

# **SALINAS VALLEY SOLID WASTE AUTHORITY**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT For the Fiscal Year Ended June 30, 2014**



PREPARED BY

THE AUTHORITY'S FINANCE DIVISION

Ray Hendricks  
Interim Finance Manager/Treasurer

J.D. Black, Accountant  
Ernesto Natera, Accounting Technician

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AUDITORS

McGilloway, Ray, Brown & Kaufman  
Accountants and Consultants  
379 W. Market Street  
Salinas, CA 93901

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# **INTRODUCTORY SECTION**



*"To manage Salinas Valley solid waste as a resource, promoting sustainable, environmentally sound and cost effective practices through an integrated system of waste reduction, reuse, recycling, innovative technology, customer service and education"*

October 29, 2014

President and Board of the Salinas Valley Solid Waste Authority:

We are pleased to submit the Salinas Valley Solid Waste Authority's (Authority) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014.

This report was prepared by the Authority in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the Authority. We believe that the data, as presented, is accurate in all material respects and that it is presented in a manner designated to set forth fairly the financial position and results of operations of the Authority. Included are all the disclosures we believe are necessary to enhance understanding of the financial condition of the Authority.

This report consists of management's representations concerning the financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants, has audited the Authority's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2014, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## **Reporting Entity**

On January 1, 1997, the Salinas Valley Solid Waste Authority was created through a joint powers agreement among the cities of Salinas, Gonzales, Greenfield, King, Soledad, and the unincorporated area of the eastern portion of Monterey County, to provide solid waste disposal services to the member cities and the unincorporated area in the eastern and southern portion of the county. The Authority is governed by a nine-member board consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors and one City Council member each from the cities of Gonzales, Greenfield, King, and Soledad.

## **Operating Results**

Generally Accepted Accounting Principles require that depreciation, estimated closure costs and estimated post-closure maintenance costs be charged as a current expense. These expenses are allocated over the estimated remaining capacity of the landfills within the Authority's disposal system. Based on these requirements, the Salinas Valley Solid Waste Authority reports operating income of \$3,586,570 and an increase in net position of \$342,435 for the fiscal year ended June 30, 2014.

As part of its adopted policy, the Authority does not set aside funds for post-closure maintenance. Per agreement with the California Integrated Waste Management Board, dated June 19, 1998, the Authority has pledged future revenue to cover the cost of post-closure maintenance. Authority tipping fees are not expected to cover the accrual of post-closure expenses in the current period. At June 30, 2014 the Authority has accrued post-closure liabilities totaling \$13,979,811 which will be paid out of future revenues over the next 30 years.

The Authority's policy is to set aside funds for closure costs. Closure liabilities of \$2,627,000 are fully funded at June 30, 2014.

The Authority's tipping fees are set at an amount sufficient to provide for operations, closure set-aside requirements, post-closure maintenance on a pay-as-you-go basis, capital requirements and debt service on bonds issued for capital replacement. Authority's tipping fees are not expected to recover depreciation expense.

The Statement of Cash Flows for the fiscal year ended June 30, 2014, provides a detailed reconciliation of the Authority's increase in cash of \$2,124,682 to \$10,700,692.

## **Cash Management Policies and Practices**

The Authority invests all idle funds daily. In accordance with the provisions of California Government Code Section 53600 et seq, an investment and cash management policy is adopted annually by the Board of Directors of the Salinas Valley Solid Waste Authority.

Investment income includes changes in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. During the fiscal year ended June 30, 2014 the Authority's investment earnings were \$28,013, a decrease of \$11,167 from the previous year.

### **Risk Management**

The Authority purchases commercial insurance for general liability, automobile liability, pollution liability, public official's bonds and property damage. Additional information on the Authority's risk management activity can be found in Note 15 of the financial statements.

### **Financial Management**

The Authority carefully monitors its gate rates. On July 1, 2012, the tipping fee increased \$3.00 to \$67.00 per ton, which was necessary to keep up with operating expenses. The decreases in tonnage experienced in the past appear to be leveling off. Effective July 1, 2013 the Board adopted an AB939 Fee, which generated \$1.7 million during the year ended June 30, 2014. This revenue is guaranteed regardless of tonnage received. This will reduce the fluctuations in revenue due to changes in tonnage.

### **Bond Issue 2014**

On January 28, 2014, the Authority completed a refunding of the revenue bonds issued in 2002 and refinancing of the Crazy Horse Canyon Landfill installment purchase agreement with the City of Salinas. The refunding revenue bonds total \$31,390,000. The refunding bonds were sold in two series, Series 2014A and Series 2014B. Series 2014A, totaling \$27,815,000, refunded the Series 2002 revenue bonds and Series 2014B, totaling \$3,575,000 refinanced the Crazy Horse Canyon Landfill installment purchase agreement.

The maximum annual debt service is \$3,137,000 including interest at varying rates up to 5.50%. The final interest and principal payment on the bonds is scheduled for August 1, 2031.

### **Expansion Fund**

The "Expansion Fund" was established to collect proceeds from the sale of outside waste, pay costs associated with increased tonnage generated by outside waste and pay the costs related to locating and permitting a new landfill site and other long-term expansion costs. Over the ten-year term of the revised agreement with South Valley Disposal, revenue from the sale of outside waste is estimated at \$23.3 million, with costs estimated at \$4.9 million to operate Crazy Horse, \$1.8 million for liners at Johnson Canyon, \$2.2 million in closure set-asides, \$1.8 million in taxes and fees and \$0.8 million on conversion technology projects with the balance to be used for locating and permitting a new landfill site. In order to avoid tipping fee increases during the Great Recession the Board of Directors decided to use these funds for operations until a better economic outlook was available.

At June 30, 2014, the Expansion Fund had unrestricted net position of \$8,158,580.

## **Summary**

The Authority's operating expenses have been reduced to their lowest point. However, due to decreasing tonnage leading to decreased revenues, the Authority has not been able to benefit from the reduced operating expenses.

The deficit Net Position is expected to diminish over time as the Postclosure Payable and Bonds Payable are paid down with future revenues.

With the adoption of the AB939 Fee for FY 2013-14 the Authority will have a more stable revenue base.

## **Acknowledgements**

I would like to take this opportunity to thank the members of the Salinas Valley Solid Waste Authority's Board of Directors for their interest and support in the financial operations of the Authority. It is the responsible and progressive manner in which business is conducted that makes the Authority successful. I would also like to extend special recognition to the Authority staff for their day-to-day involvement in the operations. In addition, I would like to offer special thanks to J. D. Black, Accountant, and Ernesto Natera, Accounting Technician, without whom this presentation would not be possible. I would also like to thank the Authority's auditors McGilloway, Ray, Brown & Kaufman. It is the combined effort of all participants that resulted in the issuance of this document.

Respectfully submitted,



C. Ray Hendricks  
Interim Finance Manager/Treasurer



# SALINAS VALLEY SOLID WASTE AUTHORITY



## List of Principal Officials

As of June 30, 2014

**Elizabeth Silva, City of Gonzales**  
President

**Jyl Lutes, City of Salinas**  
Vice President

**Fernando Armenta, County of Monterey**  
Board Member

**Tony Barrera, City of Salinas**  
Board Member

**Robert Cullen, City of King**  
Board Member

**Gloria De La Rosa, City of Salinas**  
Board Member

**Annie Moreno, City of Greenfield**  
Board Member

**Richard Perez, City of Soledad**  
Board Member

**Simon Salinas, County of Monterey**  
Board Member

**R. Patrick Mathews**  
General Manager/CAO

**David Meza**  
Engineering Manager

**Thomas M. Bruen**  
General Counsel

**Susan Warner**  
Division Manager

**Ray Hendricks**  
Interim Finance Manager/Treasurer

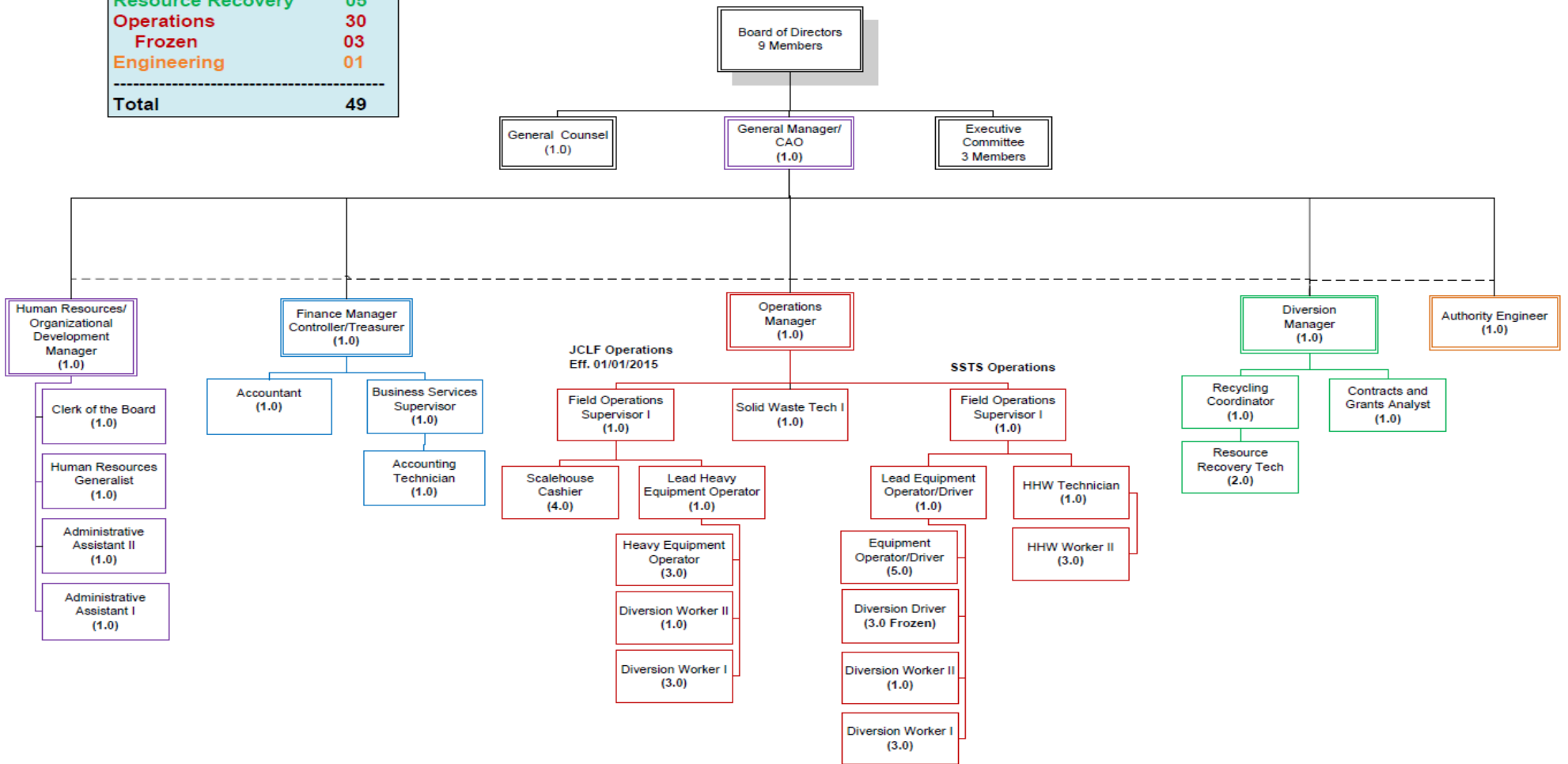
**Cesar Zuniga**  
Operations Manager

**Rose Gill**  
Administrative Manager

# Salinas Valley Solid Waste Authority Organizational Chart

Effective Date: March 20, 2014

Administration	06
Finance	04
Resource Recovery	05
Operations	30
Frozen	03
Engineering	01
<hr/>	
<b>Total</b>	<b>49</b>



## **FINANCIAL SECTION**

# McGILLOWAY, RAY, BROWN & KAUFMAN

*Accountants & Consultants*

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Board  
of the Salinas Valley Solid  
Waste Authority  
Salinas, California

We have audited the accompanying financial statements of Salinas Valley Solid Waste Authority (Authority), as of and for the year ended June 30, 2014, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

*Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA,  
Larry W. Rollins, CPA, Helen Grace H. Rodriguez, CPA, CFE*

---

*Sarita C. Shannon, CPA, Whitney Ernest, CPA, Devvyn MacBeth, CPA,  
Jesus Montemayor, CPA, Smriti Shrestha, CPA*

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2014, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of funding progress as listed in the table of contents 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*McGillaway, Ray, Brown & Kaufman*

October 29, 2014  
Salinas, California

**SALINAS VALLEY SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

This section of the Salinas Valley Solid Waste Authority (Authority) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the financial activities of the Authority for the fiscal years ended June 30, 2014 and June 30, 2013. Please consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal and other portion of this CAFR.

For the fiscal year ended June 30, 2014, the Authority adopted the provisions of the Governmental Accounting Standards Board (GASB) Statements No. 65, "Items Previously Reported as Assets and Liabilities." GASB 65 redefines the accounting for certain transactions that in prior years were capitalized and amortized over a period of years. Under GASB 65, these transactions are to be expensed in the year of the financial event and any that have been capitalized in prior years are to be treated as prior period adjustments in the fiscal year ended June 30, 2014. There is additional information about these changes in Note 1 following the Basic Financial Statements.

**Financial Highlights**

- The Authority's net position improved by \$342,435 (3.0%) to a deficit of \$11,242,664.
- Operating revenues increased \$2,264,002 (14.2%), as the result of the implementation of the AB939 service fee and a modest increase in local economic activity.
- Tons landfilled increased 6,268 tons (2.7%) during the year from 236,521 tons in fiscal year 2012-13 to 242,789 tons in fiscal year 2013-14.
- Operating expenses increased \$531,182 (3.8%) to \$14,658,377 due primarily increases in personnel services, depreciation and contractual services in the current fiscal year.
- The Authority's total long-term liabilities increased by \$1,607,417 to \$52,790,804 due to a new equipment agreement in the current year for purchase of equipment for the Johnson Canyon Landfill. The Authority is set to take over operations of this landfill on January 1, 2015.
- The closure of Crazy Horse Landfill is underway and expected to be completed by December 2014. This is the single largest project of the Authority since being formed in 1997.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's Comprehensive Annual Financial Report (CAFR), which are comprised of three components: 1) Management Discussion and Analysis (this document), 2) Basic Financial Statements, and 3) Notes to the Basic Financial Statements. This report also contains other supplementary information in addition to the basic financial statements for further information and analysis.

**Basic Financial Statements**

The Financial Statements of the Authority report information about the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine the Authority's credit worthiness and whether the Authority has successfully recovered all its costs through its user fees and other charges.

**SALINAS VALLEY SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The final required Financial Statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments and net changes in cash resulting from operations and investments. It also provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Required Supplementary Information**

In addition to the basic financial statements, this report also presents certain Required Supplementary Information that presents the funding progress of the Authority's retirement plan.

**FINANCIAL STATEMENT ANALYSIS**

**Statement of Net Position**

Net position is a good indicator of the Authority's financial position. At the end of this fiscal year, the Authority had a deficit net position of \$11,242,664 which is an improvement in net position of \$342,435.

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2014 and 2013:

Salinas Valley Solid Waste Authority Condensed Statement of Net Position June 30, 2014 and 2013				
	2014	2013	Change	% Change
<b>Assets</b>				
Current Assets	\$ 16,214,511	\$ 10,465,344	\$ 5,749,167	54.9%
Other Assets	2,778,031	5,583,949	(2,805,918)	-50.2%
Capital Assets, Net	27,357,419	27,778,894	(421,475)	-1.5%
Total Assets	46,349,961	43,828,187	2,521,774	5.8%
<b>Liabilities</b>				
Current Liabilities	4,299,647	4,229,899	69,748	1.6%
Long-term Liabilities	52,790,804	51,183,387	1,607,417	3.1%
Total Liabilities	57,090,451	55,413,286	1,677,165	3.0%
Deferred Inflows of Resources	502,174	-	502,174	0.0%
<b>Net Position</b>				
Net Investment in				
Capital Assets	(7,404,404)	(8,341,693)	937,289	-11.2%
Restricted	426,877	3,419,936	(2,993,059)	-87.5%
Unrestricted	(4,265,137)	(6,663,342)	2,398,205	-36.0%
Total Net Position (Deficit)	\$ (11,242,664)	\$ (11,585,099)	\$ 342,435	-3.0%

The total net deficit is due primarily to the deficit of \$7,404,404 Net Investment in Capital Assets. This is the result of capital assets depreciating at a faster rate than the related debt is being paid.

**SALINAS VALLEY SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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

The following is the Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2014 and 2013:

Salinas Valley Solid Waste Authority  
Condensed Statement of Revenues, Expenses and Changes in Net Position  
For the years ended June 30, 2014 and 2013

	2014	2013	Change	% Change
Operating Revenues				
Charges for Services	\$ 17,534,111	\$ 15,438,514	\$ 2,095,597	13.6%
Sales of Materials	594,056	392,958	201,098	51.2%
Operating Grants and Contributions	116,780	149,473	(32,693)	-21.9%
Total Operating Revenues	<u>18,244,947</u>	<u>15,980,945</u>	<u>2,264,002</u>	<u>14.2%</u>
Operating Expenses				
Personnel Services	4,089,205	3,763,121	326,084	8.7%
Contractual Services	1,666,689	1,453,881	212,808	14.6%
Operating Contracts	4,737,350	4,783,575	(46,225)	-1.0%
Depreciation	1,412,742	1,289,903	122,839	9.5%
Other Operating Expenses	2,752,391	2,836,715	(84,324)	-3.0%
Total Operating Expenses	<u>14,658,377</u>	<u>14,127,195</u>	<u>531,182</u>	<u>3.8%</u>
Operating Income/(Loss)	3,586,570	1,853,750	1,732,820	93.5%
Non-operating Revenues/(Expenses)				
Investment Earnings	28,013	39,180	(11,167)	-28.5%
Other Non-Operating Revenue	18,094	17,619	475	2.7%
Interest Expense	(2,728,361)	(2,026,114)	(702,247)	34.7%
Bond Underwriter	(561,881)	-	(561,881)	-
Change in Net Position	342,435	(115,565)	458,000	-396.3%
Net Position - Beginning	(11,585,099)	(10,079,386)	(1,505,713)	14.9%
Prior Period Adjustment - Note 19	-	(1,390,148)	1,390,148	-100.0%
Net Position - Ending	<u>\$ (11,242,664)</u>	<u>\$ (11,585,099)</u>	<u>\$ 342,435</u>	<u>-3.0%</u>

The Authority's activities decreased the net deficit by \$342,435. Key elements of this change are as follows:

Operating revenues increased \$2,264,002 (14.2%) primarily due to the implementation of the AB939 Service fee that ensures that we are financially prepared for the ending of the importation of solid waste.

Operating expenses increased \$531,182 (3.8%) due to \$326,084 (8.7%) increase in personnel services, a \$122,839 (9.5%) increase in depreciation, and a \$212,808 (14.6%) increase in contractual services in the current fiscal year.

The \$(1,390,148) prior period adjustments is due to GASB 65 reporting requirements taking effect for FY 2013-14. Previously, certain bond issuance costs were to be capitalized and amortized over the life of the bond. GASB 65 requires that those costs be expensed in the period they were incurred. Since the original bond was issued in 2002, a prior period adjustment is required.



**SALINAS VALLEY SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

The single biggest expense for the year was the \$2,877,345 paid to Recology Waste Systems for operation of the Johnson Canyon landfill, diversion services, and air space conservation adjustment.

The \$3,290,242 in non-operating expenses is for interest paid on the Authority's long-term debt, and costs related to the issuance of the 2014 bonds.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year, the Authority had \$27,357,419 invested in capital assets, primarily in landfills as summarized below. During this fiscal year, the Authority added \$991,267 in capital assets and recorded depreciation expense of \$1,412,742. Additional information on the Authority's capital assets can be found in Note 6 on page 20 of this report. The following is the Condensed Statement of Capital Assets for the fiscal years ended June 30, 2014 and 2013:

Salinas Valley Solid Waste Authority  
Condensed Statement of Capital Assets  
For the years ended June 30, 2014 and 2013

	2014	2013
Land	\$ 42,600	\$ 42,600
Building	456,484	456,484
Improvements other than building	54,048,983	53,773,249
Equipment	3,672,307	2,799,196
Construction in progress	124,286	281,864
	58,344,660	57,353,393
Accumulated Depreciation	(30,987,241)	(29,574,499)
Total	<u>\$ 27,357,419</u>	<u>\$ 27,778,894</u>

**Long-Term Debt**

At the end of this fiscal year, the Authority had \$37.3 million in long-term debt as shown below.

The 2002 Revenue Bonds, and the Installment Purchase Agreement were both refunded with the new 2014A, and 2014B bonds. Additionally, the Authority entered into a purchase-lease agreement with capital one in order to purchase equipment necessary to take over operations of Johnson Canyon Landfill during FY 2014-15. Additional information on the Authority's long-term debt can be found in Note 8 on page 21 of this report.

Standard & Poor's Corporation (S&P) assigned the revenue bonds a rating of "AA-".

**SALINAS VALLEY SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

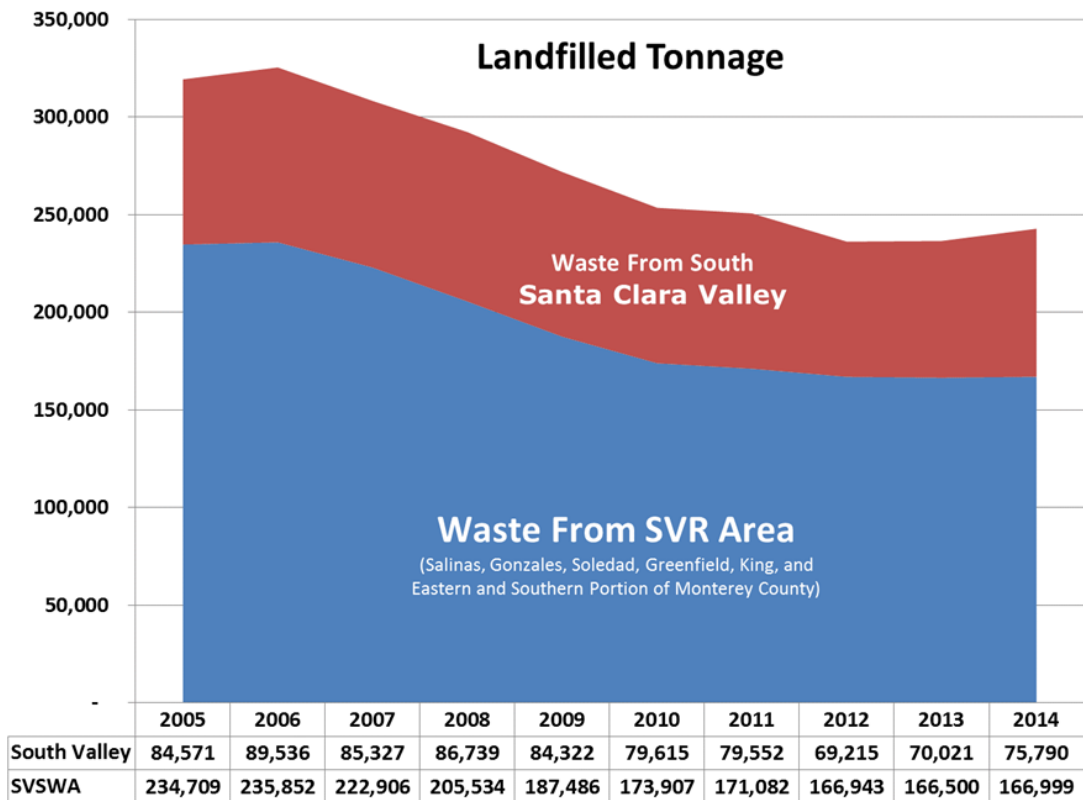
The following is the Condensed Statement of Long-Term Debt for the fiscal years ended June 30, 2014 and 2013:

Salinas Valley Solid Waste Authority  
Condensed Statement of Long-Term Debt  
For the years ended June 30, 2014 and 2013

	2014	2013
Revenue Bonds, Series 2002	\$ -	\$ 33,085,000
Bond Discount	-	(252,002)
Installment Purchase Agreement	-	3,287,588
2014A (AMT) Refunding Revenue Bond	27,815,000	-
2014B (Taxable) Refunding Revenue Bond	3,575,000	-
2014 Refunding Revenue Bond Premium	2,254,049	-
Equipment Lease Payable	3,670,000	-
<b>Total</b>	<b>\$ 37,314,049</b>	<b>\$ 36,120,586</b>

**ECONOMIC FACTORS AND NEXT YEAR'S RATES**

The Authority's operations are dependent on the amount of solid waste that is received at the landfills. Tonnage had been steadily declining since 2006, as reflected in the chart below. However, incoming landfilled tonnage has remained largely unchanged since the year ended 2012. For FY 2014-15 management is anticipating the trend to continue with tonnage remaining constant. The tipping fees remain constant at \$67.00 per ton. The 2014-15 budget is balanced.



SALINAS VALLEY SOLID WASTE AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, customers, grantors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Authority's Finance Division, at the Salinas Valley Solid Waste Authority, P.O. Box 2159, Salinas, California 93902-2159.

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2014  
With Comparative Totals as of June 30, 2013

	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Investments	\$ 10,700,692	\$ 8,576,010
Restricted Cash	3,320,685	225,734
Accounts Receivable, Net	1,984,625	1,659,316
Interest Receivable	5,048	4,284
Prepaid Expenses	203,461	-
<b>Total Current Assets</b>	<b>16,214,511</b>	<b>10,465,344</b>
<b>Noncurrent Assets</b>		
Restricted Cash	2,778,031	5,583,949
Capital Assets, Net	27,357,419	27,778,894
<b>Total Noncurrent Assets</b>	<b>30,135,450</b>	<b>33,362,843</b>
<b>Total Assets</b>	<b>46,349,961</b>	<b>43,828,187</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	1,757,234	1,629,204
Wages Payable	94,601	97,938
Accrued Leave	352,388	343,881
Interest Payable	676,348	803,891
Closure Payable	230,197	34,202
Postclosure Payable - Current	531,600	171,540
Installment Purchase Agreement	-	127,506
Equipment Lease Payable	342,279	-
Bonds Payable - Current	315,000	1,021,737
<b>Total Current Liabilities</b>	<b>4,299,647</b>	<b>4,229,899</b>
<b>Long Term Liabilities</b>		
OPEB Liability	289,020	221,920
Closure Payable	2,396,803	2,365,279
Postclosure Payable	13,448,211	13,624,845
Installment Purchase Agreement	-	3,160,082
Equipment Lease Payable	3,327,721	-
Bonds Payable, Net	33,329,049	31,811,261
<b>Total Long Term Liabilities</b>	<b>52,790,804</b>	<b>51,183,387</b>
<b>Total Liabilities</b>	<b>57,090,451</b>	<b>55,413,286</b>
<b>Deferred Inflows of Resources</b>		
Gain on Refunding of Bonds	502,174	-
<b>Total Deferred Inflows of Resources</b>	<b>502,174</b>	<b>-</b>
<b>Net Position</b>		
Net Investment in Capital Assets	(7,404,404)	(8,341,693)
Restricted for Debt Service	-	2,820,700
Restricted for Grant	69,427	196,309
Restricted for Closure Reserve	357,450	402,927
Unrestricted	(4,265,137)	(6,663,342)
<b>Total Net Position (Deficit)</b>	<b>\$ (11,242,664)</b>	<b>\$ (11,585,099)</b>

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
With Comparative Totals for fiscal year ended June 30, 2013

	2014	2013
Operating Revenues		
Charges for Services	\$ 17,534,111	\$ 15,438,514
Sales of Materials	594,056	392,958
Operating Grants and Contributions	116,780	149,473
	18,244,947	15,980,945
Operating Expenses		
Personnel Services	4,089,205	3,763,121
Contractual Services	1,666,689	1,453,881
Operating Contracts	4,737,350	4,783,575
Supplies	488,037	454,034
Insurance	238,915	219,004
Building Rent	104,658	104,508
Taxes and Permits	736,417	728,267
Utilities	138,820	137,788
Depreciation	1,412,742	1,289,903
Closure/Postclosure Maint.	639,510	712,257
Hazardous Waste	172,520	192,176
Other	233,514	288,681
	14,658,377	14,127,195
Total Operating Expenses	14,658,377	14,127,195
Operating Income (Loss)	3,586,570	1,853,750
Non-Operating Revenues (Expenses)		
Investment Earnings	28,013	39,180
Other Non-Operating Revenue	18,094	17,619
Interest Expense	(2,728,361)	(2,026,114)
Bond Underwriter	(561,881)	-
	(3,244,135)	(1,969,315)
Total Non-Operating Revenues (Expenses)	(3,244,135)	(1,969,315)
Change in Net Position	342,435	(115,565)
Total Net Position - Beginning	(11,585,099)	(10,079,386)
Prior Period Adjustment - Note 19	-	(1,390,148)
Total Net Position - End of Year	\$ (11,242,664)	\$ (11,585,099)

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR FISCAL YEAR ENDED JUNE 30, 2014  
With Comparative Totals for fiscal year ended June 30, 2013

	2014	2013
<b>Cash Flows from Operating Activities:</b>		
Receipts from Customer and Users	\$ 17,908,950	\$ 15,763,071
Payments to Suppliers	(8,810,239)	(11,153,925)
Payments to Employees	(4,016,924)	(3,683,581)
	5,081,787	925,565
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>5,081,787</b>	<b>925,565</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Other Non-Operating Revenue/(Expense)	18,094	17,619
	18,094	17,619
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Refunding of 2002 Bonds and Installment Purchase Agreement	(2,192,903)	-
Capital Lease	3,670,000	-
Acquisition of Capital Assets	(991,267)	(351,494)
Principal paid on Capital Debt	(1,097,517)	(1,102,987)
Interest paid on Capital Debt	(2,101,728)	(2,037,063)
	(2,713,415)	(3,491,544)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(2,713,415)</b>	<b>(3,491,544)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest Received	26,923	57,989
Increase (Decrease) in Fair Value of Investments	326	(12,627)
Transfer (to) from Restricted Cash	(289,033)	2,502,166
	(261,784)	2,547,528
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(261,784)</b>	<b>2,547,528</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>2,124,682</b>	<b>(832)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>8,576,010</b>	<b>8,576,842</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 10,700,692</b>	<b>\$ 8,576,010</b>
<b>Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	\$ 3,586,570	\$ 1,853,750
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,412,742	1,289,903
(Increase) Decrease in Accounts Receivable	(325,309)	(217,852)
(Increase) Decrease in Prepaid Expenses	(203,461)	-
Increase (Decrease) in Accounts Payable	128,030	146,520
Increase (Decrease) in Wages Payable	(3,337)	23,693
Increase (Decrease) in Accrued Leave	8,507	(7,079)
Increase (Decrease) in OPEB Payable	67,100	62,920
Increase (Decrease) in Closure/Postclosure Payable	410,945	(2,226,290)
	1,495,217	(928,185)
<b>Total Adjustments to Net Income</b>	<b>1,495,217</b>	<b>(928,185)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 5,081,787</b>	<b>\$ 925,565</b>

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

1. **Summary of Significant Accounting Policies:**

**Financial Reporting Entity:** The Salinas Valley Solid Waste Authority (Authority) is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997, (the "Authority Agreement") among the County of Monterey and the cities of Salinas, Gonzales, Greenfield, Soledad and King (the "Members"). The Authority was established to acquire and manage the landfill assets of each member, ensure long-term landfill capacity of the Authority service area and provide unified and coordinated solid waste management for the member agencies.

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one City Council member each from the cities of Gonzales, Greenfield, King City and Soledad. Pursuant to the Authority Agreement, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions.

**Basis of Presentation:** The financial activities of the Authority are accounted for in a single enterprise fund that reports the operations of the solid waste system, which is financed primarily by tipping fees. The solid waste system includes landfills, transfer stations and resource recovery facilities located in Monterey County. Solid waste collection services are provided by local municipalities and private companies.

**Basis of Accounting:** The Authority's single enterprise fund is accounted for using the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when they are incurred.

**Measurement Focus:** The Authority's single enterprise fund is accounted for on a cost of service or "economic resources" measurement focus. This means that assets and all activities are included on the statement of net position. Operating statements present increases (revenues) and decreases (expenses) in net total assets. The financial statements distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to residents and customers for waste collection and disposal and the revenues from the sale of processed waste materials. Operating expenses include the cost of waste disposal and recycling services, administrative expenses, closure and post closure maintenance and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Budgets:** The Authority adopts an annual, operating budget as a financial plan for the year, pursuant to the legal requirements of the Authority's bond documents. The budget is adopted by the governing Board as an operating plan and budgetary basis financial statements are not presented because there is no legal requirement to report budgetary basis financial information.

**Accounting Changes:** The Authority applies all applicable GASB pronouncements for certain accounting and financial reporting guidance.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012. The accompanying financial statements

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

reflect the implementation of GASB Statement No. 65. GASB Statement No. 65 required that debt issuance costs be reported as expenses when incurred. The retroactive effects of implementing this change in reporting debt issuance costs resulted in a restatement of the beginning net position, as described further in Note 19.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the Authority's fiscal year ended June 30, 2014.

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method - entry age normal - rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting



SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

and financial reporting is determined from how pensions are funded. Application of Statement No. 67 is effective for financial statements for the Authority's fiscal year ended June 30, 2014. Application of Statement No. 68 is effective for the Authority's fiscal year ending June 30, 2015.

In January 2013, the GASB issued GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement is intended to improve accounting and financial reporting for state and local government's combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or a sale.

The new standard provides guidance for:

- Determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations;
- Using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations;
- Measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and
- Reporting the disposal of government operations that have been transferred or sold.

Application of Statement No. 69 is effective for the Authority's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this statement is to enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees and to enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. Application of Statement No. 70 is effective for the Authority's fiscal year ended June 30, 2014 and did not have an impact on the Authority's financial statements for 2014.

In November, 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. Application of Statement No. 71 is effective for the Authority's fiscal year ending June 30, 2015.

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

Cash and Cash Equivalents: Cash and cash equivalents consist of petty cash, deposits in non-interest bearing checking accounts, money market mutual funds, and investments with Local Authority Investment Fund (LAIF) managed by the State of California. Deposits in LAIF are generally available for withdrawal by the Authority on a next day basis and are therefore considered cash equivalents.

For purposes of determining cash equivalents, the Authority has defined its policy concerning the treatment of short-term investments to include investments with a maturity of three months or less when purchased as cash equivalents if management does not plan to reinvest the proceeds. Short-term investments that management intends to rollover into similar investments are considered part of the investment portfolio and are classified as investments.

Investments: Investments consisted of deposits in open end, money market mutual funds and deposits with the LAIF, an investment pool with restricted withdrawals, and BNY, which is restricted for debt service. All investments are stated at fair value.

Accounts Receivable: Accounts receivable are composed primarily of monthly billings for tipping fees, services and contractual amounts receivables. All accounts receivable are uncollateralized.

The Authority sets aside an allowance for uncollectible accounts based on an analysis of those accounts considered to be uncollectible at year-end. Accounts receivable are reported net of the allowance for uncollectible accounts.

Deferred Outflows and Inflows of Resources: Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*," the Authority recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the Authority that is applicable to a future reporting period. The Authority has no items which qualify for reporting in this category.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the Authority that is applicable to future reporting periods. The Authority has one item which qualifies for reporting as described further in Note 4.

Capital Assets: Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost or, if donated, fair value at the date of donation. Expenses, which materially extend the useful life of existing assets, are capitalized. Certain costs for professional services and interest associated with the acquisition and construction of capital assets have been capitalized. The cost of capital assets sold or retired is removed from the appropriate accounts and any resulting gain or loss is included in the increase in net position. Depreciation of capital assets is computed using the straight-line method over the estimated useful lives of the assets, which are summarized as follows:

Buildings	20-40 years
Other Improvements	4-50 years
Equipment	5-10 years

Depletion and depreciation of the Authority's landfill sites has been provided over the estimated remaining capacity of its landfills. By the time a landfill stops accepting waste that landfill must be fully depreciated. This may lead to larger amounts of depreciation charged at the end of the

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

landfill's life for projects capitalized in those latter years.

The cost of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Restricted Cash: Restricted cash of the Authority represent bond proceeds legally required by the Authority's bond covenants and trust indenture to be set aside for debt service and funds required to be set-aside for the eventual closure of the landfills under state law. Restricted resources are used first to fund expenses incurred for restricted purposes.

Net Position: The statement of net position reports all financial and capital resources. The difference between assets and liabilities is net position. There are three components of net position.

*Invested in Capital Assets, Net of Related Debt* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent, related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* - This component of net position consists of constraints placed on the use of net position by external restrictions imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. There are no net positions restricted by enabling legislation.

*Unrestricted* - This component of net position consists of net position that do not meet the definition of Invested in Capital Assets, Net of Related Debt or Restricted.

Revenue Recognition: Revenue from tipping fees is recognized when the service is provided for customers using the Authority's facilities. Credit customers are billed monthly and non-credit customers pay at the transfer station, landfill or resource recovery facility.

Amortization: Premium, discount and issue costs on long-term debt are amortized on the straight-line method over the life of the related debt issues.

Landfill Expenses: Landfill expenses include the cost to design and construct landfill "cells" on property permitted and approved as a landfill site. The design and construction costs for each cell are recorded as capital assets and amortized to expense based on the cell capacity used in each year. Landfill expenses also include accruals for landfill closure and postclosure care costs based on the landfill capacity used in each year.

Compensated Absences: Authority employees accumulate Paid Time Off (PTO) which is payable to employees upon termination or retirement at the pay rate on that date. The Authority accrues unused PTO and related taxes and benefits on the statement of net position as current liabilities.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**2. Cash and Investments:**

Cash and Cash Equivalents: The bank balance and carrying value of the Authority's cash and cash equivalents, including restricted balances, at June 30, 2014 were as follows:

Cash and Investments	\$	10,700,692
Restricted Cash		6,098,716
		16,799,408
Total	\$	16,799,408

The Authority's cash and investments at June 30, 2014, were held as follows:

Cash managed by the Authority's Treasurer	\$	5,188,772
Investments managed by the Authority's Treasurer		11,610,636
		16,799,408
Total	\$	16,799,408

The Authority follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. The Authority's investment policy conforms to state law (Government Code Sections 53601 through 53659). The investment of bond proceeds is governed by the specific Indenture of Trust. The investment policy is reviewed annually. Investments shown at fair value are for information only to assess the actual value if the Authority were to liquidate the investments before maturity. The Authority intends to hold all investments to maturity.

The Authority participates in the Local Authority Investment Fund (LAIF), an investment pool managed by the State of California. At June 30, 2014, LAIF had invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. These Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

Custodial Credit Risk: Custodial credit risk is defined as the risk that the Authority may not recover the securities held by another party in the event of a financial failure. The Authority's investment policy for custodial credit risk requires all investment securities to be held in the Authority's name by a third party safekeeping institution. All deposits with financial institutions are considered fully insured or collateralized pursuant to the custodial credit risk categories of GASB Statement No. 3. According to the investment policy investment of bond proceeds are restricted by the provisions of relevant bond documents. Funds held by Bank of New York (BNY) the Fiscal Agent of the Series 2014 Refunding Revenue Bonds are held in the Trustee's name, BNY, for the benefit of the Authority. This custodial credit risk exists due to the requirements of the bond indenture.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Local Agency Investment Fund (LAIF) managed by the State Treasurer, representing 76.3% of the investment portfolio, is not rated. Investments in money market funds are limited by Government Code Section 53601 to those that have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
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Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's investment policy addresses the concentration of credit risk by limiting the maximum amount that may be invested in certain investments and in any one issuer, except for investments in LAIF and those made by Bank of New York (BNY). The investment in LAIF and the Public Investment Money Market Account, representing 76.3% and 8.7%, respectively, of the portfolio are not considered a concentrated risk. The Rabobank Certificates of Deposit represents 15.1% of the portfolio. They are fully collateralized at 110% of value.

The Authority was in compliance with these limitations at June 30, 2014. At June 30, 2014, certain individual investments exceeded 5% of the total investment portfolio (including cash and cash equivalents) as follows:

Investment Type	Investment Maturities				% of Total
	Fair Value	0-6 Mths	6-12 Mths	1-5 years	
State of California Local Agency Investment Fund	\$ 8,853,455	\$ -	\$ 8,853,455	\$ -	76.3
Bank of New York Escrow Account	1,661	1,661			-
Public Investment Money Market Account	1,005,520	1,005,520			8.7
Rabobank Certificates of Deposit	1,750,000			1,750,000	15.0
	<u>\$ 11,610,636</u>	<u>\$ 1,007,181</u>	<u>\$ 8,853,455</u>	<u>\$ 1,750,000</u>	<u>100.0</u>

**3. Accounts Receivable:**

Accounts receivable and the related allowance for doubtful accounts at June 30, 2014, are summarized as follows:

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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

Billed Receivables:

Tipping Fee Accounts Receivable	\$	1,594,204
Recology - Tonnage Band		129,023
Intergovernmental Grants Receivable		95,148
LFG Gas Royalties		66,021
Sales of Recycling Materials		61,970
Franchise Administration		30,506
Intergovernmental Receivable - Miscellaneous		13,418
Employees' Flexible Spending Account		4,625
Land Rent		2,235
Vision Recycling Fuel		1,707
Vision Recycling Fuel		710
Miscellaneous Receivable		1,000
		2,000,567
Total Accounts Receivable		2,000,567
Allowance for Doubtful Accounts		(15,942)
	\$	1,984,625

**4. Deferred Inflows of Resources:**

For the fiscal year ended June 30, 2014, Salinas Valley Solid Waste Authority adopted GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". An increase in the Authority's Net Position that is expected to occur in a future period is a Deferred Inflow of Resources. A decrease in the Authority's Net Position that is expected to occur in a future period is a Deferred Outflow of Resources.

The only item that is reportable for the fiscal year ended June 30, 2014, is a deferred inflow of resources, the gain on the refunding of the Series 2002 Revenue Bonds.

Deferred inflows resources balances for the year ended June 30, 2014 were as follows:

	June 30, 2013	Increases	Decreases	June 30, 2014
Gain on Refunding of Bonds				
2014A (AMT) Refunding Revenue Bond	\$ -	\$ 444,981	\$ -	\$ 444,981
2014B (Taxable) Refunding Revenue Bond	-	57,193	-	57,193
	\$ -	\$ 502,174	\$ -	\$ 502,174

The gain is amortized using the effective interest rate method as principal payments are made and is attributed to each of the refunding series of bonds, as follows.

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Fiscal year Ended June 30,	2014A (AMT) Refunding Revenue Bond	2014B (Taxable) Refunding Revenue Bond	Total
2015	\$ -	\$ -	\$ -
2016	37,377	10,368	47,745
2017	37,377	9,404	46,781
2018	37,377	8,426	45,803
2019	37,279	7,425	44,704
2020-2024	163,300	20,933	184,233
2025-2029	104,813	637	105,450
2030-2032	27,458	-	27,458
	<u>\$ 444,981</u>	<u>\$ 57,193</u>	<u>\$ 502,174</u>

**5. Restricted Cash:**

Cash and investments of \$6,098,716 are recorded as restricted assets at June 30, 2014.

Cash and investments of \$3,009,889 are restricted by the California Integrated Waste Management Board for the closure of Johnson Canyon Landfill.

Cash and investments of \$62,459 are restricted by the California Department of Conservation grant for recycling activities and \$6,968 are restricted for the United States Department of Agriculture grant for the 2 anaerobic basins at Crazy Horse Canyon Landfill.

Cash and investments of \$3,019,400 are restricted by the capital equipment lease financing agreement with Capital One Public Funding, LLC. This equipment is to be used for the operation of the Johnson Canyon Landfill.

**6. Capital Assets:**

The changes in capital assets of the Authority for the year ended June 30, 2014, are summarized as follows:

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	June 30, 2013	Increases	Decreases	June 30, 2014
<b>Business-type activities</b>				
Nondepreciable assets:				
Land	\$ 42,600	\$ -	\$ -	\$ 42,600
Construction in Progress	281,864	-	(157,578)	124,286
Total nondepreciable assets	<u>324,464</u>	<u>-</u>	<u>(157,578)</u>	<u>166,886</u>
Depreciable Assets:				
Buildings	456,484	-	-	456,484
Other Improvements	53,773,249	275,734	-	54,048,983
Machinery and Equipment	2,799,196	873,111	-	3,672,307
Total depreciable assets	<u>57,028,929</u>	<u>1,148,845</u>	<u>-</u>	<u>58,177,774</u>
Less Accumulated Depreciation	<u>(29,574,499)</u>	<u>-</u>	<u>(1,412,742)</u>	<u>(30,987,241)</u>
Total Depreciable Assets, Net	<u>27,454,430</u>	<u>1,148,845</u>	<u>(1,412,742)</u>	<u>27,190,533</u>
Total Capital Assets, Net	<u>\$ 27,778,894</u>	<u>\$ 1,148,845</u>	<u>\$ (1,570,320)</u>	<u>\$ 27,357,419</u>

Construction in progress at June 30, 2014, consists of \$124,286 in costs associated with various landfill projects.

**7. Accrued Leave:**

Employees are eligible to receive their entire unused paid time off upon termination, or can elect to be paid annually for a maximum of fifteen days of annual leave, depending on years of service. At June 30, 2014, the liability for this accrued leave is \$352,388.

**8. Long Term Liabilities:**

The following is a summary of long term liabilities for the fiscal year ended June 30, 2014:



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	June 30, 2013	Increases	Decreases	June 30, 2014	Due Within One year
<b>Long Term Debt:</b>					
2002 Revenue Bonds	\$ 33,085,000	\$ -	\$ 33,085,000	\$ -	\$ -
Bond Discount	(252,002)	252,002	-	-	-
2014A (AMT) Refunding Revenue Bond	-	27,815,000	-	27,815,000	-
2014B (Taxable) Refunding Revenue Bond	-	3,575,000	-	3,575,000	315,000
2014 Revenue Bond Original Issue Premium	-	2,254,049	-	2,254,049	-
Equipment Lease Payable	-	3,670,000	-	3,670,000	342,279
Installment Purchase Agreement	3,287,588	-	3,287,588	-	-
Long Term Debt Subtotal	<u>36,120,586</u>	<u>37,566,051</u>	<u>36,372,588</u>	<u>37,314,049</u>	<u>657,279</u>
<b>Other Long Term Liabilities:</b>					
Post Employment Benefits	221,920	67,100	-	289,020	-
Closure Payable	2,399,481	-	(227,519)	2,627,000	230,197
Postclosure Payable	13,796,385	183,426	-	13,979,811	531,600
Total Long Term Liabilities	<u>\$ 52,538,372</u>	<u>\$ 37,816,577</u>	<u>\$ 36,145,069</u>	<u>\$ 54,209,880</u>	<u>\$ 1,419,076</u>

The annual debt service requirements for long term debt are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 657,279	\$ 1,678,408	\$ 2,335,687
2016	1,020,453	1,685,789	2,706,242
2017	1,047,193	1,658,221	2,705,414
2018	1,224,608	1,624,258	2,848,866
2019	2,377,718	1,555,854	3,933,572
2020-2024	9,702,749	6,373,240	16,075,989
2025-2029	11,420,000	3,674,112	15,094,112
2030-2032	7,610,000	642,950	8,252,950
	<u>\$ 35,060,000</u>	<u>\$ 18,892,832</u>	<u>\$ 53,952,832</u>

On January 28, 2014, Salinas Valley Solid Waste Authority issued Alternative Minimum Taxable bonds (Series 2014A) with a par value of \$27,815,000. These refunding revenue bonds were sold for \$30,069,049. This resulted in an original issue premium of \$2,254,049 meaning the bonds sold at 108.10% of the par value. The purpose of the bonds issuance was to currently refund the refunded Series 2002 revenue bonds. The balance of the Series 2002 bonds refunded was \$33,050,000. The Series 2014A bonds bear an interest rate of between 5% and 5.5% with varying annual principal payments beginning August 1, 2017 and semi-annual interest payments beginning August 1, 2014. The final principal and interest payment is due August 1, 2031.

In order to fully refund the Series 2002 revenue bonds, the Salinas Valley Solid Waste Authority made a debt service fund contribution of \$848,859 and a debt service reserve fund contribution of \$2,829,714. Unamortized Series 2002 bond issuance costs were \$252,002 at the date of refunding.

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Additionally, on January 28, 2014, Salinas Valley Solid Waste Authority issued Taxable bonds (Series 2014B) with a par value of \$3,575,000. These bonds were sold at par. The purpose of the issuance of these bonds was to refund the Authority's 1997 Installment Purchase Agreement. The balance of the 1997 Installment Purchase Agreement refunded was \$3,287,588. The Series 2014B bonds bear an interest rate of between .990% and 4.841% with varying annual principal payments beginning August 1, 2014 and semi-annual interest payments beginning August 1, 2014. The final principal and interest payment is due August 1, 2023.

The current refunding of the Series 2002 revenue bonds and the 1997 Installment Purchase Agreement reduced total debt service payments over the next 17 years by \$4,991,172. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,725,617.

The annual debt service requirements for the 2014A (AMT) Refunding Revenue Bond are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ -	\$ 1,487,418	\$ 1,487,418
2016	-	1,475,125	1,475,125
2017	-	1,475,125	1,475,125
2018	145,000	1,471,500	1,616,500
2019	1,265,000	1,436,250	2,701,250
2020-2024	7,375,000	6,138,500	13,513,500
2025-2029	11,420,000	3,674,112	15,094,112
2030-2032	7,610,000	642,950	8,252,950
	<u>\$ 27,815,000</u>	<u>\$ 17,800,980</u>	<u>\$ 45,615,980</u>

The annual debt service requirements for the 2014B (Taxable) Refunding Revenue Bond are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 315,000	\$ 118,458	\$ 433,458
2016	320,000	113,523	433,523
2017	325,000	107,695	432,695
2018	335,000	99,772	434,772
2019	345,000	89,728	434,728
2020-2024	1,935,000	228,691	2,163,691
	<u>\$ 3,575,000</u>	<u>\$ 757,867</u>	<u>\$ 4,332,867</u>

Equipment Lease Payable

The Equipment Lease is a capital lease for certain landfill equipment in the amount of \$3,670,000 for a term of 5 years. The first interest and principal payment is due June 30, 2015 and each year thereafter until June 30, 2020. The interest rate for this capital lease is 3.08%.

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The annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2015	\$ 342,279	\$ 72,532	\$ 414,811
2016	700,453	97,141	797,594
2017	722,193	75,401	797,594
2018	744,608	52,986	797,594
2019	767,718	29,876	797,594
2020-2024	392,749	6,049	398,798
	\$ 3,670,000	\$ 333,985	\$ 4,003,985

Other Long Term Payable

The other long term liabilities include Other Post Employee Benefits as required by GASB Statement No. 45. This liability is for the employer's portion of medical insurance benefits for retirees from the Salinas Valley Solid Waste Authority.

The amounts accrued for Closure Payable and Postclosure Payable are mandated by the California Department of Resources, Recycling, and Recovery. This is the estimated liability for closing and maintaining for 30 years after closure the landfills of the Salinas Valley Solid Waste Authority.

**9. Unamortized Bond Discount and Premium:**

The 2002 Revenue Bonds were sold at a discount of \$397,895. The discount is being amortized over the life of the bond issue (30 years) at an annual rate of \$13,263. The 2002 Revenue Bonds were refunded during the fiscal year ended June 30, 2014. The following is a summary of the 2002 Revenue Bonds unamortized discount at June 30, 2014:

	June 30, 2013	Increases	Decreases	June 30, 2014
Revenue Bonds, Series 2002	\$ 252,002	\$ -	\$ (252,002)	\$ -

The refunding bonds Series 2014A was sold at a premium of \$2,254,049. The premium is being amortized over the life of the bond issue. The following is a summary of the 2014 Revenue Bonds unamortized premium at June 30, 2014:

Revenue Bonds unamortized premium at June 30, 2014:

	June 30, 2013	Increases	Decreases	June 30, 2014
Revenue Bonds, Series 2014	\$ -	\$ 2,254,049	\$ -	\$ 2,254,049

Total bonded debt outstanding at June 30, 2014 net of the unamortized bond premium is as follows:

Bonds payable	\$ 31,390,000
Add unamortized bond issue premium	2,254,049
Net bonds payable	\$ 33,644,049

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**10. Landfill Closure and Postclosure Requirements:**

The Salinas Valley Solid Waste Authority operates a solid waste disposal system serving the waste shed of the cities of Salinas, Gonzales, Greenfield, Soledad and King, and the eastern and southern portions of the unincorporated area of Monterey County. The system currently consists of one active landfill (Johnson Canyon), two transfer stations (Sun Street and Jolon Road) and three closed landfills (Lewis Road, Jolon Road and Crazy Horse).

The landfills are regulated by the California Department of Resources, Recycling, and Recovery (CalRecycle) which requires the Authority to set-aside funds annually for landfill closure and to fund postclosure maintenance for at least 30 years after closure. On June 19, 1998, the CalRecycle, approved the Authority's financial assurance mechanisms for closure and postclosure maintenance for the Authority's four landfills. Since then, the CalRecycle and the Authority have agreed to the financial assurance mechanism for corrective action for the Jolon Road, Johnson Canyon and Crazy Horse Landfills. The State found that the Enterprise Fund and Pledge of Revenue Agreement met the requirements of Title 27 of the California Code of Regulations and Federal Title 40 regulations.

Under the terms of these agreements the Authority is to annually set-aside funds for the closure of the landfills. The postclosure maintenance and corrective action costs will be funded on a pay-as-you go basis when they are actually incurred and are secured by a pledge of revenue.

Closure costs are determined and funded annually based on landfill capacity used. Although postclosure maintenance costs will be paid near or after the date that the landfills stop accepting waste, the Authority reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Postclosure maintenance costs are based on the level of service required to protect the environment during the postclosure period. These include the cost of equipment and facilities, such as leachate collection systems and final cover maintenance. Postclosure care costs extend over a 30 year period of time. For this reason, it is likely there will be unforeseen repair or replacement costs during the postclosure period. Some of these variances are due to changes in technologies, changes in operational conditions and physical changes at the landfills. Estimated current costs of closure and postclosure care are evaluated annually as required by Generally Accepted Accounting Principles (GAAP). The results of the annual evaluation can increase or decrease closure and postclosure costs depending on the various components here described.

The system estimated capacity at June 30, 2014 is presented as follows:

	Johnson Canyon	
Permitted Capacity (cu. yd.)	10,512,141	100.0%
Cumulative Capacity Used (cu. yd.)	(2,652,604)	25.2%
Remaining Capacity (cu. yd.)	7,859,537	74.8%

**System Capacity**

As of June 30, 2014, the Authority has 74.8% of its system capacity remaining. System capacity is based on the capacity of the one active landfill, Johnson Canyon. During the fiscal year ended June 30, 2014, the Authority landfilled a total of 242,789 tons of solid waste. As of June 30, 2014 the Authority has 28 years remaining landfill capacity.

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Johnson Canyon Landfill

On February 1, 2008, Johnson Canyon was granted a revised permit by the California Integrated Waste Management Board increasing its landfill capacity. It has capacity to the year 2040 based on the assumption that the goal of 75% is reached by the year 2015. The site capacity estimates and closure and postclosure costs were revised as part of the permit process.

Closed Landfills

Crazy Horse Landfill closed on May 31, 2009. It is now undergoing the closure process.

Jolon Road Landfill is accepting waste only as a transfer station. The landfill was closed in October 2007. No refuse is being landfilled on this site.

Lewis Road Landfill is a closed landfill. No refuse is being landfilled on this site.

Closure and Postclosure Maintenance Costs

Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2014, are presented as follows:

	June 30, 2014				
	Total	Crazy Horse	Johnson Canyon	Lewis Road	Jolon Road
Estimated:					
Closure Cost	\$ 9,354,030	\$ 356,618	\$ 8,997,412	\$ -	\$ -
Postclosure Maintenance Cost	<u>\$ 16,365,474</u>	<u>\$ 11,127,718</u>	<u>\$ 3,190,828</u>	<u>\$ 874,685</u>	<u>\$ 1,172,243</u>
Expense (Income):					
Closure	\$ 328,743	\$ 6,766	\$ 321,977	\$ -	\$ -
Postclosure Maintenance	<u>310,767</u>	<u>164,449</u>	<u>114,186</u>	<u>14,370</u>	<u>17,762</u>
Total Expense (Income)	<u>\$ 639,510</u>	<u>\$ 171,215</u>	<u>\$ 436,163</u>	<u>\$ 14,370</u>	<u>\$ 17,762</u>
Outstanding Liability:					
Closure	\$ 2,627,000	\$ 356,618	\$ 2,270,382	\$ -	\$ -
Postclosure Maintenance	<u>13,979,811</u>	<u>11,127,718</u>	<u>805,165</u>	<u>874,685</u>	<u>1,172,243</u>
Total Liability	<u>\$ 16,606,811</u>	<u>\$ 11,484,336</u>	<u>\$ 3,075,547</u>	<u>\$ 874,685</u>	<u>\$ 1,172,243</u>
Assets Set-Aside for Closure-Cash	<u>\$ 3,009,889</u>	<u>\$ (36,359)</u>	<u>\$ 3,046,248</u>	<u>\$ -</u>	<u>\$ -</u>
Cash over/(under) Closure Liability	<u>\$ 382,889</u>	<u>\$ (392,977)</u>	<u>\$ 775,866</u>	<u>\$ -</u>	<u>\$ -</u>

Johnson Canyon Landfill estimated closure costs increased \$132,967 as a result of the CalRecycle inflation factor of 1.5%. After taking into account the capacity used at the landfill, the Authority recognized a closure expense of \$321,977 for Johnson Canyon.

Johnson Canyon Landfill estimated postclosure costs increased \$47,155 as a result of the CalRecycle inflation factor of 1.5%. After taking into account the remaining capacity of the landfill, the Authority recognized a postclosure expense of \$114,186.

The postclosure maintenance liability of \$13,979,811 will be funded from future revenues as expenditures take place.

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**11. Deferred Compensation Plan:**

Effective July 1, 2004, the Authority established a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Small Business Job Protection Act of 1996 requires the establishment of a trust or similar vehicle to ensure that the assets of the deferred compensation plans under the Internal Revenue Code Section 457 are protected and used exclusively for the benefit of plan participants and/or their beneficiaries. All employees are eligible to participate through voluntary salary reduction. The Authority's adopted Plan Document includes the provision for such a Trust. The existence of the trust does little to change the Plan structure except to add a layer of protection for money set aside for the employee against claims of the Employer's creditors.

The Authority's deferred compensation plan is administered by the ICMA Retirement Corporation. The ICMA Deferred Compensation plan has a balance of \$581,981 as of June 30, 2014. Since these funds are held by the ICMA Retirement Corporation under a trust arrangement for the benefit of the employees, these funds are not reported on the financial statements.

**12. Retirement Programs:**

Effective July 1, 2004, the Authority entered into a contract with the California Public Employees' Retirement System (CalPERS) for the provision of retirement benefits under the Public Employees' Retirement Law. The total pension expense for the fiscal year was \$444,758 which included normal costs, annual amortization of prior service costs and Employer Paid Member Contributions.

Public Employees Retirement System

Plan Description: The Authority's defined benefit pension Miscellaneous Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. Menus of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 Q Street – Sacramento, CA 95811.

The Authority entered into a contract with CalPERS effective July 1, 2004, to provide 2% at 55 for Local Miscellaneous Members. All CalPERS participant benefits vest after five years of service. Miscellaneous employees under CalPERS who retire at or after age 55 with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount that varies from 2% at age 55 to a maximum 2.418% at age 63, of the single highest year's salary for each year of credited service.

Funding Policy: Active plan members are required to contribute 7% of their annual covered salary. Effective January 1, 2010, the Authority began contributing the 7% as Employer Paid Member Contributions. The Authority is also required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2013-14 was 10.695% for miscellaneous employees of annual covered payroll. The contribution requirements of the plan members are established by State statute and employer contribution rate is established and may be amended by CalPERS.

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Annual Pension Cost: For fiscal year 2013-14, the Authority's annual pension cost of \$444,758 was equal to the Authority's required and actual contributions of \$280,759 and \$163,999 as Employer Paid Member Contributions. The required contribution for fiscal year 2013-14 was determined as part of the original actuarial valuation using the Entry Age Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumption included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.20% to 14.20% for miscellaneous members, and (c) 3.00% payroll growth.

Both (a) and (b) include an inflation component of 2.75%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments spreading the unrealized and realized gain/(loss) over a 15 year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of assumed future payroll on a closed basis. All pension costs are paid upon receipt of invoices.

Trend Information – Following is the three-year trend information for CalPERS:

THREE-YEAR TREND INFORMATION FOR PERS				
Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
6/30/2012	\$ 388,253	100%	\$ -	-
6/30/2013	426,483	100%	-	-
6/30/2014	444,758	100%	-	-

The Authority has less than 100 active members; therefore, it is required to participate in a risk pool.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents the risk pool multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Plan Description and Funding Policy

The Authority participates in an agent multiple-employer defined benefit postemployment healthcare plan administered by CalPERS. Employees who retire directly from the Authority under the California Public Employee's Retirement System (CalPERS) at the minimum age of 50 with at least 5 years of CalPERS service (or disability) are eligible to receive up to \$105/month for medical insurance premiums paid to CalPERS. This same benefit may continue to a surviving spouse depending on the retirement plan election. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, P.O. Box 942701, Sacramento, CA 94229-2701.

Annual OPEB Costs and Net OPEB Obligation

The Authority funds the payment of current retirees health costs on a pay-as-you go basis. For the fiscal year ended June 30, 2014, the Authority's pay-as-you-go contributions for health care benefits for retirees are \$800. There was 1 retiree on the health insurance plan.

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**13. Postemployment Healthcare Plan:**

The Authority's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Authority's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation (NOO) for the years ended June 30, 2014 and June 30, 2013 are as follows:

	June 30, 2014	June 30, 2013
Annual required contribution	\$ 68,500	\$ 63,600
Interest on net OPEB obligation	9,400	6,800
Adjustments to net OPEB obligation	(10,000)	(6,900)
Annual OPEB expense	67,900	63,500
Contribution under "pay-as-you-go"		
Payment for CalPers	(800)	(580)
Increase in OPEB obligation	67,100	62,920
Net OPEB obligation - beginning of year	221,920	159,000
Net OPEB obligation - end of year	\$ 289,020	\$ 221,920

**Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$234,100.

The covered payroll (annual payroll of active employees covered by the plan) was \$2,252,000 and the ratio of the UAAL to the covered payroll was 10.4%. The plan has no segregated assets.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are about the future. The Schedule of Funding Progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

In the June 30, 2012 actuarial valuation, the actuarial cost method used is Entry Age Normal (EAN) cost method. Under the EAN cost method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For the retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at June 30, 2014 for 27 years. GASB 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay



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benefits. The actuarial methods and assumptions included 4.5% interest rate, representing the long term expected rate of return on the Authority's pooled investments. Annual inflation assumed to increase at 3% per annum and Aggregate Payroll assumed to increase at 3.25% per annum. The study also used assumptions for the salary merit and longevity increases, and demographic assumptions such as mortality withdrawal, and disability based on CalPERS 1997-2007 Experience Study. Retirement assumption was also based on CalPERS 1997-2002 Experience Study of the Miscellaneous Plan 2.0% at 55 years, with expected retirement age of approximately 62.78.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**14. Concentrations:**

The Authority received 71.1% of its Charges for Services (tipping fees) from three haulers: Republic Services, Waste Management and Recology South Valley. These three haulers comprised approximately \$1,382,223 (69.6%) of accounts receivable balances at June 30, 2014. A major reduction in revenue from any of the above sources may have a significant effect on the future operations of the Authority, however this is very unlikely.

Under the Waste Delivery Agreements that support the Revenue Bonds and under the Joint Powers Agreement, establishing the Authority, each member agency is required to direct all garbage to Authority facilities. They do this by means of the Franchise Agreements with their respective haulers. Republic Services, serving the City of Salinas, and Waste Management serving Unincorporated Monterey County and the City of King, are required to bring their garbage and yard waste to Authority facilities.

Recology South Valley brings their waste to Johnson Canyon Landfill, under the Waste Disposal and Capacity Guarantee Agreement approved in 2003. This agreement has a termination date of December 31, 2014. The amount of garbage being brought to the Johnson Canyon landfill after June 30, 2014 is minimal. The Authority prepared for the end of this contract by implementing an AB939 fee in the fiscal year 2013-14.

**15. Commitments and Contingencies:**

Recology Waste Systems Long-Term Contract

On October 23, 2003, the Authority entered into a revised long-term contract with Norcal Waste Systems (Norcal) for the operation of scalehouses Sun Street Transfer Station and diversion services. Norcal has since become Recology Waste Systems (Recology). All services are provided based on a minimum flat monthly fee along with additional fees based on tonnages/quantities processed at each of the sites and landfill compaction. The Authority has taken over several of the operations, with the remaining services scheduled to be taken over on January 1, 2015. The basic contract terms, at June 30, 2014, were as follows:

<u>Contract Ending Date</u>	<u>Service</u>	<u>Basic Annual Fee</u>	<u>Future Minimum Contractual Amount</u>
12/31/2014	Johnson Canyon Landfill Basic Facility Fee	\$ 2,015,135	\$ 1,007,568

For the fiscal year ended June 30, 2014, the Authority paid Recology Waste Systems \$2,877,345

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

for operations of Johnson Canyon landfills, diversion services, excess tonnage, and air space conservation adjustment.

USA Waste Long-Term Contract

As part of the Settlement Agreement and Release on the Jolon Road litigation, the Authority entered into an Amended and Restated Operating Agreement for the Jolon Road Transfer Station. The initial term of this Amended Agreement commenced on June 3, 2004 and ends on September 1, 2016, however, it may be extended for up to three (3) additional one-year renewal terms. Effective June 1, 2014, the base compensation consists of a fuel component of \$2,920 and a non-fuel component of \$56,333. The base compensation is adjusted annually on the anniversary date of the Amended Agreement based on changes in the Retail On-Highway Diesel Prices and Consumer Price Index. The basic contract terms at June 30, 2014, were as follows:

Contract Ending Date	Service	Basic Annual Fee	Future Minimum Contractual Amount
9/1/2016	Jolon Road Transfer Station	\$ 711,033	\$ 1,540,572

Lease Obligations

On October 19, 2006, the Authority entered into a ten year lease commencing January 1, 2007, for office space at 128 Sun Street in Salinas. Effective January 1, 2012, the monthly lease payments were \$7,194. The lease has an option to extend for two five-year periods.

The future minimum lease payments through December 2016, are as follows:

<u>Ended June 30</u>	<u>Amount</u>
2015	\$ 86,328
2016	86,328
2017	43,165
	<u>\$ 215,821</u>

Risk Management

The Authority is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Effective July 1, 2009, the Authority has purchased worker's compensation insurance through the Zurich American Insurance Company for its employees. The Authority has the following commercial insurance policies:

<u>Coverage</u>	<u>Detail</u>	<u>Limits</u>	<u>Deductible</u>
Environmental impairment liability	Per occurrence	\$ 10,000,000	\$ 25,000
Additional pollution liability limited occurrence		1,000,000	10,000
General liability	Aggregate	1,000,000	-
Automobile liability	Per accident	1,000,000	1,000
Property damage	Per occurrence	3,650,565	5,000
Public officials/employment practices	Each act	1,000,000	10,000
Excess liability	Each act	5,000,000	-
Crime	-	1,000,000	5,000
Equipment Floater	-	10,000,000	5,000

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

Corrective Action Plan

The California Code of Regulations requires landfill owners and operators to demonstrate the availability of financial resources to conduct corrective action activities for all known or reasonably foreseeable releases from the disposal facility affecting water quality.

The Authority has conducted studies to determine the site remediation cost to mitigate those releases. These cost estimates are incorporated into the Final Closure and Postclosure Maintenance Plan for each of the landfills. These amounts have been reviewed and approved by CalRecycle and the Regional Water Quality Control Board.

The estimated cost of capital improvements and operations and maintenance costs to mitigate a potential release at the Authority landfills is estimated as follows:

Landfill - Action	Capital Improvements	Maintenance	Total	Contingency
Johnson Canyon	\$ 385,106	\$ 377,220	\$ 762,326	\$ -
Crazy Horse	2,908,200	6,583,500	9,491,700	-
Jolon Road	-	1,302,000	1,302,000	-
Lewis Road	122,700	226,000	348,700	35,000
<b>Total Corrective Actions</b>	<b>\$ 3,416,006</b>	<b>\$ 8,488,720</b>	<b>\$ 11,904,726</b>	<b>\$ 35,000</b>

The capital improvements costs are one-time costs. The maintenance costs are the total estimated cost ranging from 19 years for Lewis Road to 57 years for Johnson Canyon. If there should be a release at one of the landfill sites the Authority would have to spend up to the amounts shown on capital improvements. If the capital improvements have to be made, the Authority would be obligated to spend the maintenance amounts shown on the table for maintenance of the improvements.

These amounts have not been recorded as a liability because while some releases are possible, they are not considered probable or if they are considered probable, they are not sufficiently measureable.

**16. Restricted Net Position:**

At June 30, 2014, the statement of net position reports restricted net position of \$426,877. None of the net positions are restricted by enabling legislation. This consists of \$69,427 of unspent grant monies, and \$357,450 for closure reserve.

**17. Net Position:**

Deficit Net Investment in Capital Assets

The deficit of \$7,404,404 in Net Investment in Capital Assets is the result of the Authority issuing 30-year debt to purchase and improve assets that depreciated at a much faster rate than the debt is being repaid. Three of the Authority's landfills are closed and fully depreciated, however, the debt associated with those assets will not be paid in full until 2032.

Unrestricted Net Deficit

The deficit of \$4,265,137 in Unrestricted Net Deficit is the result of accrued operating expenses such as postclosure that will be paid from future revenues. Per Board policy tipping fees are set at an amount such that postclosure maintenance is funded on a pay-as-you-go basis. Thus far, \$13,979,811 in operating expenses has been accrued as a long term liability which will be funded over the next 30 years from tipping fees. This is in accordance with the Pledge of Revenue that is

SALINAS VALLEY SOLID WASTE AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

part of the Financial Assurances agreement between the Authority and CalRecycle.

**18. Bond Rate Covenant:**

Pursuant to the Master Indenture of the Revenue Bonds, Series 2014, the Authority has agreed, at all times while any of the Bonds remain outstanding, to set fees and charges and manage operations so as to yield Net Revenues during the fiscal year equal to at least one hundred fifteen percent (115%) of the bond's annual debt service for the fiscal year.

This calculation is based on Net Revenues as described in the Master Indenture. The calculation is based on operating income increased by investment earnings on all funds other than bond project funds and reduced by postclosure expense, depreciation and amortization, all non-cash items. At June 30, 2014, the calculation is 192%.

Net revenue available for debt service for the year ended June 30, 2014, is determined as follows:

Revenues	
Operating revenues	\$ 18,244,947
Interest not on Project funds	28,013
Revised Revenues	18,272,960
Maintenance & Operations Costs	
GAAP Operating Expenses	14,658,377
Less the following items per Master Indenture	
Postclosure maintenance	(310,767)
Closure	(328,743)
Depreciation	(1,412,742)
Add Postclosure liability being paid	
Lewis Road	97,684
Jolon Road	29,657
Revised Maintenance and Operations Expenses per Master Indenture	12,733,466
Net Revenues	\$ 5,539,494
Annual Debt Service	
Debt service on 2014 Bond	\$ 2,879,137
<b>Debt Service Coverage Ratio</b>	<b>192%</b>
<b>Debt Service Coverage Required</b>	<b>115%</b>

**19. Prior Period Adjustment:**

The Authority wrote off the remaining unamortized cost of debt issuance for the Authority's 2002 bonds in accordance with the implementation of GASB Statement No. 65. The effect of this change on the beginning net position is a reduction of \$1,390,148 for the year ended June 30, 2013.

**20. Subsequent Events:**

Date of Management Review

Management has evaluated subsequent events through October 29, 2014, the date which these financial statements were available to be issued.

SALINAS VALLEY SOLID WASTE AUTHORITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2014

California Public Employees' Retirement System  
 Schedule of Funding Progress

Miscellaneous 2% at 55 Risk Pool

Actuarial Valuation Date	(a) Actuarial Accrued Liability- (AAL) Entry Age	(b) Actuarial Value of Assets	(a-b) Unfunded AAL (UAAL)	(b/a) Funded Ratio	© Covered Payroll	[(a-b)/c] UAAL as a Percentage of Covered Payroll
6/30/2007	\$ 2,611,746,790	\$ 2,391,434,447	\$ 220,312,343	91.6%	\$ 665,522,859	33.1%
6/30/2008	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.8%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%
6/30/2011	\$ 3,619,835,876	\$ 3,203,214,899	\$ 416,620,977	88.5%	\$ 759,263,518	54.9%
6/30/2012	\$ 4,175,139,166	\$ 3,686,598,343	\$ 488,540,823	88.3%	\$ 757,045,663	64.5%

Since the Authority has less than 100 active members, it is required to participate in a risk pool. The above data is for the Miscellaneous 2% at 55 Risk Pool which the Authority participates in.

Prior to July 1, 2004, the Authority's employees were covered with the City of Salinas under a separate contract with the California Public Employees' Retirement System (CALPERS). There is no outstanding liability from that plan to the Authority.

SALINAS VALLEY SOLID WASTE AUTHORITY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 JUNE 30, 2014

Postemployment Health Insurance Benefits Plan  
 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) - Entry Age (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ((a-b)/c)
6/30/2009	\$ 84,600	\$ -	\$ 84,600	0.00%	\$ 2,096,000	4.04%
6/30/2012	\$ 234,100	\$ -	\$ 234,100	0.00%	\$ 2,252,000	10.40%

Note: Fiscal year 2010 was the year of implementation of GASB No. 45 and the Authority elected to implement prospectively, therefore, prior year comparative data is not available. The Authority is required to have a valuation triennially.

# **STATISTICAL SECTION**

# SALINAS VALLEY SOLID WASTE AUTHORITY

## Index to Statistical Section

This part of the Authority's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statement, note disclosures, and required supplementary information says about the Authority's overall financial health.

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**Revenue Capacity** - These schedules contain information to help the reader assess the Authority's most significant local revenue source.

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**Debt Capacity** - These schedules present information to help the reader assess the affordability of the Authority's current level of outstanding debt and the Authority's ability to issue additional debt in the future.

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Salinas Valley Solid Waste Authority  
 Net Position  
 Last Ten Years  
 (accrual basis of accounting)

Description	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
Net investment in capital asset	\$ (6,111,819)	\$ (5,519,727)	\$ (16,391,014)	\$ (16,102,591)	\$ (12,533,301)	\$ (9,445,282)	\$ (9,560,964)	\$ (8,493,008)	\$ (8,341,693)	\$ (7,404,404)
Restricted	3,233,233	10,835,323	12,208,279	13,379,080	6,876,058	2,820,700	2,820,700	3,438,482	3,419,936	426,877
Unrestricted	(570,311)	(8,723,107)	(3,110,695)	(4,554,170)	(7,493,399)	(5,327,847)	(4,955,983)	(6,415,008)	(6,663,342)	(4,265,137)
<b>Total net position</b>	<b>\$ (3,448,897)</b>	<b>\$ (3,407,511)</b>	<b>\$ (7,293,430)</b>	<b>\$ (7,277,681)</b>	<b>\$ (13,150,642)</b>	<b>\$ (11,952,429)</b>	<b>\$ (11,696,247)</b>	<b>\$ (11,469,534)</b>	<b>\$ (11,585,099)</b>	<b>\$ (11,242,664)</b>

Note: As recommended by GASB 44, this schedule provides data retroactively to the year GASB 34 was implemented. The Authority implemented GASB 34 in Fiscal Year 2003.

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
Changes in Net Position  
Last Ten Years  
(accrual basis of accounting)

Description	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
Changes in net position:										
Operating Revenues (see Schedule 3)	\$ 13,972,210	\$ 14,809,642	\$ 15,295,892	\$ 15,706,134	\$ 15,298,739	\$ 16,135,595	\$ 15,070,564	\$ 15,273,792	\$ 15,980,945	\$ 18,244,947
Operating Expenses (see Schedule 4)	10,476,337	12,944,909	14,589,056	12,244,092	17,370,851	12,610,300	11,720,409	12,554,260	12,837,292	13,245,635
Depreciation	809,199	785,813	2,449,961	1,909,945	2,341,946	482,624	496,778	628,648	1,289,903	1,412,742
Operating income(loss)	<u>2,686,674</u>	<u>1,078,920</u>	<u>(1,743,125)</u>	<u>1,552,097</u>	<u>(4,414,058)</u>	<u>3,042,671</u>	<u>2,853,377</u>	<u>2,090,884</u>	<u>1,853,750</u>	<u>3,586,570</u>
Non-operating revenue(expenses)										
Interest income	741,475	1,219,357	1,498,000	1,397,018	764,812	289,760	233,541	52,658	39,180	28,013
Gain(loss) on disposition of capital assets	-	(50,512)	(1,437,223)	-	-	-	(848,017)	-	-	-
Interest expense	(2,389,943)	(2,352,878)	(2,310,063)	(2,265,802)	(2,225,196)	(2,177,895)	(2,132,513)	(2,085,322)	(2,026,114)	(2,728,361)
Grant income	64,143	-	-	-	-	-	-	-	-	-
Other revenue(expense), net	68,144	146,499	106,492	(667,564)	1,481	43,678	149,793	168,493	17,619	18,094
Cost of bond issuance	-	-	-	-	-	-	-	-	-	(561,881)
Total non-operating revenues(expense), net	<u>(1,516,181)</u>	<u>(1,037,534)</u>	<u>(2,142,794)</u>	<u>(1,536,348)</u>	<u>(1,458,903)</u>	<u>(1,844,457)</u>	<u>(2,597,196)</u>	<u>(1,864,171)</u>	<u>(1,969,315)</u>	<u>(3,244,135)</u>
Change in net position	<u>\$ 1,170,493</u>	<u>\$ 41,386</u>	<u>\$ (3,885,919)</u>	<u>\$ 15,749</u>	<u>\$ (5,872,961)</u>	<u>\$ 1,198,214</u>	<u>\$ 256,181</u>	<u>\$ 226,713</u>	<u>\$ (115,565)</u>	<u>\$ 342,435</u>
Net position by component:										
Net investment in capital asset	\$ (6,111,819)	\$ (5,519,727)	\$ (16,391,014)	\$ (16,102,591)	\$ (12,533,301)	\$ (9,445,282)	\$ (9,560,964)	\$ (8,493,008)	\$ (8,341,693)	\$ (7,404,404)
Restricted for debt service	3,233,233	2,821,420	2,821,882	2,821,862	2,820,700	2,820,700	2,820,700	2,820,700	2,820,700	-
Restricted for Grant	-	-	-	-	-	-	-	112,906	196,309	69,427
Restricted for capital projects	-	8,813,993	8,745,386	8,149,009	4,055,358	-	-	-	-	-
Restricted for closure reserve	-	(800,090)	641,011	2,408,209	-	-	-	504,876	402,927	357,450
Unrestricted	(570,311)	(8,723,107)	(3,110,695)	(4,554,170)	(7,493,399)	(5,327,847)	(4,955,983)	(6,415,008)	(6,663,342)	(4,265,137)
Total net position	<u>\$ (3,448,897)</u>	<u>\$ (3,407,511)</u>	<u>\$ (7,293,430)</u>	<u>\$ (7,277,681)</u>	<u>\$ (13,150,642)</u>	<u>\$ (11,952,429)</u>	<u>\$ (11,696,247)</u>	<u>\$ (11,469,534)</u>	<u>\$ (11,585,099)</u>	<u>\$ (11,242,664)</u>

Note: As recommended by GASB 44, this schedule provides data retroactively to the year GASB 34 was implemented. The Authority implemented GASB 34 in Fiscal Year 2003.

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
 Operating Revenue by Source  
 Last Ten Years  
 (accrual basis of accounting)

Fiscal Year	Charges for Services	Sales of Materials	Operating Grants and Contributions	Total Operating Revenues
06/30/05	\$ 13,972,210	\$ -	\$ -	\$ 13,972,210
06/30/06	14,774,920	-	34,722	14,809,642
06/30/07	15,241,960	-	53,932	15,295,892
06/30/08	15,281,310	266,657	158,167	15,706,134
06/30/09	15,038,687	186,521	73,531	15,298,739
06/30/10	15,612,328	405,466	117,801	16,135,595
06/30/11	14,621,695	433,359	15,510	15,070,564
06/30/12	14,654,565	419,613	199,614	15,273,792
06/30/13	15,438,514	392,958	149,473	15,980,945
06/30/14	17,534,111	594,056	116,780	18,244,947

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
 Operating Expenses by Activity  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

Fiscal Year	Personnel Services	Contractual Services	Operating Contracts	Supplies	Insurance	Building Rent	Taxes and Permits	Utilities	Closure/ Postclosure Maintenance	Hazardous Waste	Other	Total Operating Expenses
06/30/05	\$ 1,168,495	\$ 1,272,204	\$ 5,933,568	\$ 72,414	\$ 238,609	\$ 46,725	\$ 709,528	\$ 74,597	\$ 705,905	\$ 146,864	\$ 107,428	\$ 10,476,337
06/30/06	1,510,747	1,136,668	6,350,548	294,943	220,400	42,441	856,633	100,847	2,182,801	127,346	121,535	12,944,909
06/30/07	1,572,729	1,572,274	5,825,771	90,958	286,669	74,108	840,698	116,233	3,835,518	203,060	171,038	14,589,056
06/30/08	2,217,099	2,042,237	5,907,393	176,589	254,783	90,733	772,394	125,726	296,515	177,680	182,943	12,244,092
06/30/09	2,704,352	1,916,644	5,539,953	230,557	233,477	99,190	735,705	134,839	5,435,843	168,862	171,429	17,370,851
06/30/10	3,273,902	1,561,538	5,326,362	319,126	216,357	96,814	733,494	155,505	556,332	174,900	195,970	12,610,300
06/30/11	3,697,152	1,136,289	4,422,103	361,401	189,062	99,310	685,116	160,573	641,333	171,496	156,574	11,720,409
06/30/12	3,593,200	1,390,036	4,804,124	382,533	220,868	99,606	742,681	133,416	897,535	173,359	116,902	12,554,260
06/30/13	3,763,121	1,453,881	4,783,575	454,034	219,004	104,508	728,267	137,788	712,257	192,176	288,681	12,837,292
06/30/14	4,089,205	1,666,689	4,737,350	488,037	238,915	104,658	736,417	138,820	639,510	172,520	233,514	13,245,635

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
Revenue Base  
Last Ten Fiscal Years

Fiscal Year	Solid Waste Landfilled (tons)
06/30/05	319,252
06/30/06	325,402
06/30/07	308,234
06/30/08	292,720
06/30/09	271,808
06/30/10	253,553
06/30/11	250,683
06/30/12	236,248
06/30/13	236,521
06/30/14	242,789

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
 Revenue Rates  
 Last Ten Fiscal Years

Tipping Fees	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
Tipping Fee	\$ 48.00	\$ 50.00	\$ 54.50	\$ 58.00	\$ 63.00	\$ 63.00	\$ 64.00	\$ 64.00	\$ 67.00	\$ 67.00
Surcharge on Salinas franchise waste	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6.00	\$ 5.00	\$ 5.00	\$ 8.00	\$ 11.00
AB939 Fee (1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12.00

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
Principal Customers  
Current Fiscal Year and Nine Years Ago

Customer	6/30/2014		Customer	6/30/2005	
	Tons Processed	Percentage of Total		Tons Processed	Percentage of Total
Republic Services Of Salinas	106,358	38.09%	Republic Services Of Salinas	112,359	32.82%
Recology South Valley	75,790	27.15%	Recology South Valley	84,572	24.70%
Waste Management - Madison Lane	20,899	7.49%	Waste Management	32,951	9.62%
Waste Management - Jolon Road	15,390	5.51%	Rural Dispose-All	36,650	10.70%
City Of Soledad	9,120	3.27%	City Of Soledad	7,077	2.07%
City Of Greenfield	8,252	2.96%	City Of Greenfield	6,078	1.78%
Rural Dispose-All	8,031	2.88%	Tri-Cities Disposal	5,129	1.50%
Tri-Cities Disposal	4,085	1.46%	City Of Gonzales	3,931	1.15%
City Of Gonzales	3,809	1.36%	Correctional Trn.Fac.Soledad	2,808	0.82%
Correctional Trn.Fac.Soledad	1,589	0.57%	DON CHAPIN COMPANY	1,881	0.55%
All Other Customers	25,857	9.26%	All Other Customers	48,938	14.29%
<b>Total Tons for All Customers</b>	<b>279,180</b>	<b>100.00%</b>	<b>Total Tons for All Customers</b>	<b>342,374</b>	<b>100.00%</b>

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
Ratio of Outstanding Debt  
Last Ten Fiscal Years

Total					
Fiscal Year	Amount (1)	Per Capita (2)	As a Share of Personal Income		
6/30/2005	\$ 60,324,511	\$ 148.92	0.44%		
6/30/2006	\$ 61,456,927	\$ 153.12	0.40%		
6/30/2007	\$ 63,996,727	\$ 159.15	0.41%		
6/30/2008	\$ 61,607,943	\$ 151.87	0.36%		
6/30/2009	\$ 65,726,918	\$ 160.17	0.38%		
6/30/2010	\$ 64,595,160	\$ 155.63	0.37%		
6/30/2011	\$ 63,334,082	\$ 150.12	0.36%		
6/30/2012	\$ 55,791,466	\$ 130.73	0.30%		
6/30/2013	\$ 52,538,372	\$ 122.52	N/A		
6/30/2014	\$ 54,209,880	N/A	N/A		

(1) Data Source: Salinas Valley Solid Waste Authority Finance Division

(2) Amount of debt divided by population as provided by U.S. Census Bureau - see Schedule 10 (Demographic Statistics)



Salinas Valley Solid Waste Authority  
Pledged-Revenue Coverage  
Last Ten Fiscal Years

Description	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
Operating Income (see Schedule 2)	\$ 2,686,674	\$ 1,078,920	\$ (1,743,125)	\$ 1,552,097	\$ (4,414,058)	\$ 3,042,671	\$ 2,853,377	\$ 2,090,884	\$ 1,853,750	\$ 3,586,570
Investment Earnings	741,475	1,219,357	1,498,000	1,033,793	650,090	289,760	233,541	52,658	39,180	28,013
Closure/Postclosure Expense	705,905	2,182,801	3,835,518	296,515	2,400,249	556,332	641,333	897,535	712,257	639,510
Lewis Rd Postclosure				(52,767)	(154,128)	(99,706)	(134,012)	(135,362)	(103,497)	(97,684)
Jolon Rd Postclosure				(25,064)	(38,081)	(37,209)	(35,581)	(21,935)	(29,946)	(29,657)
Depreciation and Amortization	809,199	785,813	2,449,961	1,909,945	2,341,946	482,624	496,778	628,648	1,289,903	1,412,742
Total	<u>\$ 4,943,253</u>	<u>\$ 5,266,891</u>	<u>\$ 6,040,354</u>	<u>\$ 4,714,519</u>	<u>\$ 786,018</u>	<u>\$ 4,234,472</u>	<u>\$ 4,055,436</u>	<u>\$ 3,512,428</u>	<u>\$ 3,761,647</u>	<u>\$ 5,539,494</u>
Annual Debt Service	<u>\$ 1,594,600</u>	<u>\$ 2,249,300</u>	<u>\$ 2,437,000</u>	<u>\$ 2,749,804</u>	<u>\$ 2,754,916</u>	<u>\$ 2,753,154</u>	<u>\$ 2,753,091</u>	<u>\$ 2,753,092</u>	<u>\$ 2,753,093</u>	<u>\$ 2,879,137</u>
Coverage Percentage	310%	234%	248%	171%	29%	154%	147%	128%	137%	192%
Required Percentage	115%	115%	115%	115%	115%	115%	115%	115%	115%	115%

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority  
Demographic Statistics  
Last Ten Fiscal Years

County of Monterey				
Year	Unemployment Rate (1)	Population (2)	Personal Income (000) (3)	Personal Income Per Capita (4)
06/30/05	7.4%	405,090	\$ 14,519,770	\$ 34,172
06/30/06	7.0%	401,374	\$ 15,667,000	\$ 38,193
06/30/07	7.1%	402,116	\$ 15,586,498	\$ 38,373
06/30/08	8.4%	405,660	\$ 17,205,000	\$ 42,144
06/30/09	11.8%	410,370	\$ 17,381,644	\$ 42,356
06/30/10	12.8%	415,057	\$ 17,574,000	\$ 42,176
06/30/11	12.4%	421,898	\$ 17,355,940	\$ 41,138
06/30/12	9.9%	426,762	\$ 18,365,298	\$ 43,034
06/30/13	8.5%	428,826	N/A	N/A
06/30/14	7.0%	N/A	N/A	N/A

Data Sources:

- (1) California Employment Development Department; Labor Market Info Division
- (2) U.S. Census Bureau
- (3) U.S. Department of Commerce, Bureau of Economic Analysis (in thousands)
- (4) U.S. Department of Commerce, Bureau of Economic Analysis

Salinas Valley Solid Waste Authority  
 Number of Businesses, Number of Employees, and Third Quarter Payroll by Size Category (Private Industry)  
 Classified by North American Industry Classification System (NAICS) Codes for Metropolitan Statistical Areas (MSAs)

MSA and Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>SALINAS MSA</b>									
<b>Total</b>									
No. of Businesses	11,167	11,543	11,614	11,822	11,770	11,895	12,022	11,167	11,717
No. of Employees	150,590	150,949	152,069	152,846	146,140	148,321	150,224	150,590	158,846
Payroll (in thousands)	\$1,253,718	\$1,275,051	\$1,337,691	\$1,376,250	\$1,283,014	\$1,341,043	\$1,406,250	\$1,450,657	\$1,507,712
<b>Agriculture</b>									
No. of Businesses	584	577	571	562	546	529	529	532	540
No. of Employees	51,053	51,097	52,341	54,430	54,635	56,258	58,401	60,673	62,874
Payroll (in thousands)	\$336,288	\$342,021	\$369,937	\$383,147	\$380,582	\$416,294	\$448,534	\$472,663	\$520,761
<b>Mining</b>									
No. of Businesses	9	9	8						
No. of Employees	192	201	195						
Payroll (in thousands)	\$3,429	\$3,742	\$3,828						
<b>Utilities</b>									
No. of Businesses	25	26	25	23	21	19	20	21	21
No. of Employees	528	569	553	508	500	482	557	868	872
Payroll (in thousands)	\$9,714	\$8,836	\$9,266	\$10,210	\$11,086	\$10,735	\$14,754	\$19,317	\$21,089
<b>Construction and Mining</b>									
No. of Businesses	965	1,012	990	967	930	866	824	787	825
No. of Employees	6,886	7,367	7,102	6,144	4,578	4,314	3,997	4,673	4,823
Payroll (in thousands)	\$73,121	\$80,519	\$81,155	\$76,843	\$59,777	\$54,275	\$51,117	\$58,685	\$62,188

- (1) Data are confidential if there are fewer than 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category.
- (2) Data are suppressed because confidential data could be extrapolated if these totals were included.
- (3) Data does not include totals for government employment.
- (4) Data is reported at September 30 each year.
- (5) Data for the mining industry is combined with the construction industry beginning in 2008.
- (6) Rules instituted by the Federal Bureau of Labor Statistics after September 11, 2001, prohibit state departments of labor or economic security from publically identifying the names of individual employers.
- (7) Information for 2014 not yet available.

Definitions of Terms and Source Notes

[www.labormarketinfo.edd.ca.gov/?pageid=1035](http://www.labormarketinfo.edd.ca.gov/?pageid=1035)

Salinas Valley Solid Waste Authority  
Number of Businesses, Number of Employees, and Third Quarter Payroll by Size Category (Private Industry)  
Classified by North American Industry Classification System (NAICS) Codes for Metropolitan Statistical Areas (MSAs)

MSA and Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Manufacturing</b>									
No. of Businesses	283	281	269	251	255	256	244	248	265
No. of Employees	6,735	6,274	6,163	6,107	5,861	5,457	5,869	5,287	5,439
Payroll (in thousands)	\$73,030	\$65,346	\$64,045	\$62,187	\$56,038	\$57,445	\$66,066	\$63,429	\$59,826
<b>Wholesale Trade</b>									
No. of Businesses	408	429	420	400	402	391	377	377	368
No. of Employees	5,016	4,938	4,987	5,260	4,940	5,281	5,120	5,480	5,227
Payroll (in thousands)	\$71,940	\$69,628	\$72,518	\$78,282	\$74,947	\$79,735	\$83,299	\$88,422	\$92,922
<b>SALINAS MSA</b>									
<b>Retail Trade</b>									
No. of Businesses	1,300	1,330	1,288	1,267	1,221	1,227	1,200	1,195	1,175
No. of Employees	16,828	16,688	17,045	16,557	14,877	15,251	15,530	15,812	16,144
Payroll (in thousands)	\$120,898	\$120,907	\$123,776	\$123,551	\$107,453	\$111,004	\$122,602	\$120,195	\$120,072
<b>Transportation and Warehousing</b>									
No. of Businesses	231	248	250	248	241	239	227	230	239
No. of Employees	2,955	2,925	3,228	3,192	3,032	2,942	2,715	3,085	3,309
Payroll (in thousands)	\$28,851	\$28,644	\$34,632	\$36,789	\$34,856	\$36,081	\$36,164	\$37,895	\$40,049
<b>Information</b>									
No. of Businesses	117	116	105	107	98	106	99	102	102
No. of Employees	2,310	2,163	2,137	2,020	1,671	1,619	1,532	1,525	1,517
Payroll (in thousands)	\$33,578	\$33,618	\$35,998	\$31,248	\$24,735	\$23,894	\$24,061	\$23,229	\$23,947

Notes:

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Salinas Valley Solid Waste Authority  
Number of Businesses, Number of Employees, and Third Quarter Payroll by Size Category (Private Industry)  
Classified by North American Industry Classification System (NAICS) Codes for Metropolitan Statistical Areas (MSAs)

MSA and Industry	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Finance and Insurance</b>									
No. of Businesses	388	389	398	390	363	367	363	345	333
No. of Employees	3,757	3,816	3,819	3,541	2,857	2,630	2,528	2,480	2,235
Payroll (in thousands)	\$63,242	\$63,144	\$69,518	\$77,659	\$47,648	\$46,824	\$43,452	\$46,190	\$43,238
<b>Real Estate and Rental and Leasing</b>									
No. of Businesses	432	445	420	400	393	386	360	369	380
No. of Employees	2,364	2,497	2,243	1,932	1,730	1,745	1,654	1,753	1,639
Payroll (in thousands)	\$21,537	\$22,315	\$21,402	\$17,392	\$15,087	\$15,752	\$17,044	\$17,891	\$18,071
<b>Services</b>									
No. of Businesses	6,425	6,681	6,870	7,207	7,300	7,509	7,779	6,989	7,469
No. of Employees	51,966	52,414	52,256	53,155	51,459	52,342	52,321	54,233	54,767
Payroll (in thousands)	\$418,089	\$436,331	\$451,616	\$478,942	\$470,805	\$489,004	\$499,157	\$502,741	\$505,549

Notes:

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Salinas Valley Solid Waste Authority  
 Building Permits - County of Monterey  
 Last Ten Fiscal Years

Fiscal Year	New Single Family Residence	Other Residential	Total Residential	Nonresidential	Total All Building Permits
06/30/05	129	976	1,105	2,364	3,469
06/30/06	195	753	948	2,639	3,587
06/30/07	257	711	968	2,326	3,294
06/30/08	261	671	932	2,027	2,959
06/30/09	67	511	578	1,539	2,117
06/30/10	72	973	1,045	1,139	2,184
06/30/11	71	1,655	1,726	408	2,134
06/30/12	111	1,711	1,822	355	2,177
06/30/13	118	1,578	1,696	522	2,218
06/30/14	119	1,958	2,077	338	2,415

Data Source: Monterey County Department of Building Services

Salinas Valley Solid Waste Authority  
Housing Stock - County of Monterey  
Last Ten Fiscal Years

Fiscal Year	Single Family Residential	Multiple	Mobile Homes	Total All Housing
06/30/05	95,146	95,146	5,677	195,969
06/30/06	96,021	96,021	5,715	197,757
06/30/07	96,474	96,474	5,723	198,671
06/30/08	96,672	96,672	5,736	199,080
06/30/09	96,668	96,668	5,709	199,045
06/30/10	96,569	96,569	5,678	198,816

Data Source: CA Dept. of Finance - Report E-8 Historical Population and Housing Estimates - Organized by Geography

Date	Single Family Residential Detached	Single Family Residential Attached	Multiple Two to Four	Multiple Five Plus	Mobile Homes
01/01/11	87,355	8,902	12,388	23,593	5,672
01/01/12	87,610	8,902	12,394	23,625	5,675
01/01/13	87,563	8,903	12,412	23,753	5,677
01/01/14	87,723	8,910	12,494	24,005	5,685

Data Source: CA Dept. of Finance - Report E-5 Population and Housing Estimates for Cities, Counties, and the State, 2011-2013, with 2010 Census Benchmark

Salinas Valley Solid Waste Authority  
 Operating and Capacity Indicators  
 Last Ten Fiscal Years

Fiscal Year	Authority's Employees by Department				
	Administration	Finance	Engineering	Operations	Diversion
06/30/05	5	1	2	4	2
06/30/06	6	2	2	4	1
06/30/07	6	3	2	3	6
06/30/08	6	3	2	3	8
06/30/09	6	4	1	9	8
06/30/10	6	4	2	15	8
06/30/11	6	4	2	15	8
06/30/12	6	4	1	22	5
06/30/13	6	4	1	19	5
06/30/14	6	4	1	21	5

Fiscal Year	Other Operating and Capacity Indicators		
	Authority Area (1) (Square Miles)	Landfill Acreage	Daily Landfill Capacity (tons)
06/30/05	3,280.600	447.000	1,574.000
06/30/06	3,280.600	943.000	1,574.000
06/30/07	3,280.600	943.000	1,574.000
06/30/08	3,280.600	943.000	1,574.000
06/30/09	3,280.600	943.000	1,574.000
06/30/10	3,280.600	943.000	1,574.000
06/30/11	3,280.600	943.000	1,574.000
06/30/12	3,280.600	943.000	1,574.000
06/30/13	3,280.600	943.000	1,574.000
06/30/14	3,280.600	943.000	1,574.000

Source:

(1) Authority Area - U.S. Census Bureau  
 Other data from Salinas Valley Solid Waste Authority Finance Division



Salinas Valley Solid Waste Authority  
 Operating and Capacity Indicators  
 Capital Assets Statistics by Function  
 Last Ten Fiscal Years

Function	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14
<u>Administration</u>										
Vehicles	2	3	2	1	1	1	1	1	1	1
Computer Equipment	5	6	6	6	6	6	6	6	6	6
Buildings	1	1	1	1	1	1	1	1	1	1
Buildings (square footage)	1,100	1,100	6,884	6,884	6,884	6,884	6,884	6,884	6,884	6,884
<u>Finance</u>										
Computer Equipment	2	3	3	4	4	4	4	4	4	4
<u>Operations</u>										
Vehicles	5	5	5	9	12	12	12	13	13	14
Machinery & Equipment										
Forklifts/Hydraulic Lifts	1	2	2	2	2	2	2	2	2	2
Heavy Equipment	-	-	-	2	2	3	5	6	6	7
Water Truck	-	-	-	-	-	-	1	1	1	1
Bulldozers	-	-	-	-	-	-	-	-	-	-
Computer Equipment	5	5	5	5	8	8	8	8	8	8
Fuel Tanks	-	-	-	-	-	-	1	1	2	2
Buildings	8	10	10	10	10	10	10	10	10	10
Buildings (square footage)	27,370	28,920	29,110	29,110	29,110	29,110	29,110	29,110	29,110	29,110
Landfills	3	4	4	4	4	4	4	4	4	4
Flares	4	4	4	4	4	4	4	4	4	4
Site Security Systems	2	2	2	2	2	1	1	1	1	1
Leachate Systems	2	3	3	3	3	3	3	3	3	3
Gas Monitoring Wells	37	37	37	38	38	40	40	40	40	40
Water Wells	48	48	48	48	48	48	48	48	48	48
Water Tanks	2	3	3	3	3	3	3	3	3	3
Land (acreage)	447	943	943	943	943	943	943	943	943	943
Landfill Gas to Energy - Gas Scrubber	-	-	-	-	-	-	-	-	-	1
<u>Diversion</u>										
Vehicles	1	1	2	3	3	3	3	3	3	3
Computer Equipment	2	2	3	4	5	5	5	5	5	5

Data Source: Salinas Valley Solid Waste Authority Finance Division