

Helping Santa Fe rethink their waste.



# Santa Fe Solid Waste Management Agency

Financial Statements and  
Required Supplementary  
Information with Accompanying  
Auditors' Reports

Year Ended June 30, 2014



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## **INTRODUCTORY SECTION**

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**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
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June 30, 2014

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**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Directory of Officials  
June 30, 2014

<u>Name</u>	<u>Board</u>	<u>Title</u>
Miguel Chavez		Commissioner Chair
Joseph M. Maestas		Councilor, Vice Chair
Robert Anaya		Commissioner
Kathy Holian		Commissioner
Patti Bushee		Councilor
Lindell Signe		Councilor
<u>Administrative Officials</u>		
Randall Kippenbrock		Executive Director
Angelica Salazar		Accounts Coordinator

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**FINANCIAL SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas  
New Mexico State Auditor  
Members of the Joint Powers Board  
Santa Fe Solid Waste Management Agency  
Santa Fe, New Mexico

### Report on 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, 2014, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements as listed in the table of contents. We also have audited the budgetary comparison presented as supplementary information, as defined by the Governmental Accounting Standards Board for the year ended June 30, 2014, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' 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.

### 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, 2014, and the respective change in financial position and cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## 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 12 through 18 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 26, 2014 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 and 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* in considering the Agency's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, NM  
November 26, 2014

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

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 material recovery facility (MRF) at the former 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. The Agency has an option to renew the lease for an additional period of 10 years on the same term and conditions provided in the lease provided the Agency notify the City in writing at least 180 days prior to the expiration date of September 22, 2015.

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 operation 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 Santa Fe County. The purpose of the study was twofold: 1) to increase recycling and other forms of diversion from the landfill while ensuring financial stability for the solid waste operation and assuring the 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 final report for the study will be released in November 2014.

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 governmental 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 positions, cash flows, and statements of revenues expenses, and changes in net position, budget and actual (non-GAAP basis) in conformity with GAAP. The Governmental 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, 2014.

### **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.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Overview of the Financial Statements – Continued**

The Agency operated under the accrual basis of accounting, required for State and local Governments' enterprise operations. The Agency operates as a single fund and utilized 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 can 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 Fund**

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 users (tipping) fees and income from the sale of recyclable materials. Enterprise funds are used for activities that are financed and operated in a manner similar to a private business enterprise. The intent of the Joint Powers Board is to ensure that the costs (expenses, including depreciation) of providing services, in this case, solid waste disposal services and recycling materials recovery to City and County residents on a continuing basis be financed or recovered primarily through solid waste user fees and income from the sale of recyclable materials. Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred. Enterprise funds provide the same 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.

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.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Statement of Net Position – Continued**

The following table provides condensed financial information related to the Agency's net position at June 30, 2014 as compared to June 30, 2013.

	2014	2013
Assets:		
Current assets	\$ 13,303,275	\$ 14,862,355
Capital assets	11,220,118	9,747,047
Other non-current assets	4,190,282	3,620,526
Total assets	\$ 28,713,675	\$ 28,229,928
Liabilities:		
Current liabilities	540,160	815,066
Noncurrent liabilities	4,280,450	3,716,735
Total liabilities	4,820,610	4,531,801
Net position:		
Net investment in capital assets	11,220,118	9,747,047
Unrestricted net position	12,672,947	13,951,080
Total net position	23,893,065	23,698,127
Total liabilities and net position	\$ 28,713,675	\$ 28,229,928

The assets of the Agency exceeded its liabilities at the close of June 2014, the most recent fiscal year by \$23,893,065 (net position). Of this amount, \$11,220,118 is the net investment in capital assets, and \$12,672,947 is unrestricted.

In comparison, the assets of the Agency exceeded its liabilities at the close of the June 2013 fiscal year by \$23,698,127 (net position). Of this amount \$9,747,047 is the net investment in capital assets, and \$13,951,080 is unrestricted.

**Budgets**

Total budgeted operating expenditures increased from \$8,785,327 to \$12,594,168. The increase is a result of the following: The Agency continued with the landfill permitting renewal process and the Solid Waste Assessment and Management Study, the Agency purchased replacement heavy equipment, fleet as well as did a major repair to the MRF (Material Recovery Facility) and the scale-house deck, and lastly, the Agency completed the contract for the blasting and removal of the basalt rock from Cells 5B and 6B.

Despite a huge shortfall in Recycling Revenue, actual operating revenues were slightly greater than budgeted revenue. The increase was due to greater than anticipated tonnage delivered to the Landfill.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Capital Assets and Long-Term Debt Activity**

The Agency's cumulative investment in capital assets as of June 30, 2014 is \$11.2 million (net of accumulated depreciation). The investment in capital assets includes land, land improvements, buildings, equipment and machinery, vehicles, and data processing equipment and software. The investment in capital assets also includes the landfill and associated landfill development cost of disposal cells, both existing and construction in progress. The Agency's investment in capital assets for the current fiscal year increased by approximately \$1.4 million from the prior year. Major capital investments during the fiscal year included the blasting and excavation of basalt rock from Cells 5B and 6B, on-going efforts for the 20-year permit renewal and modification related to the landfill's vertical and lateral expansion, and acquisition of equipment and vehicles.

	<u>2014</u>	<u>2013</u>
Landfill	\$ 3,014,075	\$ 3,014,075
Landfill development cost	6,281,341	6,281,341
Land improvements	384,585	334,215
Cells	16,574,118	16,574,118
Buildings and structures	3,591,002	3,591,002
Furniture and fixtures	1,060	1,060
Equipment and machinery	10,209,217	9,512,071
Vehicles	833,696	515,021
Data processing equipment and software	63,082	50,679
Construction in progress	<u>2,565,342</u>	<u>672,472</u>
Subtotal	43,517,519	40,546,054
Accumulated depreciation	<u>(32,297,401)</u>	<u>(30,799,007)</u>
Total capital assets (net)	<u>\$ 11,220,118</u>	<u>\$ 9,747,047</u>

The Agency reduced the debt outstanding related to the capital assets in the amount of \$402,078 during the fiscal year 2014 by retiring a five-year loan obtained from the NMFA for the Cell 4B construction project in 2008.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Cash and Investments**

At June 30, 2014, the Agency has internally undesignated, internally designated and restricted cash and investments for the following purposes as of June 30:

	2014	2013
Undesignated cash and investments:		
Unrestricted cash	\$ 6,154,310	\$ 4,838,102
Petty cash	4,500	4,500
Total internally designated cash and investments	6,158,810	4,842,602
Internally designated:		
Emergency cash reserves	484,944	480,889
Equipment replacement	1,973,497	2,744,146
Closure and postclosure	2,674,652	3,192,265
Cell development	450,137	1,989,211
Gas collection system	528,981	501,285
Insurance deductibles	104,202	103,331
Landfill repermitting	291,973	268,228
Construction in progress	8,906	8,832
Total internally designated cash and investments	6,517,292	9,288,187
Restricted cash and investments:		
Landfill deposits	20,700	20,700
Closure and post-closure care	4,169,582	3,620,525
Total restricted cash and investments	4,190,282	3,641,225
Total cash and investments	\$ 16,866,384	\$ 17,772,014

For closure and post-closure care for the landfill and transfer station, the Agency has approximately \$6.84 million as of June 30, 2014. Approximately \$2.67 million of the total closure and post-closure care amount is internally designated cash whereas approximately \$4.16 million of the total is restricted cash as per GASB-18 requirements.



**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**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, 2014 as compared to the year ended June 30, 2013.

	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 7,521,493	\$ 7,592,145
Operating expenses	<u>(7,457,684)</u>	<u>(7,225,597)</u>
Operating income	63,809	366,548
Non-operating revenues (expenses)	<u>131,129</u>	<u>(2,192)</u>
Change in net position	194,938	364,356
Beginning net position	<u>23,698,127</u>	<u>23,333,771</u>
Ending net position	<u><u>\$ 23,893,065</u></u>	<u><u>\$ 23,698,127</u></u>

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. Overall, the operating revenues decreased slightly from the prior year. The significant factors for the decrease in recycling were the following: the loss of incoming recyclable materials from Los Alamos County, lower than expected market prices for certain recyclables (e.g., newspaper and corrugated cardboard), a major downtime on the recycling sort line due to the replacement of two conveyor belts and a higher residues (contamination) rate from the processing of recyclable materials. The decrease in revenues from the sale of recyclables, however, was offset by slightly higher tipping fees received from the solid waste users and miscellaneous revenues.

The three largest commercial accounts in order are:

	<u>Revenue Received</u>	<u>Percent</u>
City of Santa Fe	\$ 2,936,279	39.04%
Waste Management	636,452	8.46%
Santa Fe County	488,287	6.49%
Other sources	<u>3,460,475</u>	<u>46.01%</u>
	<u><u>\$ 7,521,493</u></u>	<u><u>100.00%</u></u>

Revenues received exclude sales of recyclables and other income.

Overall, operating expenses increased by \$232,087 from prior year. There were increases in the repairs and maintenance expense, contractual services expense, landfill liabilities, and salary and benefits expense. However, these increases were off-set by depreciation expense being significantly less than the prior year.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis (Unaudited)  
June 30, 2014

**Items Expected to Have a Significant Effect**

The Agency expects the closure and post closure care estimates for fiscal year ending June 30, 2015, to increase from \$6.39 million to approximately \$6.9 million due to the additional closure and post-closure care estimates for the new Cell 5B (9.1 acres) and inflation.

During the fiscal year 2015, the Agency anticipates the near completion of the engineering design and permitting services for the next 20-year permit renewal and modification related to a landfill vertical and lateral expansion. The Agency expects the permit application to be deemed complete by the New Mexico Environment Department (NMED) in January 2015. The Agency expects to receive the new 20-year permit from the NMED in August 2015 after the public hearing process for the permit application is completed. The current landfill permit expires June 2015. However, the Agency can continue to operate under the current permit in the event the new permit is not issued by June 2015.

During fiscal year 2015, the Agency entered into a contract for engineering services for the construction quality assurance (CQA) of Cell 5B liner construction project. The Agency also expects the Cell 5B liner construction project to be completed during fiscal year 2015.

During fiscal year 2015, the Agency expects to purchase replacement equipment and fleet for the landfill and transfer station.

During fiscal year 2015, the Agency will continue with the operation and maintenance of the landfill gas collection system. The Agency also may be required to add the area of Cell 4B to the landfill gas collection system.

During fiscal year 2015, the Agency expects to conclude the solid waste assessment and management study, which is a joint effort between the Agency, Santa Fe County and the City 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 operation and assuring the 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, with Board approval, anticipates to implement a number of key recommendations from the study that include, but are not limited to, the following: maintain the current rates (tipping fees) for the landfill and the Buckman Road Recycling and Transfer Station (BuRRT); consider entering a public-private partnership for the material recovery facility (MRF), green waste operation and composting operation; replace key equipment at the BuRRT (i.e., rolling stock and glass pulverizer) and; take the lead between the Agency, City and County in the development of solid waste and recycling messaging in the education and outreach program. Furthermore, the Agency expects the recommendations, if fully or partially implemented, will decrease revenues and reduce operating costs for the BuRRT facility with an overall potential cost savings up to \$240,000 annually.

During the fiscal year 2015, the Agency anticipates to continue with the permitting services for the next 20-year permit renewal for the BuRRT facility. The permitting process can take up to three years to complete, however; the Agency anticipates a new permit from the NMED for the BuRRT in May 2016.

**Request 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 request for additional financial information should be addressed to Santa Fe Solid Waste Management Agency, 149 Wildlife Way, Santa Fe, New Mexico 87506.

**BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Statement of Net Position  
June 30, 2014

Exhibit A

	<u>Business-Type Activities</u>
<b>Assets</b>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 12,676,102
Accounts receivable	616,904
Interest receivable	10,269
<i>Total current assets</i>	<u>13,303,275</u>
<i>Noncurrent assets</i>	
Restricted cash and cash equivalents:	
Landfill and transfer station closure and postclosure care costs	4,169,582
Landfill deposits	20,700
Capital assets	43,517,519
Less accumulated depreciation	<u>(32,297,401)</u>
<i>Total noncurrent assets</i>	<u>15,410,400</u>
<i>Total assets</i>	<u><u>\$ 28,713,675</u></u>
<b>Liabilities and net position</b>	
<i>Current liabilities</i>	
Accounts payable	\$ 233,459
Gross receipts payable	33,026
Accrued wages payable	59,938
Compensated absences	<u>213,737</u>
<i>Total current liabilities</i>	<u>540,160</u>
<i>Noncurrent liabilities</i>	
Landfill deposits	20,700
Compensated absences	90,168
Estimated liability for landfill and transfer station closure and postclosure care costs	<u>4,169,582</u>
<i>Total noncurrent liabilities</i>	<u>4,280,450</u>
<i>Total liabilities</i>	<u>4,820,610</u>
<i>Net position</i>	
Net investment in capital assets	11,220,118
Unrestricted	<u>12,672,947</u>
<i>Total net position</i>	<u>23,893,065</u>
<i>Total liabilities and net position</i>	<u><u>\$ 28,713,675</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2014

Exhibit B

	Business-Type Activities
<i>Operating revenues</i>	
User fees	\$ 6,725,216
Recycle sales	555,879
Other sales	169,848
Other income	70,550
<i>Total operating revenues</i>	7,521,493
<i>Operating expenses</i>	
Personnel services	2,716,478
Contractual services	783,991
Supplies	490,859
Repairs and maintenance	603,420
Rental expenses	66,237
Utilities	117,030
Insurance	73,470
Office expenses	60,863
Travel and training	21,735
Gross receipts taxes	304,941
Additions to landfill liability	549,056
Reimbursable share of sales	107,544
Capital outlay-exempt	22,065
Depreciation	1,539,995
<i>Total operating expenses</i>	7,457,684
<i>Operating income</i>	63,809
<i>Non-operating revenues (expenses)</i>	
Investment income	132,437
Gain (loss) on sale of assets	(1,308)
<i>Total non-operating revenues (expenses)</i>	131,129
<i>Change in net position</i>	194,938
<i>Total net position - beginning of year</i>	23,698,127
<i>Total net position, end of year</i>	\$ 23,893,065

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Statement of Cash Flows  
For the Year Ended June 30, 2014

	Business-Type Activities
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 7,598,311
Cash paid to suppliers for goods and services	(2,568,897)
Cash paid to employees for services	(2,645,843)
	2,383,571
<i>Cash flows from capital and financing activities</i>	
Acquisition and construction of capital assets	(3,016,032)
Cash received from sale of assets	1,658
Note repayments	(402,078)
Interest payments	(12,062)
	(3,428,514)
<i>Cash flows from investing activities</i>	
Investment income	139,312
	139,312
<i>Net decrease in cash and cash equivalents</i>	(905,631)
<i>Cash and cash equivalents - beginning of year</i>	17,772,015
<i>Cash and cash equivalents - end of year</i>	\$ 16,866,384
<i>Reported on the statement of net position as:</i>	
Cash and cash equivalents	\$ 12,676,102
Restricted cash- landfill and transfer station closure costs	4,169,582
Restricted cash- landfill deposits	20,700
	\$ 16,866,384

The accompanying notes are an integral part of these financial statements

	<u>Business-Type Activities</u>
<i>Reconciliation of operating income to net cash provided by operating activities</i>	
Operating income	\$ 63,809
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,539,995
Additions to landfill liability	549,056
Changes in assets and liabilities:	
Decrease in accounts receivable	76,818
Increase in accounts payable	77,845
Increase in compensated absences payable	49,407
Increase in accrued wages payable	21,228
Increase in gross receipts tax payable	<u>5,413</u>
Net cash provided by operating activities	<u><u>\$ 2,383,571</u></u>

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2014

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

*Reporting Entity.* The City of Santa Fe (City) is a partner with Santa Fe County (County) in a joint venture to provide municipal landfill services. The Santa Fe Solid Waste Management Agency (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 Generally Accepted Accounting Principles (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, 2014.

The Agency is governed by a joint powers board 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.

In fiscal year 2014 the Agency adopted new accounting standard GASB Statement No. 65, Items Previously Reported as Assets and Liabilities ("GASB 65"), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is not expected to have a significant impact on the Agency's financial statements.

*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.

*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 *non-operating* 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.



**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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 non-operating 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 post-closure 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.

*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 the 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, 2014. There were no deferred inflows and outflows for the year ended June 30, 2014. 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 not have related debt during the year ended June 30, 2014.

Unrestricted Net Position – represents the excess of total assets over total liabilities and net position invested in capital assets at June 30, 2014. 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.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2014

**NOTE 1. 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 and structures	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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the notes using the effective interest method.

*Landfill Closure and Post-Closure Care Costs* The financial statements include an estimate of total current costs of landfill closure and postclosure care that are required to be incurred by federal, state, local laws, or regulations. A portion of the estimated total current cost of the landfill closure and postclosure care is recognized as an expense and liability in the period the landfill accepts waste. Estimated total current cost is recorded based on landfill usage (i.e. cubic yards, airspace) rather than on the passage of time.

*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, 2013 through June 30, 2014, 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 from 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.

**STATE OF NEW MEXICO**  
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**NOTE 2. 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 1. Budgetary control is at the fund level.

**NOTE 3. CASH AND INVESTMENTS**

The Agency does not have a separate bank account. Cash and investments consist of \$16,866,384 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.

At June 30, 2014, the Agency has undesignated, internally designated, and restricted cash and investments for the following purposes:

	2014	2013
Undesignated cash and investments:		
Unrestricted cash	\$ 6,154,310	\$ 4,838,102
Petty cash	4,500	4,500
Total internally designated cash and investments	6,158,810	4,842,602
Internally designated:		
Emergency cash reserves	484,944	480,889
Equipment replacement	1,973,497	2,744,146
Closure and postclosure	2,674,652	3,192,265
Cell development	450,137	1,989,211
Gas collection system	528,981	501,285
Insurance deductibles	104,202	103,331
Landfill repermitting	291,973	268,228
Construction in progress	8,906	8,832
Total internally designated cash and investments	6,517,292	9,288,187
Restricted cash and investments:		
Landfill deposits	20,700	20,700
Closure and post-closure care	4,169,582	3,620,525
Total restricted cash and investments	4,190,282	3,641,225
Total cash and investments	\$ 16,866,384	\$ 17,772,014

Cash reserves in the amount of \$4,169,582 have been restricted for the purpose of paying for estimated landfill and transfer station closure and postclosure care costs as described in Note 14.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2014

**NOTE 3. CASH AND INVESTMENTS-CONTINUED**

In accordance with GASB Statement 31, the Agency has stated investments at fair value at June 30, 2014.

Investment income comprises the following at June 30, 2014:

	2014
Interest income	\$ 71,030
Unrealized and realized gains on investments	61,407
Total investment income	\$ 132,437

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable of \$616,904 represents billings for tipping fees to third-party users, sales of rock, and sales of recyclables through June 30, 2014. 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, 2014.

City of Santa Fe	\$ 252,401
Waste Management	95,639
County of Santa Fe	39,783
Santa Fe Waste Service	28,109
High Mesa Environmental	28,713
Others	172,259
Accounts receivable	\$ 616,904

**NOTE 5. 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 54% of tipping fee and recycle revenue for the year ended June 30, 2014. These customers are City of Santa Fe, Waste Management of New Mexico, and Santa Fe County.

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**NOTE 6. CAPITAL ASSETS**

A summary of changes in capital assets for fiscal year ending June 30, 2014 is as follows.

	Beginning Balance <u>June 30, 2013</u>	Additions	Deletions	Ending Balance <u>June 30, 2014</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 672,472	\$ 1,892,870	\$ -	\$ 2,565,342
Capital assets, being depreciated:				
Landfill	3,014,075	-	-	3,014,075
Landfill development cost	6,281,341	-	-	6,281,341
Land improvements	334,215	50,370	-	384,585
Cells	16,574,118	-	-	16,574,118
Buildings and structures	3,591,002	-	-	3,591,002
Furniture and fixtures	1,060	-	-	1,060
Equipment and machinery	9,512,071	705,065	(7,919)	10,209,217
Vehicles	515,021	355,323	(36,648)	833,696
Data processing equipment and software	50,679	12,403	-	63,082
Total capital assets being depreciated	39,873,582	1,123,161	(44,567)	40,952,177
Less accumulated depreciation:				
Landfill	(452,105)	(30,135)	-	(482,240)
Landfill development costs	(5,050,880)	(314,073)	-	(5,364,953)
Land improvements	(334,215)	(2,926)	-	(337,141)
Cells	(15,683,089)	(445,513)	-	(16,128,602)
Buildings and structures	(869,637)	(90,075)	-	(959,712)
Furniture and fixtures	(1,059)	-	-	(1,059)
Equipment and machinery	(7,940,671)	(593,069)	7,916	(8,525,824)
Vehicles	(430,114)	(59,062)	33,685	(455,491)
Data processing equipment and software	(37,237)	(5,142)	-	(42,379)
Total accumulated depreciation	(30,799,007)	(1,539,995)	41,601	(32,297,401)
Total capital assets being depreciated, net	9,074,575	(416,833)	(2,966)	8,654,776
Total capital assets	\$ 9,747,047	\$ 1,476,037	\$ (2,966)	\$ 11,220,118

Depreciation expense for capital assets for the fiscal year ended June 30, 2014 was \$1,539,995.

**STATE OF NEW MEXICO**  
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**NOTE 7. LONG-TERM DEBT**

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the Statement of Net Position:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Note payable	\$ 402,078	\$ -	\$ 402,078	\$ -	\$ -
Landfill deposits	20,700	-	-	20,700	-
Estimated liability for landfill closure costs	3,469,422	547,043	-	4,016,465	-
Estimated liability for transfer station closure costs	151,104	2,013	-	153,117	-
Compensated absences	254,498	228,396	178,989	303,905	213,737
Total	<u>\$ 4,297,802</u>	<u>\$ 777,452</u>	<u>\$ 581,067</u>	<u>\$ 4,494,187</u>	<u>\$ 213,737</u>

**NOTE 8. RISK MANAGEMENT AND LITIGATION**

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 buildings 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 2014.

**NOTE 9. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PENSION PLAN**

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

**Funding Policy.** Plan members are required to contribute 14.65% of their gross salary. The Agency is required to contribute 9.15% of the gross covered salary. In addition, the Agency elected to utilize the 75% pick-up provision allowed by state statute thereby contributing 20.14% to the employees 3.66% contribution. The contribution requirements of plan members and the Agency are established in State Statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Agency's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$323,193, \$283,651, and \$281,286, respectively, which equal the amount of the required contributions for each fiscal year.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2014

**NOTE 10. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 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 postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle 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](http://www.nmrhca.state.nm.us).

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Agency's contributions to the RHCA for the years ended June 30, 2014, 2013, and 2012 were \$32,130, \$29,951, and \$27,420, respectively, which equal the required contributions for each year.

**NOTE 11. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2014, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 26, 2014, which is the date on which the financial statements were available to be issued. No events were noted for disclosure.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
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June 30, 2014

**NOTE 12. 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 maintain 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, maintain a general ledger, and preparing financial statements. The City also provides services to review bids, make bond payments, and maintains 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, 2014 were \$108,640.

**NOTE 13. 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 \$57,124 in rent expense during the year ended June 30, 2014.

The Agency entered into an agreement effective January 17, 2008 with the Contractor assisting with quarry and cell construction with the Caja Del Rio Landfill in which the Contractor performs excavation and basalt rock lasting 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 Contractors shall pay the Agency \$1.50 per ton of the 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.

**NOTE 14. CLOSURE AND POSTCLOSURE CARE COSTS**

State and federal laws and regulations (i.e., 20.9.2 – 20.9.10 NMAC, New Mexico Solid Waste Act and 40 CFR Part 258 - Subtitle D of RCRA) require the Agency to install an approved final cover system on its regional landfill site after it receives the final receipt of waste to minimize infiltration of liquid into the closed landfill, to minimize wind and water erosion to the cover system, and to control storm water run-off from the closed landfill. The laws and regulations also require the Agency to perform certain post-closure inspection and maintenance as well as monitoring functions at the closed landfill site for 30 years after closure. The closure and post-closure care costs are recognized throughout the 20-year period of the landfill operation.

The following describes the cost estimate requirements for closure, post-closure care and Phase I and II assessments as per 20.9.10 NMAC.

- The closure cost estimate requires a detailed written estimate, in current dollars, showing the cost of hiring a third party to close the largest area of the landfill ever requiring a final closure at any time during the active life when the extent and manner of its operation would make closure the most expensive, as indicated by its final closure plan under 20.9.10.9 NMAC;
- The post-closure cost estimate is based on a detailed written estimate, in current dollars, showing the most expensive costs of hiring a third party to conduct post-closure care for the landfill in compliance with the post-closure care plan under 20.9.10.10 NMAC; and
- Both Phase I and Phase II assessments are based on written estimates, in current dollars, of the costs of hiring a third party to conduct activities in accordance with 20.9.10.11 NMAC.

As of June 30, 2014, the total cost estimate for the closure and post-closure care requirements as described above for the Caja del Rio Landfill is \$6,393,597. The estimate increased by \$547,043 from prior year due to the cost to decommission the landfill gas collection system and inflationary adjustments at 1.4%.



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June 30, 2014

**NOTE 14. CLOSURE AND POSTCLOSURE CARE COSTS—CONTINUED**

The Agency, as an operator of a solid waste facility, is required to establish an allowable financial assurance mechanism for closure and post-closure care of a solid waste facility (i.e., landfills, transfer stations) as per 20.9.10.9 – 20.9.10.10 NMAC. Under 20.9.10.20 NMAC, as an allowable mechanism, the Agency created a local government reserve fund, via a resolution approved by the Agency's governing body, specifically for the use of closure and post-closure care funds within its existing financial accounting system. The Agency's reserve fund, as of June 30, 2014, has a total cash balance of \$6,844,234 for the closure and post-closure care costs for the landfill and transfer station. Of this amount, \$4,169,852 is reported as restricted cash balance (\$4,016,465 for the landfill and \$153,117 for the transfer station), and an additional \$2,674,652 is reported as internally designated cash balance. The total cash balance of \$6,844,234 exceeds the \$6,393,597 total cost estimate required for the landfill.

For the purpose of this audit the Agency is required to comply with GASB Statement No. 18 for the landfill. The estimated total current cost of closure and post-closure care is measured and recognized by the percentage of the landfill consumed (i.e., airspace measured in cubic yards) in a reporting period. As of June 30, 2014, the percentage of the landfill consumed is 62.79% as opposed to 59.5% for the prior year.. This resulted in accrued liability for the closure and post-closure costs of \$4,016,465 which is reported as restricted cash balance in the reserve fund..

The current entire disposal area of the landfill was corrected from 76.6 acres to 87.3 acres of which 64.9 acres received waste. No other conditions or factors were changed.

The estimated liability (i.e., closure cost) for the Buckman Road Recycling and Transfer Station (BuRRT) is \$153,117 as of June 30, 2014. The funding for the estimated liability is retained as restricted cash balance in the aforementioned Agency's reserve. The Agency leases the transfer station from the City of Santa Fe, and upon the expiration of the lease, the Agency is required to remove all the materials on site. The estimate includes the cost of hiring a third party to cleanup 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 post-closure care are not expected to be incurred.

The Agency expects that future inflation cost will be paid from the internally designated cash balance and interest earnings on these balances. However, if these are inadequate or additional closure and post-closure care requirements are determined (e.g., due to changes in technology or applicable regulations), these costs may need to be covered by solid waste tipping fees charges to users or from future tax revenue.

**NOTE 15. SUBSEQUENT PRONOUNCEMENTS**

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Agency will implement this standard during the fiscal year June 30, 2015 and will significantly impact the Agency. The FY15 financial statements will reflect a material liability for pension participation.

In January 2013, GASB Statement No. 69 Government Combinations and Disposals of Government Operations, Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Agency is still evaluating how this standard will affect the Agency.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

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**SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Schedule of Revenues, Expenses and Changes in Net Position  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2014

Schedule I

	Budgeted Amounts		Non-GAAP Budgetary Basis	Variances Favorable (Unfavorable) Final to Actual
	Original	Final	Actual	
<i>Operating revenues</i>				
User fees	\$ 6,287,400	\$ 6,287,400	\$ 6,725,216	\$ 437,816
Recycle sales	773,500	773,500	555,879	(217,621)
Other sales	112,500	172,500	169,848	(2,652)
Other income	-	70,631	70,550	(81)
	7,173,400	7,304,031	7,521,493	217,462
<i>Operating expenses</i>				
Personnel services	2,663,814	2,663,814	2,716,478	(52,664)
Contractual services	821,815	1,225,206	783,991	441,215
Supplies	645,000	646,155	490,859	155,296
Repairs and maintenance	578,000	740,430	603,420	137,010
Rental expenses	70,000	83,000	66,237	16,763
Utilities	105,000	136,800	117,030	19,770
Insurance	133,848	133,848	73,470	60,378
Office expenses	83,100	73,216	60,863	12,353
Travel and training	27,000	27,000	21,735	5,265
Gross receipts taxes	315,000	315,000	304,941	10,059
Reimbursable share of sales	51,750	111,750	107,544	4,206
Capital outlay-exempt	3,291,000	6,437,949	22,065	6,415,884
	8,785,327	12,594,168	5,368,633	7,225,535
<i>Non-operating revenues (expenses)</i>				
Investment income	52,517	52,517	132,437	79,920
Interest expense	(12,062)	(12,062)	-	12,062
Gain (loss) on sale of assets	-	-	(1,308)	(1,308)
	40,455	40,455	131,129	90,674
<i>Excess (deficiency) of revenues and sources over expenses and uses</i>				
	(1,571,472)	(5,249,682)	2,283,989	7,533,671
Designated cash	\$ 1,571,472	\$ 5,249,682	-	\$ (5,249,682)
Change in net position (Non-GAAP budgetary basis)			\$ 2,283,989	
Adjustments for GAAP basis (non-budgeted items)				
Depreciation			(1,539,995)	
Addition to landfill liability			(549,056)	
<i>Change in net position, Exhibit B</i>			194,938	
<i>Net position - beginning of year</i>			23,698,127	
<i>Change in net position</i>			194,938	
<i>Net position- end of year</i>			\$ 23,893,065	

The accompanying notes are an integral part of these financial statements

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**COMPLIANCE SECTION**



**Accounting & Consulting Group, LLP**  
Certified Public Accountants

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

**INDEPENDENT AUDITORS' REPORT**

Hector H. Balderas  
New Mexico State Auditor  
Members of the Joint Powers Board  
Santa Fe Solid Waste Management Agency  
Santa Fe, New Mexico

We have audited, in accordance with the 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, the financial statements of the business-type activities of the Santa Fe Solid Waste Management Agency (Agency), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and related budgetary comparison of the Agency presented as supplementary information, and have issued our report thereon dated November 26, 2014.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP

Albuquerque, NM

November 26, 2014

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Schedule of Findings and Responses  
June 30, 2014

Schedule II

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal Control over financial Reporting                                     |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | No         |
| c. Noncompliance material to the financial statements?                           | No         |

**SECTION II-STATUS OF PRIOR YEAR FINDINGS**

There were no prior year audit findings.

**SECTION III-CURRENT YEAR FINDINGS**

There were no current year audit findings.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Other Disclosures  
June 30, 2014

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Agency from the original books and records provided to them by the management of the Agency. The responsibility for the financial statements remains with the Agency.

**B. EXIT CONFERENCE**

The contents of this report were discussed on November 26, 2014. The following members of the Agency were in attendance.

Santa Fe Solid Waste Management Agency  
Randall Kippenbrock, P.E., Executive Director  
Miguel Chavez, Commissioner Chair  
Angelica Salazar, Accounts Coordinator

Accounting & Consulting Group, LLP  
Morgan Browning, CPA, Audit Supervisor  
Robert Cordova, CPA, Partner

City of Santa Fe  
Oscar S. Rodriguez, Finance Director  
Teresita Garcia, Assistant Finance Director