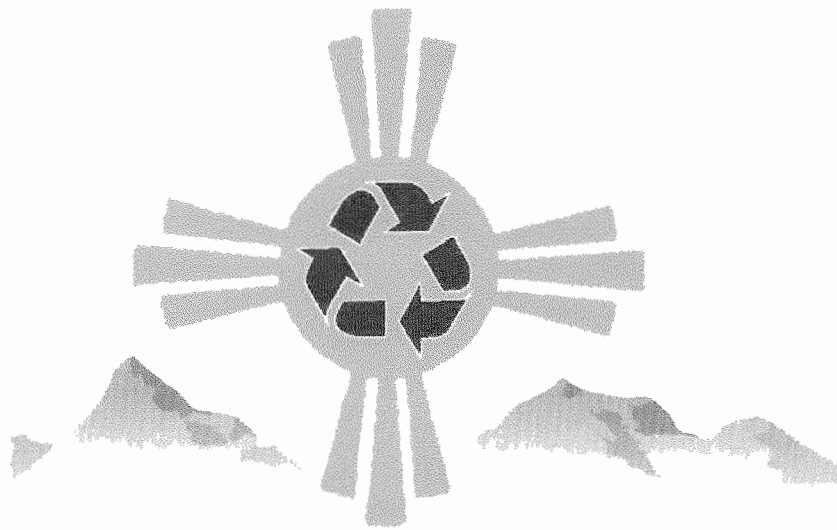


ANNUAL FINANCIAL REPORT



SFSWMA

Santa Fe Solid Waste Management Agency

For the Year Ended June 30, 2009

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**SANTA FE SOLID WASTE
MANAGEMENT AGENCY**

Official Roster
June 30, 2009

Board of Directors

Rosemary Romero	Chair
Harry Montoya	Vice-Chair
Virginia Vigil	Commissioner
Kathy Holian	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

ATKINSON & CO., LTD.
4701 ALPHEUS DRIVE, SUITE 200
REDDOBFORD, VERMONT

TEL 802 843 6492
TEL 802 843 6817

ATKINSON.CPA.COM

PO BOX 100, 46
REDDOBFORD VERMONT

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 (SFSWA or Agency), as of and for the year then ended June 30, 2009, as listed in the table of contents. We also have audited the budgetary comparison statement for the year ended June 30, 2009, 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, 2009, 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 30, 2009 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 10 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.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 30, 2009



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, 2009.

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 recyclable materials. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Enterprise funds provide the same 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, 2009 as compared to June 30, 2008.

	<u>2009</u>	<u>2008</u>
Assets:		
Current Assets	\$ 10,201,685	\$ 10,222,945
Capital Assets	18,308,634	18,369,676
Other non-current assets	2,975,873	2,462,751
Total Assets	<u>31,486,192</u>	<u>31,055,372</u>
Liabilities:		
Current Liabilities	845,787	1,073,109
Noncurrent Liabilities	5,247,435	3,346,334
Total Liabilities	<u>6,093,222</u>	<u>4,419,443</u>
Net Assets:		
Invested in Capital Assets Net of Related Debt	15,600,294	18,369,676
Restricted for Landfill Liabilities	2,975,873	2,462,751
Unrestricted	6,816,803	5,803,502
Total Net Assets	<u>25,392,970</u>	<u>26,635,929</u>
Total Liabilities and Net Assets	<u>\$ 31,486,192</u>	<u>\$ 31,055,372</u>

The assets of the Agency exceeded its liabilities at the close of June 2009, the most recent fiscal year by \$25,392,970 (net assets). Of this amount \$15,600,294 is investment in capital assets, none is restricted for debt service, and \$9,792,676 is unrestricted.

In comparison, the assets of the Agency exceeded its liabilities at the close of the June 2008 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.

Budgets and New Debt Financing

The budget for construction was increased from \$150,000 to approximately \$866,000 for year ending June 30, 2009 to accommodate the construction of Cell 4B. The construction budget was also increased when two solid waste loans were obtained 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 overall construction budget for Cell 4B was approximately \$5.3 million. The construction project was completed within budget.

The budget for recycling included the first building rent (lease) payment of \$60,000 to the City of Santa Fe for the use of the Buckman Road Recycling and Transfer Station. The recycling budget also funded four new positions – two transfer operators, MRF technician, and HHW handler.

The operating and recycling budgets included COLA and merit increases for the Agency employees of approximately \$45,000.

Recycling revenues decreased when compared to the budget as a result of lower prices from the sale of recyclable materials due to the downturn in the economy. Recycling revenues for the budget averaged \$100/ton from prior year whereas the actual revenues averaged \$60/ton. Likewise, revenues from landfill tipping fees decreased when compared to the budget as a result of less solid waste tonnages processed at the landfill due to the economy. Landfill revenues for the budget were based on prior year of 200,000 tons whereas the actual tonnages processed at the landfill were 178,215 tons.

The budget included the recondition of undercarriage work on a piece of landfill equipment (bulldozer). Typically, work performed on an undercarriage (tracks) of a bulldozer will extend the useful life of it. The budget also included a new roll-off truck for the transfer station to replace an older unit and enable the Agency to transport scrap metal to the local buyers.

Capital Assets

Total net capital assets decreased slightly (\$61,042) from prior year. This is a result of Cell 4B construction (\$5.3 million), investment of equipment and machinery (\$237,585), vehicles (\$171,802) and data processing equipment and software (\$5,874) totaling approximately \$5.7 million, which were offset by approximately \$5.8 million due to current year depreciation expense of approximately \$3.0 million and less construction in progress of approximately \$2.8 million. Major equipment and machinery additions for 2009 include the following: Buckman Road Recycling and Transfer Station – roll-off truck and loader; Caja del Rio Landfill – water wagon.

	2009	2008
Landfill	\$ 3,014,075	\$ 3,014,075
Landfill development cost	6,281,341	6,281,341
Land improvements	334,215	334,215
Cells	16,574,117	11,227,944
Buildings and structures	2,572,452	2,572,452
Furniture and fixtures	1,059	1,059
Equipment and machinery	8,194,085	7,956,500
Vehicles	616,774	444,972
Data processing equipment and software	86,136	80,262
Subtotal	<u>37,674,254</u>	<u>31,912,820</u>
Accumulated depreciation	(19,475,642)	(16,482,718)
Construction in Progress	<u>110,022</u>	<u>2,939,574</u>
 Total Capital Assets	 <u><u>\$ 18,308,634</u></u>	 <u><u>\$ 18,369,676</u></u>

Investments

The Agency currently has approximately \$2.97 million in restricted investments for the estimated landfill closure costs as of June 30, 2009. The Agency has no other investments except as discussed above.

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

	2009	2008
Equipment replacement reserve	\$ 1,083,027	\$ 1,374,249
Gas collection system reserve	1,537,742	1,466,814
Insurance deductibles	98,975	96,343
Cell development	987,809	1,021,682
Construction in progress	8,367	8,144
Emergency cash reserves	461,338	449,073
Closure and post closure reserve	3,444,818	3,708,169
Internally reserved	7,622,076	8,124,474
Unreserved	2,005,500	1,512,872
Total	<u>\$ 9,627,576</u>	<u>\$ 9,637,346</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, 2009 as compared to the year ended June 30, 2008.

	2009	2008
Total operating revenues	\$ 5,642,498	\$ 6,518,388
Total operating expenses	7,156,339	6,419,075
Operating Income (Loss)	(1,513,841)	99,313
Nonoperating Revenues (expenses):	270,882	759,563
Change in Net Assets	(1,242,959)	858,876
Beginning Net Assets	26,635,929	25,777,053
Ending Net Assets	<u>\$ 25,392,970</u>	<u>\$ 26,635,929</u>

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. Operating revenues decreased significantly from prior year due to the downturn in the economy. More specifically, lower prices received for the sale of recyclables and less solid waste processed at the landfill are the primary reasons for the decrease of operating revenues.

In 2009, a total of 178,215 tons of solid waste were processed at the landfill, down from 205,375 tons in 2008. Overall, the total tons of solid waste processed at the landfill are consistent with

downturn in the economy for the solid waste industry – a decline of approximately 13% from prior year.

The five largest commercial accounts in order are:

	<u>Revenue Received</u>	<u>Percent</u>
City of Santa Fe	\$ 1,939,051	53.41%
Waste Management	588,092	16.20%
Santa Fe County	467,432	12.88%
L & L Portables and Waste Service	394,030	10.85%
High Mesa Environmental (MCT)	241,754	6.66%
	<u>\$ 3,630,359</u>	<u>100.00%</u>

The decrease in operating revenues from 2008 to 2009 is primarily the result of a significant decrease in all revenues including landfill tipping fees, sale of recyclable materials, and rock royalties as a result from the downturn in the economy.

Operating expenses increased approximately \$737,000 over prior year as the result of increases for the construction budget of Cell 4B, added personnel and additional equipment at the Buckman Road Recycling and Transfer Station, and rent payment for the lease of the transfer station.

Non-operating revenues include interest from investments.

Items Expected to have a Significant Effect

During fiscal year ending June 30, 2009 the Agency completed the construction of Cell 4B at the landfill for future disposal needs. The Agency received financing via solid waste loans for the construction project from New Mexico Finance Authority (\$1 million) and New Mexico Environment Department (\$2 million). These loans are expected to be repaid in five years with revenues generated from solid waste tipping fees starting in fiscal year 2010.

The placement of solid waste in Cell 4B in April 2009 increased the amount for closure estimates for fiscal year ending June 30, 2009. The Agency expects the closure estimates for fiscal year ending June 30, 2010 to increase due to inflation.

During fiscal year ending June 30, 2010 the Agency will complete the construction of a \$1.0 million landfill gas collection system as required by environmental rules and regulations. The system is required to be in operation by April 2010. The anticipated annual operating and maintenance for the system is approximately \$80,000 per year. The system may significantly affect the amount for closure estimates for fiscal year ending June 30, 2010.

Revenues from the sale of recyclable materials for fiscal year 2009 was projected at \$60 per ton using the most recent data. However, due to the continuation of the volatility of the recycling market as a result of the downturns in the economy, the projection may need to be lowered to ensure that projected revenues are reasonable.

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 based on lower tonnages projected for the landfill from 180,000 tons per year to 168,000 tons per year.

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
June 30, 2009

	Business Type Activities
Assets	
Current assets:	
Cash, investments and cash equivalents	\$ 9,627,576
Accounts receivable	515,799
Interest receivable	58,310
Total current assets	10,201,685
Noncurrent assets:	
Cash, investments and cash equivalents-restricted	2,975,873
Capital assets:	
Landfill	3,014,075
Landfill development cost	6,281,341
Land Improvements	334,215
Cells	16,574,117
Buildings and structures	2,572,452
Furniture and fixtures	1,059
Equipment and machinery	8,194,085
Vehicles	616,774
Data processing equipment and software	86,136
Construction in progress	110,022
Less accumulated depreciation	(19,475,642)
Total capital assets (net of accumulated depreciation)	18,308,634
Total noncurrent assets	21,284,507
Total assets	\$ 31,486,192
Liabilities	
Current liabilities:	
Accounts payable	\$ 89,952
Gross receipts tax payable	39,860
Accrued wages payable	87,363
Compensated absences	46,796
Accrued interest payable	29,512
Notes payable	552,304
Total current liabilities	845,787
Noncurrent liabilities	
Landfill deposits	24,700
Compensated absences	90,826
Estimated liability for landfill closure costs	2,975,873
Notes payable	2,156,036
Total noncurrent liabilities	5,247,435
Total liabilities	6,093,222
Net assets	
Invested in capital assets, net of related debt	15,600,294
Restricted for landfill liability	2,975,873
Unrestricted	6,816,803
Total net assets	\$ 25,392,970

See Notes to Financial Statements

Santa Fe Solid Waste Management Agency
Statement of Revenues, Expenses and
Changes in Net Assets
Year Ended June 30, 2009

	Business Type Activities
Operating revenues:	
User fees	\$ 5,029,851
Recycle sales	612,069
Other income	578
Total operating revenues	<u>5,642,498</u>
Operating expenses:	
Salaries, wages and benefits	2,218,233
Contractual services and utilities	437,582
Repairs and maintenance	320,262
Supplies	377,597
Capital outlay-exempt items	36,626
Depreciation expense	2,992,924
Insurance	108,380
Other	664,735
Total operating expenses	<u>7,156,339</u>
Operating income (loss)	<u>(1,513,841)</u>
Non-operating revenues (expenses):	
Interest expense	(62,892)
Investment income	333,774
Total non-operating revenues (expenses)	<u>270,882</u>
Change in net assets	(1,242,959)
Net assets, beginning of year	<u>26,635,929</u>
Net assets, end of year	<u>\$ 25,392,970</u>

See Notes to Financial Statements

Santa Fe Solid Waste Management Agency
Statement of Cash Flows
Year Ended June 30, 2009

Cash flows from operating activities:		
Cash received from customers	\$ 5,655,103	
Cash payments to suppliers for goods and services	(2,026,472)	
Cash payments to employees for services	(2,199,231)	
Net cash provided by operating activities		\$ 1,429,400
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(2,931,882)	
Notes Payments	(188,304)	
Proceeds from notes payable	1,896,644	
Net cash used for capital and related financing activities		(1,223,542)
Cash flows from investing activities:		
Interest payment	(35,165)	
Interest and dividends on investments	332,659	
Net cash provided by investing activities		297,494
Net increase in cash and cash equivalents		503,352
Cash and cash equivalents at beginning of year		12,100,097
Cash and cash equivalents at end of year		\$ 12,603,449
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income		\$ (1,513,841)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization		2,992,924
Change in assets and liabilities:		
Decrease in accounts receivable		12,605
Decrease in accounts payable		(594,412)
Increase in compensated absences payable		20,443
Decrease in accrued wages payable		(1,441)
Increase in landfill closure costs		513,122
Total adjustments		2,943,241
Net cash provided (used) by operating activities		\$ 1,429,400

See Notes to Financial Statements

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 or component units for the fiscal year ended June 30, 2009.

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, 2009**

**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 recognized 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, 2009**

**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.

Unrestricted Net Assets - represents the excess of total assets over total liabilities and net assets invested in capital assets at June 30, 2009. These are amounts not restricted for any purpose.

Restricted Net Assets - represents net assets subject to constraints that are externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by laws through constitutional provisions or enabled legislation. Restrictions imposed by enabled legislation must be legally enforceable. Legal enforceability means that a government can be required by an external party to use resources only for purposes specified by the legislation.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009**

**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, 2009**

**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.

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, 2009**

NOTE 3. CASH AND INVESTMENTS

The Agency does not have a separate bank account. Cash and investments consist of \$4,200 petty cash and \$12,599,249 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 Local Government 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 risk exposures including 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, 2009.

Investment income comprises the following at June 30, 2009:

Interest	\$ 293,988
Net gain in fair value of investments	39,786
	<u>\$ 333,774</u>

At June 30, 2009, the Agency has Board internally designated cash and investments as allocated and reserved for the following purposes:

Emergency cash reserves	\$ 461,338
Equipment replacement	1,083,027
Closure and postclosure	3,444,818
Cell development	987,809
Gas collection system	1,537,742
Insurance deductibles	98,975
Construction in progress	8,367
	<u>\$ 7,622,076</u>

Cash reserves in the amount of \$2,975,873 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, 2009**

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable of \$515,799 represents billings for tipping fees to third party users and sales of rock through June 30, 2009. At June 30, 2009, 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, 2009.

L & L Portables and Waste Service	\$	181,663
City of Santa Fe		163,489
Waste Management		104,806
Santa Fe County		35,321
High Mesa Environmental (MCT)		23,086
Others		7,434
	\$	<u>515,799</u>

SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5. CAPITAL ASSETS

	Beginning Balance	Additions	Reclassification/ Deletions	Ending Balance
Capital assets, not being depreciated				
Construction in progress	\$ 2,939,574	\$ 2,516,622	\$ (5,346,174)	\$ 110,022
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	5,346,173	-	16,574,117
Buildings and structures	2,572,452	-	-	2,572,452
Furniture and fixtures	1,059	-	-	1,059
Equipment and machinery	7,956,500	237,585	-	8,194,085
Vehicles	444,972	171,802	-	616,774
Data processing equipment and software	80,262	5,874	-	86,136
	<u>31,912,820</u>	<u>5,761,434</u>	<u>-</u>	<u>37,674,254</u>
Less accumulated depreciation				
Landfill	(301,402)	(30,141)	-	(331,543)
Landfill development cost	(3,480,904)	(313,708)	-	(3,794,612)
Land improvements	(270,158)	(33,375)	-	(303,533)
Cells	(7,779,183)	(1,409,743)	-	(9,188,926)
Buildings and structures	(504,209)	(69,704)	-	(573,913)
Furniture and fixtures	(1,059)	-	-	(1,059)
Equipment and machinery	(3,735,153)	(1,078,653)	-	(4,813,806)
Vehicles	(350,436)	(53,217)	-	(403,653)
Data processing equipment and software	(60,214)	(4,383)	-	(64,597)
	<u>(16,482,718)</u>	<u>(2,992,924)</u>	<u>-</u>	<u>(19,475,642)</u>
Total capital assets being depreciated, net	<u>15,430,102</u>	<u>2,768,510</u>	<u>-</u>	<u>18,198,612</u>
Total capital assets	<u>\$ 18,369,676</u>	<u>\$ 5,285,132</u>	<u>\$ (5,346,174)</u>	<u>\$ 18,308,634</u>

Depreciation expense for property, plant and equipment for the fiscal year ended June 30, 2009 was \$2,992,924.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 required for the SWAMA loan to maturity is as follows:

Year Ending		
June 30	Principal	Interest
2010	195,062	23,033
2011	199,802	18,293
2012	205,336	12,759
2013	211,496	6,599
Total	<u>\$ 811,696</u>	<u>\$ 60,684</u>

By June 30, 2009, the \$188,304 in principal and \$26,706 in interest had been paid.

As of March 13, 2009 a loan with the New Mexico Environment Department (NMED) was finalized in the amount of \$1,896,644. Funds were used for cell construction 4B and the project was completed. The loan interest rate is set at 3% with debt service scheduled over five years.

Annual debt service required for the NMED loan to maturity is as follows:

Year Ending		
June 30	Principal	Interest
2010	\$ 357,242	\$ 56,899
2011	367,959	46,182
2012	378,998	35,143
2013	390,367	23,773
2014	402,078	12,063
Total	<u>\$ 1,896,644</u>	<u>\$ 174,060</u>

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

**NOTE 6. LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES
(CONTINUED)**

Long-term liability activity for the year ended June 30, 2009 was as follows:

	Outstanding July 1, 2008	Additions	Reductions	Outstanding June 30, 2009	Due Within One Year
Notes payable	\$ 1,000,000	\$ 1,896,644	\$ (188,304)	\$ 2,708,340	\$ 552,304
Landfill deposits	24,700	-	-	24,700	-
Estimated liability for landfill closure costs	2,462,751	513,122	-	2,975,873	-
Compensated Absences	117,179	91,850	(71,407)	137,622	46,796
Business - Type Activity	<u>\$ 3,604,630</u>	<u>\$ 2,501,616</u>	<u>\$ (259,711)</u>	<u>\$ 5,846,535</u>	<u>\$ 599,100</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 61% of the tipping fee revenue as of June 30, 2009. These customers are City of Santa Fe, Santa Fe County, Waste Management, High Mesa Environmental (MCT), and L & L Portables and Waste Service.

Accounts receivable of \$515,799 as of June 30, 2009 includes related party receivables from the City of Santa Fe and Santa Fe County of \$163,489 and \$35,321, respectively.

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.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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 2009.

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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 administrator of the plan, which is a cost-sharing multi-employer defined benefit retirement plan. The plan provides for retirement benefits, 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 for the plan. 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.

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 9. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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 statues as the City. State statue requires that plan members contribute 13.15% of their gross salary. The Agency is required by state statute to contribute 9.15% of the gross covered salary. 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 of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Agency's contributions to PERA for the fiscal years ending June 30, 2009, 2008, and 2007 were \$269,934, \$245,766, and \$209,534, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – 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 care policies.

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

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

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

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 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, 2009, 2008 and 2007 were \$18,852, \$16,805, and \$43,601, 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, 2009**

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, 2009 were \$55,596.

NOTE 12. CONTINGENCIES AND COMMITMENTS

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, 2009, there is no pending litigation outstanding against the Agency. There are no outstanding regulation matters.

The Agency is constructing a \$1 million land-fill gas collection system due for completion April 2010. The Agency is committed to finance the cost of construction during fiscal year 2010.

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 \$2,975,873 as of June 30, 2009, which is based upon approximately 46% usage of the landfill. The Agency will recognize the remaining estimated cost of closure and postclosure care of \$6,441,336 between the date of the balance sheet and the date showing the cost of hiring a third party to close the largest area of the landfill (64.9 acres) at any time during the active life when the extent and manner of its operation would make closure the most expensive. The remaining landfill capacity is 10 years. The Agency expects to close the initial 20-year permitted area in 2017, and will seek additional

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

permits for future cells before the current cell closes or by 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

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 (46% as of June 30, 2009), resulting in a liability for landfill closure costs of \$2,975,873 as of June 30, 2009. The estimated liability for landfill closure and post closure costs was increased due to the percentage of usage for 2009 as a result of operations (new cell construction Cell 4B) and was increased due to adjusting inflation from 3.1% to 3.9% for the year. The overall liability increased \$513,122. The amount of land considered as able to receive solid waste during the current operating life is 64.9 acres. The cost estimates for the entire disposable acreage is \$7,140,556 or 76.8 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, 2009, investments of \$2,975,873 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, 2009:

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)

**SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Fiscal Agent:

City of Santa Fe

NOTE 15. NEW MEXICO ENVIRONMENT DEPARTMENT LOAN

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.

NOTE 16. SUBSEQUENT EVENTS

Management and the board have evaluated events subsequent to June 30, 2009 through November 30, 2009, the date the financials are issued, for possible accrual or disclosure. The following is deemed significant for disclosure.

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 based on lower tonnages projected for the landfill from 180,000 tons per year to 168,000 tons per year.

Supplemental 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, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Operating revenues:				
User fees	\$ 6,260,900	\$ 6,289,355	\$ 5,029,851	\$ (1,259,504)
Recycle sales	680,000	680,000	612,069	(67,931)
Other income	-	-	578	578
Total operating revenues	6,940,900	6,969,355	5,642,498	(1,326,857)
Operating expenses:				
Salaries, wages and benefits	2,558,485	2,558,485	2,218,233	340,252
Contractual services and utilities	579,000	726,641	437,582	289,059
Repairs and maintenance	463,000	500,220	320,262	179,958
Supplies	559,000	558,158	377,597	180,561
Capital outlay-exempt items	150,000	3,699,831	2,968,512	731,319
Insurance	111,757	111,757	108,380	3,377
Other	507,096	509,095	664,735	(155,640)
Total operating expenses	4,928,338	8,664,187	7,095,301	1,568,886
Excess (deficiency) of operating revenues over operating expenditures	2,012,562	(1,694,832)	(1,452,803)	242,029
Non-operating revenues (expenses):				
Interest expense	(92,323)	(35,166)	(62,892)	(27,726)
Investment income	229,400	270,533	333,774	63,241
Total non-operating revenues (expenses)	137,077	235,367	270,882	35,515
Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	2,149,639	(1,459,465)	(1,181,921)	\$ 277,544
Prior year fund balance required to balance the budget	2,149,639	(1,459,465)	(1,181,921)	
	\$ -	\$ -	\$ -	

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, 2009

Reconciliation to Income Statement - GAAP Basis

Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	\$ (1,181,921)
Depreciation expense	(2,992,924)
Capital expenditures recorded as budgetary expense	<u>2,931,886</u>
Change in net assets GAAP basis	<u>\$ (1,242,959)</u>

Other Information

**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 (SFSWMA or Agency), as of and for the year ended June 30, 2009, as listed in the table of contents. We have also audited the budgetary comparison statement for the year ended June 30, 2009 and have issued our report thereon dated November 30, 2009. 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 30, 2009

Santa Fe Solid Waste Management Agency

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2009

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

No prior year findings

Santa Fe Solid Waste Management Agency

EXIT CONFERENCE

June 30, 2009

* * * * *

An Exit Conference was held on November 30, 2009 and attended by the following:

For Atkinson & Co., Ltd.:

Martin E. Mathisen
Divan Coetzee

Shareholder/Audit Director
Audit Senior

For the Santa Fe Solid Waste Management Agency:

Randall Kippenbrock
Kathy Holian
Rita Fiore-Lucero

Executive Director
Commissioner
Accounts Coordinator

For the City of Santa Fe:

David Millican

Finance Director

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