SANTA FE SOLID WASTE MANAGEMENT AGENCY

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2013

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C O N T E N T S

Santa Fe Solid Waste Management Agency

OFFICIAL ROSTER

June 30, 2013

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Sally Padilla	Human Resources Officer
Angelica G. Salazar	Accounts Coordinator
Randy Watkins	Landfill Manager

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, as listed in the table of contents. We also have audited the budgetary comparison statement for the year ended June 30, 2013, listed as supplemental information in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

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

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

Opinion

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, 2013, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 27, 2013 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.

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 27, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2013

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.

In 2013, the Agency commenced a solid waste assessment and management study, a joint effort between the Agency, the City of Santa Fe, and the County of Santa Fe. The following purposes of the study are: 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.

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 position, and the related statements of revenues, expenses and changes in net position, cash flows and statement of revenues, expenses, and changes in net position, 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, 2013.

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 Position

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

Statement of Net Position – 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 position at June 30, 2013 as compared to June 30, 2012.

	2013	2012
Assets:		
Current assets	$ 14,862,355	$ 13,075,546
Capital assets	9,747,047	11,676,686
Other non-current assets	3,620,526	3,456,037
Total assets	$ 28,229,928	$ 28,208,269
Liabilities:		
Current liabilities	$ 815,066	$ 905,366
Noncurrent liabilities	3,716,735	3,969,132
Total liabilities	4,531,801	4,874,498
Net Position:		
Net investment in capital assets	9,344,969	10,672,745
Restricted	3,620,526	-
Unrestricted	10,732,632	12,661,026
Total net position	23,698,127	23,333,771
Total liabilities and net position	$ 28,229,928	$ 28,208,269

The assets of the Agency exceeded its liabilities at the close of June 2013, the most recent fiscal year by $23,698,127 (net position). Of this amount, $9,344,969 is the net investment in capital assets, and $14,353,158 is unrestricted.

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

Budgets

Total budgeted operating expenditures increased from $6,780,735 to $7,717,291. The increase is a result of the following: the Agency continued with the landfill permitting renewal process, the Agency purchased replacement heavy equipment, a contract for the landfill gas collection was entered into, and lastly, the Agency proceeded with a Solid Waste Management Study with the City of Santa Fe and Santa Fe County.

Actual operating revenues were slightly greater than budgeted revenue. The increase was due to greater than anticipated basalt rock sales.

Capital Assets and Long-Term Debt Activity

Total net capital assets decreased by approximately $1.9 million from the prior year. The decline was from the net effect of $2.2 million in depreciation expense, some heavy equipment purchased and the continued efforts for the 20-year permit renewal and modification related to the landfill vertical and lateral expansion.

	2013	2012
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	3,591,002	2,572,451
Furniture and fixtures	1,060	1,060
Equipment and machinery	9,512,071	9,526,916
Vehicles	515,021	515,021
Data processing equipment and software	50,679	61,718
Subtotal	39,873,582	38,880,915
Accumulated depreciation	(30,799,007)	(28,549,559)
Construction in progress	672,472	1,345,330
Total capital assets	$ 9,747,047	$ 11,676,686

The Agency reduced debt outstanding related to the capital assets in the amount of $601,863 during fiscal year 2013.

Investments

The Agency currently has approximately $3.6 million in restricted investments for the estimated landfill closure costs and debt service as of June 30, 2013.

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

	2013	2012
Equipment replacement reserve	$ 2,744,146	$ 2,082,730
Gas collection system reserve	501,286	476,604
Insurance deductibles	103,331	102,450
Cell development	1,989,211	1,937,846
Construction in progress	8,832	8,682
Emergency cash reserves	480,889	477,704
Landfill repermitting	268,228	465,896
Closure and postclosure restricted	3,192,265	3,422,015
Internally reserved and restricted	9,288,188	8,973,927
Unreserved	4,863,301	3,575,877
Total	$ 14,151,489	$ 12,549,804

Statement of Revenues, Expenses, and Changes in Net Position

The following table provides condensed financial information related to the Agency's changes in net position for the year ended June 30, 2013 as compared to the year ended June 30, 2012.

	2013	2012
Total operating revenues	$ 7,592,145	$ 7,640,433
Total operating expenses	7,225,597	7,794,663
Operating gain (loss)	366,548	(154,230)
Non-operating (expenses) revenues	(2,192)	113,128
Change in net position	364,356	(41,102)
Beginning net position	23,333,771	23,374,873
Ending net position	$ 23,698,127	$ 23,333,771

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

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. Despite a rate increase effective July 1, 2012 and an increase in basalt rock sales, operating revenues decreased slightly from the prior year. The decrease was a result of a decline in recyclable revenue due to a lower than expected market prices for the sale of recyclables and the loss of incoming recyclable materials from Los Alamos County.

The four largest commercial accounts in order are:

	Revenue Received	Percent
City of Santa Fe	$ 2,808,820	42.37%
Waste Management	695,991	10.50%
Santa Fe County	511,423	7.71%
Other sources	2,613,692	39.42%
	$ 6,629,926	100.00%

Revenues received exclude sales of recyclables and other income.

Operating expenses decreased by $569,066 from prior year primarily due to depreciation expense being less than the prior year and a minimal increase was recorded for postclosure costs for the Buckman Recycling and Transfer Station.

Items Expected to Have a Significant Effect

The Agency expects the closure and post closure care estimates for fiscal year ending June 30, 2014, to increase from $5.7 million to approximately $5.8 million due to inflation.

During fiscal year 2014, 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 2014, the Agency expects to conclude the blasting and removal of basalt rock in Cell 5B/6B. The Agency also expects to commence the liner construction for Cell 5B/6B.

Items Expected to Have a Significant Effect – Continued

During fiscal year 2014, the Agency expects to purchase replacement equipment for the landfill and transfer station.

During fiscal year 2014, the Agency will continue with the operation and maintenance of the landfill gas collection system. The Agency also expects to add the area of Cell 4B to the landfill gas collection system.

During fiscal year 2014, the Agency expects to conclude the 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 POSITION

June 30, 2013

	Business-Type Activities
ASSETS	
Current assets:	
Cash, investments, and cash equivalents	$ 14,151,489
Accounts receivable	693,722
Interest receivable	17,144
Total current assets	14,862,355
Noncurrent assets:	
Cash, investments and cash equivalents-restricted:	
Closure and postclosure care	3,620,526
Total cash, investments, and cash equivalents-restricted	3,620,526
Capital assets:	
Cells	16,574,118
Equipment and machinery	9,512,071
Landfill development costs	6,281,341
Buildings and structures	3,591,002
Landfill	3,014,075
Construction in progress	672,472
Vehicles	515,021
Land improvements	334,215
Data processing equipment and software	50,679
Furniture and fixtures	1,060
Less accumulated depreciation	(30,799,007)
Total capital assets, net of accumulated depreciation	9,747,047
Total noncurrent assets	13,367,573
Total assets	$ 28,229,928
LIABILITIES	
Current liabilities:	
Accounts payable	$ 155,614
Gross receipts payable	27,613
Accrued wages payable	38,710
Compensated absences, current	178,989
Accrued interest payable	12,062
Notes payable-current	402,078
Total current liabilities	815,066
Noncurrent liabilities	
Landfill deposits	20,700
Compensated absences, non-current	75,509
Estimated liability for landfill and transfer station closure costs	3,620,526
Total noncurrent liabilities	3,716,735
Total liabilities	4,531,801
NET POSITION	
Net investment in capital assets	9,344,969
Restricted	3,620,526
Unrestricted	10,732,632
Total net position	$ 23,698,127

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended June 30, 2013

	Business - Type Activities
OPERATING REVENUES	
User fees	$ 6,629,926
Recycle sales	802,133
Other income	160,086
Total operating revenues	7,592,145
OPERATING EXPENSES	
Salaries, wages, and benefits	2,478,906
Depreciation expense	2,275,332
Contractual services and utilities	678,986
Repairs and maintenance	480,846
Supplies	442,888
Insurance	79,438
Capital outlay-exempt items	12,226
Other	776,975
Total operating expenses	7,225,597
OPERATING INCOME	366,548
NON-OPERATING REVENUES (EXPENSES)	
Investment income	28,164
Interest expense	(30,356)
Total non-operating expenses	(2,192)
CHANGE IN NET POSITION	364,356
Net position, beginning of year	23,333,771
Net position, end of year	$ 23,698,127

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, 2013

Increase (Decrease) in Cash

Cash flows from operating activities		
Cash received from customers	$ 7,403,133	
Cash payments to suppliers for goods and services	(2,222,979)	
Cash payments to employees for services	(2,468,104)	
Net cash provided by operating activities		$ 2,712,050
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(345,693)	
Note repayments	(601,863)	
Interest payments	(30,372)	
Net cash used in capital and related financing activities		(977,928)
Cash flows from investing activities		
Investment income	32,052	
Net cash provided by investing activities		32,052
Net increase in cash and cash equivalents		1,766,174
Cash and cash equivalents at beginning of year		16,005,841
Cash and cash equivalents at end of year		$ 17,772,015

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

STATEMENT OF CASH FLOWS - CONTINUED

For the year ended June 30, 2013

Increase (Decrease) in Cash

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income	$ 366,548
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	2,275,332
Change in assets and liabilities:	
Increase in accounts receivable	(189,012)
Decrease in accounts payable	(7,798)
Increase in compensated absences payable	13,079
Decrease in accrued wages payable	(2,277)
Decrease in gross receipt tax payable	(8,756)
Increase in landfill closure costs	264,934
Total adjustments	2,345,502
Net cash provided by operating activities	$ 2,712,050

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

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, 2013.

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 position and the related statements of revenues, expenses, and changes in net position, 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.

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. 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 position, 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 position 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 Position. The government-wide fund financial statements utilize a net position presentation. Deferred outflows and deferred inflows are now included in the components of the Agency's net position for the year ended June 30, 2013. See Note O for more information on the implementation of GASB 63. There were no deferred inflows and outflows for the year ending June 30, 2013. Net position is categorized as investment in capital assets, restricted and unrestricted.

> Net Investment in Capital Assets - is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The Agency did have related debt during the year ended June 30, 2013.
>
> Restricted Net position – represents the restricted cash balance to fund the closure and postclosure liability.
>
> Unrestricted Net Position - represents the excess of total assets over total liabilities and net position invested in capital assets at June 30, 2013. 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 per 12-6-10 NMSA 1978.

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.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tipping Fees. The Agency has established a tipping fee schedule based on solid waste tonnage. Effective July 1, 2012 through June 30, 2013, the fee for solid waste ranges from $40 - $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. The household hazardous waste fee is $50 per ton. Fees for immediate or special handling range from $80 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 a modified accrual basis of accounting. The budget is based on a full accrual method, except that depreciation and budgetary capital outlay are not included. The budget must be approved by the Agency's Board of Directors, which consists of members from both the City and County as discussed in Note A. 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 $17,772,015 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, 2013.

Investment income comprises the following at June 30, 2013:

Interest	$ 92,186
Net loss in fair value of investments	(64,022)
	$ 28,164

At June 30, 2013, the Agency has undesignated, internally designated, and restricted cash and investments for the following purposes:

NOTE C – CASH AND INVESTMENTS – CONTINUED

Undesignated cash and investments	$	4,863,301
Internally designated:		
Emergency cash reserves		480,889
Equipment replacement		2,744,146
Closure and postclosure		3,192,265
Cell development		1,989,211
Gas collection system		501,286
Insurance deductibles		103,331
Landfill repermitting		268,228
Construction in progress		8,832
Total designated cash and investments		9,288,188
Restricted cash and investments:		
Closure and postclosure care		3,620,526
Total restricted cash and investments		3,620,526
Total cash and investments	$	17,772,015

Cash reserves in the amount of $3,620,526 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 $693,722 represents billings for tipping fees to third-party users, sales of rock, and sales of recyclables through June 30, 2013. Management considers all outstanding accounts receivable to be collectable, therefore there is no allowance for doubtful accounts. The following shows the balances due from the five largest customers and the other customers in total as of June 30, 2013.

City of Santa Fe	$	222,393
Waste Management		121,477
County of Santa Fe		65,989
Santa Fe Waste Service		53,143
MCT Waste, LLC		50,613
Others		180,107
		693,722
Less allowance for uncollectible accounts		-
Accounts receivable (net)	$	693,722

NOTE E – CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	$ 1,345,330	$ 337,239	$ (1,010,097)	$ 672,472
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	1,018,551	-	3,591,002
Furniture and fixtures	1,060	-	-	1,060
Equipment and machinery	9,526,916	-	(14,845)	9,512,071
Vehicles	515,021	-	-	515,021
Data processing equipment and software	61,718	-	(11,039)	50,679
	38,880,915	1,018,551	(25,884)	39,873,582
Less accumulated depreciation:				
Landfill	(421,967)	(30,138)	-	(452,105)
Landfill development cost	(4,736,813)	(314,067)	-	(5,050,880)
Land improvements	(334,215)	-	-	(334,215)
Cells	(14,613,854)	(1,069,235)	-	(15,683,089)
Buildings and structures	(783,022)	(86,615)	-	(869,637)
Furniture and fixtures	(1,059)	-	-	(1,059)
Equipment and machinery	(7,211,209)	(744,307)	14,845	(7,940,671)
Vehicles	(405,045)	(25,069)	-	(430,114)
Data processing equipment and software	(42,375)	(5,901)	11,039	(37,237)
	(28,549,559)	(2,275,332)	25,884	(30,799,007)
Total capital assets being depreciated, net	10,331,356	(1,256,781)	-	9,074,575
Total capital assets	$ 11,676,686	$ (919,542)	$ (1,010,097)	$ 9,747,047

Depreciation expense for capital assets for the fiscal year ended June 30, 2013 was $2,275,332.

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 was payable from pledged net revenues of the Agency and was unsecured. The loan was paid off during fiscal year 2013.

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 to 2014 is as follows:

Year Ended June 30,	Principal	Interest
2014	$ 402,078	$ 12,062

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Outstanding June 30, 2012	Additions	Reductions	Outstanding June 30, 2013	Due Within One Year
Notes payable	$ 1,003,941	$ -	$ (601,863)	$ 402,078	$ 402,078
Landfill deposits	20,700	-	-	20,700	-
Estimated liability for landfill closure costs	3,207,176	262,246	-	3,469,422	-
Estimated liability for transfer station closure costs	148,416	2,688	-	151,104	-
Compensated absences	241,419	194,345	(181,266)	254,498	178,989
Business-type activity	$ 4,621,652	$ 459,279	$ (783,129)	$ 4,297,802	$ 581,067

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 75% of the tipping fee revenue as of June 30, 2013. These customers are City of Santa Fe, Waste Management of New Mexico, and Santa Fe County.

Accounts receivable of $693,722 as of June 30, 2013 includes related party receivables from the City of Santa Fe and Santa Fe County of $222,393 and $65,989, 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 2013.

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.

NOTE I – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION – CONTINUED

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, 2013, 2012, and 2011 in the amounts of $283,651, $281,286, and $282,523, 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.

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 members 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.

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

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, 2013, the statute required each participating employer to contribute 2% of each participating employee's annual salary; each participating employee was required to contribute 1% of their salary.

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.

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, 2013, 2012, and 2011 in the amounts of $29,951, $27,420, and $25,011, 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, 2013 were $108,640.

NOTE L – 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. The Agency paid $56,882 in rent expense during the year ended June 30, 2013.

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 $3,469,422 as of June 30, 2013, which is based upon approximately 59.6% usage of the landfill. The Agency will recognize the remaining estimated cost of closure and postclosure care (total of $5,814,657) 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 9 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 (60% as of June 30, 2013), resulting in a liability for landfill closure costs of $3,469,422 as of June 30, 2013. The estimated liability for landfill closure and postclosure costs was increased primarily due to inflationary adjustments to closure and postclosure costs estimates of 1.8%. No other conditions or factors were changed. The overall liability increased by $262,246. 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 $7,003,270.

The estimated liability for the closure costs for the Buckman Road Recycling and Transfer Station (BuRRT) has a balance of $151,104 as of June 30, 2013. 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, 2013, investments of $3,620,528 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 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. 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 $0.95 per ton of basalt rock sold is paid by the Agency to BLM. The royalty fee rate increased from $0.69 per ton in April 2013. Basalt revenues and royalty fees related to the sale of basalt rock were $141,086 and $75,809, respectfully, during the fiscal year ended June 30, 2013.

There was an estimated 140,000 tons of basalt rock with a net value of approximately $77,000 available for sale as of June 30, 2013.

NOTE O – NEW ACCOUNTING STANDARDS

GASB 62

The Agency implemented Government Accounting Standards Board (GASB) Statement No. 62 during the year ended June 30, 2013, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements" which codifies preexisting authoritative guidance from all sources into GASB standards and edits such standards for the government environment as appropriate. It further eliminates the election for proprietary fund and business type reporting entities to apply certain Financial Accounting Standards guidance after November 30, 1989.

GASB 63

The Agency implemented Government Accounting Standards Board Statement No. 63 "Financial Reporting of Deferred Outflows or Resources, Deferred Inflows of Resources, and Net Position" (GASB 63) for the year ending June 30, 2013. GASB 63 introduces a fundamental change to the reporting of elements that make up a statement of financial position.

Deferred outflows of resources and deferred inflows of resources are now included in the elements that make up a statement of financial position and GASB 63 introduces the term **net position** for reporting the residual of all elements in a statement of financial position. The statement of financial position of the Agency at June 30, 2013 conforms to the presentation requirements of GASB 63. There were no deferred outflows or inflows to separately report at June 30, 2013.

NOTE O – NEW ACCOUNTING STANDARDS – CONTINUED

GASB 65

Governmental Accounting Standards Board Statement No. 65 "Items Previously Reported as Assets and Liabilities" (GASB 65) changes the classification of various financial statement balance including several more common type transactions to deferred outflows and inflows of resources. GASB 65 is applicable for years beginning after December 15, 2012 (FY 14). The Agency is reviewing the provisions of this statement for possible effects on its financial reporting.

GASB 68

Governmental Accounting Standard Board Statement No. 68, “Accounting and Financial Reporting for Pensions” (GASB 68) revises existing guidance for governments that provide their employees with pension benefits. A principal change is the requirement to record a government's pro rata share of unfunded actuarial accrued liability (UAAL) on its financial statements for multiemployer cost sharing plan. The Agency is a participating member of the Public Employees Retirement Association (PERA), a multiemployer cost sharing plan. Information to implement this standard will be developed by PERA and the State of New Mexico. The implementation date for GASB 68 is fiscal year 2015. The current status of the unfunded liability for PERA is $6.18 billion based on the most recently issued audited financial statement at June 30, 2012. Legislation was passed in the last year changing PERA's plan benefits design and contribution requirements to fully fund UAAL within 30 years.

NOTE P – CONSTRUCTION COMMITMENTS

The Agency had an active construction project as of June 30, 2013 related to the construction of cells, including basalt rock blasting, excavation and removal of basalt rock, engineering design, construction management and liner construction. The amount spent to date is $77,767 with remaining commitments of $1,816,336 as of June 30, 2013. Commitments for the cells are financed by Agency revenues and existing resources.

NOTE Q – 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 November 27, 2013, which is the date the financial statements are available to be issued. In November 2013, the Agency submitted the application to renew its 20-year solid waste facility permit.

SUPPLEMENTARY INFORMATION

Santa Fe Solid Waste Management Agency

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

Year ended June 30, 2013

	Budgeted Amounts			
	Original	Final	Actual	Variance
Operating Revenues:				
User fees	$ 7,200,000	$ 7,200,000	$ 7,432,059	$ 232,059
Other revenue	60,000	214,408	160,086	(54,322)
Total operating revenue	7,260,000	7,414,408	7,592,145	177,737
Operating Expenses:				
Salaries, wages, and benefits	2,745,901	2,590,345	2,478,906	111,439
Contractual services and utilities	904,875	1,384,559	678,986	705,573
Repairs and maintenance	578,000	665,931	480,846	185,085
Supplies	652,627	601,224	442,888	158,336
Capital outlay - inventory exempt items	1,019,250	1,786,058	357,919	1,428,139
Insurance	107,500	107,500	79,438	28,062
Other	772,582	581,674	776,975	(195,301)
Total operating expense	6,780,735	7,717,291	5,295,958	2,421,333
Excess (deficiency) of operating revenues over operating expenditures	479,265	(302,883)	2,296,187	2,599,070
Non-Operating Revenue (Expenses):				
Investment income	71,666	71,666	28,164	(43,502)
Interest expense	(632,236)	(632,236)	(30,356)	601,880
Total non-operating revenues (expenses)	(560,570)	(560,570)	(2,192)	558,378
Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	(81,305)	(863,453)	$ 2,293,995	$ 3,157,448
Prior year fund balance required to balance the budget (budget surplus)	81,305	863,453		
	$ -	$ -		

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

Year ended June 30, 2013

Reconciliation to statement of revenues, expenses and changes in net position-GAAP Basis	
Excess (deficiency) of revenues over expenditures and other uses, non-GAAP basis	$ 2,293,995
Depreciation expense not budgeted	(2,275,332)
Capital expenditures recorded as a budgetary expense	345,693
Change in net position	$ 364,356

atkinson

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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, 2013, and have issued our report thereon dated November 27, 2013. 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, of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.*

Purpose of this Report

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

Atkinson & Co., Ltd.

Albuquerque, New Mexico
November 27, 2013

Santa Fe Solid Waste Management Agency

SCHEDULE OF FINDINGS AND RESPONSES

June 30, 2013

I. SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified

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

None noted

III. STATUS OF PRIOR YEAR FINDINGS

12-01 Sales of Recyclable Goods and Related Receivables – RESOLVED

FINANCIAL STATEMENT PREPARATION AND EXIT CONFERENCE

June 30, 2013

* * * * *

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 26, 2013 and attended by the following:

For Atkinson & Co., Ltd.:

Martin E. Mathisen, CPA, CGFM	Shareholder/Audit Director
Andrea Brewer, CPA	Senior Accountant

For the Santa Fe Solid Waste Management Agency:

Randall Kippenbrock, P.E.	Executive Director
Councilor Peter N. Ives	Board Chairperson
Angelica G. Salazar	Accounts Coordinator

For the City of Santa Fe:

Teresita Garcia	Assistant Finance Director

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