

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

STATE OF NEW MEXICO
ERROR! BOOKMARK NOT DEFINED.
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019

| | | |
|---|-------------------------|-----------|
| DIRECTORY OF OFFICIALS | | 1 |
| INDEPENDENT AUDITORS' REPORT | | 2 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | | 5 |
| FINANCIAL STATEMENTS | | |
| | <u>EXHIBITS</u> | |
| STATEMENT OF NET POSITION | A | 13 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION | B | 15 |
| STATEMENT OF CASH FLOWS | C | 16 |
| NOTES TO FINANCIAL STATEMENTS | | 17 |
| REQUIRED SUPPLEMENTARY INFORMATION | | |
| | <u>SCHEDULES</u> | |
| SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF PERA MUNICIPAL GENERAL DIVISION | I | 38 |
| SCHEDULE OF EMPLOYER CONTRIBUTIONS | II | 39 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | | 40 |
| SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OF RETIREE HEALTH CARE AUTHORITY (RHCA) | III | 41 |
| SCHEDULE OF EMPLOYER CONTRIBUTIONS OF RETIREE HEALTH CARE AUTHORITY (RHCA) | IV | 42 |
| SUPPLEMENTARY INFORMATION | | |
| SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET (NON-U.S. GAAP BUDGETARY BASIS) AND ACTUAL | V | 43 |
| 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> | | 44 |
| SCHEDULE OF FINDINGS AND RESPONSES | 46 | |
| EXIT CONFERENCE | | 48 |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
DIRECTORY OF OFFICIALS
YEAR ENDED JUNE 30, 2019**

BOARD

Anna Hamilton
Renee Villarreal

Commissioner, Chair
Councilor, Vice Chair

Anna Hansen
Mike Harris
JoAnne Vigil-Coppler
Edward Moreno

Commissioner
Councilor
Councilor
Commissioner

ADMINISTRATIVE OFFICIALS

Randall Kippenbrock
Erica Martinez

Executive Director
Accounts Coordinator



INDEPENDENT AUDITORS' REPORT

Mr. Brian Colón, Esq., 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, 2019, 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 misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 entity'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 entity'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.

Mr. Brian Colón, Esq., 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Agency as of June 30, 2019, and the changes in its financial position, and its cash flows 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 5 through 12 and schedules I through IV on pages 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The budgetary comparison for the business-type activities on page 46 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison for the business-type activities is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
DIRECTORY OF OFFICIALS
YEAR ENDED JUNE 30, 2019**

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2020 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
July 2, 2020

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 renewed 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 of Santa Fe acting as fiscal agent.

The financial statements of the Agency have been prepared in conformity with U.S. generally accepted accounting principles (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 schedule 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, 2019.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

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 operates 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 schedule 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.

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, 2019**

The following table provides condensed financial information to the Agency's net position at June 30, 2019 as compared to June 30, 2018.

| | 2019 | 2018 |
|---|-------------------|-------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets | \$ 17,117,931 | \$ 17,494,786 |
| Capital Assets, Net | 10,817,967 | 10,501,652 |
| Other Assets | 2,685,664 | 2,493,429 |
| Total Assets | 30,621,562 | 30,489,867 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows Related to Pension | 768,429 | 540,887 |
| Deferred Outflows Related to OPEB | 84,960 | 33,828 |
| Total Deferred Outflows of Resources | 853,389 | 574,715 |
| Total Assets and Deferred Outflows of Resources | \$ 31,474,951 | \$ 31,064,582 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | | |
| LIABILITIES | | |
| Current Liabilities | \$ 448,352 | \$ 583,128 |
| Noncurrent Liabilities | 7,854,256 | 7,124,168 |
| Total Liabilities | 8,302,608 | 7,707,296 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows Related to Pension | 160,711 | 160,356 |
| Deferred Inflows Related to OPEB | 476,772 | 390,272 |
| Total Deferred Inflows of Resources | 637,483 | 550,628 |
| Total Liabilities and Deferred Inflows of Resources | 8,940,091 | 8,257,924 |
| NET POSITION | | |
| Net Investment in Capital Assets | 10,817,967 | 10,501,652 |
| Unrestricted | 11,716,893 | 12,305,006 |
| Total Net Position | 22,534,860 | 22,806,658 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 31,474,951 | \$ 31,064,582 |

The assets and deferred outflows of the Agency exceeded its liabilities and deferred inflows at the close of June 2019, the most recent fiscal year by \$22,534,860 (net position). Of this amount, \$10,817,967 is the net investment in capital assets and \$11,716,893 is unrestricted.

In comparison, the assets of the Agency exceeded its liabilities and deferred inflows at the close of the June 2018 fiscal year by \$22,806,658 (net position). Of this amount, \$10,501,652 is the net investment in capital assets and \$12,305,006 is unrestricted.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Budgets

Total budgeted operating expenditures increased from \$8,968,964 to \$10,963,658. There were significant increases in the Contractual Services, Repairs and Maintenance and Capital Outlay budgets. The increase to the Contractual Services was approximately \$356,000. The budget increases were specifically in the compliance, service and engineering contracts.

During the first quarter of fiscal year 2018, the Agency received \$46,859 from Friedman Recycling of Albuquerque for the MRF processing of recyclable materials as per recycling service contract. However, due to the announcement of the China Ban to not accept mixed paper and mixed plastics, effective January 1, 2018, Friedman Recycling had already felt the impact of the ban. Because of this, the Agency and Friedman Recycling agreed to amend the service contract multiple times to suspend recycling payments to the Agency for the last three quarters of the fiscal year 2018 from October 1, 2017 to June 30, 2018, until the recycling markets improved. While the China ban has negatively impacted the entire MRF recycling industry globally and particularly in the U.S., new recycling markets in the U.S. will take years to develop. The final amended contract with Friedman required the agency to pay Friedman to process recyclable material. This contract extended into the first half of fiscal year 2019.

The Agency also entered into a recycling service contract with Miller Coors of Denver, Colorado, for the Agency to deliver glass bottles and jars to Miller Coors to recycle glass back into glass bottles. In order to transport the glass to Colorado, the Agency hired a third-party transportation company.

The repairs and maintenance for heavy equipment and buildings decreased by approximately \$66,645.

Capital outlay was increased by approximately \$1M for heavy equipment and vehicle purchase for the landfill. These purchases included a new Caterpillar D8 track-type dozer, 2019 Chevrolet Colorado, Dell T440 Power Edge Server and three steel storage containers. The Agency also procured a new Caterpillar 623K Wheel Tractor-Scraper.

Actual operating revenues were greater than budgeted revenue by \$366,397. Each revenue source collected was slightly greater than originally projected for budget.

Capital Assets and Long-Term Debt Activity

The Agency's cumulative investment in capital assets as of June 30, 2019, is \$10,817,967 (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 investment in intangible assets include the cost of obtaining 20-year operating permits for the Caja Del Rio Landfill and the Buckman Recycling and Transfer Station (BuRRT). The Agency's investment in capital assets for the current fiscal year increased by \$316,315 from the prior year. Although the Agency incurred additional capital assets during the fiscal year of approximately \$1,817,001, this increase was offset by the annual depreciation of approximately \$1.5 million. Additions included the acquisition of a new Caterpillar D8 track-type dozer, 2019 Chevrolet Colorado, Dell T440 Power Edge Server and three steel storage containers.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| CAPITAL ASSETS | | |
| Landfill | \$ 3,014,075 | \$ 3,014,075 |
| Landfill Development Cost | 6,281,341 | 6,281,341 |
| Land Improvements | 1,161,327 | 384,585 |
| Cells | 18,839,675 | 18,839,675 |
| Buildings and Structures | 3,604,383 | 3,604,383 |
| Equipment and Machinery | 13,180,440 | 12,291,494 |
| Vehicles | 1,460,682 | 1,430,284 |
| Data Processing Equipment and Software | 49,417 | 49,417 |
| Construction in Progress | 1,270,996 | 1,150,081 |
| Total Capital Assets | <u>48,862,336</u> | <u>47,045,335</u> |
| INTANGIBLE ASSETS | | |
| Solid Waste and BuRRT Permits | <u>932,716</u> | <u>932,716</u> |
| Subtotal | 49,795,052 | 47,978,051 |
| Accumulated Depreciation | (38,818,684) | (37,364,635) |
| Accumulated Amortization | <u>(158,401)</u> | <u>(111,764)</u> |
| Total Capital Assets (Net) | <u>\$ 10,817,967</u> | <u>\$ 10,501,652</u> |

Cash and Investments

At June 30, 2019, the Agency has internally undesignated, internally designated, and restricted cash and investments for the following purposes as of June 30:

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| UNDESIGNATED CASH AND INVESTMENTS | | |
| Unrestricted Cash | 5,022,859 | \$ 5,955,076 |
| Petty Cash | 4,500 | 4,500 |
| Total Undesignated Cash and Investments | <u>5,027,359</u> | <u>5,959,576</u> |
| INTERNALLY DESIGNATED | | |
| Emergency Cash Reserves | 768,192 | 745,785 |
| Equipment Replacement | 2,362,140 | 1,250,217 |
| Closure and Post-Closure | 5,009,268 | 4,915,154 |
| Cell Development | 2,235,545 | 2,275,200 |
| Gas Collection System | 421,885 | 340,971 |
| Construction in Progress | 560,586 | 1,344,183 |
| Total Internally Designated Cash and Investments | <u>11,357,616</u> | <u>10,871,510</u> |
| RESTRICTED CASH AND INVESTMENTS | | |
| Landfill Deposits | 49,782 | 20,700 |
| Closure and Postclosure Care | 2,635,882 | 2,472,729 |
| Total Restricted Cash and Investments | <u>2,685,664</u> | <u>2,493,429</u> |
| Total Cash and Investments | <u>\$ 19,070,639</u> | <u>\$ 19,324,515</u> |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

For closure and post-closure care for the landfill and BuRRT, the Agency has approximately \$7.48 million as of June 30, 2019. Approximately \$4.81 million of the total closure and post-closure care amount is internally designated cash, whereas approximately \$2.64 million (\$2,466,779 for the landfill and \$169,103 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, 2019 as compared to the year ended June 30, 2018.

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| OPERATING REVENUES | \$ 7,762,172 | \$ 7,534,089 |
| OPERATING EXPENSES | <u>(8,761,562)</u> | <u>(8,068,016)</u> |
| OPERATING LOSS | (999,390) | (533,927) |
| NONOPERATING REVENUES | <u>727,592</u> | <u>243,766</u> |
| CHANGE IN NET POSITION | (271,798) | (290,161) |
| Net Position - Beginning of Year | 22,806,658 | 25,133,664 |
| Restatement | - | (2,036,845) |
| NET POSITION - END OF YEAR | <u><u>\$ 22,534,860</u></u> | <u><u>\$ 22,806,658</u></u> |

Operating revenues consist primarily of tipping fees from solid waste users of the landfill and BuRRT transfer station and revenue from the sale of recyclables. Additional sources of revenue are royalty payments from the sale of basalt aggregates and other incomes such as reimbursements of effluent water. Overall, the operating revenues increased from the prior year by \$228,083.

Revenues from tipping (user) fees increased from the prior year by \$230,210 due to an increase in the amount of solid waste received.

Revenues from recycling sales decreased from the prior year by \$17,898. The Agency received no revenues from Friedman Recycling of Albuquerque for the MRF processing of recyclable materials as per amended recycling service contract in response to the China Ban on mixed paper and mixed plastics. Instead, the Agency paid for Friedman the recycling service.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

Revenues from other sales decreased from the prior year by \$48,864. Most of the revenues were derived from royalty payments received from the sale of basalt aggregates by the contractor, Del Hur Industries. The contractor sold 112,334 tons of basalt aggregates in the prior year compared to 79,776 tons in fiscal year 2019. As per the services agreement, the contractor is required to pay the Agency \$1.50 per ton royalty fee.

The six largest commercial accounts in order are:

| | Revenue Received | Percent |
|--------------------------|---------------------|-------------|
| City of Santa Fe | \$ 3,019,496 | 38.90% |
| Capital Scrap Metal Inc. | 559,498 | 7.21% |
| Waste Management | 496,462 | 6.40% |
| Santa Fe County | 480,072 | 6.18% |
| MCT Waste, LLC | 372,026 | 4.79% |
| Santa Fe Waste Service | 262,759 | 3.39% |
| Others | 2,571,859 | 33.13% |
| Total | <u>\$ 7,762,172</u> | <u>100%</u> |

Revenues received include sales of recyclables and other incomes.

Overall, operating expenses increased by \$693,546 from prior year. There were increases in personnel services, contractual services, supplies, training, and capital outlay that totaled approximately \$880,501. These increases were offset by a decrease in depreciation expense of approximately \$240,000. The personnel service increase of approximately \$272,000 was the result of being fully staffed for most of the year and the addition of a BURRT Operator position that was budgeted.

The contractual services increased by approximately \$489,000 were related to the following: due to the China Ban that became effective January 2018 the Agency amended the contract with Friedman Recycling multiple times from receiving recycling revenue from Friedman Recycling, suspending recycling revenue from Friedman Recycling, to ultimately paying Friedman Recycling to process the recyclable materials. The Agency also entered into a contract with Miller Coors of Denver, Colorado, for Miller Coors to recycling glass bottles and jars delivered to them by the Agency. The Agency contracted a third-party transportation company to haul the glass to Colorado.

Items Expected to Have a Significant Effect for Fiscal Year 2020

During fiscal year 2020, the Agency expects to construct the Cell 6B liner construction project and commence placing waste in the cell.

The Agency expects to execute a services agreement with Town Recycling for the processing and marketing of recyclable materials at BuRRT.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019**

The Agency expects to complete road improvements to the Caja Del Rio Landfill, scale and administration area and to rehabilitate the tipping floor at the BuRRT.

The Agency expects to continue to purchase replacement equipment and fleet for the landfill and BuRRT facility.

The Agency expects to commence the landfill gas collection system expansion project for Cell 5B.

The Agency expects to commence the excavation of the East Phase storm water ditch.

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

During fiscal year 2020, the Agency expects the China ban will continue to have a negative revenue effect on the sale of mixed paper and most plastic commodities, and continue to be a major expense for the Agency.

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, 2019**

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>Business-Type Activities</u> |
|--|-------------------------------------|
| CURRENT ASSETS | |
| Cash and Cash Equivalents | \$ 16,384,975 |
| Accounts Receivable | 625,725 |
| Interest Receivable | 107,231 |
| Total Current Assets | <u>17,117,931</u> |
| NONCURRENT ASSETS | |
| Restricted Cash and Cash Equivalents: | |
| Landfill and Transfer Station Closure and Postclosure Care Costs | 2,635,882 |
| Landfill Deposits | 49,782 |
| Capital Assets | 49,795,051 |
| Less: Accumulated Depreciation and Amortization | <u>(38,977,084)</u> |
| Total Noncurrent Assets | <u>13,503,631</u> |
| Total Assets | 30,621,562 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflow Related to Pension | 768,429 |
| Deferred Outflow Related to OPEB | 84,960 |
| Total Deferred Outflows of Resources | <u>853,389</u> |
| Total Assets and Deferred Outflows of Resources | <u><u>\$ 31,474,951</u></u> |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2019**

| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | <u>Business-Type Activities</u> |
|--|-------------------------------------|
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 258,732 |
| Gross Receipts Tax Payable | 31,480 |
| Accrued Wages Payable | 103,995 |
| Compensated Absences | 54,145 |
| Total Current Liabilities | <u>448,352</u> |
| NONCURRENT LIABILITIES | |
| Landfill Deposits | 49,782 |
| Compensated Absences | 306,821 |
| Net Pension Liability | 3,016,548 |
| Net OPEB Liability | 1,845,223 |
| Estimated Liability for Landfill and Transfer Station Closure and Post-Closure Care Costs | <u>2,635,882</u> |
| Total Noncurrent Liabilities | <u>7,854,256</u> |
| Total Liabilities | 8,302,608 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows Related to Pension | 160,711 |
| Deferred Inflows Related to OPEB | 476,772 |
| Total Deferred Inflows of Resources | <u>637,483</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 10,817,967 |
| Unrestricted | <u>11,716,893</u> |
| Total Net Position | <u>22,534,860</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 31,474,951</u> |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2019**

| | Business-Type Activities |
|---|-----------------------------|
| OPERATING REVENUES | |
| User Fees | \$ 7,427,155 |
| Recycle Sales | 111,619 |
| Other Sales | 119,654 |
| Other Income | 103,744 |
| Total Operating Revenues | 7,762,172 |
| OPERATING EXPENSES | |
| Personnel Services | 3,286,712 |
| Contractual Services | 1,533,166 |
| Supplies | 518,238 |
| Repairs and Maintenance | 572,095 |
| Rental Expenses | 268,643 |
| Utilities | 91,915 |
| Insurance | 127,514 |
| Office Expenses | 96,734 |
| Travel and Training | 21,838 |
| Gross Receipts Taxes | 353,543 |
| Reimbursable Share of Sales | 59,830 |
| Capital Outlay - Exempt | 167,494 |
| Additions to Landfill Liability | 163,153 |
| Depreciation and Amortization | 1,500,687 |
| Total Operating Expenses | 8,761,562 |
| OPERATING INCOME (LOSS) | (999,390) |
| NONOPERATING REVENUES | |
| Investment Income | 455,344 |
| Unrealized Gains/Losses | 272,248 |
| Total Nonoperating Revenues | 727,592 |
| CHANGE IN NET POSITION | (271,798) |
| Total Net Position - Beginning of Year | 22,806,658 |
| TOTAL NET POSITION - END OF YEAR | \$ 22,534,860 |

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019**

| | <u>Business-Type Activities</u> |
|---|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Customers | \$ 7,692,915 |
| Cash Paid to Suppliers for Goods and Services | (3,932,240) |
| Cash Paid to Employees for Services | (2,925,142) |
| Net Cash Provided by Operating Activities | <u>835,533</u> |
| CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES | |
| Acquisition and Construction of Capital Assets | (1,817,001) |
| Net Cash Used by Capital and Financing Activities | <u>(1,817,001)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment Income | <u>727,592</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (253,876) |
| Cash and Cash Equivalents - Beginning of Year | <u>19,324,515</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 19,070,639</u> |
| REPORTED ON THE STATEMENT OF NET POSITION AS: | |
| Cash and Cash Equivalents | \$ 16,384,975 |
| Restricted Cash - Landfill and Transfer Station Closure Costs | 2,635,882 |
| Restricted Cash - Landfill Deposits | <u>49,782</u> |
| TOTAL CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 19,070,639</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income (Loss) | \$ (999,390) |
| Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities: | |
| Depreciation Expense | 1,500,687 |
| Changes in Assets and Liabilities: | |
| Increase in Accounts Receivable and Interest Receivable | (69,257) |
| Increase in Deferred Outflow on Pension | (227,542) |
| Increase in Deferred Outflow on OPEB | (51,132) |
| Increase in Accounts Payable | (136,719) |
| Increase in Compensated Absences Payable | (4,599) |
| Increase in Accrued Wages Payable | 38,064 |
| Increase in Gross Receipts Tax Payable | (6,349) |
| Increase in Deferred Inflow on Pension | 355 |
| Increase in Net Pension Liability | 411,284 |
| Decrease in Net OPEB Liability | 130,478 |
| Increase in Deferred Inflow on OPEB | 86,500 |
| Increase in Landfill Closure Liability | 163,153 |
| Net Cash Provided by Operating Activities | <u>\$ 835,533</u> |

See Note 13 for noncash increase in landfill liability totaling \$163,153.

See accompanying Notes to Financial Statements.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019.

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 Schedule

The budgetary comparison schedule 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; depreciation expense has not been budgeted.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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.

Government-Wide and Fund Financial Statements

The Agency is a single purpose government entity and has only business-type activities. The financial statements are reflected on the full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in these financial statements include the provision for annual depreciation, the net pension and post-employment benefit liability, and the estimated landfill liability for closure and post-closure costs.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy on Use of Restricted and Unrestricted Resources

When both restricted and unrestricted resources are available for use, it is the Agency's policy to use restricted resources first then unrestricted resources as they are needed.

Cash and Investments

Cash and investments, including restricted investments, is pooled into one common account maintained by the City, 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.

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 capital assets less outstanding capital asset related debt. The Agency did not have related debt during the year ended June 30, 2019.

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 as of June 30, 2019.

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, 2019. These are amounts not restricted for any purpose.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets are recorded at cost. Property, plant, and equipment donated to the operations are recorded at their estimated acquisition 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.

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

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

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 two to five years.

Accrued Liabilities

Accrued liabilities consist primarily of accrued wages and benefits payable, accounts payable and gross receipts tax payable.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2019, 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 burial 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, 2019**

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 or OPEB liability during the next reporting period. Refer to Notes 9 and 10 for more detailed information on the Agency's Pension and OPEB plans.

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. The Agency has two types of items considered to be deferred inflows of resources, each of which arise due to accounting for net pension and OPEB liabilities. 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 and OPEB expense in future reporting periods. Refer to Notes 9 and 10 for more detailed information on the Agency's Pension and OPEB plans.

Pensions/Other Post-Employment Benefits (OPEB)

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.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the New Mexico Retiree Health Care Authority (NMRHCA) and additions to/deductions from NMRHCA's fiduciary net position have been determined on the same basis as they are reported by NMRHCA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, NMRHCA recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 \$19,070,639 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.

At June 30, 2019, the Agency has undesignated, internally designated, and restricted cash and investments for the following purposes:

UNDESIGNATED CASH AND INVESTMENTS

| | |
|---|--------------|
| Unrestricted Cash | \$ 5,022,859 |
| Petty Cash | 4,500 |
| Total Undesignated Cash and Investments | 5,027,359 |

INTERNALLY DESIGNATED CASH AND INVESTMENTS

| | |
|--|------------|
| Emergency Cash Reserves | 768,192 |
| Equipment Replacement | 2,362,140 |
| Closure and Postclosure | 5,009,268 |
| Cell Development | 2,235,545 |
| Gas Collection System | 421,885 |
| Construction in Progress | 560,586 |
| Total Internally Designated Cash and Investments | 11,357,616 |

RESTRICTED CASH AND INVESTMENTS

| | |
|---------------------------------------|-----------|
| Landfill Deposits | 49,782 |
| Closure and Postclosure Care | 2,635,882 |
| Total Restricted Cash and Investments | 2,685,664 |

| | |
|----------------------------|---------------|
| Total Cash and Investments | \$ 19,070,639 |
|----------------------------|---------------|

Cash reserves in the amount of \$2,635,882 have been restricted for the purpose of paying for estimated landfill and transfer station closure and post-closure care costs as described in Note 13.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

In accordance with GASB Statement 31, the Agency has stated investments at fair value at June 30, 2019. Investment income comprises the following at June 30, 2019:

| | |
|---|-------------------|
| Interest Income | \$ 459,015 |
| Unrealized and Realized Loss on Investments | (3,671) |
| Total Investment Income | <u>\$ 455,344</u> |

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable of \$625,725 represents billings for tipping fees to third-party users, sales of rock, and sales of recyclables through June 30, 2019. Management considers all outstanding accounts receivable to be collectable. The following shows the balances due from the five largest customers and all other customers in in total as of June 30, 2019.

| | |
|---------------------------|-------------------|
| City of Santa Fe | \$ 247,509 |
| Waste Management | 106,361 |
| MCT Waste, LLC | 64,082 |
| Santa Fe Waste Service | 77,368 |
| Santa Fe County | 34,541 |
| Others | 95,864 |
| Total Accounts Receivable | <u>\$ 625,725</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 66.87% of tipping fee and recycling revenue for the year ended June 30, 2019. These customers are City of Santa Fe, Capital Scrap Metal Inc., Waste Management of New Mexico, Santa Fe County, MCT Waste, LLC, and Santa Fe Waste Services.

| | Revenue Received | Percent |
|--------------------------|---------------------|-----------------|
| City of Santa Fe | \$ 3,019,496 | 38.90 % |
| Capital Scrap Metal Inc. | 559,498 | 7.21 |
| Waste Management | 496,462 | 6.40 |
| Santa Fe County | 480,072 | 6.18 |
| MCT Waste, LLC | 372,026 | 4.79 |
| Santa Fe Waste Service | 262,759 | 3.39 |
| Others | 2,571,859 | 33.13 |
| Total | <u>\$ 7,762,172</u> | <u>100.00 %</u> |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for fiscal year ending June 30, 2019 is as follows.

Depreciation expense for capital assets for the fiscal year ended June 30, 2019 was \$1,454,050. In addition, the Agency had \$46,637 in amortization expense for solid waste and BuRRT permits as of June 30, 2019.

| | Beginning Balance <u>June 30, 2018</u> | <u>Additions</u> | <u>Deletions</u> | Ending Balance <u>June 30, 2019</u> |
|---|--|--------------------|------------------|---|
| CAPITAL ASSETS NOT BEING DEPRECIATED | | | | |
| Construction in Progress | \$ 1,150,081 | \$ 120,915 | \$ - | \$ 1,270,996 |
| CAPITAL ASSETS BEING DEPRECIATED | | | | |
| Landfill | 3,014,075 | - | - | 3,014,075 |
| Landfill Development Cost | 6,281,341 | - | - | 6,281,341 |
| Land Improvements | 384,585 | 776,742 | - | 1,161,327 |
| Cells | 18,839,675 | - | - | 18,839,675 |
| Buildings and Structures | 3,604,383 | - | - | 3,604,383 |
| Furniture and Fixtures | - | - | - | - |
| Equipment and Machinery | 12,291,494 | 888,946 | - | 13,180,440 |
| Vehicles | 1,430,284 | 30,398 | - | 1,460,682 |
| Data Processing Equipment and Software | 49,417 | - | - | 49,417 |
| Total Capital Assets Being Depreciated | <u>45,895,254</u> | <u>1,696,086</u> | <u>-</u> | <u>47,591,340</u> |
| INTANGIBLE ASSET | | | | |
| Solid Waste and BuRRT Permits | <u>932,716</u> | <u>-</u> | <u>-</u> | <u>932,716</u> |
| Total Capital Assets | 47,978,051 | 1,817,001 | - | 49,795,052 |
| LESS ACCUMULATED DEPRECIATION | | | | |
| Landfill | (602,809) | (30,140) | - | (632,949) |
| Landfill Development Costs | (6,281,334) | - | - | (6,281,334) |
| Land Improvements | (357,289) | (11,421) | - | (368,710) |
| Cells | (17,933,451) | (453,111) | - | (18,386,562) |
| Buildings and Structures | (1,318,068) | (90,309) | - | (1,408,377) |
| Furniture and Fixtures | - | - | - | - |
| Equipment and Machinery | (9,999,843) | (739,527) | - | (10,739,370) |
| Vehicles | (826,088) | (127,764) | - | (953,852) |
| Data Processing Equipment and Software | (45,753) | (1,777) | - | (47,530) |
| Total Accumulated Depreciation | <u>(37,364,635)</u> | <u>(1,454,049)</u> | <u>-</u> | <u>(38,818,684)</u> |
| LESS ACCUMULATED AMORTIZATION | | | | |
| Intangible Assets | <u>(111,764)</u> | <u>(46,637)</u> | <u>-</u> | <u>(158,401)</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 10,501,652</u> | <u>\$ 316,315</u> | <u>\$ -</u> | <u>\$ 10,817,967</u> |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 LONG-TERM DEBT

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the statement of net position:

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 | Due Within One Year |
|---|--------------------------|-------------------|---------------------|--------------------------|------------------------|
| Landfill Deposits | \$ 20,700 | \$ 29,082 | \$ - | \$ 49,782 | \$ - |
| Estimated Liability for Landfill Closure Costs | 2,310,820 | 155,959 | - | 2,466,779 | - |
| Estimated Liability for Transfer Station Closure Costs | 161,909 | 7,194 | - | 169,103 | - |
| Compensated Absences | 365,565 | 228,259 | (232,858) | 360,966 | 54,145 |
| Total | <u>\$ 2,858,994</u> | <u>\$ 420,494</u> | <u>\$ (232,858)</u> | <u>\$ 3,046,630</u> | <u>\$ 54,145</u> |

See Note 13 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 with a deductible of \$50,000 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 \$100,000. 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 2019.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) 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.

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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. The employer's portion was established as of the measurement date June 30, 2018.

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, 2018. Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

employer. Regular and any adjustment contributions that applied to fiscal year 2017 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. Statutorily required contributions to the pension plan from the Agency were \$166,668 for the year ended June 30, 2019.

For PERA Fund Municipal General Division, at June 30, 2019, Santa Fe Solid Waste Management Agency reported a liability of \$3,016,548 for its proportionate share of the net pension liability. At June 30, 2019, Santa Fe Solid Waste Management Agency's proportion was .1892%, which was a decrease from its proportion measured as of June 30, 2017 by .0004.

For the year ended June 30, 2019, Santa Fe Solid Waste Management Agency recognized PERA Fund Municipal General Division pension expense of \$175,016. At June 30, 2019, 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 | \$ 17,361 | \$ (79,199) |
| Changes of Assumptions | 273,493 | (17,344) |
| Difference Between Expected and Actual Experience | 87,185 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 223,722 | (64,168) |
| Santa Fe Solid Waste Management Agency's Contributions Subsequent to the Measurement Date | 166,668 | - |
| Total | <u>\$ 768,429</u> | <u>\$ (160,711)</u> |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

\$166,668 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, 2018 will be recognized as a reduction of the net pension liability in the Agency's fiscal year ended June 30, 2020. 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> |
|-----------------------------|---------------|
| 2020 | \$ 277,065 |
| 2021 | 124,568 |
| 2022 | 28,206 |
| 2023 | 11,211 |

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--------------------------------------|
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percentage of Pay |
| Amortization Period | Solved for Based on Statutory Rates |
| Investment Rate of Return | 7.25% Annual Rate |
| Projected Benefit Payment | 100 Years |
| Payroll Growth | 3.00% |
| Projected Salary Increases | 3.75 to 13.50% |
| Includes Inflation at | 2.50% |
| Mortality Assumptions | RP-2014 Blue Collar Mortality Tables |

The total pension liability, net pension liability, and certain sensitive information are based on an actuarial valuation performed as of June 30, 2018. The total pension liability was rolled forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the Board and used in the June 30, 2017 actuarial valuation.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>All Funds - Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|--------------------------|---|
| Global Equity | 43.50 % | 7.48 % |
| Risk Reduction & Mitigation | 21.50 | 2.37 |
| Credit Oriented Fixed Income | 15.00 | 5.47 |
| Real Assets | 20.00 | 6.48 |
| Total | <u>100.00%</u> | |

Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the 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 presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.25%) or 1 percent higher (8.25%) than the current rate:

PERA Fund Municipal General Division

| | <u>1% Decrease (6.25%)</u> | <u>Current Discount Rate (7.25%)</u> | <u>1% Increase (8.25%)</u> |
|---|--------------------------------|--|--------------------------------|
| Santa Fe Solid Waste Management Agency's Proportionate Share of the Net Pension Liability | <u>\$ 4,648,298</u> | <u>\$ 3,016,548</u> | <u>\$ 1,667,545</u> |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

**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 FY18 PERA financial report. This report is available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report/>.

NOTE 10 POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

Employees of the Agency are provided with OPEB through the Retiree Health Care Fund (the Fund)—a cost-sharing multiple-employer defined benefit OPEB plan administered by the New Mexico Retiree Health Care Authority (NMRHCA). NMRHCA was formed February 13, 1990, under the New Mexico Retiree Health Care Act (the Act) of New Mexico Statutes Annotated, as amended (NMSA 1978), to administer the Fund under Section 10-7C-1-19 NMSA 1978. The Fund was created to provide comprehensive group health insurance coverage for individuals (and their spouses, dependents and surviving spouses) who have retired or will retire from public service in New Mexico.

NMRHCA is an independent agency of the State of New Mexico. The funds administered by NMRHCA are considered part of the State of New Mexico financial reporting entity and are OPEB trust funds of the State of New Mexico. NMRHCA's financial information is included with the financial presentation of the State of New Mexico.

Benefits Provided

The Fund is a healthcare plan that provides eligible retirees (including terminated employees who have accumulated benefits but are not yet receiving them), their spouses, dependents, and surviving spouses and dependents with health insurance and prescription drug benefits consisting of a plan, or optional plans of benefits, that can be contributions to the Fund and by co-payments or out-of-pocket payments of eligible retirees.

Contributions

Employer and employee contributions to the Fund total 3% for nonenhanced retirement plans and 3.75% of enhanced retirement plans of each participating employee's salary as required by Section 10-7C-15 NMSA 1978.

The contributions are established by statute and are not based on an actuarial calculation. All employer and employee contributions are non-refundable under any circumstance, including termination of the employer's participation in the Fund.

The Agency's contribution to the RHCA for the year ended June 30, 2019 was \$200,749, which equals the required contribution for the year.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the Agency reported a liability of \$1,845,223 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2018.

At June 30, 2018, the Agency's proportion was .042%, an increase of .008% from the previous year. For the year ended June 30, 2019, the Agency recognized OPEB expense of \$200,749. On June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Change in Proportion | \$ - | \$ - |
| Changes of Assumptions | - | (344,495) |
| Difference Between Expected and Actual Experience | - | (109,249) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | (23,028) |
| Santa Fe Solid Waste Management Agency's Contributions Subsequent to the Measurement Date | 84,960 | - |
| Total | <u>\$ 84,960</u> | <u>\$ (476,772)</u> |

84,960 reported as deferred outflows of resources related to OPEB resulting from the Agency's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------|
| 2020 | \$ (102,972) |
| 2021 | (102,972) |
| 2022 | (102,972) |
| 2023 | (102,972) |
| 2024 | (64,834) |

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|---|
| Valuation Date | June 30, 2017 |
| Actuarial cost method | Entry age normal, level percent of pay, calculated on individual employee basis |
| Asset Valuation Method | Market value of assets |
| Actuarial assumptions: | |
| Inflation | 2.5% for ERB; 2.25% for PERA |
| Projected payroll increases | 3.50% to 12.50% based on years of service, including inflation |
| Investment rate of return | 7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation |
| Health care cost trend rate | 8% graded down to 4.5% over 14 years for Non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 years for Medicare medical plan costs |

Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions.

Discount Rate

The discount rate used to measure the Fund's total OPEB liability is 4.08% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2029. Thus, the 7.25%

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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

Discount Rate (Continued)

discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus 4.08% is the blended discount rate.

Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the agency, as well as what the agency’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.08%) or 1-percentage-point higher (4.08%) than the current discount rate:

| | <u>1% Decrease (3.08%)</u> | <u>Current Trend Rate (4.08%)</u> | <u>1% Increase (5.08%)</u> |
|--|--------------------------------|---|--------------------------------|
| Santa Fe Solid Waste Management Agency's Proportionate Share of the OPEB Liability | <u>\$ 2,229,589</u> | <u>\$ 1,842,277</u> | <u>\$ 1,536,989</u> |

Sensitivity of the County’s Proportionate Share of the Net OPEB Liability to Changes in the Health Cost Trend Rate

The following presents the net OPEB liability of the agency, as well as what the agency’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|--|---------------------|-------------------------------|---------------------|
| Santa Fe Solid Waste Management Agency's Proportionate Share of the OPEB Liability | <u>\$ 1,557,370</u> | <u>\$ 1,842,277</u> | <u>\$ 2,065,651</u> |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2019, which are publicly available at www.nmrhca.org.

Payable Changes in the Net OPEB Liability

At June 30, 2019, the Agency reported a payable of \$1,995 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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 capital 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, 2019 were \$93,693.

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, 2019**

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 estimated 20-year permit 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, 2019, the total cost estimate for the closure and post-closure care requirements as described above for the Caja del Rio Landfill is \$7,936,467. The estimate increased by \$183,956 from prior year due to using the June 30, 2018 estimates and adjusting for a 4.4% inflation (CPI).

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, 2019, has a total cash balance of \$7,487,883 for the closure and post-closure care costs for the landfill and transfer station. Of this amount, \$2,635,882 is reported as restricted balance (\$2,466,779 for the landfill and \$169,103 for the transfer station), and an additional \$4,784,431 is reported as internally designated cash balance. The total cash balance of \$7,487,883 is less than the \$7,936,467 total cost estimate required for the landfill.

The funding mechanism for annualized payments to the Closure/Post Closure fund is based on [20.9.10.14](#) NMAC, Formulas for Payments into Fund (CE-CV/Y).

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

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, 2019, the percentage of the landfill consumed is 31.08% as opposed to 29.81% for the prior year. The available airspace remaining as of June 30, 2019 is 15.1 million cubic yards. This resulted in a \$163,153 increase to landfill liability as of June 30, 2019. The accrued liability for the closure and post-closure costs of \$2,466,779 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 \$169,103 as of June 30, 2019. 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.

**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**

| | 2019 Measurement Date As of and for the Year Ended June 30, 2018 | 2018 Measurement Date As of and for the Year Ended June 30, 2017 | 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 | 0.1892% | 0.1896% | 0.1880% | 0.2097% | 0.1953% |
| Santa Fe Solid Waste Management Agency's Proportionate Share of the Net Pension Liability | \$ 3,016,548 | \$ 2,605,264 | \$ 3,003,607 | \$ 2,138,073 | \$ 1,523,550 |
| Santa Fe Solid Waste Management Agency's Covered Payroll | \$ 1,691,432 | \$ 1,665,272 | \$ 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 | 178.34% | 156.45% | 186.54% | 122.98% | 95.09% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.74% | 73.74% | 69.18% | 76.99% | 81.29% |

* 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**

| | Year Ended June 30, 2019 | Year Ended June 30, 2018 | Year Ended June 30, 2017 | Year Ended June 30, 2016 | Year Ended June 30, 2015 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Contractually Required Contributions | \$ 166,668 | \$ 161,531 | \$ 159,033 | \$ 153,726 | \$ 357,916 |
| Contributions in Relation to the Contractually Required Contribution | <u>(166,668)</u> | <u>(161,531)</u> | <u>(159,033)</u> | <u>(153,726)</u> | <u>(357,916)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Santa Fe Solid Waste Management Agency's Covered Payroll | \$ 1,745,215 | \$ 1,691,432 | \$ 1,665,272 | \$ 1,610,168 | \$ 1,738,484 |
| Contributions as a Percentage of Covered Payroll | 9.55% | 9.55% | 9.55% | 10.00% | 21.00% |

* 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, 2019**

Changes of Benefit Terms

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's Financial Statements at:

<http://www.nmpera.org/financial-overview>

Changes of Assumptions

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2018, is available at:

<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/PERA-Valuation-6-30-2018-FINAL.pdf>

The summary of Key Findings for PERA Fund (on page 2 of the report) states "based on the current statutory rates and actuarial assumptions, the UAAL is projected to be fully amortized in 55 years." For details about changes in the actuarial assumptions, see Appendix B on page 53 of the report.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
RETIREE HEALTH CARE AUTHORITY (RHCA)
LAST 10 FISCAL YEARS***

| | 2019 Measurement Date As of and for the Year Ended <u>June 30, 2018</u> | 2018 Measurement Date As of and for the Year Ended <u>June 30, 2017</u> |
|--|--|--|
| Santa Fe Solid Waste Management Agency's Proportion of the OPEB Liability | 0.04244% | 0.03327% |
| Santa Fe Solid Waste Management Agency's Proportionate Share of the OPEB Liability | \$ 1,845,223 | \$ 1,714,745 |
| Santa Fe Solid Waste Management Agency's Covered Payroll | \$ 1,583,434 | \$ 1,520,921 |
| Santa Fe Solid Waste Management Agency's Proportionate Share of the OPEB Liability as a Percentage of its Employee Payroll | 116.53% | 112.74% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 14.19% | 11.34% |

* 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
RETIREE HEALTH CARE AUTHORITY (RHCA)
LAST 10 FISCAL YEARS***

| | <u>Year Ended June 30, 2019</u> | <u>Year Ended June 30, 2018</u> | <u>Year Ended June 30, 2017</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Contractually Required Contributions | \$ 34,903 | \$ 33,828 | \$ 32,241 |
| Contributions in Relation to the Contractually Required Contribution | <u>(34,903)</u> | <u>(33,828)</u> | <u>(32,241)</u> |
| Contribution Deficiency (Excess) | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| Santa Fe Solid Waste Management Agency's Covered Payroll | \$ 969,528 | \$ 1,583,434 | \$ 1,520,921 |
| Contributions as a Percentage of Covered Payroll | 3.60% | 2.14% | 2.12% |

* 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.

Complete information for the Agency is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED June 30, 2019**

Assumptions

The New Mexico Retiree Health Care Authority Annual Actuarial Valuations as of June 2018 report is available by contacting the Authority at 4308 Carlisle Blvd. NE, Suite 105, Albuquerque, NM 87107.

SCHEDULE V

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET (NON-U.S. GAAP BUDGETARY BASIS) AND ACTUAL
YEAR ENDED JUNE 30, 2019**

| | Budgeted Amounts | | Non-U.S. GAAP Budgetary Basis Actual | Variations Favorable (Unfavorable) Final to Actual |
|---|-----------------------|-----------------------|---|---|
| | Original | Final | | |
| OPERATING REVENUES | | | | |
| User Fees | \$ 7,215,067 | \$ 7,215,067 | \$ 7,427,155 | \$ 212,088 |
| Recycle Sales | 32,000 | 32,000 | 111,619 | 79,619 |
| Other Sales | 130,000 | 130,000 | 119,654 | (10,346) |
| Other Income | - | 18,708 | 103,744 | 85,036 |
| Total Operating Revenues | <u>7,377,067</u> | <u>7,395,775</u> | <u>7,762,172</u> | <u>366,397</u> |
| OPERATING EXPENSES | | | | |
| Personnel Services | 3,144,850 | 3,144,850 | 3,286,712 | (141,862) |
| Contractual Services | 1,896,657 | 2,252,864 | 1,533,166 | 719,698 |
| Supplies | 541,375 | 565,948 | 518,238 | 47,710 |
| Repairs and Maintenance | 1,222,502 | 1,526,056 | 572,095 | 953,961 |
| Rental Expenses | 274,200 | 274,200 | 268,643 | 5,557 |
| Utilities | 114,200 | 114,200 | 91,915 | 22,285 |
| Insurance | 189,074 | 189,074 | 127,514 | 61,560 |
| Office and Other Expenses | 226,293 | 221,293 | 96,734 | 124,559 |
| Travel and Training | 41,000 | 39,000 | 21,838 | 17,162 |
| Gross Receipts Taxes | 360,750 | 360,750 | 353,543 | 7,207 |
| Reimbursable Share of Sales | 75,000 | 75,000 | 59,830 | 15,170 |
| Capital Outlay | 883,063 | 2,200,423 | 167,494 | 2,032,929 |
| Total Operating Expenses | <u>8,968,964</u> | <u>10,963,658</u> | <u>7,097,722</u> | <u>3,865,936</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Investment Income | 513,163 | 513,163 | 455,344 | 57,819 |
| Unrealized Gain/Losses | - | - | 272,248 | (272,248) |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES | <u>\$ (1,078,734)</u> | <u>\$ (3,054,720)</u> | 1,392,042 | <u>\$ 4,446,762</u> |
| CHANGE IN NET POSITION (NON-U.S. GAAP BUDGETARY BASIS) | | | | |
| ADJUSTMENTS FOR U.S. GAAP BASIS (NONBUDGETED ITEMS) | | | | |
| Depreciation and Amortization | | | (1,500,687) | |
| Additions to Landfill Liability | | | (163,153) | |
| CHANGE IN NET POSITION, EXHIBIT B | | | (271,798) | |
| Net Position - Beginning of Year | | | <u>22,806,658</u> | |
| NET POSITION - END OF YEAR | | | <u>\$ 22,534,860</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. Brian Colón, Esq., 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, 2019, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated July 2, 2020.

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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Mr. Brian Colón, Esq., 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described as findings 2019-001 and 2019-002 in the accompanying schedule of findings and responses.

The Agency's Response to Findings

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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
July 2, 2020

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|------------|-----------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | ___X___ none reported |
| • Significant deficiency(ies) identified? | _____ yes | ___X___ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | ___X___ none reported |

Section II – Financial Statement Findings

None.

Section III – Other Matters

2019-001 Late Submission of Audit Report (Compliance and Other Matters)

Type of finding:

- Other Matters

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.

Condition: The Agency’s audit report for the year ended June 30, 2019 was not submitted as of the due date of December 15, 2019 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.

Context: See “Condition”.

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.

STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2019

Section III – Other Matters (Continued)

2019-001 Late Submission of Audit Report (Compliance and Other Matters)

Views of Responsible Officials: 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, 2019.

2019-002 Internal Control over Capital Assets (Compliance and Other Matters)

Type of finding:

- Other Matters

Criteria: NMAC 2.20.5.8 requires agencies to ensure that all reporting of financial information be timely, complete, and accurate.

Condition: The Agency's capital asset listing provided for testing did not agree to the general ledger and required multiple revisions.

Context: See "Condition".

Cause: Exclusion of asset additions in fixed asset software kept by the Agency in addition to lack of timely review.

Effect: Noncompliance with NMAC.

Recommendation: We recommend the Agency develop a policy to ensure that capital asset additions are being monitored and reviewed in fixed asset software and included timely within the fixed asset listing prepared at year end.

Views of Responsible Officials: 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, 2019.

Section IV – Status of Prior Year Findings

There were no prior year audit findings.

**STATE OF NEW MEXICO
SANTA FE SOLID WASTE MANAGEMENT AGENCY
EXIT CONFERENCE
JUNE 30, 2019**

EXIT CONFERENCE

The contents of this report were discussed on June 29, 2020. The following were in attendance.

Santa Fe Solid Waste Management Agency

Randall Kippenbrock, P.E., Executive Director
Anna Hansen, Commissioner
Erica Martinez, Accounts Coordinator

CliftonLarsonAllen LLP

Raul Anaya, CPA,

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.

