SANTA FE SOLID WASTE MANAGEMENT AGENCY

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2012

atkinson

PRECISE. PERSONAL. PROACTIVE.

CONTENTS

	Page
CONTENTS	1
OFFICIAL ROSTER	2
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	5-11
FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	12
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	13
STATEMENT OF CASH FLOWS	14-15
NOTES TO FINANCIAL STATEMENTS	16-30
SUPPLEMENTARY INFORMATION	
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN IN NET ASSETS, BUDGET TO ACTUAL (NON-GAAP BASIS)	31
RECONCILIATION OF BUDGET AND ACTUAL (NON-GAAP BASIS) TO THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	32
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*	33-34
SCHEDULE OF FINDINGS AND RESPONSES	35-36
FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE	37

Santa Fe Solid Waste Management Agency

OFFICIAL ROSTER

June 30, 2012

BOARD MEMBERS

Virginia Vigil	Chair
Bill Dimas	Councilor
Peter N. Ives	Councilor
Christopher Rivera	Councilor
Danny Mayfield	Commissioner
Kathy Holian	Commissioner

ADMINISTRATION

Randall Kippenbrock, P.E.	Executive Director
Sally Padilla	Human Resources Officer
Angelica G. Salazar	Accounts Coordinator
Randy Watkins	Landfill Manager

atkinson

CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

PO BOX 25246
ALBUQUERQUE, NM 87125

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

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 (the Agency), as of and for the year ended June 30, 2012, as listed in the table of contents. We also have audited the budgetary comparison statement for the year ended June 30, 2012, 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, 2012, 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 B.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 3, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Atkinson &Co., Ltd.

Albuquerque, New Mexico
December 3, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2012

The Santa Fe Solid Waste Management Agency (the 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 the 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 10 year lease from the City.

In 2010, the Agency adopted a solid waste comprehensive management plan that included the following goals: 1) obtain a financial structure for the Agency that will incentivize reducing the environmental impacts of waste generation and sustainably fund local policies, programs, and operations to ensure long-term, fiscally sound, disposal capacity for solid waste from within Santa Fe County; 2) offer a broad range of waste reduction and recycling options to residents, businesses, and institutions in the City and County of Santa Fe; and 3) maintain an on-going multi-faceted promotion/education effort in the City and County of Santa Fe to inform the audiences about waste disposal and diversion.

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 U.S. generally accepted accounting principles (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, expenses, and changes in net assets, 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 include narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2012.

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 is 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' enterprise operations. 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 the Agency's 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's 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.

Statement of Net Assets – Continued

Property 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, 2012 as compared to June 30, 2011.

	2012	2011
Assets:		
Current assets	$ 13,075,546	$ 12,079,748
Capital assets	11,676,686	13,198,970
Other non-current assets	3,456,037	3,032,795
Total assets	$ 28,208,269	$ 28,311,513
Liabilities:		
Current liabilities	$ 905,366	$ 885,142
Noncurrent liabilities	3,969,132	4,051,498
Total liabilities	4,874,498	4,936,640
Net Assets:		
Invested in capital assets net of related debt	10,672,745	11,610,694
Unrestricted	12,661,026	11,764,179
Total net assets	23,333,771	23,374,873
Total liabilities and net assets	$ 28,208,269	$ 28,311,513

The assets of the Agency exceeded its liabilities at the close of June 2012, the most recent fiscal year by $23,333,771 (net assets). Of this amount, $10,672,745 is investment in capital assets net of related debt, and $12,661,026 is unrestricted.

In comparison, the assets of the Agency exceeded its liabilities at the close of the June 2011 fiscal year by $23,374,873 (net assets). Of this amount, $11,610,691 is investment in capital assets net of related debt, and $11,764,129 is unrestricted.

Budgets

Total budgeted operating expenditures increased from $5,377,780 to $7,564,883. The increase is a result of the following: the construction of the Household Hazardous Waste Collection Center, the Agency commenced the landfill permitting renewal process, the Agency purchased replacement heavy equipment, and lastly, the postclosure cost for the Buckman Recycling and Transfer Station were recorded.

Actual operating revenues were greater than budgeted revenue. The increase was due to an increase in projected tonnage of approximately 8,800 tons. Also, basalt rock sales were greater than anticipated.

Capital Assets and Long-Term Debt Activity

Total net capital assets decreased by approximately $1.5 million from the prior year. The decline was from the net effect of $2.6 million in depreciation expense and an increase in construction in progress of the Household Hazardous Facility and heavy equipment purchased.

	2012	2011
Landfill	$ 3,014,075	$ 3,014,075
Landfill development cost	6,281,341	6,281,341
Land improvements	334,215	334,215
Cells	16,574,118	16,574,118
Buildings and structures	2,572,451	2,572,451
Furniture and fixtures	1,060	1,060
Equipment and machinery	9,526,916	9,317,687
Vehicles	515,021	598,424
Data processing equipment and software	61,718	56,603
Subtotal	38,880,915	38,749,974
Accumulated depreciation	(28,549,559)	(25,903,306)
Construction in progress	1,345,330	352,302
Total capital assets	$ 11,676,686	$ 13,198,970

The Agency reduced debt outstanding related to the capital assets in the amount of $584,335 during fiscal year 2012.

Investments

The Agency currently has approximately $3.3 million in restricted investments for the estimated landfill closure costs and debt service as of June 30, 2012.

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

	2012	2011
Equipment replacement reserve	$ 2,082,730	$ 1,606,967
Gas collection system reserve	476,604	451,034
Insurance deductibles	102,450	101,805
Cell development	1,937,846	1,836,574
Construction in progress	8,682	8,627
Emergency cash reserves	477,704	474,696
Landfill repermitting	465,896	-
Closure and postclosure reserve	3,422,015	3,702,547
Internally reserved	8,973,927	8,182,250
Unreserved	3,575,877	3,400,160
Total	$ 12,549,804	$ 11,582,410

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, 2012 as compared to the year ended June 30, 2011.

	2012	2011
Total operating revenues	$ 7,640,433	$ 6,872,110
Total operating expenses	7,794,663	8,116,209
Operating loss	(154,230)	(1,244,099)
Non-operating revenues	113,128	26,530
Change in net assets	(41,102)	(1,217,569)
Beginning net assets	23,374,873	24,592,442
Ending net assets	$ 23,333,771	$ 23,374,873

Statement of Revenues, Expenses, and Changes in Net Assets – Continued

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. Operating revenues increased from the prior year primarily due to an increase in tonnage and also the rate increase that went into effect July 1, 2012.

The four largest commercial accounts in order are:

	Revenue Received	Percent
City of Santa Fe	$ 2,946,586	45.65%
Waste Management	708,267	10.97%
Santa Fe County	510,976	7.92%
Other sources	2,288,487	35.46%
	$ 6,454,316	100.00%

Revenues received exclude sales of recyclables and other income.

Operating expenses decreased by $321,546 over prior year primarily due to depreciation expense being less than the prior year.

Items Expected to Have a Significant Effect

During the fiscal year ending June 30, 2013, the construction of a permanent household hazardous waste (HHW) collection center and a new recycling drop-off center at the BuRRT transfer station will be completed. The construction cost for the HHW collection facility and recycling drop-off center is expected to be $774,506. The Agency projects that an annual operating budget of $150,000 will be needed for the cost of technical support, disposal, and supplies for the proper handling and disposal of HHW.

Effective July 1, 2012 the Agency increased the tipping fees to users at the landfill and transfer station per Ordinance 2012-1. The fees (rates) are based on the same tonnage of the prior year at 150,000 tons per year. The tipping fee for the landfill is $40.00 per ton and the tipping fee for the transfer station is $50.00 per ton.

The Agency expects the closure and postclosure care estimates for fiscal year ending June 30, 2013 to increase from $5.7 million to approximately $5.8 million due to inflation.

Items Expected to Have a Significant Effect – Continued

During fiscal year 2013, the Agency will continue with the engineering design and permitting services for the next 20-year permit renewal and modification related to a landfill vertical and lateral expansion. The permitting process of the landfill is expected to take up to four years to complete. The current landfill permit expires June 2015. The Agency entered into a contract for engineering services to include the design and construction quality assurance (CQA) of Cell 5B/6B. The purpose of these combined services is to provide a seamless transition from the current disposal area to the vertical and lateral expansion areas.

During fiscal year 2013, the Agency expects to purchase replacement equipment for the landfill and transfer station.

During fiscal year 2013, the Agency expects to conduct a solid waste assessment and management study, which will be a joint effort between the Agency, the City of Santa Fe, and the County of Santa Fe. The purpose of the study is two-fold: 1) to increase recycling and other forms of diversion from the landfill while ensuring financial stability for the solid waste operations and assuring that costs are distributed fairly and equitably; 2) to improve efficiencies and reduce costs for various solid waste operations while protecting the environment and public health and ensuring adequate facilities to handle the solid waste stream.

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, 2012

	Business-Type Activities
ASSETS	
Current assets:	
Cash, investments, and cash equivalents	$ 12,549,804
Accounts receivable, less allowance for uncollectible amounts of $295,229	504,710
Interest receivable	21,032
Total current assets	13,075,546
Noncurrent assets:	
Cash, investments and cash equivalents-restricted:	
Closure and postclosure care	3,355,592
Debt service	100,445
Total cash, investments, and cash equivalents-restricted	3,456,037
Capital assets:	
Landfill	3,014,075
Landfill development costs	6,281,341
Land improvements	334,215
Cells	16,574,118
Buildings and structures	2,572,451
Furniture and fixtures	1,060
Equipment and machinery	9,526,916
Vehicles	515,021
Data processing equipment and software	61,718
Construction in progress	1,345,330
Less accumulated depreciation	(28,549,559)
Total capital assets, net of accumulated depreciation	11,676,686
Total noncurrent assets	15,132,723
Total assets	$ 28,208,269
LIABILITIES	
Current liabilities:	
Accounts payable	$ 163,412
Gross receipts payable	36,369
Accrued wages payable	40,987
Compensated absences, current	50,657
Accrued interest payable	12,078
Notes payable-current	601,863
Total current liabilities	905,366
Noncurrent liabilities	
Landfill deposits	20,700
Compensated absences, non-current	190,762
Estimated liability for landfill and transfer station closure costs	3,355,592
Notes payable - long-term	402,078
Total noncurrent liabilities	3,969,132
Total liabilities	4,874,498
NET ASSETS	
Invested in capital assets, net of related debt	10,672,745
Unrestricted	12,661,026
Total net assets	$ 23,333,771

The accompanying notes are an integral part of this financial statement.

Santa Fe Sold Waste Management Agency

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended June 30, 2012

	Business - Type Activities
OPERATING REVENUES	
User fees	$ 6,454,316
Recycle sales	1,084,968
Other income	101,149
Total operating revenues	7,640,433
OPERATING EXPENSES	
Depreciation expense	2,860,808
Salaries, wages, and benefits	2,414,394
Contractual services and utilities	635,236
Supplies	443,989
Repairs and maintenance	386,782
Insurance	83,720
Capital outlay-exempt items	12,856
Other	956,878
Total operating expenses	7,794,663
OPERATING LOSS	(154,230)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	106,004
Gain on disposal of capital assets	48,499
Interest expense	(41,375)
Total non-operating revenues	113,128
CHANGE IN NET ASSETS	(41,102)
Net assets, beginning of year	23,374,873
Net assets, end of year	$ 23,333,771

The accompanying notes are an integral part of this financial statement.

Santa Fe Sold Waste Management Agency

STATEMENT OF CASH FLOWS

For the year ended June 30, 2012

Increase (Decrease) in Cash

Cash flows from operating activities		
Cash received from customers	$ 7,609,890	
Cash payments to suppliers for goods and services	(1,973,393)	
Cash payments to employees for services	(2,431,742)	
Net cash provided by operating activities		$ 3,204,755
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(1,338,626)	
Note repayments	(584,335)	
Interest payments	(47,902)	
Net cash used in capital and related financing activities		(1,970,863)
Cash flows from investing activities		
Proceeds from the sale of property and equipment	48,601	
Investment income	108,143	
Net cash provided by investing activities		156,744
Net increase in cash and cash equivalents		1,390,636
Cash and cash equivalents at beginning of year		14,615,205
Cash and cash equivalents at end of year		$ 16,005,841

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS - CONTINUED

For the year ended June 30, 2012

Increase (Decrease) in Cash

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating loss	$ (154,230)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	2,860,808
Change in assets and liabilities:	
Increase in accounts receivable	(30,543)
Increase in accounts payable	105,219
Increase in compensated absences payable	96,685
Decrease in accrued wages payable	(114,033)
Increase in gross receipt tax payable	18,036
Increase in landfill closure costs	422,813
Total adjustments	3,358,985
Net cash provided by operating activities	$ 3,204,755

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

NOTE A – 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 (the Agency) was established in February 1995 under a joint powers agreement entered into by and between the City and the County. 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, 2012.

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 statement of net assets and the related statements of revenues, expenses, and changes in net assets, and 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 accounting policies of the Agency are described below.

Budgetary Comparison Statements. The budgetary comparison statements listed in the table of contents as supplemental information were prepared on a modified accrual basis of accounting as approved by the Agency's board, which is another comprehensive basis of accounting other than GAAP. This basis is very similar to the cash basis; however, depreciation expense has not been recorded.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting, and Basis of Presentation. The accounts of the Agency are 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. Investment income is reported as a non-operating 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, activities are presented on a consolidated basis and are reflected on the full accrual, economic resource basis, which incorporates long-term assets, and receivables 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 postclosure costs.

NOTE A – 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 a share 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 statement of net assets 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 Agency did have related debt during the year ended June 30, 2012.
>
> Unrestricted Net Assets - represents the excess of total assets over total liabilities and net assets invested in capital assets at June 30, 2012. These are amounts not restricted for any purpose.

Capital Assets. Capital assets 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Assets	Years
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
Software	10

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. A change in estimate for landfill depreciation during the fiscal year ending June 30, 2012 resulted in a decrease in net income of $544,183.

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 notes using the effective interest method.

NOTE A – 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. Sick leave may be sold back to the Agency by an employee at time of retirement for one-half the applicable hourly rate for that employee. 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. Effective July 1, 2011 through June 30, 2012, the fee for solid waste ranges from $37.50 - $47.50 per ton at the Caja Del Rio landfill and the Buckman Road Recycling and Transfer Station. For green waste, the fee is $20 per ton. Fees for immediate or special handling range from $77.50 to $160 depending on the type of load.

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. The Agency waives conventional recycling fees for the City of Santa Fe and Santa Fe County residents and businesses and for those utilizing vehicles less than 10,000 GVW. Fees for vehicles in excess of 10,000 GVW outside Santa Fe County are $20 per ton.

NOTE B – 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. Budgetary control is at the fund level.

NOTE C – CASH AND INVESTMENTS

The Agency does not have a separate bank account. Cash and investments consist of $16,005,841 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 and other risks that may apply. 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, 2012.

Investment income comprises the following at June 30, 2012:

Interest	$	108,732
Net loss in fair value of investments		(2,728)
	$	106,004

At June 30, 2012, the Agency has Board undesignated, internally designated, and restricted cash and investments for the following purposes:

Undesignated cash and investments	$	3,575,877
Internally designated:		
Emergency cash reserves		477,704
Equipment replacement		2,082,730
Closure and postclosure		3,422,015
Cell development		1,937,846
Gas collection system		476,604
Insurance deductibles		102,450
Landfill repermitting		465,896
Construction in progress		8,682
Total designated cash and investments		8,973,927

NOTE C – CASH AND INVESTMENTS – CONTINUED

Restricted cash and investments:	
Closure and postclosure care	3,355,592
Debt service	100,445
Total restricted cash and investments	3,456,037
Total cash and investments	$ 16,005,841

Cash reserves in the amount of $3,355,592 have been restricted for the purpose of paying for estimated landfill and transfer station closure costs as described in Note M.

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable of $504,710 represents billings for tipping fees to third-party users and sales of rock through June 30, 2012. Allowance for doubtful accounts totals $295,229. The following shows the balances due from the five largest customers and the other customers in total as of June 30, 2012.

L & L Portables and Waste Service	$ 295,229
City of Santa Fe	226,897
Waste Management	125,565
Santa Fe Waste Service	54,888
Santa Fe County	52,696
Others	44,664
	799,939
Less allowance for uncollectible accounts	(295,229)
Accounts receivable (net)	$ 504,710

NOTE E – CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 352,302	$ 993,028	$ -	$ 1,345,330
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	16,574,118	-	-	16,574,118
Buildings and structures	2,572,451	-	-	2,572,451
Furniture and fixtures	1,060	-	-	1,060
Equipment and machinery	9,317,687	370,549	(161,320)	9,526,916
Vehicles	598,424	-	(83,403)	515,021
Data processing equipment and software	56,603	5,115	-	61,718
	38,749,974	375,664	(244,723)	38,880,915
Less accumulated depreciation:				
Landfill	(391,825)	(30,142)	-	(421,967)
Landfill development cost	(4,422,746)	(314,067)	-	(4,736,813)
Land improvements	(334,215)	-	-	(334,215)
Cells	(13,000,436)	(1,613,418)	-	(14,613,854)
Buildings and structures	(713,319)	(69,703)	-	(783,022)
Furniture and fixtures	(1,059)	-	-	(1,059)
Equipment and machinery	(6,543,612)	(799,324)	131,727	(7,211,209)
Vehicles	(460,482)	(27,391)	82,828	(405,045)
Data processing equipment and software	(35,612)	(6,763)	-	(42,375)
	(25,903,306)	(2,860,808)	214,555	(28,549,559)
Total capital assets being depreciated, net	12,846,668	(2,485,144)	(30,168)	10,331,356
Total capital assets	$ 13,198,970	$ (1,492,116)	$ (30,168)	$ 11,676,686

Depreciation expense for capital assets for the fiscal year ended June 30, 2012 was $2,860,808.

NOTE F – 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 for Cell 4 development. The interest rate ranged from 2.150% - 3.120%. The loan is payable from pledged net revenues of the Agency and is unsecured. Annual debt service required for the Agency loan to maturity is as follows:

Year Ended June 30,	Principal
2013	$ 211,496
Total	$ 211,496

On 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 in fiscal year 2009. The loan interest rate is set at 3% with debt service scheduled over five years. The loan is payable from the pledged revenues of the Agency and is unsecured. Annual debt service required for the NMED loan to maturity is as follows:

Year Ended June 30,	Principal
2013	$ 390,367
2014	402,078
Total	$ 792,445

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Outstanding June 30, 2011	Additions	Reductions	Outstanding June 30, 2012	Due Within One Year
Notes payable	$ 1,588,276	$ -	$ (584,335)	$ 1,003,941	$ 601,863
Landfill deposits	20,700	-	-	20,700	-
Estimated liability for landfill closure costs	2,932,779	274,397	-	3,207,176	-
Estimated liability for transfer station closure costs	-	148,416	-	148,416	-
Compensated absences	144,734	96,685	-	241,419	50,657
Business-type activity	$ 4,686,489	$ 519,498	$ (584,335)	$ 4,621,652	$ 652,520

NOTE G – ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

The Agency is economically dependent on three customers related to tipping fee and recycle revenue. These customers account for 77% of the tipping fee revenue as of June 30, 2012. These customers are City of Santa Fe, Waste Management of New Mexico, and Santa Fe County.

Accounts receivable of $504,710 as of June 30, 2012 includes related party receivables from the City of Santa Fe and Santa Fe County of $226,897 and $52,696, respectively.

NOTE H – 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 and the Workers' Compensation 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 $250,000 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 $600,000 with a $1,000,000 statutory limit. There was no reduction in amount of coverage for 2012.

NOTE I – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description. 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. That report may be obtained by writing to PERA, P.O. 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 Agency is established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Agency contributions to PERA for the fiscal years ended June 30, 2012, 2011, and 2010 in the amounts of $281,286, $282,523, and $278,969, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – RETIREE HEALTH CARE PLAN

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.

NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – RETIREE HEALTH CARE PLAN – CONTINUED

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 by 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. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal year ending June 30, 2013, the contribution rates for employees and employers will rise as follows:

Fiscal Year	Employer Contribution Rate	Employee Contribution Rate
FY13	2.000%	1.000%

Also, employers joining the program after January 1, 1998 are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

NOTE J – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – RETIREE HEALTH CARE PLAN – CONTINUED

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, 2012, 2011, and 2010 in the amounts of $27,420, $25,011, and $19,260, respectively, equal the required contributions for each year.

NOTE K – 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, 2012 were $81,624.

NOTE L – CONTINGENCIES AND COMMITMENTS

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 August 1, 2005 and will terminate on August 1, 2015. Annual lease payments are $24,000 plus a quarterly variable payment of 2% of gross revenues generated by the Agency at this transfer station are required by the lease.

NOTE M – 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 postclosure costs has a balance of $3,207,176 as of June 30, 2012, which is based upon approximately 56% usage of the landfill. The Agency will recognize the remaining estimated cost of closure and postclosure care (total of $5,771,596) 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 2022, and will seek additional 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.

In accordance with GASB Statement No. 18, the estimated total current cost of closure and postclosure care is applied to the percentage of the landfill consumed to date (56% as of June 30, 2012), resulting in a liability for landfill closure costs of $3,207,176 as of June 30, 2012. The estimated liability for landfill closure and postclosure costs was increased primarily due to inflationary adjustments to closure and postclosure costs estimates of 3%. No other conditions or factors were changed. The overall liability increased by $274,397. 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 acres (76.8 acres) is $6,868,467.

The estimated liability for the closure costs for the Buckman Road Recycling and Transfer Station (BuRRT) has a balance of $148,416 as of June 30, 2012. As the Agency is leasing the BuRRT facility from the City of Santa Fe, upon the expiration of the lease management considers it to be the responsibility of the Agency to clean up all material on site. The estimated liability includes the cost of hiring a third party to clean up and dispose of all materials, end products, trash and solid waste expected to be on hand. The estimate also includes the costs of an independent project manager and contract administrator. Costs related to postclosure care are not expected to be incurred.

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, 2012, investments of $3,355,592 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

NOTE M – CLOSURE AND POSTCLOSURE CARE COST - CONTINUED

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 N – BASALT ROCK INVENTORY AND SALES

The Agency entered into an agreement effective January 17, 2008 with the Contractor assisting with quarry and cell construction within the Caja Del Rio Landfill in which the Contractor performs excavation and basalt rock blasting and removal. The Contractor is permitted to separate or crush the basalt rock removed from the cells into their own custom product to be sold to local vendors. The Contractor shall pay the Agency $1.50 per ton of basalt rock that is sold and removed from the Caja Del Rio landfill. The Contractor shall pay the Agency $1.50 per ton of basalt rock that is sold and removed from the Caja Del Rio Landfill. As the Agency does not have mineral rights on the Caja Del Rio Landfill, they have a royalty agreement with the Bureau of Land Management (BLM) in which $0.69 of each ton of basalt rock sold is paid by the Agency to BLM. Basalt revenues and royalty fees related to the sale of basalt rock were $90,398 and $42,099, respectfully, during the fiscal year ended June 30, 2012.

There was an estimated 100,000 tons of basalt rock with a net value of approximately $81,000 available for sale as of June 30, 2012.

NOTE O – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are issued. The Agency recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Agency's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued. Significant subsequent events may be disclosed as appropriate.

The Agency has evaluated subsequent events through December 3, 2012, which is the date the financial statements are available to be issued. In September 2012, the Agency completed construction of a Household Hazardous Waste Collection Facility.

SUPPLEMENTARY INFORMATION

Santa Fe Solid Waste Management Agency

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, BUDGET TO ACTUAL (NON-GAAP BASIS)

Year ended June 30, 2012

	Budgeted Amounts			
	Original	Final	Actual	Variance
Operating Revenues:				
User fees	$ 6,975,000	$ 6,975,000	$ 7,539,284	$ 564,284
Other revenue	6,000	6,000	101,149	95,149
Total operating revenue	6,981,000	6,981,000	7,640,433	659,433
Operating Expenses:				
Salaries, wages, and benefits	2,613,616	2,692,416	2,414,394	278,022
Contractual services and utilities	712,346	974,970	635,236	339,734
Repairs and maintenance	578,000	569,125	386,782	182,343
Supplies	545,489	546,203	443,989	102,214
Capital outlay - inventory exempt items	280,000	2,144,580	1,381,548	763,032
Insurance	95,205	95,205	83,720	11,485
Bad debt expense	-	-	34	(34)
Claims and judgments	-	-	-	-
Other	553,124	542,384	534,031	8,353
Total operating expense	5,377,780	7,564,883	5,879,734	1,685,149
Excess (deficiency) of operating revenues over operating expenditures	1,603,220	(583,883)	1,760,699	2,344,582
Non-Operating Revenue (Expenses):				
Investment income	101,320	112,320	106,004	(6,316)
Interest expense	(632,236)	(632,236)	(41,375)	590,861
Total non-operating revenues (expenses)	(530,916)	(519,916)	64,629	584,545
Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	1,072,304	(1,103,799)	$ 1,825,328	$ 2,929,127
Prior year fund balance required to balance the budget (budget surplus)	(1,072,304)	1,103,799		
	$ -	$ -		

RECONCILIATION OF BUDGET AND ACTUAL (NON-GAAP BASIS) TO THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year ended June 30, 2012

Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	$ 1,825,328
Depreciation expense not budgeted	(2,860,808)
Gain on disposal of capital assets not budgeted for	48,499
Increase in liability for landfill and transfer station closure costs	(422,813)
Capital expenditures recorded as a budgetary expense	1,368,692
Change in net assets	$ (41,102)

atkinson

CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ATKINSON & CO. LTD.
6501 AMERICAS PKWY NE
SUITE 700
ALBUQUERQUE, NM 87110

PO BOX 25246
ALBUQUERQUE, NM 87125

T 505 843 6492
F 505 843 6817

ATKINSONCPA.COM

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

We have audited the financial statements of the business-type activities and the budgetary comparison statement listed as supplemental information of the Santa Fe Solid Waste Management Agency (the Agency), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 2012. 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.

<u>Internal Control Over Financial Reporting</u>

Management is responsible for establishing and maintaining effective 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 and contracts, 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 an instance of noncompliance or other matters that is required to be reported under *Governmental Auditing Standards,* and which is described in the accompanying schedule of findings and responses as item 12-01.

The Agency's response to the finding indentified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

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.

Atkinson &Co., Ltd.

Albuquerque, New Mexico
December 3, 2012

Santa Fe Solid Waste Management Agency

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2012

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unqualified

INTERNAL CONTROL OVER FINANCIAL REPORTING

Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No

COMPLIANCE AND OTHER MATTERS

Noncompliance material to the financial statements noted?	No

II. CURRENT YEAR FINDINGS

Financial Statement Findings Required by *Government Auditing Standards*

12-01 Sales of Recyclable Goods and Related Receivables

III. STATUS OF PRIOR YEAR FINDINGS

None

Financial Statement Findings Required by *Government Auditing Standards*

12-01 Sales of Recyclable Goods and Related Receivables (Control Deficiency)

Condition:
Sales of recyclable goods are not recorded as accounts receivable and revenue in the general ledger at the time the revenue is earned. Sales of recycled goods are recorded on the cash basis which is not a generally accepted basis of accounting.

Criteria:
Generally accepted accounting principles in the United States of America requires revenues to be recorded when the revenue is earned, which is at the time of sale, rather than the point of collection.

Cause:
Sales and receivables of recyclable goods are tracked on a manual spreadsheet, which is not reconciled to the actual cash receipts recorded in the general ledger.

Effect:
Accounts receivable may be understated at June 30, 2012. Revenues may have been understated for FY2012 amounts that were not collected until FY2013, as well as a potential overstatement for sales that took place during FY2011 and were not collected until FY2012.

Recommendation:
Atkinson recommends that management change the method of recording sales of recyclable goods to the modified accrual basis. This would involve recording sales and corresponding receivables in the general ledger at the time of sale. The receivable balances would then be reduced at the time of receipt of payment. Any differences between the receivable and the cash collected can be easily adjusted at the time of collection.

Management's Response:
The Agency will recognize the recyclable revenue at the time when the recycle materials are accepted by the vendor and the sale is final.

Santa Fe Solid Waste Management Agency

FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE

June 30, 2012

* * * * *

The basic financial statements have been prepared by Atkinson & Co., Ltd. with the assistance of the Agency. The content in this report is the responsibility of the Agency. An exit conference was held on November 29, 2012 and attended by the following:

For Atkinson & Co., Ltd.:

Martin E. Mathisen, CPA, CGFM	Shareholder/Audit Director
James L. Hartogensis, CPA, CGFM	Senior Audit Manager

For the Santa Fe Solid Waste Management Agency:

Randall Kippenbrock, P.E.	Executive Director
Commissioner Virginia Vigil	Board Chairperson
Angelica G. Salazar	Accounts Coordinator

For the City of Santa Fe:

Teresita Garcia	Assistant Finance Director

For Santa Fe County:

Molly Saiz	Accounting Oversight Manager

ATKINSON & CO. LTD.
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS

ALBUQUERQUE, NM
T 505 843 6492
F 505 843 6817

RIO RANCHO, NM
T 505 891 8111
F 505 891 9169

ATKINSONCPA.COM