



Santa Fe  
Solid Waste  
Management  
Agency

Financial Statements and  
Required Supplementary Information  
with Accompanying Independent Auditors' Reports  
Year Ended June 30, 2016



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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, 2016

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**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Directory of Officials  
June 30, 2016

**Board**

<b><u>Name</u></b>	<b><u>Title</u></b>
Kathy Holian	Commissioner, Chair
Mike Harris	Councilor, Vice Chair
Miguel Chavez	Commissioner
Henry Roybal	Commissioner
Joseph M. Maestas	Councilor
Renee Villarreal	Councilor

**Administrative Officials**

Randall Kippenbrock	Executive Director
Angelica Salazar	Accounts Coordinator

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Timothy Keller  
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, 2016, 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, 2016, 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 financial position of the business-type activities of the Agency as of June 30, 2016, and the change in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the schedule of revenues, expenses and changes in net position – budget and actual referred to above presents fairly, in all material respects, the budgetary comparison of the Agency 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 19 and Schedules I and II on pages 48 through 50 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.

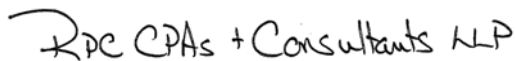
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements and the budgetary comparison. The introductory section and Schedule IV required by Section 2.2.2.NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section and Schedule IV have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016 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.



RPC CPAs + Consultants, LLP  
Albuquerque, NM  
December 12, 2016

**State of New Mexico**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis  
June 30, 2016

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). The lease agreement for the BuRRT facility was executed on October 1, 2016 and has a term of eight years from the effective date with two optional additional terms of six years.

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 December 2014, the Agency completed 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 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. This Management Discussion and Analysis provides readers of the Agency's financial statements a narrative overview and analysis of the financial activities of the Agency for the fiscal year ended June 30, 2016.

### **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  
June 30, 2016

**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 (e.g., 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  
June 30, 2016

**Statement of Net Position – Continued**

The following table provides condensed financial information related to the Agency's net position at June 30, 2016 as compared to June 30, 2015.

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 15,333,017	\$ 12,398,256
Capital assets, net	11,959,418	12,216,105
Other assets	<u>2,155,113</u>	<u>4,696,132</u>
Total assets	<u>\$ 29,447,548</u>	<u>\$ 29,310,493</u>
Deferred outflows of resources		
Change in proportion	85,778	-
Employer contributions subsequent to the measurement date	<u>153,726</u>	<u>357,916</u>
Total deferred outflows of resources	<u>239,504</u>	<u>357,916</u>
Total assets and deferred outflows of resources	<u>\$ 29,687,052</u>	<u>\$ 29,668,409</u>
Liabilities:		
Current liabilities	\$ 513,392	\$ 539,118
Noncurrent liabilities	<u>4,330,768</u>	<u>6,228,092</u>
Total liabilities	<u>4,844,160</u>	<u>6,767,210</u>
Deferred inflows of resources		
Change of assumptions	\$ 833	\$ 1,033
Difference between expected and actual experience	47,359	596,053
Net difference between projected and actual investment earnings on pension plan investments	<u>6,763</u>	<u>-</u>
Total deferred inflows of resources	<u>54,955</u>	<u>597,086</u>
Total liabilities and deferred inflows of resources	<u>4,899,115</u>	<u>7,364,296</u>
Net Position:		
Net investment in capital assets	11,959,418	12,216,105
Unrestricted	<u>12,828,519</u>	<u>10,088,008</u>
Total net position	<u>24,787,937</u>	<u>22,304,113</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 29,687,052</u>	<u>\$ 29,668,409</u>

The assets of the Agency exceeded its liabilities at the close of June 2016, the most recent fiscal year by \$24,787,937 (net position). Of this amount, \$11,959,418 is the net investment in capital assets, and \$12,828,519 is unrestricted.

In comparison, the assets of the Agency exceeded its liabilities at the close of the June 2015 fiscal year by \$22,304,113 (net position). Of this amount \$12,216,105 is the net investment in capital assets, and \$10,088,008 is unrestricted.

**State of New Mexico**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis  
June 30, 2016

**Budgets**

Total budgeted operating expenditures increased from \$6,130,860 to \$8,455,955. The increase was mostly connected to capital outlay for the expansion of the landfill gas collections system in Cell 4B; the final permitting process for the 20-year permit renewal and modification for the Caja del Rio Landfill; the continuation of the permitting process for a 20-year permit renewal and modification for the Buckman Recycling and Transfer Station (BuRRT); the installation of a new inbound scale at BuRRT; the roof replacement for the BuRRT administration building; and for the following purchases: a Motorola radio repeater and a Trimble GPS control technology equipment for the Landfill; semi-trucks, transfer trailers, and an excavator for BuRRT; a video surveillance system for the BuRRT transfer station and administration building.

Actual operating revenues were greater than budgeted revenue by about \$651,983. The increase was due to slightly higher than anticipated tonnage delivered to the landfill as well as greater revenue from recycling sales than was anticipated.

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

The Agency's cumulative investment in capital assets as of June 30, 2016 is \$11.9 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 decreased by approximately \$256,687 from the prior year. Major capital investments during the fiscal year included the expansion of the landfill gas collections system in Cell 4B; the replacement of a new inbound scale at BuRRT; the final permitting process for the 20-year permit renewal and modification for the Caja del Rio Landfill; the continuation of the permitting process for a 20-year permit renewal and modification for the Buckman Recycling and Transfer Station (BuRRT); the acquisition of a Motorola radio repeater and a Trimble GPS control technology equipment for the Landfill; the acquisition of semi-trucks, transfer trailers, and an excavator for BuRRT; the acquisition of a video surveillance system for BuRRT transfer station and administration building; and a roof replacement for the BuRRT administration building.

**State of New Mexico**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis  
June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Capital assets:		
Landfill	\$ 3,014,075	\$ 3,014,075
Landfill development cost	6,281,341	6,281,341
Land improvements	384,585	384,585
Cells	18,839,675	16,574,118
Buildings and structures	3,591,002	3,591,002
Furniture and fixtures	1,060	1,060
Equipment and machinery	11,730,995	11,207,075
Vehicles	1,277,492	898,759
Data processing equipment and software	55,059	63,082
Construction in progress	<u>1,361,397</u>	<u>4,054,284</u>
Intangible assets:		
Solid waste permit	<u>639,219</u>	<u>-</u>
Subtotal	<u>47,175,900</u>	<u>46,069,381</u>
Accumulated depreciation	(35,184,522)	(33,853,276)
Accumulated amortization	<u>(31,960)</u>	<u>-</u>
Total capital assets (net)	<u><u>\$ 11,959,418</u></u>	<u><u>\$ 12,216,105</u></u>



**State of New Mexico**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis  
June 30, 2016

**Cash and Investments**

At June 30, 2016, the Agency has internally undesignated, internally designated and restricted cash and investments for the following purposes as of June 30:

	<b>2016</b>	<b>2015</b>
Undesignated cash and investments:		
Unrestricted cash	\$ 4,464,767	\$ 6,317,730
Petty cash	4,500	4,500
Total undesignated cash and investments	4,469,267	6,322,230
Internally designated:		
Emergency cash reserves	651,241	487,811
Equipment replacement	1,252,314	1,188,467
Closure and postclosure	4,930,101	2,176,613
Cell development	2,221,781	624,981
Gas collection system	402,912	504,855
Insurance deductibles	-	104,818
Landfill repermitting	240,827	351,380
Construction in progress	614,593	8,959
Total internally designated cash and investments	10,313,769	5,447,884
Restricted cash and investments:		
Landfill deposits	20,700	20,700
Closure and post-closure care	2,134,413	4,675,432
Total restricted cash and investments	2,155,113	4,696,132
Total cash and investments	\$ 16,938,149	\$ 16,466,246

For closure and post-closure care for the landfill and transfer station, the Agency has approximately \$7 million as of June 30, 2016. Approximately \$4.9 million of the total closure and post-closure care amount is internally designated cash whereas approximately \$2.1 million of the total is restricted cash as per GASB-18 requirements.

**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, 2016 as compared to the year ended June 30, 2015.

**State of New Mexico**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis  
June 30, 2016

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

	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 7,157,537	\$ 7,461,901
Operating expenses	<u>(7,274,259)</u>	<u>(7,232,875)</u>
Operating income	(116,722)	229,026
Non-operating revenues	<u>60,230</u>	<u>63,892</u>
(Loss) income before special item	(56,492)	292,918
Special item- decrease in landfill liability	<u>2,540,316</u>	<u>-</u>
Change in net position	2,483,824	292,918
Beginning net position	<u>22,304,113</u>	<u>23,893,065</u>
Net position, restatement	<u>-</u>	<u>(1,881,870)</u>
Ending net position	<u>\$ 24,787,937</u>	<u>\$ 22,304,113</u>

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. Overall, the operating revenues decreased from the prior year by approximately \$304,364. The majority of this decrease was in recycling, however, there was also a decrease in the sale of basalt rock. During the first quarter of the fiscal year 2016 the Agency entered into a service contract with Friedman Recycling of Albuquerque for the MRF processing of recyclable materials. In addition to the new contract, there were lower than expected market prices for all recycling commodities (e.g., newspaper, corrugated cardboard, plastics, and metals) thus impacting the amount paid to the Agency. The overall decrease in revenues from the recyclable materials delivered to Friedman Recycling and the sale of basalt rock was offset by slightly higher tipping fees received from solid waste users.

The five largest commercial accounts in order are:

	Revenue received	Percent
City of Santa Fe	\$ 2,975,607	41.57%
Waste Management	449,257	6.28%
Santa Fe County	437,006	6.11%
Capital Scrap Metal Inc.	394,783	5.52%
MCT Waste, LLC	334,783	4.68%
Other Sources	<u>2,566,101</u>	<u>35.85%</u>
	<u>\$ 7,157,537</u>	<u>100%</u>

Revenues received include sales of recyclables and other income.

Overall, operating expenses decreased by \$41,384 from prior year. There were decreases in the contractual services and supplies.

**State of New Mexico**  
Santa Fe Solid Waste Management Agency  
Management's Discussion and Analysis  
June 30, 2016

**Items Expected to Have a Significant Effect for Fiscal Year 2017**

During the fiscal year 2017, the Agency expects to receive the new 20-year permit renewal from the New Mexico Environment Department (NMED) for the BuRRT facility. The permit application should be deemed complete by January 2017. The hearing process for the permit application is anticipated in March 2017. The Agency anticipates a new permit by summer 2017. The Agency will continue to operate under the current permit until a new permit is issued.

During fiscal year 2017, the Agency expects to purchase replacement equipment and fleet for the landfill and BuRRT facility.

During fiscal year 2017, the Agency expects to resurface a section of the BuRRT transfer station concrete floor and a metal hopper.

During fiscal year 2017, the Agency expects to replace the water line and install a misting system inside the BuRRT transfer station.

The Agency expects the closure and post closure care estimates for fiscal year ending June 30, 2017, to increase from \$6.94 million to approximately \$7.04 million due to inflation.

**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.

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## **BASIC FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Statement of Net Position  
June 30, 2016

	<b>Business-Type Activities</b>
<b>Assets</b>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 14,783,036
Accounts receivable	541,778
Interest receivable	8,203
<i>Total current assets</i>	15,333,017
 <i>Noncurrent assets</i>	
Restricted cash and cash equivalents:	
Landfill and transfer station closure and postclosure care costs	2,134,413
Landfill deposits	20,700
Capital assets	47,175,900
Less accumulated depreciation and amortization	(35,216,482)
<i>Total noncurrent assets</i>	14,114,531
<i>Total assets</i>	29,447,548
 <b>Deferred outflows of resources</b>	
Changes in proportion	85,778
Employer contributions subsequent to the measurement date	153,726
<i>Total deferred outflows of resources</i>	239,504
<i>Total assets and deferred outflows of resources</i>	\$ 29,687,052

The accompanying notes are an integral part of these financial statements.

	<b>Business-Type Activities</b>
<b>Liabilities</b>	
<i>Current liabilities</i>	
Accounts payable	\$ 124,458
Gross receipts tax payable	27,795
Accrued wages payable	71,396
Compensated absences	289,743
<i>Total current liabilities</i>	<u>513,392</u>
<i>Noncurrent liabilities</i>	
Landfill deposits	20,700
Compensated absences	37,582
Net pension liability	2,138,073
Estimated liability for landfill and transfer station closure and postclosure care costs	2,134,413
<i>Total noncurrent liabilities</i>	<u>4,330,768</u>
<i>Total liabilities</i>	<u>4,844,160</u>
<b>Deferred inflows of resources</b>	
Change of assumptions	833
Difference between expected and actual experience	47,359
Net difference between projected and actual investment earnings on pension plan investments	6,763
<i>Total deferred inflows of resources</i>	<u>54,955</u>
<b>Net position</b>	
Net investment in capital assets	11,959,418
Unrestricted	12,828,519
<i>Total net position</i>	<u>24,787,937</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u><u>\$ 29,687,052</u></u>

The accompanying notes are an integral part of these financial statements.

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**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, 2016

Exhibit B

	<b>Business-Type Activities</b>
<i>Operating revenues</i>	
User fees	\$ 6,855,782
Recycle sales	173,743
Other sales	86,238
Other income	41,774
<i>Total operating revenues</i>	7,157,537
 <i>Operating expenses</i>	
Personnel services	2,904,324
Contractual services	916,871
Supplies	381,304
Repairs and maintenance	676,883
Rental expenses	55,306
Utilities	86,190
Insurance	86,620
Office expenses	82,476
Travel and training	19,893
Gross receipts taxes	317,153
Reimbursable share of sales	54,616
Capital outlay-exempt	84,617
Depreciation and amortization	1,608,006
<i>Total operating expenses</i>	7,274,259
<i>Operating loss</i>	(116,722)
 <i>Non-operating revenues</i>	
Investment income	60,230
<i>Total non-operating revenues</i>	60,230
<i>Loss before special item</i>	(56,492)
Special item- decrease in landfill liability (Note 14)	2,540,316
<i>Change in net position</i>	2,483,824
<i>Total net position - beginning of year</i>	22,304,113
<i>Total net position - end of year</i>	\$ 24,787,937

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, 2016

	<b>Business-Type Activities</b>
<i>Cash flows from operating activities</i>	
Cash received from customers	\$ 7,236,835
Cash paid to suppliers for goods and services	(2,753,976)
Cash paid to employees for services	(2,718,730)
	1,764,129
<i>Cash flows from capital and financing activities</i>	
Acquisition and construction of capital assets	(1,351,319)
	(1,351,319)
<i>Cash flows from investing activities</i>	
Investment income	59,093
	59,093
<i>Net increase in cash and cash equivalents</i>	471,903
<i>Cash and cash equivalents - beginning of year</i>	16,466,246
<i>Cash and cash equivalents - end of year</i>	\$ 16,938,149
<i>Reported on the statement of net position as:</i>	
Cash and cash equivalents	\$ 14,783,036
Restricted cash - landfill and transfer station closure costs	2,134,413
Restricted cash - landfill deposits	20,700
	\$ 16,938,149

The accompanying notes are an integral part of these financial statements.

	<b>Business-Type Activities</b>
	<hr/>
<i>Reconciliation of operating loss to net cash provided by operating activities</i>	
Operating loss	\$ (116,722)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,608,006
Pension expense	344,530
Employer contributions to the pension plan	(153,726)
Changes in assets and liabilities:	
Decrease in accounts receivable	79,298
Increase in accounts payable	9,030
Decrease in compensated absences payable	(11,903)
Increase in accrued wages payable	6,693
Decrease in gross receipts tax payable	(1,077)
	<hr/>
<i>Net cash provided by operating activities</i>	<u>\$ 1,764,129</u>

See Note 14 for noncash decrease in landfill liability totaling \$2,540,316.

The accompanying notes are an integral part of these financial statements.

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**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

**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, 2016.

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.

*Budgetary Comparison Statements.* The budgetary comparison statement listed in the table of contents as supplementary 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.

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.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*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, the net pension liability, 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. 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, 2016.

Restricted Net Position – net position is reported as restricted when constraints placed on net position use are either (1) externally imposed by creditors, grantors, or donors or (2) imposed by law through constitutional provisions or enabling legislation. The Agency did not report any restricted net position for the year ended June 30, 2016.

Unrestricted Net Position – represents the excess of total assets over total liabilities and net position invested in capital assets at June 30, 2016. 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**  
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Notes to the Financial Statements  
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**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

The solid waste permit is considered an intangible asset and is being amortized over a period of 20 years.

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.

*Tipping Fees.* The Agency has established a tipping fee schedule based on solid waste tonnage. Effective July 1, 2013 through June 30, 2016, 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.

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Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

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

*Compensated Absences.* It is the Agency's policy to permit employees to accumulate earned but unused vacation, compensatory hours, and sick pay benefits. Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and overtime. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Agency and its employees is accrued as employees earn the right to the benefits. 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.

*Deferred Outflows of Resources.* In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Agency has two types of items that qualify for reporting in this category. Accordingly, the items, changes in proportion and contributions subsequent to the measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as a direct reduction of the net pension liability during the next reporting period. The Agency has recorded \$85,778 related to changes in proportion and \$153,726 related to contributions subsequent to the measurement date.

*Deferred Inflows of Resources.* In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding deferred inflows of resources. The Agency has three types of items considered to be deferred inflows of resources, each of which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, change of assumptions, net difference between expected and actual investment earnings and change in assumptions, are reported on the Statement of Net Position. These amounts are deferred and amortized into pension expense in future reporting periods. The Agency has recorded \$833 related to change in assumptions, \$47,359 related to the net difference between expected and actual experience, and \$6,763 related to net difference between projected and actual investment earnings on pension plan investments.

*Pensions.* For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the year ended June 30, 2016, the Agency adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, a portion of No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No.73*. These five Statements are required to be implemented as of June 30, 2016, if applicable. See below for information on applicable new pronouncements and how they affect the Agency.



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

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. 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.

GASB Statement No. 82 objective is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

**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 \$16,938,149 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.

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

At June 30, 2016, the Agency has undesignated, internally designated, and restricted cash and investments for the following purposes:

	<u>2016</u>	<u>2015</u>
Undesignated cash and investments:		
Unrestricted cash	\$ 4,464,767	\$ 6,317,730
Petty cash	4,500	4,500
Total undesignated cash and investments	<u>4,469,267</u>	<u>6,322,230</u>
Internally designated:		
Emergency cash reserves	651,241	487,811
Equipment replacement	1,252,314	1,188,467
Closure and postclosure	4,930,101	2,176,613
Cell development	2,221,781	624,981
Gas collection system	402,912	504,855
Insurance deductibles	-	104,818
Landfill repermitting	240,827	351,380
Construction in progress	614,593	8,959
Total internally designated cash and investments	<u>10,313,769</u>	<u>5,447,884</u>
Restricted cash and investments:		
Landfill deposits	20,700	20,700
Closure and post-closure care	2,134,413	4,675,432
Total restricted cash and investments	<u>2,155,113</u>	<u>4,696,132</u>
Total cash and investments	<u>\$ 16,938,149</u>	<u>\$ 16,466,246</u>

Cash reserves in the amount of \$2,134,413 have been restricted for the purpose of paying for estimated landfill and transfer station closure and postclosure care costs as described in Note 14.

In accordance with GASB Statement 31, the Agency has stated investments at fair value at June 30, 2016.

Investment income comprises the following at June 30, 2016:

	<u>2016</u>
Interest income	\$ 59,873
Unrealized and realized gains on investments	<u>357</u>
Total investment income	<u>\$ 60,230</u>

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**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable of \$541,778 represents billings for tipping fees to third-party users, sales of rock, and sales of recyclables through June 30, 2016. 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, 2016.

City of Santa Fe	\$ 298,545
Santa Fe County	44,450
Waste Management	78,110
Santa Fe Waste Service	34,307
MCT Waste, LLC	31,794
Others	<u>54,572</u>
Accounts receivable	<u><u>\$ 541,778</u></u>

**NOTE 5. ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS**

The Agency is economically dependent on five customers related to tipping fee and recycle revenue. These customers account for 64.15% of tipping fee and recycle revenue for the year ended June 30, 2016. These customers are City of Santa Fe, Waste Management of New Mexico, Santa Fe County, Capital Scrap Metal Inc., and MCT Waste, LLC.

	Revenue received	Percent
City of Santa Fe	\$ 2,975,607	41.57%
Waste Management	449,257	6.28%
Santa Fe County	437,006	6.11%
Capital Scrap Metal Inc.	394,783	5.52%
MCT Waste, LLC	334,783	4.68%
Other Sources	<u>2,566,101</u>	<u>35.85%</u>
	<u><u>\$ 7,157,537</u></u>	<u><u>100%</u></u>

**STATE OF NEW MEXICO**  
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**NOTE 6. CAPITAL ASSETS**

A summary of changes in capital assets for fiscal year ending June 30, 2016 is as follows.

Depreciation expense for capital assets for the fiscal year ended June 30, 2016 was \$1,576,045. In addition the Agency had \$31,960 in amortization expense for solid waste permit as of June 30, 2016.

	<b>Beginning Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance June 30, 2016</b>
Capital assets, not being depreciated:				
Construction in progress	\$ 4,054,284	\$ 211,888	\$ 2,904,775	\$ 1,361,397
Capital assets, being depreciated:				
Landfill	3,014,075	-	-	3,014,075
Landfill development cost	6,281,341	-	-	6,281,341
Land improvements	384,585	-	-	384,585
Cells	16,574,118	2,265,557	-	18,839,675
Buildings and structures	3,591,002	-	-	3,591,002
Furniture and fixtures	1,060	-	-	1,060
Equipment and machinery	11,207,075	760,696	(236,776)	11,730,995
Vehicles	898,759	378,733	-	1,277,492
Data processing equipment and software	63,082	-	(8,023)	55,059
Total capital assets, being depreciated	<u>42,015,097</u>	<u>3,404,986</u>	<u>(244,799)</u>	<u>45,175,284</u>
Intangible asset:				
Solid waste permit	-	639,219	-	639,219
Total intangible asset	<u>-</u>	<u>639,219</u>	<u>-</u>	<u>639,219</u>
Total capital assets	<u>46,069,381</u>	<u>4,256,093</u>	<u>2,659,976</u>	<u>47,175,900</u>
Less accumulated depreciation:				
Landfill	(512,381)	(30,141)	-	(542,522)
Landfill development costs	(5,679,021)	(314,067)	-	(5,993,088)
Land improvements	(342,178)	(5,037)	-	(347,215)
Cells	(16,574,116)	(453,111)	-	(17,027,227)
Buildings and structures	(1,049,786)	(90,074)	-	(1,139,860)
Furniture and fixtures	(1,059)	-	-	(1,059)
Equipment and machinery	(9,118,846)	(573,542)	236,776	(9,455,612)
Vehicles	(526,855)	(105,393)	-	(632,248)
Data processing equipment and software	(49,034)	(4,680)	8,023	(45,691)
Total accumulated depreciation	<u>(33,853,276)</u>	<u>(1,576,045)</u>	<u>244,799</u>	<u>(35,184,522)</u>
Less accumulated amortization:				
Intangible assets	-	(31,960)	-	(31,960)
Total accumulated amortization	<u>-</u>	<u>(31,960)</u>	<u>-</u>	<u>(31,960)</u>
Total capital assets being depreciated, net	<u>\$ 12,216,105</u>	<u>\$ 2,648,088</u>	<u>\$ 2,904,775</u>	<u>\$ 11,959,418</u>

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

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the Statement of Net Position:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Landfill deposits	\$ 20,700	\$ -	\$ -	\$ 20,700	\$ -
Estimated liability for landfill closure costs	4,519,037	-	2,540,543	1,978,494	-
Estimated liability for transfer station closure costs	155,692	227	-	155,919	-
Compensated absences	339,228	277,840	289,743	327,325	289,743
Total	<u>\$ 5,034,657</u>	<u>\$ 278,067</u>	<u>\$ 2,830,286</u>	<u>\$ 2,482,438</u>	<u>\$ 289,743</u>

See Note 14 for details on the decrease of the Estimated liability for landfill closure costs.

**NOTE 8. RISK MANAGEMENT AND LITIGATION**

The Agency is involved in legal actions arising from the ordinary course of operations. With respect to these actions, the Agency's counsel believes the outcomes will not have a material impact on the Agency's financial statements. 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.

Autos, 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 2016.

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

**General Information about the Pension Plan**

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division.

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

Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

**Contributions.** The contribution requirements of defined benefit plan members and the Agency are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 32 of the PERA FY15 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

The PERA coverage option that applies the Agency: Municipal General Division. Statutorily required contributions to the pension plan from the Agency were \$153,726 for the year ended June 30, 2016.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. Santa Fe Solid Waste Management Agency's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

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

**Employer Pickup**

During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB Statement No. 67. For purposes of applying GASBS68 for fiscal year ending June 30, 2016 amounts paid by the Agency to satisfy member contributions requirements in the previous year totaling \$212,885 have been reclassified as pension expense for fiscal year ending June 30, 2016. The amount had been previously classified as a deferred outflow. This amount is not included in pension expense in PERA’s Schedule of Employer Pension Amounts for the year ended June 30, 2015.

**Reallocation of Deferred Amounts**

Due to Changes in proportion in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer’s change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$23,269 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA’s Schedule of Employer Pension Amounts for the year ended June 30, 2015.

**For PERA Fund Municipal General Division**, at June 30, 2016, Santa Fe Solid Waste Management Agency reported a liability of \$2,138,073 for its proportionate share of the net pension liability. At June 30, 2015, Santa Fe Solid Waste Management Agency’s proportion was 0.2097 percent, which was increased from its proportion measured as of June 30, 2014 by .0144.

For the year ended June 30, 2016, Santa Fe Solid Waste Management Agency recognized PERA Fund Municipal General Division pension expense of \$108,376. At June 30, 2016, Santa Fe Solid Waste Management Agency reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in proportion	\$ 85,778	\$ -
Changes of assumptions	-	833
Difference between expected and actual experience	-	47,359
Net difference between projected and actual earnings on pension plan investments	-	6,763
Santa Fe Solid Waste Management Agency's contributions subsequent to the measurement date	153,726	-
Total	\$ 239,504	\$ 54,955

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

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

\$153,726 reported as deferred outflows of resources related to pensions resulting Santa Fe Solid Waste Management Agency’s contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (30,072)
2018	(30,072)
2019	(30,072)
2020	121,039
Thereafter	-

*Actuarial assumptions.* As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumptions	RP-200 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study date	July 1, 2008 to June 30, 2013



**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
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June 30, 2016

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

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	100.00%	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Employer’s proportionate share of the net pension liability to changes in the discount rate.** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present Santa Fe Solid Waste Management Agency’s net pension liability in each PERA Fund Division that Santa Fe Solid Waste Management Agency participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Santa Fe Solid Waste Management Agency's proportionate share of the net pension liability	\$ 3,640,290	\$ 2,138,073	\$ 889,082

**Pension plan fiduciary net position.** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf)

**Payables to the pension plan.** There were no amounts owed to PERA at June 30, 2016. Contractually required contributions are remitted to PERA monthly for the previous month’s withholdings. Accrued payroll includes the employer’s portion of retirement contributions related to employee services rendered as of June 30, 2016 but paid in July 2016.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

**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, 2015, 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, 2016, 2015, and 2014 were \$32,345, \$34,865, and \$32,130, respectively, which equal the required contributions for each year.

**NOTE 11. SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2016, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 12, 2016 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  
Notes to the Financial Statements  
June 30, 2016

**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, 2016 were \$173,911.

**NOTE 13. COMMITMENTS**

The Agency (lessee) has entered into a lease agreement effective October 1, 2016 with the City of Santa Fe (lessor) to lease a certain premise of land approximately 24.07 acres located within the City of Santa Fe, New Mexico. The facility has been developed and is currently used as a transfer station and lessee will use this facility for the receipt of solid waste and conventional recyclables for transfer to the Caja del Rio Landfill or other facilities. The agreement with the City is for a term of eight years with an “optional additional terms” of six years each, contingent upon compliance with the lease agreement. Lessee shall pay \$260,000 as annual rent.

The Agency entered into an agreement effective May 15, 2014 with a Contractor for the crushing and sales operation of previously quarried basalt rock at the Caja Del Rio Landfill. The agreement with the Contractor is for a term of eight years, terminating on May 16, 2022. The Contractor pays the Agency \$1.50 per ton of the crushed rock that is sold and removed from the landfill. As the Agency does not have mineral rights to the basalt rock, they have a royalty agreement with the Bureau of Land Management (BLM) in which \$0.95 per ton of crushed rock sold is paid by the Agency to BLM.

**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.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

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

As of June 30, 2016, the total cost estimate for the closure and post-closure care requirements as described above for the Caja del Rio Landfill is \$6,947,279. The estimate increased by \$105,533 from prior year due to using the June 30, 2015 estimates and adjusting for a 0.2 percent inflation (CPI). The costs also include the addition for four landfill gas wells in Cell 4B as well as decommissioning 24 landfill gas wells, up from 20 wells in the prior year. Based on the February 2016 Fill Progression Plan, the largest area of the west phase landfill (inactive and disposal areas) was adjusted from 74.5 acres to 73.4 acres which will require a final closure at any time during the active life of the landfill.

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, 2016, has a total cash balance of \$7,064,514 for the closure and post-closure care costs for the landfill and transfer station. Of this amount, \$2,134,413 is reported as restricted cash balance (\$1,978,494 for the landfill and \$155,919 for the transfer station), and an additional \$4,737,901 is reported as internally designated cash balance. The total cash balance of \$7,064,514 exceeds the \$6,947,279 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, 2016, the percentage of the landfill consumed is 28.48% as opposed to 66.05% for the prior year. The significant decrease of 37.57% resulted from an increase in new landfill permit capacity. The available airspace increased to 23.7 million cubic yards from 10.3 million cubic yards in the prior year. This resulted in a \$2,540,316 decrease to landfill liability as of June 30, 2016. The accrued liability for the closure and post-closure costs of \$2,134,413 is reported as restricted cash balance in the reserve fund.

The current entire disposal area of the landfill is 87.3 acres of which 73.4 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 \$155,919 as of June 30, 2016. 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 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to the Financial Statements  
June 30, 2016

**NOTE 15. SUBSEQUENT PRONOUNCEMENTS – CONTINUED**

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the Agency's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Agency expects this pronouncement to have a material effect on the Agency's financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Agency will implement this standard during the fiscal year ended June 30, 2017. The Agency is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Agency is still evaluating how this pronouncement will affect the financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**

Schedule I

Santa Fe Solid Waste Management Agency  
 Schedule of Employer's Proportionate Share of the Net Pension Liability  
 of PERA Municipal General Division  
 Public Employees Retirement Association (PERA) Plan  
 Last 10 Fiscal Years\*

	<b>2016 Measurement Date As of and for the Year Ended June 30, 2015</b>	<b>2015 Measurement Date As of and for the Year Ended June 30, 2014</b>
Santa Fe Solid Waste Management Agency's proportion of the net pension liability	0.2097%	0.1953%
Santa Fe Solid Waste Management Agency's proportionate share of the net pension liability	\$ 2,138,073	\$ 1,523,550
Santa Fe Solid Waste Management Agency's covered-employee payroll	\$ 1,738,484	\$ 1,602,137
Santa Fe Solid Waste Management Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.98%	95.09%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Santa Fe Solid Waste Management Agency will present information for those years for which information is available.

See independent auditors' report.  
 See notes to required supplementary information.



**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Schedule of Employer Contributions  
Public Employees Retirement Association (PERA) Plan  
PERA Municipal General Division  
Last 10 Fiscal Years\*

Schedule II

	<b>As of and for the Year Ended June 30, 2016</b>	<b>As of and for the Year Ended June 30, 2015</b>
Contractually required contributions	\$ 153,726	\$ 357,916
Contributions in relation to the contractually required contribution	(153,726)	(357,916)
Contribution deficiency (excess)	\$ -	\$ -
Santa Fe Solid Waste Management Agency's covered-employee payroll	\$ 1,609,674	\$ 1,738,484
Contributions as a percentage of covered-employee payroll	10%	21%

\* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Santa Fe Solid Waste Management Agency will present information for those years for which information is available.

See independent auditors' report.  
See notes to required supplementary information.

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Notes to Required Supplementary Information  
June 30, 2016

***Changes of benefit terms.*** The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY15 audit available at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_FY2015.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf).

***Changes of assumptions.*** The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2015 is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See Appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumptions resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at [http://osanm.org/media/audits/366-B\\_PERA\\_Schedule\\_of\\_Employer\\_Allocations\\_FY2015.pdf](http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf)

See independent auditors' report

## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Statement of Revenues, Expenses, and Changes in Net Position  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2016

Schedule III

	<b>Budgeted Amounts</b>		<b>Non-GAAP Budgetary Basis</b>	<b>Variances Favorable (Unfavorable) Final to Actual</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<i>Operating revenues</i>				
User fees	\$ 6,250,000	\$ 6,250,000	\$ 6,855,782	\$ 605,782
Recycle sales	522,000	79,500	173,743	94,243
Other sales	165,000	165,000	86,238	(78,762)
Other income	20,000	11,054	41,774	30,720
<i>Total operating revenues</i>	<u>6,957,000</u>	<u>6,505,554</u>	<u>7,157,537</u>	<u>651,983</u>
<i>Operating expenses</i>				
Personnel services	3,028,496	2,754,991	2,904,324	(149,333)
Contractual services	832,513	1,403,997	916,871	487,126
Supplies	571,500	558,910	381,304	177,606
Repairs and maintenance	545,000	823,041	676,883	146,158
Rental expenses	70,000	70,000	55,306	14,694
Utilities	132,500	114,231	86,190	28,041
Insurance	147,501	148,501	86,620	61,881
Office and other expenses	268,600	96,600	82,476	14,124
Travel and training	47,000	32,991	19,893	13,098
Gross receipts taxes	315,000	315,000	317,153	(2,153)
Reimbursable share of sales	156,750	156,750	54,616	102,134
Capital outlay	16,000	1,980,943	1,435,936	545,007
<i>Total operating expenses</i>	<u>6,130,860</u>	<u>8,455,955</u>	<u>7,017,572</u>	<u>1,438,383</u>
<i>Non-operating revenues (expenses)</i>				
Investment income	-	68,735	60,230	(8,505)
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>68,735</u>	<u>60,230</u>	<u>(8,505)</u>
<i>Excess (deficiency) of revenues over expenses</i>	<u>826,140</u>	<u>(1,881,666)</u>	<u>200,195</u>	<u>2,081,861</u>
Designated cash	<u>\$ (826,140)</u>	<u>\$ 1,881,666</u>	<u>-</u>	<u>\$ (1,881,666)</u>
Change in net position (Non-GAAP budgetary basis)			<u>\$ 200,195</u>	
Adjustments for GAAP basis (non-budgeted items)				
Depreciation and amortization			(1,608,006)	
Capital outlay			1,351,319	
Deletions to landfill liability			2,540,316	
<i>Change in net position, Exhibit B</i>			<u>2,483,824</u>	
<i>Net position - beginning of year</i>			<u>22,304,113</u>	
<i>Net position- end of year</i>			<u>\$ 24,787,937</u>	

The accompanying notes are an integral part of these financial statements.

## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
 Santa Fe Solid Waste Management Agency  
 Schedule of Vendor Information for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2016

Prepared by: Santa Fe Solid Waste Management Agency  
 Title: Executive Director  
 Date: October 28, 2016

<u>RFP#/ RFB#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>
16/07/B	Competitive (RFP or RFB)	Tri Con Works	\$ 190,918	\$ -
16/07/B	Competitive (RFP or RFB)	American Environmental Group, Ltd	\$ -	\$ -

See independent auditors' report.

Name and Physical Address per the Procurement Documentation, of <u>ALL</u> Vendors that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A	Brief Description of the Scope of Work
Houston, TX	Out of State	No	Gas Collection System Construction Project
Richfield, OH	Out of State	No	Gas Collection System Construction Project

See independent auditors' report.

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## **COMPLIANCE SECTION**

**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**

Timothy Keller  
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 (the Agency), as of and for the year ended June 30, 2016, 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 December 12, 2016.

**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.

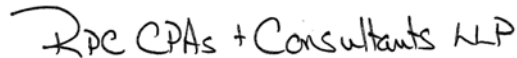
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.



RPC CPAs + Consultants, LLP  
Albuquerque, NM  
December 12, 2016

**STATE OF NEW MEXICO**  
Santa Fe Solid Waste Management Agency  
Schedule of Findings and Responses  
June 30, 2016

**SECTION I – SUMMARY OF AUDITORS’ RESULTS**

*Financial Statements:*

- |  |            |
|--|------------|
| 1. Type of auditors’ report issued   | Unmodified |
| 2. Internal Control over financial Reporting                                     |            |
| a. Material weaknesses identified?   | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements?                           | None noted |

**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, 2016

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

RPC CPAs + Consultants, 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 December 12, 2016. The following members of the Agency were in attendance.

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

RPC CPAs + Consultants, LLP  
Morgan Browning, CPA, CGFM, Audit Manager  
Robert Cordova, CPA, Partner

City of Santa Fe  
Teresita Garcia, Assistant Finance Director