 million. The Agency received financing via solid waste loans from New Mexico Finance Authority (\$1 million) and New Mexico Environment Department (\$2 million). The loans are expected to be repaid in five years with revenues generated from solid waste tipping fees.

The Agency is expected to commence the placement of solid waste in Cell 4B in January 2009, which will increase the amount for closure estimates.

Revenues from the sale of recyclable materials for fiscal year 2009 was projected at \$100 per ton using historical data. However, due to the recent downturns for the recycling market, the projection has been lowered to \$60 per ton, a decrease in approximately \$250,000 in revenues.

For fiscal year 2010 the Agency is expected to increase the tipping rates to users at the landfill and transfer station. The rates will be dependent on whether solid waste from outside the geographical area of Santa Fe County will be accepted.

Requests for Information

This financial report is designed to provide a general overview of Santa Fe Solid Waste Management Agency's finances for those interested in government enterprise finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to Santa Fe Solid Waste Management Agency, 149 Wildlife Way, Santa Fe, New Mexico 87506.

Santa Fe Solid Waste Management Agency
Statement of Net Assets
Year Ended June 30, 2008

	Business Type Activities
Assets	
Current assets:	
Cash, investments and cash equivalents	\$ 9,637,346
Accounts receivable	528,404
Interest receivable	57,195
Total current assets	<u>10,222,945</u>
Noncurrent assets:	
Cash, investments and cash equivalents-restricted	2,462,751
Capital assets:	
Landfill	3,014,075
Landfill development cost	6,281,341
Land Improvements	334,215
Cells	11,227,944
Buildings and structures	2,572,452
Furniture and fixtures	1,059
Equipment and machinery	7,956,500
Vehicles	444,972
Data processing equipment and software	80,262
Construction in progress	2,939,574
Less accumulated depreciation	(16,482,718)
Total capital assets (net of accumulated depreciation)	<u>18,369,676</u>
Total noncurrent assets	<u>20,832,427</u>
Total assets	<u><u>\$ 31,055,372</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 685,791
Gross receipts tax payable	38,433
Accrued wages payable	88,804
Compensated absenses	69,992
Accrued interest payable	1,785
Notes payable	188,304
Total current liabilities	<u>1,073,109</u>
Noncurrent liabilities	
Landfill deposits	24,700
Compensated absenses	47,187
Estimated liability for landfill closure costs	2,462,751
Notes payable	811,696
Total noncurrent liabilities	<u>3,346,334</u>
Total liabilities	<u>4,419,443</u>
Net assets	
Invested in capital assets, net of related debt	18,369,676
Unrestricted	8,266,253
Total net assets	<u><u>\$ 26,635,929</u></u>

See Notes to Financial Statements

Santa Fe Solid Waste Management Agency
Statement of Revenues, Expenses and
Changes in Net Assets
Year Ended June 30, 2008

	Business Type Activities
Operating revenues:	
User fees	\$ 5,754,241
Recycle sales	763,650
Other income	497
Total operating revenues	<u>6,518,388</u>
Operating expenses:	
Salaries, wages and benefits	2,042,106
Contractual services and utilities	355,548
Repairs and maintenance	408,283
Supplies	477,473
Capital outlay-exempt items	22,093
Depreciation expense	2,881,479
Insurance	115,076
Other	117,017
Total operating expenses	<u>6,419,075</u>
Operating income (loss)	<u>99,313</u>
Non-operating revenues (expenses):	
Loss on sale of capital assets	(280)
Interest expense	(1,785)
Investment income	561,628
Intergovernmental	200,000
Total non-operating revenues (expenses)	<u>759,563</u>
Change in net assets	858,876
Net assets, beginning of year	<u>25,777,053</u>
Net assets, end of year	<u>\$ 26,635,929</u>

See Notes to Financial Statements

Santa Fe Solid Waste Management Agency
Statement of Cash Flows
Year Ended June 30, 2008

Cash flows from operating activities:		
Cash received from customers	\$ 6,621,755	
Cash payments to suppliers for goods and services	(930,258)	
Cash payments to employees for services	(2,048,674)	
Net cash provided by operating activities		\$ 3,642,823
Cash flows from noncapital financing activities:		
Intergovernmental	200,000	
Proceeds from notes payable	1,000,000	
Net cash provided by noncapital financing activities		1,200,000
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,585,197)	
Proceed from sale of capital assets	90,500	
Net cash used for capital and related financing activities		(4,494,697)
Cash flows from investing activities:		
Interest and dividends on investments	569,457	
Net cash provided by investing activities		569,457
Net increase in cash and cash equivalents		917,583
Cash and cash equivalents at beginning of year		11,182,514
Cash and cash equivalents at end of year		\$ 12,100,097

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income		\$ 99,313
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		2,881,479
Change in assets and liabilities:		
Decrease in accounts receivable		103,367
Increase in accounts payable		603,566
Increase in compensated absences payable		18,074
Decrease in accrued wages payable		(24,642)
Decrease in landfill closure costs		(38,334)
Total adjustments		3,543,510
Net cash provided (used) by operating activities		\$ 3,642,823

See Notes to Financial Statements

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The City of Santa Fe (City) is a partner with Santa Fe County (County) in a joint venture to provide municipal landfill services. The Santa Fe Solid Waste Management Agency (Agency) was established in February 1995 under a joint powers agreement entered into by and between the County and the City. It was the desire of the parties to form a regional solid waste disposal authority to provide a more efficient and cost-effective method of solid waste disposal to City and County citizens. Operations of the regional landfill commenced on May 12, 1997. Prior to this date, the Agency was in a development stage and, therefore, landfill development expenses incurred before May 12, 1997 are capitalized and amortized. As required by GAAP, the financial statements present the Agency and its component units, entities for which the Agency is considered to be financially accountable. There are no fiduciary funds not component units for the fiscal year ended June 30, 2008.

The Agency is governed by a Board of Directors consisting of members from both the City and County. The Board consists of the following:

Three members, each of whom shall be a City Councilor from a different elective district within the City, shall be appointed by the City's Mayor with the approval of the City Council, and each of which City members shall serve for such period as may be determined from time to time by the Mayor with the approval of the City and Council.

Three members, each of whom shall be a County commissioner, appointed and approved by the Board of County Commissioners, and each of which County members shall serve for such period as may be determined and approved from time to time by the Board of County Commissioners.

The Agency is responsible for the fair presentation in the financial statements of the balance sheet, and the related statements of revenues, expenses and changes in retained earnings, cash flows in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Agency's accounting policies are described below.

The budgetary comparison statements listed in the table of contents as supplemental information were prepared on a budgetary basis of accounting as approved by the Agency's board, which is an other comprehensive basis of accounting other than GAAP. This basis is very similar to the cash basis, except that the revenues and expenditures have been recorded in regards to the accounts receivable, accounts payable, accrued liabilities, and compensated absences accruals, however, no depreciation, amortization, or landfill closure cost accruals have been recorded.

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Measurement Focus, Basis of Accounting and Basis of Presentation. The accounts of the Agency organized on the basis of a proprietary or enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In accounting and reporting for its proprietary operations, the Agency does not apply applicable FASB Statements and Interpretations issued after November 30, 1989.

Revenues are reorganized when they are earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency enterprise fund are charges to customers for tipping fees. The sale of rock and dirt is reported as a nonoperating item as this activity is not considered the result of the Agency's principal ongoing operations of providing municipal landfill services.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. As a general rule, the effect of internal activity has been eliminated from the Statement of Activities.

Government Wide and Fund Financial Statements. The Agency is a single purpose government entity and has only business type activities. In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets, and receivable as well as long-term debt and obligations.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include the provision for annual depreciation and the estimated landfill liability for closure and post closure costs.

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Policy on Use of Restricted and Unrestricted Resources. When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments. Cash and investments, including restricted investments, is pooled into one common account maintained by the City of Santa Fe, the Agency's fiscal agent, in order to maximize investment opportunities. The Agency's monies deposited in the pooled cash account have equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. Cash and cash equivalents is considered to be the pro rata portion of the City's pooled cash and short-term investments with original maturities of three months or less from the date of acquisition.

Effective July 1, 1997, the Agency adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governmental entities, including governmental external investment pools, to report certain investments at fair value on the balance sheet and recognize the corresponding change in the fair value of investments in the year in which the change occurred. In accordance with GASB Statement No. 31, the Agency has stated certain investments at fair value.

Net Assets. The government-wide fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets, restricted and unrestricted.

Investment in Capital Assets - is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid asset related debt. The net related debt is less the outstanding liquid assets and any associated unamortized cost. The Agency did not have any related debt during the year ended June 30, 2008.

Unrestricted Net Assets - represents the excess of total assets over total liabilities and net assets invested in capital assets at June 30, 2008. These are amounts not restricted for any purpose.

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property, Plant and Equipment. Property, plant and equipment are recorded at cost. The Agency does not have any internally developed software as part of its fixed assets. Property, plant and equipment donated to the operations are recorded at their estimated fair value at the date of donation. The Agency's policy is to capitalize all assets with a cost of \$5,000 or greater.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary funds fixed assets is reflected in the capitalized value of the asset constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Landfill	100
Landfill development costs	20
Buildings	30
Cells	2-5
Furniture and Fixtures	10
Machinery and Equipment	4-10
Vehicles	7-10
Data Processing Equipment	3

Capitalized landfill costs include expenditures for land, permitting costs and preparation costs. These expenses are categorized as landfill, landfill development costs and cells.

The landfill consists of the cost of the entire land area to be utilized for all future solid waste disposals. Landfill development costs include planning, site preparation, land improvements and infrastructure expenditures for the current 20-year plan.

Preparation costs related specifically to cell development are amortized as the airspace of the related cell is consumed, generally over not more than two to five years.

Accrued Liabilities. Accrued liabilities consist primarily of accrued salaries, wages and benefits.

Long-Term Obligations. Long-term debt is reported as a liability of the Agency on the balance sheet. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method.

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Compensated Absences. It is the Agency's policy to permit employees to accumulate earned but unused vacation, compensatory hours and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and overtime. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Agency and its employees is accrued as employees earn the right to the benefits. Compensated absences that relate to future services or that are contingent on a special event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or when such events take place. Compensated absences are recorded as an expense and a liability of the Agency.

Tipping Fees. The Agency has established a tipping fee schedule based on solid waste tonnage. For solid waste, the fee ranges from \$25 - \$35 per ton at the Caja Del Rio landfill and the Buckman Road Recycling and Transfer Station. For green waste, the fee is \$15 per ton. Fees for immediate or special handling range from \$75 to \$140 depending on the type of load. These are shown net of Gross Receipts Taxes collected and remitted on the Statement of Revenues, Expenses and Changes in Net Assets.

The Agency also processes waste from the public. The fees for public waste depend upon the type of load for autos, pickups, commercial self-haulers, vehicles and tires.

State Grant. Proceeds from the State Grant are considered voluntary non-exchange revenues. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when the Agency has incurred an allowable expenditure under the terms of the grant agreement.

NOTE 2. BUDGET BASIS OF ACCOUNTING

The Agency prepares its budget on the modified accrual basis of accounting. The budget includes both the proposed City and County portions and requires approval from both the City Council and the Santa Fe County Commission. The budget must also be approved by the Agency's Board of Directors. The budget and any adjustments are subject to the regular budget requirements and cycles of the City and the County.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3. CASH AND INVESTMENTS

The Agency does not have a separate bank account. Cash and investments consist of \$3,200 petty cash and \$12,096,897 invested in a cash and investment pooled account maintained by the City of Santa Fe. The City invests its pooled cash into US Government securities, repurchase agreements, municipal bonds, certificates of deposit, the State Treasurer’s investment pool and US Government security mutual funds. Please refer to the Comprehensive Annual Financial Report for the City of Santa Fe, New Mexico for the disclosure information regarding the custodial credit risk. That report may be obtained from the City by contacting the Finance Department Director at 200 Lincoln Avenue, P.O. Box 909, Santa Fe, NM 87504-0909.

In accordance with GASB Statement No. 31, the Agency has stated investments at fair value at June 30, 2008.

Investment income comprises the following at June 30, 2008:

Interest	\$ 514,098
Net gain in fair value of investments	47,530
	<u>\$ 561,628</u>

At June 30, 2008, the Agency has Board internally designated cash and investments as allocated and reserved for the following purposes:

Emergency cash reserves	\$ 449,073
Equipment replacement	1,374,249
Closure and postclosure	3,708,169
Cell development	1,021,682
Gas collection system	1,466,814
Insurance deductibles	96,343
Construction in progress	8,144
	<u>\$ 8,124,474</u>

Cash reserves in the amount of \$2,462,751 have been restricted for the purpose of paying for estimated landfill closure costs as described in Note 13.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable of \$528,404 represents billings for tipping fees to third party users and sales of rock through June 30, 2008. At June 30, 2008, management believes that receivable balances are collectible in full. Therefore, no allowance for bad debts has been recorded. The following shows the balances due from the five largest customers and the other customers in total as of June 30, 2008.

City of Santa Fe	\$	207,910
Santa Fe County		68,974
Waste Management		64,671
High Mesa Environmental (MCT)		24,276
L & L Portables and Waste Service		100,143
Others		62,430
	\$	<u>528,404</u>

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5. CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 2,939,574	\$ -	\$ 2,939,574
Capital assets, being depreciated				
Landfill	3,014,075	-	-	3,014,075
Landfill development cost	6,281,341	-	-	6,281,341
Land improvements	334,215	-	-	334,215
Cells	11,227,944	-	-	11,227,944
Buildings and structures	2,572,452	-	-	2,572,452
Furniture and fixtures	1,059	-	-	1,059
Equipment and machinery	6,692,152	1,645,623	(381,275)	7,956,500
Vehicles	444,972	-	-	444,972
Data processing equipment and software	80,262	-	-	80,262
	<u>30,648,472</u>	<u>1,645,623</u>	<u>(381,275)</u>	<u>31,912,820</u>
Less accumulated depreciation				
Landfill	(271,261)	(30,141)	-	(301,402)
Landfill development cost	(3,166,837)	(314,067)	-	(3,480,904)
Land improvements	(236,736)	(33,422)	-	(270,158)
Cells	(6,347,976)	(1,431,207)	-	(7,779,183)
Buildings and structures	(434,506)	(69,703)	-	(504,209)
Furniture and fixtures	(1,059)	-	-	(1,059)
Equipment and machinery	(3,073,962)	(951,686)	290,495	(3,735,153)
Vehicles	(307,030)	(43,406)	-	(350,436)
Data processing equipment and software	(52,367)	(7,847)	-	(60,214)
	<u>(13,891,734)</u>	<u>(2,881,479)</u>	<u>290,495</u>	<u>(16,482,718)</u>
Total capital assets being depreciated, net	<u>16,756,738</u>	<u>(1,235,856)</u>	<u>(90,780)</u>	<u>15,430,102</u>
Total capital assets	<u>\$ 16,756,738</u>	<u>\$ 1,703,718</u>	<u>\$ (90,780)</u>	<u>\$ 18,369,676</u>

Depreciation expense for property, plant and equipment for the fiscal year ended June 30, 2008 was \$2,881,479.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

In June, 2008 the Agency received a loan from the New Mexico Finance Authority in the amount of \$1,000,000 to be used for Cell 4 development. The interest rate ranged from 2.150% - 3.120%. The loan is unsecured. The Agency plans to repay the loan from operating revenues.

Annual debt service requirement for the SWAMA loan to maturity are as follows:

Year Ended			
June 30	Principal	Interest	
2009	\$ 188,304	\$ 38,222	
2010	195,062	20,663	
2011	199,802	15,415	
2012	205,336	9,679	
2013	211,496	32,299	
Total	<u>\$ 1,000,000</u>	<u>\$ 116,278</u>	

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Outstanding			Outstanding	Due Within
	July 1, 2007	Additions	Reductions	June 30, 2008	One Year
Notes payable	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 188,304
Landfill deposits	24,700	-	-	24,700	-
Estimated liability for landfill closure costs	2,501,085	-	(38,334)	2,462,751	-
Compensated Absences	99,105	90,074	(72,000)	117,179	69,992
Business - Type Activity	<u>\$ 2,624,890</u>	<u>\$ 1,090,074</u>	<u>\$ (110,334)</u>	<u>\$ 3,604,630</u>	<u>\$ 258,296</u>

The amount of compensated absences considered to be due within one year is included in accrued liabilities in the accompanying statement of net assets.

NOTE 7. ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

The Agency is economically dependent on five customers related to tipping fee and recycle revenue. These customers account for 62% of the tipping fee revenue as of June 30, 2008. These customers are City of Santa Fe, Santa Fe County, Waste Management, MCT Refuse and Hauling, and L & L Portables and Waste Service.

Accounts receivable of \$528,404 as of June 30, 2008 includes related party receivables from the City of Santa Fe and Santa Fe County of \$207,910 and \$68,974, respectively.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

**NOTE 7. ECONOMIC DEPENDENCE AND RELATED PARTY
TRANSACTIONS
(CONTINUED)**

On September 2, 2005, the Agency entered into a lease agreement with the City of Santa Fe for a transfer station. The term of this lease commenced on January 1, 2006 and will terminate on January 1, 2016. All lease payments are waived until January 1, 2008, after which annual lease payments of \$24,000 plus a quarterly variable payment of 2% of gross revenues generated by the Agency at this transfer station.

NOTE 8. RISK MANAGEMENT

The Agency is insured through the City of Santa Fe under the same policy for general liability and pollution legal liability with a deductible of \$25,000 for each occurrence.

Auto, machinery, equipment and building are covered through the City of Santa Fe's policies and are subject to deductibles and self-insured retentions under the City's commercial coverage. The auto property damage deductible is \$25,000 and the property deductible is \$75,000. The City is self-insured for the first \$50,000 of liability per claim.

The Agency participates in the Santa Fe Health Fund, the Workers' Compensation Fund and the Retiree Health Care Fund, which are self-insured programs administered by the City of Santa Fe. The Agency makes pro rata payments to the City based on actuarial estimates of the amounts needed to pay prior year and current year claims and to establish a reserve for catastrophic losses.

The Santa Fe Health Fund accounts for the self-insured program for employee health and major medical benefits. Claims are handled by a professional third-party claims administrator. The City maintains specific stop loss coverage for individual claims in excess of \$200,000 with a \$1,000,000 statutory limit.

The Workers' Compensation Fund accounts for the self-insured program and for workers' compensation coverage. Claims are handled by a professional, third-party claims administrator. The City maintains specific stop loss coverage for individual claims in excess of \$350,000 with a \$1,000,000 statutory limit. There was no reduction in amount of coverage for 2008.

NOTE 9. PERA PENSION PLAN

Substantially all of the Agency's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

**NOTE 9. PERA PENSION PLAN
(CONTINUED)**

administrator of the plan, which is a cost-sharing multi-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. The Agency possesses their own PERA plan identification number; however, the Agency contributes to the plan through the City of Santa Fe, as its Fiscal agent, and is under the same state statutes as the City. State statute requires that plan members contribute 13.15%. The Agency is required by state statute to contribute 9.15%. In addition, the Agency elected to utilize the 75% pick-up provision allowed by state statute thereby contributing 19.0125% to the employees' 3.2875% contribution.

The contribution requirement for plan members and the City is established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City has paid 100% of the required contributions for the Agency to PERA for the year ended June 30, 2008, 2007, and 2006 in the amounts of \$245,766, \$209,534, and \$161,664, respectively.

**NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEC) – RETIREE HEALTH**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS
(OPEC) – RETIREE HEALTH
(CONTINUED)

by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority member who served at least four years.

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of the participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary.

Employers joining the program after 01/01/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Agency's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$16,805, \$43,601, and \$35,957, respectively, which equal the required contributions for each year. The Agency joined the RHCA in July 2005.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 11. FISCAL AGENT AGREEMENT

In January 1996, the Agency entered into an agreement with the City of Santa Fe to act in the capacity as Fiscal agent for the Agency. Duties of the City include maintaining fiscal records, establishment of a uniform system of accounts, receiving and recording cash deposits, providing accountability of all disbursements, recording accounts receivable, recording fixed assets, maintaining a general ledger and preparing financial statements. The City also provides services to review bids, make bond payments, and maintain personnel and payroll records.

The agreement states that the City may be compensated for services provided by administrative staff. The City uses calculations in a manner similar to its method to allocate general fund services to its enterprise funds to determine these administrative costs. The administrative costs allocated to the Agency for the fiscal year ended June 30, 2008 were \$51,959.

NOTE 12. CONTINGENCIES

Legal Matters. The Agency periodically is involved in legal actions and claims that arise as a result of events that occur in the normal course of operations. As of June 30, 2008, there is no pending litigation outstanding against the Agency.

NOTE 13. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the Agency to place a final cover on its regional landfill site when it stops accepting waste to perform certain maintenance and monitoring functions at the site for 30 years after closure. Closure and postclosure care costs are recognized throughout the initial 20-year period of operation based on the amount of the landfill used during the year.

The estimated liability for landfill closure and post closure costs has a balance of \$2,462,751 as of June 30, 2008, which is based upon approximately 42% usage of the landfill. The Agency will recognize the remaining estimated cost of closure and postclosure care of \$5,850,984 between the date of the balance sheet and the date the landfill is expected to be filled to capacity. The Agency expects to close the initial 20-year permitted area in 2017, and will seek additional permits for future cells before the current cell closes. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

In accordance with GASB Statement No. 18, the estimated total current cost of closure and post-closure care is applied to the percentage of the landfill consumed to date (42%

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

**NOTE 13. CLOSURE AND POSTCLOSURE CARE COST
(CONTINUED)**

as of June 30, 2008), resulting in a liability for landfill closure costs of \$2,462,751 as of June 30, 2008. The estimated liability for landfill closure and post closure costs was increased due to the percentage of usage for 2008 as a result of operations and was decreased due to adjusting inflation from 3.3% to 3.1% for the year. The overall liability decreased \$38,344. The amount of land considered as able to receive solid waste during the current operating life is 50.5 acres. The cost estimates for the entire disposable acres is \$6,8752,640 or 70.6 acres.

The Agency is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. Management believes the Agency is in compliance with these requirements, and, at June 30, 2008, investments of \$2,462,751 are held for these purposes. These are reported as restricted assets on the balance sheet. The Agency expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

NOTE 14. JOINT POWERS AGREEMENT

The Agency had the following Joint Powers Agreement in effect as of June 30, 2008:

Name:	New Mexico Corrections Department
Participants:	The Agency and the New Mexico Corrections Department
Description:	"...NMCD inmates to perform minor maintenance, beautification, and litter control of Caja del Rio Landfill property. Litter control shall include properties bordering landfill perimeter and landfill access roads. Maintenance projects will be assigned on an as needed basis."
Effective Dates for JPA:	September 7, 2001 and continue until rescinded or terminated.
Total Dollars:	\$40,000 per year
Audit Responsibility:	City of Santa Fe (Not specifically stated, however the City acts as the fiscal agent)
Fiscal Agent:	City of Santa Fe

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 15. EDDY CURRENT SEPERATOR GRANT FUND

The New Mexico Energy Minerals and Natural Resources Department (NMEMNRD) awarded state grant funds to the Agency for \$200,000. The state grant funds are paid as reimbursement for allowable cost. The effective date of the grant agreement will expire on June 30, 2008. In fiscal years 2008 the Agency expended the \$200,000 and for equipment and machinery.

NOTE 16. SUBSEQUENT EVENTS

On July 22, 2008, SFSWMA signed an agreement with the New Mexico Environment Department for a loan in the amount of \$2,000,000. This is a five-year loan, the repayment schedule for which will be set after the final draw of program funds. Program funds will be drawn in full during FY 08-09. This is a construction loan for Cell 4B, and will be repaid from operating revenues.

Supplementary Information

**Santa Fe Solid Waste Management Agency
Statement of Revenues, Expenses and
Changes in Net Assets Budget and Actual (Non-GAAP Basis)
Year Ended June 30, 2008**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Operating revenues:				
User fees	\$ 5,755,000	\$ 5,755,000	\$ 5,754,241	\$ (759)
Recycle sales	250,000	250,000	763,650	513,650
Other income	-	-	497	497
Total operating revenues	6,005,000	6,005,000	6,518,388	513,388
Operating expenses:				
Salaries, wages and benefits	2,135,018	2,203,819	2,042,106	161,713
Contractual services and utilities	548,727	533,482	355,548	177,934
Repairs and maintenance	370,000	981,679	408,283	573,396
Supplies	494,100	527,573	477,473	50,100
Capital outlay-exempt items	2,666,650	4,868,742	4,607,288	261,454
Insurance	118,758	118,758	115,076	3,682
Other	179,934	190,539	117,017	73,522
Total operating expenses	6,513,187	9,424,592	8,122,791	1,301,801
Excess (deficiency) of operating revenues over operating expenditures	(508,187)	(3,419,592)	(1,604,403)	1,815,189
Non-operating revenues (expenses):				
Loss on sale of capital assets	-	-	(280)	(280)
Interest expense	-	-	(1,785)	(1,785)
Investment income	346,132	426,582	561,628	135,046
Intergovernmental	-	200,000	200,000	-
Total non-operating revenues (expenses)	346,132	626,582	759,563	132,981
Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	(162,055)	(2,793,010)	(844,840)	1,948,170
Prior year fund balance required to balance the budget	(162,055)	(2,793,010)	(844,840)	
	\$ -	\$ -	\$ -	

Santa Fe Solid Waste Management Agency
Reconciliation of Budget and Actual (Non-GAAP Basis)
To the Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2008

Reconciliation to Income Statement - GAAP Basis

Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	\$ (844,840)
Depreciation expense	(2,881,479)
Capital expenditures recorded as budgetary expense	<u>4,585,195</u>
Change in net assets GAAP basis	<u>\$ 858,876</u>

Other Information



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

Hector Balderas, State Auditor
and
Board of Directors
Santa Fe Solid Waste Management Agency

We have audited the financial statements of the business-type activities of the Santa Fe Solid Waste Management Agency (Agency), as of and for the year ended June 30, 2008, as listed in the table of contents. We have also audited the budgetary comparison statement for the year ended June 30, 2008 listed as supplemental information in the table of contents. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of management, others within the Agency, the fiscal agent, the Office of the State Auditor, the New Mexico Legislature, the Department of Finance and Administration, and applicable Federal Grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Atkinson & Co. Ltd.

Albuquerque, New Mexico
November 25, 2008

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

FINANCIAL STATEMENTS

Type of auditor's report issued:
Unqualified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified?	No
Reportable conditions identified not considered to be material weaknesses?	No
Noncompliance material to the financial statements noted?	No

FINANCIAL STATEMENT FINDINGS

None noted.

STATUS OF PRIOR YEAR FINDINGS

2006-01	Untimely Audit Report-Resolved
2007-01	Closure and Post Closure Estimate- Resolved
2007-02	Payroll Documentation-Resolved

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
EXIT CONFERENCE
JUNE 30, 2008**

* * * * *

An Exit Conference was held on November 24, 2008 and attended by the following:

For Atkinson & Co., Ltd.:

Martin E. Mathisen	Shareholder/Audit Director
Morgan Browning	Audit Senior

For the Santa Fe Solid Waste Management Agency:

Randall Kippenbrock	Executive Director
Virginia Vigil	Chair

For the City of Santa Fe:

Teresita Garcia	Assistant Finance Director
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* * * * *

The financial statements were prepared by the Fiscal Agent, the City of Santa Fe who is responsible for the content in the financial statements.