

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017

DIRECTORY OF OFFICIALS		1
INDEPENDENT AUDITORS' REPORT		2
MANAGEMENT'S DISCUSSION AND ANALYSIS		4
FINANCIAL STATEMENTS		
	<u>EXHIBITS</u>	
STATEMENT OF NET POSITION	A	12
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	B	14
STATEMENT OF CASH FLOWS	C	15
NOTES TO FINANCIAL STATEMENTS		16
REQUIRED SUPPLEMENTARY INFORMATION		
	<u>SCHEDULES</u>	
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA MUNICIPAL GENERAL DIVISION	I	37
SCHEDULE OF EMPLOYER CONTRIBUTIONS	II	38
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION		39
SUPPLEMENTARY INFORMATION		
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET (NON-U.S. GAAP BUDGETARY BASIS) AND ACTUAL	III	40
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 <i>GOVERNMENT AUDITING STANDARDS</i>		41
SCHEDULE OF FINDINGS AND RESPONSES	V	43
OTHER DISCLOSURES		44

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
DIRECTORY OF OFFICIALS
YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

Mr. Wayne Johnson
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, 2017, and the related notes to the financial statements which collectively comprise the Agency's basic financial statements 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.

Wayne Johnson
New Mexico State Auditor
Members of the Joint Powers Board
Santa Fe Solid Waste Management Agency

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, schedules I and II on pages 37 and 38, and the budgetary comparison for the business-type activities on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2018 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 solely 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 effectiveness of the Agency's 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 12, 2018

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The Santa Fe Solid Waste Management Agency (the Agency) was established in February 1995 under a Joint Powers Agreement (the Agreement) entered into by and between the City of Santa Fe (City) and County of Santa Fe (County). 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 the City, 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; and 3) maintain an ongoing multi-faceted promotion/education effort in the City and County 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, and the 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 received 20-year solid waste permit renewals for the Caja del Rio Landfill and BuRRT on November 25, 2015 and June 12, 2017, respectively.

The Agency operates as a separate government agency with the City acting as fiscal agent.

The financial statements of the Agency have been prepared in conformity with U.S. generally accepted accounting principles (U.S. 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-U.S. GAAP basis) in conformity with U.S. 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, 2017.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's financial statements are comprised of financial statements, notes to the financial statements, and other information. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in financial statements.

The Agency 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 will continue to comply with GASB-18 for the landfill for liability purposes by recognizing the percentage of the landfill consumed in a reporting period using the estimated costs for closure and post-closure care.

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 U.S. 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 deferred outflows and liabilities and deferred inflows, with the difference between them 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, construction, and cell development.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The following table provides condensed financial information to the Agency's net position at June 30, 2017 as compared to June 30, 2016.

	2017	2016
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets	\$ 16,697,287	\$ 15,333,017
Capital Assets, Net	11,080,967	11,959,418
Other Assets	2,206,557	2,155,113
Total Assets	29,984,811	29,447,548
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Related to Pension	1,120,320	239,504
Total Deferred Outflows of Resources	1,120,320	239,504
Total Assets and Deferred Outflows of Resources	\$ 31,105,131	\$ 29,687,052
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES		
Current Liabilities	\$ 266,249	\$ 513,392
Noncurrent Liabilities	5,503,954	4,330,768
Total Liabilities	5,770,203	4,844,160
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Related to Pension	201,264	54,955
Total Deferred Inflows of Resources	201,264	54,955
Total Liabilities and Deferred Inflows of Resources	5,971,467	4,899,115
NET POSITION		
Net Investment in Capital Assets	11,080,967	11,959,418
Unrestricted	14,052,697	12,828,519
Total Net Position	25,133,664	24,787,937
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 31,105,131	\$ 29,687,052

The assets and deferred outflows of the Agency exceeded its liabilities and deferred inflows at the close of June 2017, the most recent fiscal year by \$25,138,664 (net position). Of this amount, \$11,080,967 is the net investment in capital assets, and \$14,052,697 is unrestricted.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

In comparison, the assets of the Agency exceeded its liabilities at the close of the June 2016 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.

Budgets

Total budgeted operating expenditures increased from \$6,882,792 to \$8,418,816. The increase was mostly connected to capital outlay purchases for the landfill and BuRRT including a Trimble GPS control for the compacter, two vehicles, a Toyota forklift, a Peterbilt semi-truck, three Wilkens transfer trailers, a wheel loader, two roll-off containers, and two storage containers. In addition to purchases, the Agency increased the budget for repairs and maintenance of Agency's heavy equipment, buildings, and structures. Finally, the Agency increased the budget for on-call engineering services for the landfill and BuRRT, continued operation and maintenance of the landfill gas collection system, and continued e-waste recycling including televisions.

Actual operating revenues were greater than budgeted revenue by about \$828,150. The increase was due to higher than anticipated tonnage delivered to the landfill as well as greater revenue from recycling sales. However, the revenues from the sale of basalt rock (aggregate) were less than projected.

Capital Assets and Long-Term Debt Activity

The Agency's cumulative investment in capital assets as of June 30, 2017 is \$11,080,967 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 \$878,451 from the prior year. Although the Agency incurred additional capital assets during the fiscal year of approximately \$762,991, this increase was offset by the annual depreciation of approximately \$1.6M. Additions included the acquisition of a Trimble GPS control for the compacter, two vehicles, a Toyota forklift for the landfill and a Peterbilt semi-truck, three Wilkens transfer trailers, and a wheel loader for BuRRT.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

	<u>2017</u>	<u>2016</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	18,839,675
Buildings and Structures	3,606,850	3,591,002
Furniture and Fixtures	1,060	1,060
Equipment and Machinery	12,144,108	11,730,995
Vehicles	1,447,959	1,277,492
Data Processing Equipment and Software	55,059	55,059
Construction in Progress	1,150,081	1,361,397
Total Capital Assets	<u>46,924,793</u>	<u>46,536,681</u>
INTANGIBLE ASSETS		
Solid Waste and BuRRT Permits	932,716	639,219
Subtotal	<u>47,857,509</u>	<u>47,175,900</u>
Accumulated Depreciation	(36,711,415)	(35,184,522)
Accumulated Amortization	<u>(65,127)</u>	<u>(31,960)</u>
Total Capital Assets (Net)	<u>\$ 11,080,967</u>	<u>\$ 11,959,418</u>

Cash and Investments

At June 30, 2017, the Agency has internally undesignated, internally designated, and restricted cash and investments for the following purposes as of June 30:

	<u>2017</u>	<u>2016</u>
UNDESIGNATED CASH AND INVESTMENTS		
Unrestricted Cash	\$ 5,944,865	\$ 4,464,767
Petty Cash	4,500	4,500
Total Undesignated Cash and Investments	<u>5,949,365</u>	<u>4,469,267</u>
INTERNALLY DESIGNATED		
Emergency Cash Reserves	659,004	651,241
Equipment Replacement	1,185,330	1,252,314
Closure and Post-Closure	4,970,277	4,930,101
Cell Development	2,247,988	2,221,781
Gas Collection System	330,964	402,912
Landfill Repermitting	164,614	240,827
Construction in Progress	601,636	614,593
Total Internally Designated Cash and Investments	<u>10,159,813</u>	<u>10,313,769</u>
RESTRICTED CASH AND INVESTMENTS		
Landfill Deposits	20,700	20,700
Closure and Postclosure Care	2,185,857	2,134,413
Total Restricted Cash and Investments	<u>2,206,557</u>	<u>2,155,113</u>
Total Cash and Investments	<u>\$ 18,315,735</u>	<u>\$ 16,938,149</u>

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

For closure and post-closure care for the landfill and BuRRT, the Agency has approximately \$7.15 million as of June 30, 2017. Approximately \$4.97 million of the total closure and post-closure care amount is internally designated cash whereas approximately \$2.18 million (\$2,027,851 for the landfill and \$158,006 for the transfer station) of the total is restricted cash as per GASB Statement No. 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, 2017 as compared to the year ended June 30, 2016.

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES	\$ 7,505,150	\$ 7,157,537
OPERATING EXPENSES	<u>(7,330,616)</u>	<u>(7,274,259)</u>
OPERATING INCOME	174,534	(116,722)
NONOPERATING REVENUES	<u>171,193</u>	<u>60,230</u>
INCOME (LOSS) BEFORE SPECIAL ITEM	345,727	(56,492)
SPECIAL ITEM - DECREASE IN LANDFILL LIABILITY	<u>-</u>	<u>2,540,316</u>
CHANGE IN NET POSITION	345,727	2,483,824
Net Position - Beginning of Year	24,787,937	22,304,113
NET POSITION - END OF YEAR	<u><u>\$ 25,133,664</u></u>	<u><u>\$ 24,787,937</u></u>

Operating revenues consist primarily of solid waste user (tipping) fees and income from the sale of recyclable materials. Overall, the operating revenues increased from the prior year by approximately \$347,613. The majority of this increase was in tipping fees and the sale of basalt rock. Recycling sales were less than the previous year. 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 increase in revenues from tipping fees and the sale of basalt rock was offset by slightly lower recycling revenues.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The six largest commercial accounts in order are:

	Revenue Received	Percent
City of Santa Fe	\$ 3,180,977	42.38%
Waste Management	503,756	6.71%
Santa Fe County	455,747	6.07%
Capital Scrap Metal Inc.	452,309	6.03%
MCT Waste, LLC	319,976	4.26%
Santa Fe Waste Service	214,225	2.85%
Others	2,378,160	31.69%
Total	\$ 7,505,150	100%

Revenues received include sales of recyclables and other income.

Overall, operating expenses increased subtly by \$56,357 from prior year. Although there were decreases in the contractual services, repair and maintenance, and capital outlay/exempt purchases, they were offset by increases in rental expense, supplies, insurances, and training. The Agency entered into a new lease agreement with the City of Santa Fe for the lease of the BuRRT facility. The annual amount of the lease payment increased from approximately \$64,000 in previous years to \$266,000 for the next eight years.

Items Expected to Have a Significant Effect for Fiscal Year 2018

During fiscal year 2018, the Agency expects to purchase replacement equipment and fleet for the landfill and BuRRT facility.

The Agency expects to conduct a solid waste assessment including a rate analysis.

The Agency expects the closure and post-closure care estimates for fiscal year ending June 30, 2018, to increase from \$7.04 million to approximately \$7.35 million due to inflation.

During fiscal year 2018, the Agency expects the China ban will continue to have a negative revenue effect on the sale of mixed paper and most plastic commodities.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>Business-Type Activities</u>
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 16,109,178
Accounts Receivable	588,109
Interest Receivable	-
Total Current Assets	<u>16,697,287</u>
NONCURRENT ASSETS	
Restricted Cash and Cash Equivalents:	
Landfill and Transfer Station Closure and Postclosure Care Costs	2,185,857
Landfill Deposits	20,700
Capital Assets	47,857,509
Less: Accumulated Depreciation and Amortization	<u>(36,776,542)</u>
Total Noncurrent Assets	<u>13,287,524</u>
Total Assets	29,984,811
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pension	<u>1,120,320</u>
Total Deferred Outflows of Resources	<u>1,120,320</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 31,105,131</u></u>

See accompanying Notes to Financial Statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>Business-Type Activities</u>
CURRENT LIABILITIES	
Accounts Payable	\$ 100,262
Gross Receipts Tax Payable	29,530
Accrued Wages Payable	84,612
Compensated Absences	51,845
Total Current Liabilities	<u>266,249</u>
NONCURRENT LIABILITIES	
Landfill Deposits	20,700
Compensated Absences	293,790
Net Pension Liability	3,003,607
Estimated Liability for Landfill and Transfer Station Closure and Post-Closure Care Costs	<u>2,185,857</u>
Total Noncurrent Liabilities	<u>5,503,954</u>
 Total Liabilities	 5,770,203
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	<u>201,264</u>
Total Deferred Inflows of Resources	201,264
NET POSITION	
Net Investment in Capital Assets	11,080,967
Unrestricted	<u>14,052,697</u>
Total Net Position	<u>25,133,664</u>
 Total Liabilities, Deferred Inflows of Resources, and Net Position	 <u>\$ 31,105,131</u>

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities</u>
OPERATING REVENUES	
User Fees	\$ 7,227,619
Recycle Sales	153,036
Other Sales	118,489
Other Income	6,006
Total Operating Revenues	<u>7,505,150</u>
OPERATING EXPENSES	
Personnel Services	2,902,280
Contractual Services	835,707
Supplies	421,848
Repairs and Maintenance	490,401
Rental Expenses	269,536
Utilities	92,640
Insurance	133,956
Office Expenses	85,208
Travel and Training	30,238
Gross Receipts Taxes	323,394
Reimbursable Share of Sales	41,319
Capital Outlay - Exempt	12,977
Additions to Landfill Liability	51,444
Depreciation and Amortization	1,639,668
Total Operating Expenses	<u>7,330,616</u>
OPERATING INCOME	174,534
NONOPERATING REVENUES	
Investment Income	159,893
Gain on Sale of Capital Assets	11,300
Total Nonoperating Revenues	<u>171,193</u>
CHANGE IN NET POSITION	345,727
Total Net Position - Beginning of Year	<u>24,787,937</u>
TOTAL NET POSITION - END OF YEAR	<u><u>\$ 25,133,664</u></u>

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017**

	<u>Business-Type Activities</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 7,467,022
Cash Paid to Suppliers for Goods and Services	(2,565,606)
Cash Paid to Employees for Services	(2,933,806)
Net Cash Provided by Operating Activities	<u>1,967,610</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(761,217)
Proceeds from the Sale of Capital Assets	11,300
Net Cash Used by Capital and Financing Activities	<u>(749,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>159,893</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,377,586
Cash and Cash Equivalents - Beginning of Year	<u>16,938,149</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,315,735</u>
REPORTED ON THE STATEMENT OF NET POSITION AS:	
Cash and Cash Equivalents	\$ 16,109,178
Restricted Cash - Landfill and Transfer Station Closure Costs	2,185,857
Restricted Cash - Landfill Deposits	<u>20,700</u>
TOTAL CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 18,315,735</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 174,534
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation Expense	1,639,668
Changes in Assets and Liabilities:	
Increase in Accounts Receivable and Interest Receivable	(38,128)
Increase in Deferred Outflow on Pension	(880,816)
Decrease in Accounts Payable	(24,196)
Increase in Compensated Absences Payable	18,310
Increase in Accrued Wages Payable	13,216
Increase in Gross Receipts Tax Payable	1,735
Increase in Deferred Inflow on Pension	146,309
Increase in Net Pension Liability	865,534
Increase in Landfill Closure	51,444
Net Cash Provided by Operating Activities	<u>\$ 1,967,610</u>

See Note 14 for noncash increase in landfill liability totaling \$51,444.

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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 U.S. generally accepted accounting principles (U.S. 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, 2017.

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 U.S. GAAP. This basis is very similar to the cash basis; however, depreciation expense has not been recorded.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the Agency are organized on the basis of a proprietary or enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. Enterprise funds are accounted for on the flow of economic resources, measurement focus, and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Revenues are recognized when they are earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency enterprise fund are charges to customers for tipping fees. Investment income is reported as a nonoperating item, as this activity is not considered the result of the Agency's principal ongoing operations of providing municipal landfill services.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. As a general rule, the effect of internal activity has been eliminated from the statement of activities.

Government-Wide and Fund Financial Statements

The Agency is a single purpose government entity and has only business-type activities. In the government-wide statement of net 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.

Comparative Data/Reclassifications

Comparative data for the prior year have been presented in the MD&A in order for management to provide an explanation of significant changes between years. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 nonliquid, capital assets less outstanding capital asset related debt. The Agency did not have related debt during the year ended June 30, 2017.

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, 2017.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (Continued)

Unrestricted Net Position

Represents the excess of total assets and deferred outflows over total liabilities and deferred inflows and net position invested in capital assets at June 30, 2017. 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.

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

<u>Assets</u>	<u>Years</u>
Landfill	100
Landfill Development Costs	20
Buildings and Structures	30
Cells	2-5
Furniture and Fixtures	10
Machinery and Equipment	4-10
Vehicles	7-10
Data Processing Equipment	3
Software	10

Both the solid waste and BuRRT permits are considered intangible assets and are being amortized over a period of 20 years each.

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.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 post-closure 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 post-closure 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, 2017, 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 and 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.

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, are reported in the

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources (Continued)

statement of net position. This amount is deferred and recognized as a direct reduction of the net pension liability during the next reporting period. Refer to Note 9 for more detailed information on the Agency's Pension plan.

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 Statement No. 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. Refer to Note 9 for more detailed information on the Agency's Pension plan.

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.

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

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions (Continued)

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, New Mexico 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 \$18,315,735 invested in a cash and investment pooled account maintained by the City. The City invests its pooled cash into U.S. Government securities, repurchase agreements, municipal bonds, certificates of deposit, the state Treasurer's investment pool, and U.S. 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, New Mexico 87504-0909.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

At June 30, 2017, the Agency has undesignated, internally designated, and restricted cash and investments for the following purposes:

	2017	2016
UNDESIGNATED CASH AND INVESTMENTS		
Unrestricted Cash	\$ 5,944,865	\$ 4,464,767
Petty Cash	4,500	4,500
Total Undesignated Cash and Investments	5,949,365	4,469,267
INTERNALLY DESIGNATED CASH AND INVESTMENTS		
Emergency Cash Reserves	659,004	651,241
Equipment Replacement	1,185,330	1,252,314
Closure and Postclosure	4,970,277	4,930,101
Cell Development	2,247,988	2,221,781
Gas Collection System	330,964	402,912
Landfill Repermitting	164,614	240,827
Construction in Progress	601,636	614,593
Total Internally Designated Cash and Investments	10,159,813	10,313,769
RESTRICTED CASH AND INVESTMENTS		
Landfill Deposits	20,700	20,700
Closure and Postclosure Care	2,185,857	2,134,413
Total Restricted Cash and Investments	2,206,557	2,155,113
Total Cash and Investments	\$ 18,315,735	\$ 16,938,149

Cash reserves in the amount of \$2,185,857 have been restricted for the purpose of paying for estimated landfill and transfer station closure and post-closure care costs as described in Note 14.

In accordance with GASB Statement 31, the Agency has stated investments at fair value at June 30, 2017. Investment income comprises the following at June 30, 2017:

Interest Income	\$ 163,445
Unrealized and Realized Loss on Investments	(3,552)
Total Investment Income	\$ 159,893

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable of \$588,109 represents billings for tipping fees to third-party users, sales of rock, and sales of recyclables through June 30, 2017. 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, 2017.

City of Santa Fe	\$	275,211
Waste Management		84,542
MCT Waste, LLC		59,506
Santa Fe County		39,396
Santa Fe Waste Service		36,666
Others		92,788
Total Accounts Receivable	<u>\$</u>	<u>588,109</u>

NOTE 5 ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

The Agency is economically dependent on six customers related to tipping fee and recycle revenue. These customers account for 68.31% of tipping fee and recycling revenue for the year ended June 30, 2017. These customers are City of Santa Fe, Waste Management of New Mexico, Santa Fe County, Capital Scrap Metal Inc., MCT Waste, LLC, and Santa Fe Waste Services.

	Revenue Received	Percent
City of Santa Fe	\$ 3,180,977	42.38 %
Waste Management	503,756	6.71
Santa Fe County	455,747	6.07
Capital Scrap Metal Inc.	452,309	6.03
MCT Waste, LLC	319,976	4.26
Santa Fe Waste Service	214,225	2.85
Others	2,378,160	31.69
Total	<u>\$ 7,505,150</u>	<u>100.00 %</u>

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ending June 30, 2017 is as follows.

Depreciation expense for capital assets for the fiscal year ended June 30, 2017 was \$1,606,501. In addition, the Agency had \$33,167 in amortization expense for solid waste and BuRRT permits as of June 30, 2017.

	Beginning Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>June 30, 2017</u>
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in Progress	\$ 1,361,397	\$ 82,181	\$ (293,497)	\$ 1,150,081
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	18,839,675	-	-	18,839,675
Buildings and Structures	3,591,002	15,848	-	3,606,850
Furniture and Fixtures	1,060	-	-	1,060
Equipment and Machinery	11,730,995	457,926	(44,813)	12,144,108
Vehicles	1,277,492	207,036	(36,569)	1,447,959
Data Processing Equipment and Software	55,059	-	-	55,059
Total Capital Assets Being Depreciated	<u>45,175,284</u>	<u>680,810</u>	<u>(81,382)</u>	<u>45,774,712</u>
INTANGIBLE ASSET				
Solid Waste and BuRRT Permits	<u>639,219</u>	<u>293,497</u>	<u>-</u>	<u>932,716</u>
Total Capital Assets	47,175,900	1,056,488	(374,879)	47,857,509
LESS ACCUMULATED DEPRECIATION				
Landfill	(542,522)	(30,141)	-	(572,663)
Landfill Development Costs	(5,993,088)	(288,253)	-	(6,281,341)
Land Improvements	(347,215)	(5,037)	-	(352,252)
Cells	(17,027,227)	(453,111)	-	(17,480,338)
Buildings and Structures	(1,139,860)	(90,284)	-	(1,230,144)
Furniture and Fixtures	(1,059)	-	-	(1,059)
Equipment and Machinery	(9,455,612)	(610,562)	44,812	(10,021,362)
Vehicles	(632,248)	(125,185)	34,796	(722,637)
Data Processing Equipment and Software	(45,691)	(3,928)	-	(49,619)
Total Accumulated Depreciation	<u>(35,184,522)</u>	<u>(1,606,501)</u>	<u>79,608</u>	<u>(36,711,415)</u>
LESS ACCUMULATED AMORTIZATION				
Intangible Assets	<u>(31,960)</u>	<u>(33,167)</u>	<u>-</u>	<u>(65,127)</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 11,959,418</u>	<u>\$ (583,180)</u>	<u>\$ (295,271)</u>	<u>\$ 11,080,967</u>

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the statement of net position:

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Landfill Deposits	\$ 20,700	\$ -	\$ -	\$ 20,700	\$ -
Estimated Liability for Landfill Closure Costs	1,978,494	49,357	-	2,027,851	-
Estimated Liability for Transfer Station Closure Costs	155,919	2,087	-	158,006	-
Compensated Absences	327,325	96,618	(78,308)	345,635	51,845
Total	<u>\$ 2,482,438</u>	<u>\$ 148,062</u>	<u>\$ (78,308)</u>	<u>\$ 2,552,192</u>	<u>\$ 51,845</u>

See Note 14 for details on the increase 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 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'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. 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 2017.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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.

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, 2016 available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.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 fiscal year 2016 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 40 through 42 of the PERA fiscal year 2016 annual audit report at https://www.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY2016.pdf.

The PERA coverage option that applies the Agency: Municipal General Division. Statutorily required contributions to the pension plan from the Agency were \$159,033 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2017.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

General Information about the Pension Plan (Continued)

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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2016.

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, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2016 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.

Employer Pickup

During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68, and No. 73*, 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. The Agency reported \$-0- and \$212,885 for the years ending June 30, 2017 and 2016, respectively.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

For PERA Fund Municipal General Division, at June 30, 2017, Santa Fe Solid Waste Management Agency reported a liability of \$3,003,607 for its proportionate share of the net pension liability. At June 30, 2017, Santa Fe Solid Waste Management Agency's proportion was .1880%, which was a decrease from its proportion measured as of June 30, 2015 by .0217.

For the year ended June 30, 2017, Santa Fe Solid Waste Management Agency recognized PERA Fund Municipal General Division pension expense of \$131,027. At June 30, 2017, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Proportion	\$ 82,431	\$ (171,451)
Changes of Assumptions	176,125	(500)
Difference Between Expected and Actual Experience	150,073	(29,313)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	552,658	-
Santa Fe Solid Waste Management Agency's Contributions Subsequent to the Measurement Date	159,033	-
Total	<u>\$ 1,120,320</u>	<u>\$ (201,264)</u>

\$159,033 reported as deferred outflows of resources related to pensions resulting in Santa Fe Solid Waste Management Agency's contributions subsequent to the measurement date. June 30, 2016 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 166,612
2019	166,612
2020	291,955
2021	134,844
2022	-

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

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, 2015 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, 2016 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, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

Actuarial Valuation Date	June 30, 2015
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	7.48% Annual Rate, Net of Investment Expense
Projected Benefit Payment	100 Years
Payroll Growth	2.75% for first 10 years, then 3.25% Annual Rate
Projected Salary Increases	2.75 to 14.00% Annual Rate
Includes Inflation at	2.2% Annual Rate first 10 years, 2.75% all other years
Mortality Assumptions	RP-200 Mortality Tables (Combined Table for Healthy Postretirees, 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 (demographic) and July 1, 2010 through June 20, 2015 (economic)

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:

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Actuarial Assumptions (Continued)

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39 %
Risk Reduction & Mitigation	21.50%	1.79
Credit Oriented Fixed Income	15.00%	5.77
Real Assets	20.00%	7.35
Total	<u>100%</u>	

Discount Rate

The rate is 7.25% for the first 10 years (select period) and 7.75% for all other years (ultimate). The equivalent blended rate is 7.48% and will be used to measure the total pension liability. 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 GASB 67. Therefore, the 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Municipal General Division

	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
Santa Fe Solid Waste Management Agency's Proportionate Share of the Net Pension Liability	<u>\$ 4,478,111</u>	<u>\$ 3,003,607</u>	<u>\$ 1,780,579</u>

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Fiscal year 2016 PERA financial report. The report is available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

Payables to the Pension Plan

There were no amounts owed to PERA at June 30, 2017. 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, 2017 but paid in July 2017.

NOTE 10 POSTEMPLOYMENT 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, New Mexico 87107.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 10 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

Plan Description (Continued)

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The 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% of each participating employee's annual salary; each participating employee was required to contribute 1% 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, 2017, 2016, and 2015 were \$32,241, \$32,345, and \$34,865, respectively, which equal the required contributions for each year.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 FISCAL AGENT AGREEMENT

In January 1996, the Agency entered into an agreement with the City 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, 2017 were \$164,872.

NOTE 12 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 \$266,000 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. In October 2016, BLM renegotiated the price per ton to be \$0.75 per ton.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 CLOSURE AND POST-CLOSURE CARE COSTS

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

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

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

As of June 30, 2017, the total cost estimate for the closure and post-closure care requirements as described above for the Caja del Rio Landfill is \$7,045,167. The estimate increased by \$97,888 from prior year due to using the June 30, 2016 estimates and adjusting for a 1.4% inflation (CPI). 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, 2017, has a total cash balance of \$7,156,134 for the closure and post-closure care costs for the landfill and transfer station. Of this amount, \$2,185,857 is reported as restricted cash balance (\$2,027,851 for the landfill and \$158,006 for the transfer station), and an additional \$4,970,277 is reported as internally designated cash balance. The total cash balance of \$7,156,134 exceeds the \$7,045,167 total cost estimate required for the landfill.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 13 CLOSURE AND POST-CLOSURE CARE COSTS (CONTINUED)

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, 2017, the percentage of the landfill consumed is 28.78% as opposed to 28.48% for the prior year. The available airspace decreased to 23.1 million cubic yards from 23.7 million cubic yards in the prior year. This resulted in a \$51,444 increase to landfill liability as of June 30, 2017. The accrued liability for the closure and post-closure costs of \$2,185,857 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 \$158,006 as of June 30, 2017. 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, 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.

**STATE OF NEW MEXICO
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**

	2017 Measurement Date As of and for the Year Ended June 30, 2016	2016 Measurement Date As of and for the Year Ended June 30, 2015	2015 Measurement Date As of and for the Year Ended June 30, 2014
Santa Fe Solid Waste Management Agency's Proportion of the Net Pension Liability	0.1880%	0.2097%	0.1953%
Santa Fe Solid Waste Management Agency's Proportionate Share of the Net Pension Liability	\$ 3,003,607	\$ 2,138,073	\$ 1,523,550
Santa Fe Solid Waste Management Agency's Covered Payroll	\$ 1,610,168	\$ 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 Employee Payroll	186.54%	122.98%	95.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.18%	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.

**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**

	As of and for the Year Ended June 30, 2017	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually Required Contributions	\$ 159,033	\$ 153,726	\$ 357,916
Contributions in Relation to the Contractually Required Contribution	<u>(159,033)</u>	<u>(153,726)</u>	<u>(357,916)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Santa Fe Solid Waste Management Agency's Covered Payroll	\$ 1,665,272	\$ 1,609,674	\$ 1,738,484
Contributions as a Percentage of Covered Payroll	9.55%	10.00%	21.00%

* 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.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

Changes of Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 41-43 of the PERA fiscal year 2016 audit available at:

http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf

Changes of Assumptions

The Public Employees Retirement Association (PERA) of the New Mexico Annual Actuarial Valuation as of June 30, 2016, is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2016-PERA-Valuation-Report-FINAL.pdf>

See Appendix B on pages 54-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2015 valuation.

See more details of actuarial methods and assumptions on Note 2 starting on page 21 of PERA's Schedule of Employer Allocations and Pension amounts at:

<http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf>

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET (NON-U.S. GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Non-U.S. GAAP Budgetary Basis Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
OPERATING REVENUES				
User Fees	\$ 6,465,000	\$ 6,465,000	\$ 7,227,619	\$ 762,619
Recycle Sales	62,000	62,000	153,036	91,036
Other Sales	150,000	150,000	118,489	(31,511)
Other Income			6,006	6,006
Total Operating Revenues	<u>6,677,000</u>	<u>6,677,000</u>	<u>7,505,150</u>	<u>828,150</u>
OPERATING EXPENSES				
Personnel Services	3,020,164	3,020,164	2,902,280	117,884
Contractual Services	1,451,682	1,857,965	835,707	1,022,258
Supplies	557,875	557,875	421,848	136,027
Repairs and Maintenance	535,000	823,535	490,401	333,134
Rental Expenses	270,200	276,200	269,536	6,664
Utilities	109,500	109,500	92,640	16,860
Insurance	148,993	148,993	133,956	15,037
Office and Other Expenses	114,600	114,600	85,208	29,392
Travel and Training	41,000	41,000	30,238	10,762
Gross Receipts Taxes	315,000	315,000	323,394	(8,394)
Reimbursable Share of Sales	95,000	95,000	41,319	53,681
Capital Outlay	223,778	1,058,984	12,977	1,046,007
Total Operating Expenses	<u>6,882,792</u>	<u>8,418,816</u>	<u>5,639,504</u>	<u>2,779,312</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	44,471	44,471	159,893	115,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
	<u>\$ (161,321)</u>	<u>\$ (1,697,345)</u>	2,025,539	<u>\$ 3,722,884</u>
CHANGE IN NET POSITION (NON-U.S. GAAP BUDGETARY BASIS)				
ADJUSTMENTS FOR U.S. GAAP BASIS (NONBUDGETED ITEMS)				
Depreciation and Amortization			(1,639,668)	
Gain on Sale of Capital Assets			11,300	
Additions to Landfill Liability			<u>(51,444)</u>	
CHANGE IN NET POSITION, EXHIBIT B				
			345,727	
Net Position - Beginning of Year			<u>24,787,937</u>	
NET POSITION - END OF YEAR				
			<u>\$ 25,133,664</u>	

**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***

Mr. Wayne Johnson
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, 2017, 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 April 12, 2018.

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.

Mr. Wayne Johnson
New Mexico State Auditor
Members of the Joint Powers Board
Santa Fe Solid Waste Management Agency

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* list as finding 2017-001 in the schedule of findings and responses.

Agency's Response to Findings

The Agency's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
April 12, 2018

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2017**

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 reported
b. Significant deficiencies not considered to be material weaknesses?	None reported
c. Noncompliance material to the financial statements?	None reported

SECTION II – CURRENT YEAR FINDINGS**2017-001 Late Submission of Audit Report (Compliance and Other Matters)**

Condition: The Agency’s audit report for the year ended June 30, 2017 was not submitted as of the due date of December 15, 2017 because the Agency’s fiscal agency did not perform a timely reconciliation of its financial records and the Agency’s cash is included in the pooled cash accounts along with the fiscal agent.

Criteria: Audit reports not received on or before the due date are considered to be in non-compliance with the requirements of Section 2.2.2.9.A of the State Audit Rule.

Cause: Although all requests were satisfied as it related to the Agency, directly, the fiscal agency for the Agency was still reconciling its trial balance and CAFR and we did not know the impact of entries to the Agency.

Effect: The Agency’s financial audit was not submitted by the statutory deadline.

Recommendation: We recommend the Agency continue to maintain its records and work with its fiscal agent to ensure they perform year end reconciliations more timely.

Management’s Response: The Accounts Coordinator will work with its Fiscal Agent to ensure year-end reconciliations are performed more timely and that the audit is filed by the statutory due date for the year ended June 30, 2018.

SECTION III – STATUS OF PRIOR YEAR FINDINGS

There were no prior year audit findings.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
OTHER DISCLOSURES
JUNE 30, 2017**

AUDITOR PREPARED FINANCIAL STATEMENTS

CliftonLarsonAllen LLP prepared the U.S. 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.

EXIT CONFERENCE

The contents of this report were discussed on April 9, 2018. The following were in attendance.

Santa Fe Solid Waste Management Agency

Randall Kippenbrock, P.E., Executive Director

Mike Harris, Councilor, Chair

Anna Hamilton, Commissioner/Vice Chair

Angelica Salazar, Accounts Coordinator

City of Santa Fe

Brad Fluetsch, Financial Planning & Reporting Officer

CliftonLarsonAllen LLP

Georgie Ortiz, CPA, CGFM, Principal

Laura Beltran-Schmitz, CPA, CFE, CGFM, Director