

# **SALINAS VALLEY SOLID WASTE AUTHORITY**

**Salinas, California**



## **BASIC FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2005**

# **SALINAS VALLEY SOLID WASTE AUTHORITY**

## **BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2005**



PREPARED BY

THE AUTHORITY'S FINANCE DIVISION

Tom L. Kever  
Interim Treasurer/Controller

Roberto Moreno, Finance Manager  
J.D. Black, Accountant

---

AUDITORS

Brown, Kaufman & Associates, LLP  
Certified Public Accountants  
150 Cayuga Street, Suite 1  
Salinas, CA 93901

SALINAS VALLEY SOLID WASTE AUTHORITY  
Annual Financial Report  
Table of Contents

	<u>Page</u>
<b><u>INTRODUCTORY SECTION:</u></b>	
Transmittal Letter	i
List of Principal Officials	v
<b><u>FINANCIAL SECTION:</u></b>	
<b>Independent Auditor’s Report</b>	1
<b>Management’s Discussion and Analysis</b> (Required Supplementary Information)	3
<b>Basic Financial Statements</b>	
Fund Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to Basic Financial Statements	
1. Summary of Significant Accounting Policies .....	10
2. Cash and Investments .....	12
3. Restricted Assets .....	14
4. Deferred Charges.....	14
5. Capital Assets .....	15
6. Annual Leave Liability .....	15
7. Long Term Liabilities .....	16
8. Unamortized Bond Discount.....	17
9. Landfill Closure and Postclosure Requirements.....	17
10. Landfill Closure Cost Estimates Revisions .....	19
11. Commitments and Contingencies .....	20
12. Related Party Disclosures .....	23
13. Deferred Compensation Plan.....	23
14. Retirement Program.....	23
15. Classification of Net Assets.....	24
16. Deficit Net Assets .....	25
<b>Required Supplementary Information</b>	
Schedule of Funding Progress – Public Employees’ Retirement System.....	26
<b>Supplementary Information</b>	
Schedule of Net Assets by Location.....	27
Schedule of Revenues, Expenses and Changes in Net Assets by Location.....	28
Schedule of Cash Flows by Location.....	29



January 3, 2006

President and Board of the Salinas Valley Solid Waste Authority

We are pleased to submit the Salinas Valley Solid Waste Authority (Authority) Basic Financial Statements for the fiscal year ended June 30, 2005. These statements combined with other information are analyzed in the narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the Authority.

This report consists of management's representations concerning the finances 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, 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.

The Authority's financial statements have been audited by Brown, Kaufman & Associates, LLP a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2005, 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. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended June 30, 2005, 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, King City, Greenfield, Soledad, and Monterey County to provide solid waste transfer and 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 Board of Supervisors, and one City Council member from Gonzales, Greenfield, King City, and Soledad.

## **Operating Results**

Generally Accepted Accounting Principles require that depreciation, estimated closure costs and estimated postclosure 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 a net income of \$1,100,985 for the fiscal year ended June 30, 2005.

As part of its adopted policy, the Authority does not set aside funds for postclosure 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 postclosure maintenance. Authority tipping fees are not expected to recover the accrual of postclosure expenses in the current period.

The Authority's policy is to set aside funds for closure costs. Closure liabilities are fully funded except for \$1,472,506 which will be officially set aside by the Board in February 2006.

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

The Statement of Cash Flows for the fiscal year ended June 30, 2005 provides a detailed reconciliation of the Authority's increase in cash of \$2,305,806.

## **Cash Management Policies and Practices**

The Authority's funds are invested as part of the City of Salinas' investments and tracked separately. The City 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 City Council of Salinas.

Investment income includes appreciation 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. Decreases in fair value during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2005, the Authority's investment earnings were \$741,475 consisting of \$804,905 of interest income and \$63,430 in unrealized losses.

## **Risk Management**

The Authority participated in the City of Salinas' self-insurance program for worker's compensation until June 30, 2004. The Authority purchases commercial insurance for general liability, automobile liability, pollution liability, public official's bonds and property damage. Additional information on the Agency's risk management activity can be found in Note 11 of the financial statements.

## **Financial Management**

The Authority carefully monitors its rates and after four years without a rate increase, its tipping fee was increased from \$39 per ton to \$43 per ton, effective July 1, 2001. On July 1, 2002 its tipping fee was increased to \$44 per ton. Starting on July 1, 2003 and annually thereafter tipping fees have increased to \$2 per ton. Effective July 1, 2004 its tipping fee was \$48 per ton. On July 1, 2005 the tipping fee was increased to \$50 per ton. The tipping fee is expected to increase about \$2 per ton annually. Authority rates have been set to fund operating expenses, closure costs, postclosure maintenance costs for Lewis Road, and to provide for debt service on the Authority's 2002 Revenue Bonds.

## **Bond Issue 2002**

On May 15, 2002 the Salinas Valley Solid Waste Authority issued Revenue Bonds, Series 2002 in the amount of \$39,845,000. The bonds were sold to payoff the Authority's existing 1997 Revenue Bonds, payoff a portion of the Crazy Horse installment purchase agreement, provide for cost of bond issuance, capitalized interest and a bond reserve and to finance various capital projects at the landfill sites, including the completion of the Regional Environmental Impact Report. Maximum annual debt service is \$2,756,524, including interest at 5.56% for thirty (30) years. At June 30, 2005, there is \$9,208,748 in unspent bond proceeds to be used for Authority capital projects.

## **Regional Solid Waste Facilities Project**

After accepting public testimony and due deliberation, the Authority Board certified the Final Regional Environmental Impact Report (EIR) for the Regional Solid Waste Facilities Project at its October 31, 2002 meeting. On November 14, 2002, the Board adopted the Regional Solid Waste Facilities Project (Project) and on January 16, 2003, the Board made final revisions to this Project. The approved Project maximizes the capacity at Crazy Horse Canyon and Johnson Canyon using existing land. The project allows for reduced expansion of Jolon Road. The Project provides up to 35 years of disposal capacity, including 15 years of existing permitted capacity. The Project provides for a Salinas area transfer station and a King City area transfer station. The Board directed staff to form a task force to study alternative landfill sites to provide additional disposal capacity which have now been identified.

## **Expansion Fund**

As a result of the Regional EIR process, the Authority adopted a program that provides for expansion of the available capacity at the Crazy Horse and Johnson Canyon landfills and good faith efforts to find a new landfill site, with assistance of a task force composed of board members and representatives of various concerned groups. On October 2, 2003, the Authority endorsed the acceptance of waste from South Valley Recycling & Waste as the preferred method of raising funds for operating Crazy Horse through the extension period and funding the development of a new landfill site.

A new fund "Expansion Fund" was established to collect proceeds from the sale of outside waste, pay costs associated with increased tonnage generated by outside waste, 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 agreement with South Valley Disposal, revenue from the sale of outside waste is estimated at \$28.8 million, with costs estimated at \$4.5 million to operate Crazy Horse, \$3.8 million for liners at Johnson Canyon, \$2.7 million in closure set-asides and \$2.5 million in taxes and fees, leaving \$15.3 million for locating and permitting a new landfill site. At June 30, 2005 the Expansion Fund had unrestricted net assets of \$996,616.

## Summary

Authority projections indicate that the current tipping fee (\$50 per ton), including about \$2 per ton annual increases will be sufficient to provide for operations, closure costs, postclosure maintenance, capital requirements and debt service through the expansion period. Until Crazy Horse Canyon is filled and closed, which is anticipated to occur in 2009, the Authority will be operating both Crazy Horse Canyon and Johnson Canyon landfills. To keep tipping fee increases to a minimum, the Authority approved the sale of outside waste as the preferred method of providing funds to operate two landfills and develop a new landfill site.

## 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 Authority and City staff assigned to the Authority for their day-to-day involvement in the operations, without whom this presentation would not be possible. In addition, I would like to offer special thanks to the City of Salinas accounting staff, Miguel Gutierrez and Elizabeth Mariano, and the Authority's finance staff, Roberto Moreno, Susan Warner and J. D. Black who are primarily responsible for managing the audit process and the preparation of the financial report. I would also like to thank the Authority's auditors Brown, Kaufman & Associates, LLP. It is the combined effort of all participants that resulted in the issuance of this document.

Respectfully submitted,



Tom L. Kever  
Interim Treasurer/Controller

# SALINAS VALLEY SOLID WASTE AUTHORITY



## List of Principal Officials

**Janet Barnes, City of Salinas**  
President

**George Worthy, City of Gonzales**  
Vice President

**Lou Calcagno, County of Monterey**  
Alternate Vice President

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

**Maria Giuriato, City of Salinas**  
Board member

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

**Yolanda Teneyuque, City of Greenfield**  
Board member

**Richard Ortiz, City of Soledad**  
Board member

**Josephine Campos, City of King**  
Board member

**Dave Mora**  
Interim Chief Administrative Officer

**Stephen Johnson**  
General Manager

**Thomas M. Bruen**  
General Counsel

**Tom Kever**  
Interim Treasurer/Controller

**Roberto Moreno**  
Finance Manager



**BROWN, KAUFMAN & ASSOCIATES, LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

150 Cayuga Street, Suite 1 • Salinas, California 93901-2684  
Telephone (831) 424-2737 • Facsimile (831) 424-7936

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Salinas Valley Solid Waste Authority (Authority) as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Authority as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying Required Supplementary Information, such as management's discussion and analysis and the retirement schedule of pension funding progress on pages 3 through 6 and 26, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed in the table of contents as supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Salinas Valley Solid Waste Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Braun Kaufman & Associates LLP*

December 15, 2005

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This analysis of the Salinas Valley Solid Waste Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

### Financial Highlights

- The Authority's net assets increased 41% from a deficit of \$2,673,178 to a deficit of \$1,572,193 as a result of this year's operations.
- During the year, the Authority's total revenues exceeded total expenses by \$1,100,985 while cash and cash equivalents increased \$2,305,806.
- Operating revenues increased \$2,152,457 (18.2%). This is in line with increased tonnage from South Valley Disposal and rate increases.
- Tons landfilled increased 67,646 tons during the year from 251,606 tons in fiscal year 2003-04 to 319,252 tons in fiscal year 2004-05. In addition, on July 1, 2004, tip fees were increased \$2 per ton from \$46 per ton to \$48 per ton.
- Operating expenses decreased \$6,286,481 (35.6%). The decreased operating expenses were due primarily to decreases of \$4,178,770 in depreciation and \$1,639,752 in closure and postclosure expenses.
- At June 30, the Authority is still holding \$9,208,748 in unspent bond proceeds to be used for Crazy Horse closure and other capital projects per the Authority's 10-year financial model.
- The Authority's total debt decreased by \$63,430 to \$43,863,460.
- On January 1, 2005 the Sun Street Convenience Station and Household Hazardous Waste facility was opened for business.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, 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 Assets 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 Assets. 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.

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 cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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.

### Supplementary Information

In addition to the basic financial statements, this report also presents certain Supplementary Information that presents the financial schedules by location. This information is not required but is provided for further analysis of the Authority's operations.

### FINANCIAL STATEMENTS ANALYSIS

#### Statement of Net Assets

Net assets are a good indicator of the Authority's financial position. At the end of this fiscal year, the net assets of the Authority were a negative \$1,572,193, which is an improvement of \$1,100,985 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2005 and 2004:

	2005	2004	Total % Change
Assets:			
Current Assets	\$ 11,709,414	\$ 9,943,227	17.8%
Other Assets	22,040,136	24,425,797	-9.8%
Capital Assets, Net	<u>28,184,787</u>	<u>26,550,269</u>	6.2%
Total Assets	<u>61,934,337</u>	<u>60,919,293</u>	1.7%
Liabilities:			
Current Liabilities	3,250,566	3,849,929	-15.6%
Long-term Liabilities	<u>60,255,964</u>	<u>59,742,542</u>	0.9%
Total Liabilities	<u>63,506,530</u>	<u>63,592,471</u>	-0.1%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(6,111,819)	(5,791,565)	5.5%
Restricted	3,233,233	3,691,098	-12.4%
Unrestricted	<u>1,306,393</u>	<u>(572,711)</u>	-328.1%
Total Net Assets	<u>\$ (1,572,193)</u>	<u>\$ (2,673,178)</u>	-41.2%

The deficit net assets result from liabilities exceeding assets. The Authority has \$3.2 million in restricted net assets that can be spent only for debt service. Unrestricted net assets are a positive \$1,306,393, an improvement over the previous year. The total negative net assets is due primarily to a negative \$6,111,819 Invested in Capital Assets, Net of Related Debt. The decrease in this category is due to the fact that the value of capital assets continues to decrease at a faster rate than the related debt. Very little has been paid on the Authority's debt while capital assets continue to depreciate as explained in the Notes on capital assets and deficit net assets. \$43,863,460 of the long-term debt is scheduled to be paid with future revenues. Further information on the restricted assets is provided in the Notes to the financial statements.

Negative net assets are to be expected when a new enterprise such as the Authority uses debt to acquire assets (landfills) that are well depreciated. This situation will improve over time.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statement of Revenues, Expenses and Changes in Net Assets

The following is the Condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2005 and 2004.

Salinas Valley Solid Waste Authority  
Condensed Statement of Revenues, Expenses and Changes In Net Assets  
For the years ended June 30, 2005 and 2004

	2005	2004	% change
Operating Revenues	\$ 13,972,210	\$ 11,819,753	18.2%
Operating Expenses	11,355,044	17,641,525	-35.6%
Operating Income (Loss)	2,617,166	(5,821,772)	-145.0%
Non-operating Revenues	873,762	597,213	46.3%
Non-operating Expenses	(2,389,943)	(2,349,375)	1.7%
Loss on sale of capital assets	-	(1,800)	
Loss on disposition of capital assets	-	(2,593,109)	
Change in Net Assets	1,100,985	(10,168,843)	-110.8%
Net Assets - Beginning	(2,673,178)	7,495,665	-135.7%
Net Assets - Ending	\$ (1,572,193)	\$ (2,673,178)	-41.2%

The Authority's activities increased net assets by \$1,100,985. Key elements of this change are as follows:

Operating revenues increased \$2,152,457 (18.2%). The primary reason for this increase is the increase of \$1,366,517 in revenues from the importation of out-of-county waste. This was the first full year of the agreement with South Valley Disposal & Recycling. This revenue source will now level off at around \$2.2 million annually. The rest of the increase was due to the per ton rate increase of \$2 per ton from \$46 to \$48 per ton effective July 1, 2004 and a minor increase in tonnage not related to out-of-county waste.

Operating expenses decreased \$6,286,481 (35.6%). The major reason for this decrease were decreases of \$4,178,770 in depreciation expense and \$1,639,752 in closure/postclosure expense. These decreases were primarily due to the increased capacity of 3.4 million cubic yards granted in March 2005 for Crazy Horse Landfill as explained in Note 9. Remaining capacity is the basis for depreciation and closure/postclosure expenses of a landfill. Due to the increased capacity Crazy Horse landfill had no depreciation expense and its closure/postclosure expense was also greatly reduced.

The other expense category worth noting is that professional contractual services decreased \$258,297 (16.9%) from \$1,530,501 to \$1,272,204. This is due in part to the fact that with more professional staff the Authority is able to do more work in-house.

Operating contract expense of \$5,933,568 was a decrease of \$162,141 (2.7%) over the previous year. While the cost of running all the Authority's landfills and transfer station decreased only slightly this is still significant in view of the 27% increase in tonnage landfilled. The single biggest expense for the year was the \$4,255,592 paid to Norcal Engineering Services for operation of the Crazy Horse and Johnson Canyon landfills, Sun Street convenience station, diversion services, excess tonnage and air space conservation adjustment.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2005, the Authority had \$28.2 million invested in capital assets, primarily in landfills as summarized below. During this fiscal year the Authority purchased \$2,443,717 in capital assets. It also recorded depreciation expense of \$809,199. Additional information on the Authority's capital assets can be found in Note 5 on page 15 of this report.

#### Capital Assets at Year-End

	<u>2005</u>	<u>2004</u>
Land	\$ 42,600	\$ 42,600
Buildings	456,484	268,378
Improvements other than buildings	42,980,354	36,704,354
Equipment	650,955	570,605
Construction in progress	<u>3,243,274</u>	<u>7,344,013</u>
	47,373,667	44,929,950
Accumulated Depreciation	<u>(19,188,880)</u>	<u>(18,379,681)</u>
Totals	<u>\$28,184,787</u>	<u>\$26,550,269</u>

#### Long-Term Debt

At the end of this fiscal year, the Authority had \$43,863,460 in long-term debt as shown below. No new debt was incurred during this fiscal year. Additional information on the Authority's long-term debt can be found in Note 9 on page 16 of this report.

Standard & Poor's Corporation assigned the revenue bonds a rating of "AAA". Moody's Investors Service assigned the same bonds a rating of "Aaa".

#### Salinas Valley Solid Waste Authority Condensed Statement of Long-Term Debt

	<u>2005</u>	<u>2004</u>
Revenue Bonds, Series 2002	\$39,845,000	\$39,845,000
Installment Purchase Agreement	<u>4,018,460</u>	<u>4,081,890</u>
Total Long-Term Debt	<u>\$43,863,460</u>	<u>\$43,926,890</u>

### 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. At the beginning of fiscal year 2004-05 the tipping fee was increased \$2.00 per ton to \$48 for franchise haulers. For fiscal year 2005-06 the Authority's tipping fees were increased to \$50 per ton.

### CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, customers, investors, 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 Department, at the Salinas Valley Solid Waste Authority, P.O. Box 2159, Salinas, California 93902-2159.

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2005

Assets:

Current Assets:

Cash and Investments	\$ 10,002,052
Accounts Receivable	1,374,414
Interest Receivable	255,995
Intergovernmental Receivable	<u>76,953</u>
Total Current Assets	11,709,414

Restricted Cash	20,163,432
Deferred Charges	1,876,704
Capital Assets, Net	<u>28,184,787</u>

Total Assets	<u>61,934,337</u>
--------------	-------------------

Liabilities:

Current Liabilities:

Accounts Payable	2,085,618
Accrued Leave	77,594
Deferred Revenue	66,483
Interest Payable	952,324
Installment Purchase Agreement	68,547
Bonds Payable - Current	<u>720,000</u>
Total Current Liabilities	<u>3,970,566</u>

Long Term Liabilities:

Closure Payable	8,790,738
Postclosure Payable	8,028,419
Installment Purchase Agreement	3,949,913
Bonds Payable, Net	<u>38,766,894</u>
Total Long Term Liabilities	<u>59,535,964</u>

Total Liabilities	<u>63,506,530</u>
-------------------	-------------------

Net Assets:

Invested in Capital Assets, Net of Related Debt	(6,111,819)
Restricted for Debt Service	3,233,233
Unrestricted	<u>1,306,393</u>

Total Net Assets	<u>\$ (1,572,193)</u>
------------------	-----------------------

The accompanying notes are an integral part of this statement.

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS  
FOR FISCAL YEAR ENDED JUNE 30, 2005

Operating Revenues:	
Charges for Services	<u>\$ 13,972,210</u>
Operating Expenses:	
Personnel Services	1,168,495
Contractual Services	1,272,204
Operating Contracts	5,933,568
Supplies	72,414
Insurance	238,609
Building Rent	46,725
Taxes	709,528
Utilities	74,597
Depreciation	809,199
Amortization	69,508
Closure/Postclosure Maint.	705,905
Hazardous Waste	146,864
Other	<u>107,428</u>
Total Operating Expenses	<u>11,355,044</u>
Operating Income (Loss)	<u>2,617,166</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	741,475
Operating Grants and Contributions	64,143
Other Non-Operating Revenue	68,144
Interest Expense	<u>(2,389,943)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,516,181)</u>
Change in Net Assets	<u>1,100,985</u>
Total Net Assets-Beginning	<u>(2,673,178)</u>
Total Net Assets - End of Year	<u><u>\$ (1,572,193)</u></u>

The accompanying notes are an integral part of this statement.



SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR FISCAL YEAR ENDED JUNE 30, 2005

<b>Cash Flows from Operating Activities:</b>	
Receipts from Customer and Users	\$ 14,677,843
Payments to Suppliers	(9,384,680)
Payments to Employees	<u>(1,151,484)</u>
Net Cash Provided by Operating Activities	<u>4,141,679</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Other Non-Operating Revenue	<u>82,050</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition of Capital Assets	(2,443,717)
Principal paid on Capital Debt	(63,430)
Interest paid on Capital Debt	<u>(2,379,343)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(4,886,490)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest Received	702,632
Increase (Decrease) in Fair Value of Investments	(50,218)
Transfer (to) from Restricted Cash	<u>2,316,153</u>
Net Cash Provided by Investing Activities	<u>2,968,567</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,305,806
Cash and Cash Equivalents at Beginning of Year	<u>7,696,246</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 10,002,052</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating Income (Loss)	<u>\$ 2,617,166</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	809,199
Amortization	69,508
(Increase) Decrease in Accounts Receivable	705,633
Increase (Decrease) in Accounts Payable	(596,325)
Increase (Decrease) in Accrued Leave	17,011
Increase (Decrease) in Closure/Postclosure Payable	<u>519,487</u>
Total Adjustments to Net Income	<u>1,524,513</u>
Net Cash Provided by Operating Activities	<u><u>\$ 4,141,679</u></u>

The accompanying notes are an integral part of this statement.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

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

**A. *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 City (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 a unified and coordinated solid waste management for the members.

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. Up until July 1, 2004 the day-to-day operations of the Authority were conducted by employees of the City of Salinas through interagency agreements between the Authority and the City of Salinas. Effective July 1, 2004 the Authority hired its own employees. The Interim Chief Administrative Officer of the Authority is the City Manager of the City of Salinas.

**B. *Measurement Focus and Basis of Accounting and Financial Statement Presentation***

The basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets. The Statement of Activities and Changes in Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The Authority has elected not to follow subsequent private-sector guidance of FASB after November 20, 1989.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the operation of the four landfill sites and related services. The principal operating revenues of the Authority are tip fees charged to customers for use of the landfills. Operating grants that are exchange transactions and are activities that are related to the operation of the landfill are also considered operating revenues. Operating expenses include the cost of maintenance and operations of the landfills and transfer stations, closure, and postclosure costs, general and administrative expenses and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

**C. Use of Restricted/Unrestricted Net Assets**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Authority's policy is to apply restricted net assets first.

**D. Cash and Cash Equivalents**

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

**E. Accounts Receivable**

The Authority considers all receivables to be fully collectible. No provision is made for uncollectible accounts. Any receivables that become uncollectible during the year are netted against revenues.

**F. Capital Assets**

Capital assets, which include land, buildings, improvements, equipment and infrastructure assets, are reported at cost or estimated historical cost if actual cost is not available. Donated assets are valued at their estimated fair value on the date donated. Capitalized costs include material, direct labor, transportation and such indirect items as engineering, supervision, employee fringe benefits and interest on net borrowed funds related to capital assets under construction. The Authority has set the capitalization thresholds for reporting capital assets at the following:

- General Capital Assets                      \$5,000

For all exhaustible capital assets depreciation is recorded on a straight-line method (beginning the year after acquisition) over the useful lives of the assets 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 will lead to larger amounts of depreciation charged at the end of the 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.

**G. Compensated Absences**

The Authority accrues the cost of unused annual leave as a current liability at fiscal year end along with the cost of associated retirement benefits.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

**H. Personnel**

Up through June 30, 2004 the Authority had no employees. All personnel services were provided by the City of Salinas and reimbursed by the Authority. Effective July 1, 2004 the Authority hired its own employees.

**I. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**J. Bond Premiums, Discounts and Issuance Costs**

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are reported as deferred charges.

**K. Net Assets**

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

**2. Cash and Investments:**

The Authority’s cash and investments at June 30, 2005 are included in the accompanying basic financial statements as follows:

Cash and Investments	\$10,002,052
Restricted Cash	<u>20,163,432</u>
Total	<u>\$30,165,484</u>

The Authority’s cash and investments at June 30, 2005 were held as follows:

Investments held in trust by Fiscal Agent	\$12,536,439
Investments managed by the City Treasurer	<u>17,629,045</u>
Total	<u>\$ 30,165,484</u>

As fiscal agent for the Authority, the City of Salinas follows the practice of pooling cash and investments of all funds including Authority funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Earnings from these investments are allocated quarterly to each fund based on average monthly cash balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund. The City’s investment policy also governs the investment of Authority funds. The City’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

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

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, 2005 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.

Investments

At June 30, 2005 the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>0-6 mths</u>	<u>6-12 mths</u>	<u>1-5 years</u>	<u>over 5 yrs</u>
State of California					
Local Agency Investment Fund	\$ 17,629,045	\$ 17,629,045	\$ -	\$ -	\$ -
State of California					
Local Agency Investment Fund	9,714,366	9,714,366	-	-	-
JP Morgan Treasury Plus					
Money Market Fund	1,373	1,373	-	-	-
AIG Matched Funding					
Investment Agreement	2,820,700	-	-	-	2,820,700
	<u>\$ 30,165,484</u>	<u>\$ 27,344,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,820,700</u>

Credit Risk

The Local Agency Investment Fund managed by the State Treasurer, representing 90.6% of the 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. At June 30, 2005 the money market fund used by the Authority was rated AAAM by Standard & Poor's Rating Group and Aaa by Moody's Investors Service. AIG Matched Funding was rated AAA and Aaa by Standard and Poor's Rating Group and Moody's Investor's Service, respectively.

Concentration of Credit Risk

The Local Agency Investment Fund, representing 90.6% of the portfolio is not considered a concentrated risk. The AIG Matched Funding Investment Agreement represents 9.4% of the investment portfolio. This investment agreement exceeds 5% of the Authority's investment portfolio and therefore does represent a concentration of credit risk. The investment is in accordance with the Indenture of Trust and is insured by AMBAC Financial Guaranty Insurance.

Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the maturity of investments in accordance with Government Code Sections 53601 (a)-(n) and 53636 (a)-(m). The City of Salinas' policy is to ladder investments so that there are always investments coming due to meet cash flow requirements of the Authority. Because the Local Agency Investment Fund as of June 30, 2005 had an average life of 165 days, it was presented as an investment with a maturity of 1-6 months.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

However LAIF allows the Authority to make withdrawals of any amount within 24 hours. The AIG Matched Funding Investment Agreement is the debt service reserve for the 2002 Revenue Bonds. It matures on August 1, 2031 when the bond issue matures.

Custodial Credit Risk

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy limits safekeeping of investments to third-party custody. 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 2002 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.

**3. Restricted Assets:**

Cash and investments of \$20,163,432 are recorded as restricted assets at June 30, 2005.

Cash and investments of \$7,626,993 are restricted by the California Integrated Waste Management Board for the eventual closure of the landfills.

Cash and investments of \$3,327,691 held by the fiscal agent are restricted to cover expenses of debt service.

Cash and investments of \$9,208,748 are bond proceeds restricted for capital improvement projects.

**4. Deferred Charges (Bond Issuance Costs):**

The Authority incurred bond issuance costs of \$2,085,228 in connection with the issuance of the Revenue Bonds, Series 2002. The issuance costs are being amortized over 30 years, the life of the 2002 Revenue Bonds, at an annual amortization expense of \$69,508. The following is a summary of unamortized bond issuance costs at June 30, 2005 reported on the Statement of Net Assets as deferred charges:

	June 30, <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	June 30, <u>2005</u>
Revenue Bonds, Series 2002	\$ 1,946,212	\$	\$ (69,508)	\$ 1,876,704

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

**5. Capital Assets:**

Capital asset activity for the year ended June 30, 2005 was as follows:

<b>Business-type activities</b>	<u>June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>
Nondepreciable Assets:				
Land	\$ 42,600	\$ -	\$ -	\$ 42,600
Construction in Progress	<u>7,344,013</u>	<u>271,904</u>	<u>(4,372,643)</u>	<u>3,243,274</u>
Total nondepreciable assets	<u>7,386,613</u>	<u>271,904</u>	<u>(4,372,643)</u>	<u>3,285,874</u>
Depreciable Assets:				
Buildings	268,378	188,106	-	456,484
Other Improvements	36,704,354	6,276,000	-	42,980,354
Machinery and Equipment	<u>570,605</u>	<u>80,350</u>	<u>-</u>	<u>650,955</u>
Total depreciable assets	37,543,337	6,544,456	-	44,087,793
Less Accumulated Depreciation	<u>(18,379,681)</u>	<u>(809,199)</u>	<u>-</u>	<u>(19,188,880)</u>
Total Depreciable Assets, Net	<u>19,163,656</u>	<u>5,735,257</u>	<u>-</u>	<u>24,898,913</u>
Total Capital Assets, Net	<u>\$ 26,550,269</u>	<u>\$ 6,007,161</u>	<u>\$ (4,372,643)</u>	<u>\$ 28,184,787</u>

Construction in progress at June 30, 2005 consists of \$440,139 in costs associated with citing a new regional landfill; \$184,754 in costs associated with establishing a cogeneration plant; and \$2,618,681 of capitalized costs for an environmental impact report (EIR). This report was required for the regional solid waste facilities expansion project and will be depreciated over the life of the expanded landfill sites when permits for expanded capacity are approved. The decrease in Construction in Progress was due to the fact that the Sun Street convenience station became operational January 1, 2005 and part of the EIR was placed in service for the expansion of Crazy Horse landfill.

**6. Annual Leave Liability:**

Employees are eligible to receive their entire unused annual leave balance 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, 2005, the liability for this accrued leave is \$77,594.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

**7. Long Term Liabilities:**

The following is a summary of long term liabilities activities for the fiscal year ended June 30, 2005:

	<u>June 30, 2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2005</u>	<u>Due Within One Year</u>
Long Term Debt:					
2002 Revenue Bonds	\$39,845,000	\$ -	\$ -	\$39,845,000	\$720,000
Installment Purchase Agreement	<u>4,081,890</u>	<u>-</u>	<u>63,430</u>	<u>4,018,460</u>	<u>68,547</u>
Long term debt subtotal	43,926,890	-	63,430	43,863,460	788,547
Other Long Term Liabilities:					
Bond Discount	(371,369)	-	(13,263)	(358,106)	-
Closure Payable	7,195,721	1,644,236	49,219	8,790,738	-
Post Closure Payable	<u>9,103,949</u>	<u>74,017</u>	<u>1,149,547</u>	<u>8,028,419</u>	<u>-</u>
Total Long Term Liabilities	<u>\$59,855,191</u>	<u>\$1,718,253</u>	<u>\$1,248,933</u>	<u>\$60,324,511</u>	<u>\$788,547</u>

**Revenue Bonds, Series 2002**

On May 15, 2002, the Authority issued Revenue Bonds, Series 2002 in the amount of \$39,845,000 to finance capital improvement projects, refund the Authority's 1997 Revenue Bonds, payoff a portion of the Crazy Horse installment purchase agreement and provide capitalized interest and a debt service reserve fund. Maximum annual debt service is \$2,756,524, including interest at 5.56% for 30 years. The annual debt service requirements are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	Capitalized <u>Interest</u>	<u>Total</u>
2006	\$ 720,000	\$ 2,039,679	\$ (506,962)	\$ 2,252,717
2007	745,000	2,003,054	0	2,748,054
2008	785,000	1,964,804	0	2,749,804
2009	825,000	1,929,916	0	2,754,916
2010	860,000	1,893,154	0	2,753,154
2011-2015	4,945,000	8,826,326	0	13,771,326
2016-2020	6,445,000	7,320,916	0	13,765,916
2021-2025	8,400,000	5,370,778	0	13,770,778
2026-2030	10,895,000	2,861,906	0	13,756,906
2031-2032	<u>5,225,000</u>	<u>277,856</u>	<u>0</u>	<u>5,502,856</u>
	<u>\$ 39,845,000</u>	<u>\$ 34,488,389</u>	<u>\$ (506,962)</u>	<u>\$ 73,826,427</u>

**Installment Purchase Agreement**

The Authority purchased Crazy Horse Sanitary Landfill from the City of Salinas for \$8,000,000. On August 12, 1997, the Authority and the City entered into an installment purchase agreement. The installment payments to the City were \$701,244 per year, including interest at 7.91% for 30 years.



SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

On May 15, 2002, the Authority issued Revenue Bonds, Series 2002 in the amount of \$39,845,000 to finance capital improvements projects and, in part, payoff a portion of the installment purchase agreement with the City. On August 28, 2002, principal of \$3,470,438 was paid to the City reducing the outstanding balance on the installment purchase agreement to \$4,168,269. The installment payments to the City are reduced to \$385,097 per year, including interest at 7.91% for the remaining 27 years. At June 30, 2005, the remaining balance due was \$4,081,890. The annual debt service requirements are as follows:

Fiscal Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 68,547	\$ 316,550	\$ 385,097
2007	74,076	311,021	385,097
2008	80,052	305,045	385,097
2009	86,510	298,587	385,097
2010	93,489	291,609	385,098
2011-2015	593,496	1,331,990	1,925,486
2016-2020	874,745	1,050,741	1,925,486
2021-2025	1,289,274	636,211	1,925,485
2026-2028	<u>858,271</u>	<u>104,472</u>	<u>962,743</u>
	<u>\$ 4,018,460</u>	<u>\$ 4,646,226</u>	<u>\$ 8,664,686</u>

**8. Unamortized Bond Discount:**

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 following is a summary of the 2002 Revenue Bonds unamortized discount at June 30, 2005:

	<u>June 30,</u> <u>2004</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>2005</u>
Revenue Bonds, Series 2002	\$ 371,369	\$	\$ (13,263)	\$ 358,106

Total bonded debt outstanding at June 30, 2005 net of the unamortized bond discount is as follows:

Bonds payable	\$39,845,000
Less unamortized bond discount	<u>358,106</u>
Net bonds payable	<u>\$39,486,894</u>

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

The City of Salinas operated Crazy Horse Sanitary Landfill primarily for the disposal of Salinas resident's solid waste. On January 1, 1997 the Salinas Valley Solid Waste Joint Powers Authority was formed among the County of Monterey, and the cities of Salinas, Gonzales, Greenfield, Soledad and King City. The Authority was established to acquire and manage the landfill assets of each member agency, ensure long-term landfill capacity for the Authority Service area, provide a uniform tipping fee and coordinated solid waste management services for the members. The Authority purchased Crazy Horse Sanitary Landfill from the City of

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

Salinas for \$8,000,000. The County of Monterey transferred Johnson Canyon Landfill, Lewis Road Landfill and the leasehold interest for Jolon Road Landfill to the Authority.

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 City, and the eastern and southern portions of the unincorporated area of the County. The system currently consists of two active landfills (Crazy Horse and Johnson Canyon), two transfer stations (Salinas and Jolon Road), one inactive landfill (Lewis Road) and one possible landfill (Jolon).

The landfills are regulated by the California Integrated Waste Management Board which requires that the Authority set-aside certain funds for the eventual closure of the landfills. On June 19, 1998, the California Integrated Waste Management Board, Permitting and Enforcement Division, approved the Authority's financial assurance mechanisms for closure and postclosure maintenance for the Authority's four landfills. The State found the Enterprise Fund and Pledge of Revenue Agreement met the requirements of Title 27 of the California Code. The State approved financial assurance mechanism is in accordance with the Environmental Protection Agency's financial assurance requirements for Municipal Solid Waste Landfill under Federal Title 40 regulations.

The Authority engineers prepared closure and postclosure maintenance cost and remaining permitted capacity estimates in October 2005 of the three landfills for submittal to the California Waste Management Board. Capacity estimates are based on remaining airspace, as stated in the current approved site solid waste operating permit. Each landfill fund sets-aside monies for the eventual closure of the landfills. Postclosure maintenance costs are secured by a pledge of revenue.

Current system estimated capacity is presented as follows:

	June 30, 2005									
	Total		Crazy Horse		Johnson Canyon		Lewis Road		Jolon Road	
Permitted Capacity (cu. yd.)	12,061,053	100%	5,280,000	100%	4,894,333	100%	886,720	100%	1,000,000	100%
Capacity Used (cu. yd.)	<u>(6,159,471)</u>	51%	<u>(3,806,561)</u>	72%	<u>(1,034,523)</u>	21%	<u>(886,720)</u>	100%	<u>(431,667)</u>	43%
Remaining Capacity (cu. Yd.)	<u>5,901,582</u>	49%	<u>1,473,439</u>	28%	<u>3,859,810</u>	79%	<u>0</u>	0%	<u>568,333</u>	57%

**System Capacity**

As of June 30, 2005 the Authority has used 51% of its system capacity. System capacity is based on the capacity of the two active landfills (Crazy Horse and Johnson Canyon) and it is based on the potential activation of the Jolon Road landfill. During the fiscal year ended June 30, 2005 the Authority landfilled a total of 319,252 tons of solid waste. At this time it is anticipated that Crazy Horse Landfill will close in 2009 and that Johnson Canyon Landfill will accept all refuse within the service area until it is filled to capacity. Afterward, the inactive Jolon Road Landfill could be used.

**Crazy Horse Landfill**

Crazy Horse received 225,787 tons this fiscal year. In March 2005 the CIWMB approved a revised permit to increase the Crazy Horse landfill capacity from 3,440,000 c.y. to 5,280,000 c.y. This changed Crazy Horse's filled capacity from 97% filled at June 30, 2004 to 72% filled at June 30, 2005. While 1,840,000 cubic yards of capacity was added, the daily rate of refuse tonnage increased from 900 to 1,400 per day. Utilization of the daily permitted tonnage of 1,400

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

tons per day is the reason the landfill is expected to reach capacity in 2009. The increased fill capacity had a dramatic impact on depreciation, closure costs and postclosure costs as noted below.

Johnson Canyon Landfill

Johnson Canyon received 93,465 tons this fiscal year. After Crazy Horse fills in 2009, all waste will go to Johnson Canyon. Under the current permit Johnson Canyon is expected to reach full capacity in 2015. However, as allowed in approved environmental documents, the authority plans to seek CIWMB permit revision to increase the landfill capacity to the year 2022. Once CIWMB approves this application both the site capacity estimates and closure costs will be revised.

Jolon Road Landfill

Jolon Road is accepting waste only as a transfer station. No refuse is being landfilled on this site. After Johnson Canyon fills in 2015 or 2022, all waste could go to Jolon Road if reactivated. At the full annual fill rate, Jolon Road has 1 year of capacity remaining taking the Authority's landfill capacity to the year 2023.

In summary, once Johnson Canyon Landfill receives its approved capacity increase, it is anticipated the system total capacity would be 18 years from 2005.

Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2005 are presented as follows:

	June 30, 2005				
	Total	Crazy Horse	Johnson Canyon	Lewis Road	Jolon Road
Estimated:					
Closure Cost	\$ 17,875,293	\$ 8,865,088	\$ 6,763,027	\$ -	\$ 2,247,178
Postclosure Maintenance Cost	<u>\$ 12,333,230</u>	<u>\$ 7,965,842</u>	<u>\$ 2,083,788</u>	<u>\$ 1,512,000</u>	<u>\$ 771,600</u>
Expense (Income):					
Closure	\$ 1,595,017	\$ 1,270,844	\$ 240,224	\$ (49,219)	\$ 133,168
Postclosure Maintenance	<u>(1,075,530)</u>	<u>(1,047,090)</u>	<u>74,017</u>	<u>(37,337)</u>	<u>(65,120)</u>
Total Expense (Income)	<u>\$ 519,487</u>	<u>\$ 223,754</u>	<u>\$ 314,241</u>	<u>\$ (86,556)</u>	<u>\$ 68,048</u>
Outstanding Liability:					
Closure	\$ 8,790,738	\$ 6,391,193	\$ 1,429,512	\$ -	\$ 970,033
Postclosure Maintenance	<u>8,028,419</u>	<u>5,742,891</u>	<u>440,454</u>	<u>1,512,000</u>	<u>333,074</u>
Total Liability	<u>\$ 16,819,157</u>	<u>\$ 12,134,084</u>	<u>\$ 1,869,966</u>	<u>\$ 1,512,000</u>	<u>\$ 1,303,107</u>
Assets Set-Aside for Closure-Cash	<u>\$ 7,626,993</u>	<u>\$ 5,120,558</u>	<u>\$ 1,227,640</u>	<u>\$ -</u>	<u>\$ 1,278,795</u>
Cash over/(under) Closure Liability	<u>\$ (1,163,745)</u>	<u>\$ (1,270,635)</u>	<u>\$ (201,872)</u>	<u>\$ -</u>	<u>\$ 308,762</u>

**10. Landfill Closure Cost Estimates Revisions:**

Estimated total closure costs for all landfills increased \$1,038,014 for the fiscal year ended June 30, 2005. Crazy Horse estimated closure costs increased \$3,584,478 as a result of the revised closure plan (\$3,402,140) and the CIWMB inflation factor of 2.1% (\$182,338). Johnson Canyon estimated closure costs increased \$139,103 due to the inflation factor. Jolon Road estimated closure costs increased \$340,901 due to a revised closure plan. Lewis Road estimated closure costs decreased \$3,026,468 down to zero since it is now closed. After taking into account the

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

filled capacity of the landfills the Authority recognized a closure expense of \$1,595,017. Were it not for the increased capacity the closure costs would have been much higher.

Estimated postclosure costs for all landfills increased \$813,881 for fiscal year ending June 30, 2005. Crazy Horse estimated postclosure costs increased \$963,343, as a result of the revised postclosure plan (\$799,501) and the CIWMB inflation factor of 2.1% (\$163,842). Johnson Canyon estimated postclosure costs increased \$42,860 as a result of the CIWMB inflation factor of 2.1%. Jolon Road estimated postclosure costs decreased \$135,437 due to the revised postclosure plan. Lewis Road estimated postclosure costs decreased \$56,885 because it is already in postclosure. Because the capacity for Crazy Horse increased, the Authority now has a longer period over which to recognize postclosure expenses. The Authority's postclosure expense for the fiscal year ended June 30, 2005 was a negative \$1,075,530 due to the increased capacity at Crazy Horse, the decreased estimated costs for Jolon Road and the fact that Lewis Road is now in postclosure.

Landfill owners and operators are required to incur a variety of costs to provide for protection of the environment both during the period of landfill operation and during the postclosure period. These include the cost of equipment and facilities, such as leachate collection systems and final cover; as well as the cost of services, such as postclosure maintenance and monitoring costs. Closure and postclosure care costs extend over a 30 year period of time. For this reason, it is likely that there will be various changes in the components used to calculate closure and postclosure costs. 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 GAAP. The results of the annual evaluation can increase or decrease closure and postclosure cost depending on the various components here described.

The Authority has changed the basis of closure and postclosure funding calculations from remaining refuse tonnage to remaining air space. Switching to airspace will result in more consistent capacity estimates in the future.

**11. Commitments and Contingencies:**

Unfunded Closure Costs

As of June 30, 2005 closure costs of \$1,472,506 are currently unfunded as shown on Note 9. While the liability has been recognized the funds have not been set-aside as restricted cash. The Board of Directors will take action in February 2006 to fully fund Crazy Horse (\$1,270,635) and Johnson Canyon (\$201,872). These funds will come from Cash and Investments at June 30, 2005. This action will have no impact on the Authority's cash flow.

Construction Commitments

The Authority has active construction projects as of June 30, 2005. The commitments for these projects are being financed by bond proceeds from the 2002 Revenue Bonds. At year-end the Authority's commitments with contractors are as follows:

<u>Capital Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Crazy Horse Closed Area	\$ 29,724	\$ 96,126
Lewis Road Landfill Closure	2,196,010	342,554

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

Norcal 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 the Crazy Horse (until closed) and Johnson Canyon landfills and scalehouses and the Sun Street Transfer Station and scalehouse. Norcal is also compensated for diversion services at each of the landfills and transfer station. All of these 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. Since the Authority is able to take over scalehouse operations with six months notice that part of the contract is not considered a long-term contract. The basic contract terms at June 30, 2005 were as follows:

<u>Contract</u> <u>Ending Date</u>	<u>Service</u>	<u>Basic</u> <u>Annual Fee</u>	<u>Future Minimum</u> <u>Contractual Amount</u>
12/31/2013	Crazy Horse Landfill Basic Facility Fee	\$ 1,919,532	\$ 8,637,894
12/31/2013	Johnson Canyon Landfill Basic Facility Fee	739,740	6,287,790
12/31/2013	Diversion Assistance Fees-all landfills	126,900	1,078,650
12/31/2007	Sun Street Convenience Station operations	510,504	1,276,260
6/30/2010	Organics Diversion Fee @ Johnson Canyon	\$16.33/ton	

The future minimum contractual amount for Crazy Horse was calculated through December 31, 2009 when Crazy Horse is expected to close. For the fiscal year ended June 30, 2005 the Authority paid Norcal Engineering \$4,255,592 for operations of Crazy Horse and Johnson Canyon landfills and scalehouses, the Sun Street Transfer Station and scalehouse; diversion services, excess tonnage and air space conservation adjustment. The Sun Street Transfer Station began operations on January 1, 2005.

Lease Obligations

On March 18, 2004 the Authority entered into a three-year lease commencing April 1, 2004, for office space at 336 Main Street in Salinas. Monthly lease payments for the first year are \$3,400. The minimum monthly rent will increase annually no less than three percent (3%) and no more than four and one-half percent (4.5%) based on the consumer price index. Total cost of the lease for the year ended June 30, 2005 was \$41,213. The lease has an option to extend for two one-year periods. The future minimum lease payments through March 31, 2007 for this lease are as follows:

<u>Fiscal Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2006	\$42,339
2007	<u>32,463</u>
	<u>\$74,802</u>

USA Waste of California, Inc. v. Salinas Valley Solid Waste Authority, et al

The Authority is in litigation with USA Waste, the owner of the Jolon Road Landfill and transfer station property, and Waste Management Municipal Services, Inc. concerning certain aspects of the Authority's former lease and operating agreement for that site. The lease expired on June 2, 2004. The litigation involves conflicting claims of these parties regarding who is responsible for closure costs and post-closure maintenance costs of the landfill. USA Waste contends that the Authority is responsible to pay all costs of closure and post-closure of Jolon Road Landfill, including any costs of remediation and soil or groundwater contamination issues at that landfill.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

USA Waste is also claiming unpaid rent and property tax reimbursements allegedly owed under the lease in the amount of \$307,210. The complaint does not specify a dollar amount of any other damages allegedly owed. The Authority has recorded a closure liability of \$970,033, which is fully funded. The postclosure liability of \$333,074 is financially assured by a pledge of future revenue. The recorded liabilities reflect 43.167% of the total estimated costs of closure (\$2,247,178) and postclosure (\$771,600) based on the landfill's used capacity as of June 30, 2005. Legal counsel is not able to predict to a reasonable certainty the probable outcome of this litigation. The Authority intends to vigorously defend itself against the plaintiff's claims and to prosecute its cross-complaint against USA Waste and Waste Management Municipal Services. There have been settlement negotiations between the parties and those discussions are expected to continue in the future. Trial of this action is scheduled for March 6, 2006.

J.J. Albanese & Co. v. Salinas Valley Solid Waste Authority, et al

J.J. Albanese has filed an action against the Authority and its design engineer SCS Engineers relating to the construction of the closure system at the Lewis Road Landfill. JJ Albanese, the general contractor on the project, contends that due to a defective design by SCS Engineers of a buttress area on a slope at the landfill, the slope failed and Albanese incurred substantial costs to repair the slope and delay damages. Albanese also contends that unforeseeable site conditions caused the failure of a sedimentation basin berm and other erosion control and drainage structures built by Albanese that Albanese was forced to rebuild. Albanese contends that it incurred extra costs and delay damages on the project of over \$2 million, for which it has not been paid by the Authority. Legal counsel is not able to predict to a reasonable certainty the probable outcome of this litigation. The Authority intends to vigorously defend itself against the plaintiff's claims and to prosecute its cross-complaint against SCS Engineers, the design engineers, Vector Engineers, the quality control contractor for this job, Field Lining Systems, the company that distributed the liner system that failed, and GSE, the manufacturer of the liner material. The Authority also intends to participate in mediation to determine if these claims can be compromised. No trial date has been set yet.

Other claims and lawsuits are pending against the Authority. Although the outcome of these claims and lawsuits is not presently determinable, in the opinion of the Authority's management, on advice of legal counsel, it is unlikely that they will have a material adverse effect on the accompanying financial statements.

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, 2004 the Authority has purchased worker's compensation insurance through the State Compensation Insurance Fund for its employees. The Authority has the following commercial insurance policies:

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Pollution liability	\$10,000,000	\$25,000
General liability	2,000,000	
Automobile liability	1,000,000	1,000
Property damage	2,014,214	10,000 per occurrence
Public officials/Employee practices	1,000,000	25,000
Excess Liability	2,000,000	10,000

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

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.

**12. Related Party Disclosures:**

The City provided administrative services to the Authority at a cost of \$131,114 for the year ended June 30, 2005. This item is included as part of personnel services on the financial statements.

**13. 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 \$28,942 at June 30, 2005. 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.

**14. 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 \$71,647, including, normal costs and annual amortization of prior service costs.

**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. A menu 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 P Street – Sacramento, CA 95814.

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

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

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 percent at age 55 to a maximum 2.418 percent 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. The Authority is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2004-05 was 10.145% for miscellaneous employees of annual covered payroll. The contribution requirements of the plan members are established by State statute and the employer contribution rate is actuarially determined annually by CalPERS.

Annual Pension Cost For fiscal year 2004-05, the Authority's annual pension cost of \$71,647 was equal to the Authority's required and actual contributions. In addition, the employees contributed \$27,078 from their earnings on a pre-tax basis. The required contribution for fiscal year 2004-05 was determined as part of the original actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumption included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.75% to 14.20% for miscellaneous members, and (c) 3.75% payroll growth. Both (a) and (b) include an inflation component of 3.5%. 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 three 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.

Trend Information – Since this is the Authority's first year under the CalPERS system the historical three year trend information of Annual Pension Costs (APC), Percentage of APC Contributed and Net Pension Obligation is not yet available.

Historical three-year trend of funding progress for the retirement plan is presented in the required supplementary information section of this report.

**15. Classification of Net Assets:**

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the Authority, which are not restricted for any project or other purpose.

Fund restrictions shown in the Statement of Net Assets are described as follows:

Restricted for Debt Service represents the portion of net assets that is legally restricted per the bond covenants for the bond reserve and capitalized interest.



SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2005

**16. Deficit Net Assets:**

The deficit of \$6,111,819 in Invested in Capital Assets, Net of Related Debt is the result of the Authority issuing debt which is to be repaid over 30 years and using the debt to purchase assets that are depreciated at a much faster rate. The Authority has more debt than net assets purchased with that debt. The negative Invested in Capital Assets, Net of Related Debt exceeds Restricted and Unrestricted Net Assets causing a negative Net Assets of \$1,572,193.

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

The Statement of Cash Flows for the fiscal year ended June 30, 2005 provides a detailed reconciliation of the Authority's increase in cash of \$2,305,806.

SALINAS VALLED SOLID WASTE AUTHORITY  
Required Supplementary Information

California Public Employees' Retirement System  
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Liability- (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	© Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
--------------------------------	--	--	------------------------------------	--------------------------	-------------------------	---

The Authority's employees were previously covered with the City of Salinas under a separate contract with the California Public Employees' Retirement System (CALPERS) retirement plan. There is no outstanding liability from that plan to the Authority. Since the Authority's retirement program started on July 1, 2004 there is no funding progress information available yet.

SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF NET ASSETS BY LOCATION  
JUNE 30, 2005

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Fund	Lewis Road Fund
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 465,456	\$ 605,218	\$ 1,948,894	\$ 528,614
Accounts Receivable	-	-	620,078	-
Interest Receivable	5,077	3,267	100,759	15,278
Intergovernmental Receivable	36,000	40,953	-	-
<b>Total Current Assets</b>	<b>506,533</b>	<b>649,438</b>	<b>2,669,731</b>	<b>543,892</b>
Restricted Cash	69,814	-	15,365,200	426,743
Deferred Charges	39,374	-	989,348	240,398
Capital Assets, Net	351,476	356,890	1,908,431	-
<b>Total Assets</b>	<b>967,197</b>	<b>1,006,328</b>	<b>20,932,710</b>	<b>1,211,033</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	81,243	159,139	549,490	238,930
Accrued Leave	59,430	18,164	-	-
Deferred Revenue	-	66,483	-	-
Interest Payable	17,769	-	551,745	108,612
Installment Purchase Agreement	-	-	68,547	-
Bonds Payable-Current Portion	-	-	-	-
<b>Total Current Liabilities</b>	<b>158,442</b>	<b>243,786</b>	<b>1,169,782</b>	<b>347,542</b>
<b>Long Term Liabilities:</b>				
Closure Payable	-	-	6,391,193	-
Postclosure Payable	-	-	5,742,891	1,512,000
Installment Purchase Agreement	-	-	3,949,913	-
Unamortized Bond Discount	(7,514)	-	(188,784)	(45,872)
Bonds Payable	836,000	-	20,999,479	5,109,721
<b>Total Long Term Liabilities</b>	<b>828,486</b>	<b>-</b>	<b>36,894,692</b>	<b>6,575,849</b>
<b>Total Liabilities</b>	<b>986,928</b>	<b>243,786</b>	<b>38,064,474</b>	<b>6,923,391</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	(477,010)	356,890	(14,429,876)	(5,063,849)
Restricted for Debt Service	73,128	-	1,701,690	413,406
Unrestricted	384,151	405,652	(4,403,578)	(1,061,915)
<b>Total Net Assets</b>	<b>\$ (19,731)</b>	<b>\$ 762,542</b>	<b>\$ (17,131,764)</b>	<b>\$ (5,712,358)</b>

Johnson Canyon Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund	2005 Total
\$ 314,530	\$ 541,576	\$ 4,816,010	\$ 781,754	\$ 10,002,052
384,635	-	104,838	264,863	1,374,414
41,808	28,317	56,189	5,300	255,995
-	-	-	-	76,953
<u>740,973</u>	<u>569,893</u>	<u>4,977,037</u>	<u>1,051,917</u>	<u>11,709,414</u>
2,676,800	1,624,875	-	-	20,163,432
412,407	195,177	-	-	1,876,704
<u>18,687,600</u>	<u>1,334,446</u>	<u>5,105,805</u>	<u>440,139</u>	<u>28,184,787</u>
<u>22,517,780</u>	<u>3,724,391</u>	<u>10,082,842</u>	<u>1,492,056</u>	<u>61,934,337</u>
621,512	120,256	259,747	55,301	2,085,618
-	-	-	-	77,594
-	-	-	-	66,483
186,116	88,082	-	-	952,324
-	-	-	-	68,547
-	-	-	-	-
<u>807,628</u>	<u>208,338</u>	<u>259,747</u>	<u>55,301</u>	<u>3,250,566</u>
1,429,512	970,033	-	-	8,790,738
440,454	333,074	-	-	8,028,419
-	-	-	-	3,949,913
(78,692)	(37,244)	-	-	(358,106)
8,755,900	4,143,900	-	-	39,845,000
<u>10,547,174</u>	<u>5,409,763</u>	<u>-</u>	<u>-</u>	<u>60,255,964</u>
<u>11,354,802</u>	<u>5,618,101</u>	<u>259,747</u>	<u>55,301</u>	<u>63,506,530</u>
10,728,292	(2,772,210)	5,105,805	440,139	(6,111,819)
709,315	335,694	-	-	3,233,233
(274,629)	542,806	4,717,290	996,616	1,306,393
<u>\$ 11,162,978</u>	<u>\$ (1,893,710)</u>	<u>\$ 9,823,095</u>	<u>\$ 1,436,755</u>	<u>\$ (1,572,193)</u>

SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS BY LOCATION  
FOR FISCAL YEAR ENDED JUNE 30, 2005

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Funds	Johnson Canyon Fund
Operating Revenues:				
Charges for Services	\$ 1,500,000	\$ 901,385	\$ 6,339,741	\$ 4,446,641
Operating Expenses:				
Personnel Services	844,570	323,925	-	-
Administration	-	-	1,050,000	450,000
Contractual Services	493,075	140,134	259,626	111,653
Operating Contracts	-	305,083	2,406,928	1,350,158
Supplies	47,731	22,630	1,570	483
Insurance	33,233	55,546	42,017	42,017
Building Rent	46,725	-	-	-
Taxes	-	-	293,403	226,483
Utilities	-	1,286	30,601	28,402
Depreciation	62,617	44,249	-	702,333
Amortization	1,458	-	36,643	15,274
Closure/Postclosure Maint.	-	-	223,754	314,241
Resource Recovery	-	-	297,500	127,500
Transfer Station	-	-	-	-
Lewis Road Closed Landfill	-	-	800,000	200,000
Hazardous Waste	-	146,864	-	-
Other	90,429	16,999	-	-
Total Operating Expenses	<u>1,619,838</u>	<u>1,056,716</u>	<u>5,442,042</u>	<u>3,568,544</u>
Operating Income (Loss)	<u>(119,838)</u>	<u>(155,331)</u>	<u>897,699</u>	<u>878,097</u>
Non-Operating Revenues (Expenses):				
Investment Earnings	15,425	11,114	320,116	105,234
Operating Grants and Contributions	-	64,143	-	-
Other Non-Operating Revenue	53,475	-	-	6,702
Interest Expense	<u>(43,426)</u>	<u>-</u>	<u>(1,410,927)</u>	<u>(454,870)</u>
Total Non-Operating Revenues (Expenses)	<u>25,474</u>	<u>75,257</u>	<u>(1,090,811)</u>	<u>(342,934)</u>
Change in Net Assets before Transfers	(94,364)	(80,074)	(193,112)	535,163
Equity Transfers In/(Out)	(2,896,905)	-	1,313,918	1,283,935
Net Assets - Beginning	<u>2,971,538</u>	<u>842,616</u>	<u>(18,252,570)</u>	<u>9,343,880</u>
Net Assets - End of Year	<u>\$ (19,731)</u>	<u>\$ 762,542</u>	<u>\$ (17,131,764)</u>	<u>\$ 11,162,978</u>

Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund	Inter Fund Elimination	Totals
<u>\$ 1,000,000</u>	<u>\$ (6,108)</u>	<u>\$ 689,538</u>	<u>\$ 2,026,013</u>	<u>\$ (2,925,000)</u>	<u>\$ 13,972,210</u>
-	-	-	-	-	1,168,495
-	-	-	-	(1,500,000)	-
117,069	135,660	14,987	-	-	1,272,204
-	521,598	1,349,801	-	-	5,933,568
-	-	-	-	-	72,414
31,061	-	34,735	-	-	238,609
-	-	-	-	-	46,725
3,370	7	1,901	184,364	-	709,528
-	-	14,308	-	-	74,597
-	-	-	-	-	809,199
8,904	7,229	-	-	-	69,508
99,862	68,048	-	-	-	705,905
-	-	-	-	(425,000)	-
-	-	-	-	-	-
-	-	-	-	(1,000,000)	-
-	-	-	-	-	146,864
-	-	-	-	-	107,428
<u>260,266</u>	<u>732,542</u>	<u>1,415,732</u>	<u>184,364</u>	<u>(2,925,000)</u>	<u>11,355,044</u>
<u>739,734</u>	<u>(738,650)</u>	<u>(726,194)</u>	<u>1,841,649</u>		<u>2,617,166</u>
38,247	85,743	152,744	12,852	-	741,475
-	-	-	-	-	64,143
-	-	7,967	-	-	68,144
<u>(265,447)</u>	<u>(215,273)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,389,943)</u>
<u>(227,200)</u>	<u>(129,530)</u>	<u>160,711</u>	<u>12,852</u>	<u>-</u>	<u>(1,516,181)</u>
512,534	(868,180)	(565,483)	1,854,501	-	1,100,985
0	1,283,935	43,717	(1,028,600)	-	-
<u>(6,224,892)</u>	<u>(2,309,465)</u>	<u>10,344,861</u>	<u>610,854</u>	<u>-</u>	<u>(2,673,178)</u>
<u>\$ (5,712,358)</u>	<u>\$ (1,893,710)</u>	<u>\$ 9,823,095</u>	<u>\$ 1,436,755</u>	<u>\$ -</u>	<u>\$ (1,572,193)</u>

SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF CASH FLOWS BY LOCATION  
FOR FISCAL YEAR ENDED JUNE 30, 2005

	<u>Administration</u>	<u>Resource Recovery</u>	<u>Crazy Horse Canyon</u>
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customer and Users	\$ -	\$ 476,385	\$ 7,099,292
Receipts from interfund services provided	1,500,000	425,000	-
Payments to Suppliers	(750,805)	(696,233)	(3,615,977)
Payments to Employees	(831,420)	(320,064)	-
Payments for interfund services used	-	-	(2,147,500)
	<u>(82,225)</u>	<u>(114,912)</u>	<u>1,335,815</u>
<b>Net Cash Provided by Operating Activities</b>			
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Other Non-Operating Revenue	17,475	49,906	-
Operating Transfers In	-	-	1,028,600
Operating Transfers Out	-	-	-
	<u>17,475</u>	<u>49,906</u>	<u>1,028,600</u>
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>			
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(80,350)	(59,769)	(691,182)
Principal paid on Capital Debt	-	-	(63,430)
Interest paid on Capital Debt	(43,169)	-	(1,406,125)
	<u>(123,519)</u>	<u>(59,769)</u>	<u>(2,160,737)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>			
<b>Cash Flows from Investing Activities:</b>			
Interest Received	13,626	10,814	310,339
Increase (Decrease) in Fair Value of Investments	(985)	(764)	(17,316)
Transfer (to) from Restricted Cash	9,424	-	1,771,589
	<u>22,065</u>	<u>10,050</u>	<u>2,064,612</u>
<b>Net Cash Provided (Used) by Investing Activities</b>			
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>			
	(166,204)	(114,725)	2,268,290
<b>Cash and Cash Equivalents at Beginning of Year</b>			
	<u>631,660</u>	<u>719,943</u>	<u>(319,396)</u>
<b>Cash and Cash Equivalents at End of the Year</b>			
	<u>\$ 465,456</u>	<u>\$ 605,218</u>	<u>\$ 1,948,894</u>

Johnson Canyon	Lewis Road	Jolon Road	Transfer Station	Expansion Fund	Totals
\$ 4,547,722	\$ -	\$ 5,381	\$ 614,639	\$ 1,934,424	\$ 14,677,843
-	1,000,000	-	-	-	2,925,000
(1,696,628)	(417,448)	(674,586)	(1,352,733)	(180,270)	(9,384,680)
-	-	-	-	-	(1,151,484)
(777,500)	-	-	-	-	(2,925,000)
<u>2,073,594</u>	<u>582,552</u>	<u>(669,205)</u>	<u>(738,094)</u>	<u>1,754,154</u>	<u>4,141,679</u>
6,702	-	-	7,967	-	82,050
-	-	-	-	-	1,028,600
-	-	-	-	(1,028,600)	(1,028,600)
<u>6,702</u>	<u>-</u>	<u>-</u>	<u>7,967</u>	<u>(1,028,600)</u>	<u>82,050</u>
(267,697)	-	-	(1,072,815)	(271,904)	(2,443,717)
-	-	-	-	-	(63,430)
(452,175)	(263,876)	(213,998)	-	-	(2,379,343)
<u>(719,872)</u>	<u>(263,876)</u>	<u>(213,998)</u>	<u>(1,072,815)</u>	<u>(271,904)</u>	<u>(4,886,490)</u>
96,755	29,711	81,111	150,599	9,677	702,632
(7,659)	(1,888)	(5,619)	(14,749)	(1,238)	(50,218)
380,815	57,607	96,718	-	-	2,316,153
<u>469,911</u>	<u>85,430</u>	<u>172,210</u>	<u>135,850</u>	<u>8,439</u>	<u>2,968,567</u>
1,830,335	404,106	(710,993)	(1,667,092)	462,089	2,305,806
(1,515,805)	124,508	1,252,569	6,483,102	319,665	7,696,246
<u>\$ 314,530</u>	<u>\$ 528,614</u>	<u>\$ 541,576</u>	<u>\$ 4,816,010</u>	<u>\$ 781,754</u>	<u>\$ 10,002,052</u>



SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF CASH FLOWS BY LOCATION  
FOR FISCAL YEAR ENDED JUNE 30, 2005

	<u>Administration</u>	<u>Resource Recovery</u>	<u>Crazy Horse Canyon</u>
<b>Reconciliation of Operating Income to Net Cash</b>			
<b>Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (119,838)	\$ (155,331)	\$ 897,699
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	62,617	44,249	-
Amortization	1,458	-	36,643
(Increase) Decrease in Accounts Receivable	-	-	759,551
Increase (Decrease) in Accounts Payable	(39,612)	(7,691)	(581,832)
Increase (Decrease) in Accrued Leave	13,150	3,861	-
Increase (Decrease) in Closure/Postclosure	-	-	223,754
	<u>37,613</u>	<u>40,419</u>	<u>438,116</u>
Total Adjustments to Net Income			
Net Cash Provided by Operating Activities	<u>\$ (82,225)</u>	<u>\$ (114,912)</u>	<u>\$ 1,335,815</u>

<u>Johnson Canyon</u>	<u>Lewis Road</u>	<u>Jolon Road</u>	<u>Transfer Station</u>	<u>Expansion Fund</u>	<u>Totals</u>
<u>\$ 878,097</u>	<u>\$ 739,734</u>	<u>\$ (738,650)</u>	<u>\$ (726,194)</u>	<u>\$ 1,841,649</u>	<u>\$ 2,617,166</u>
702,333	-	-	-	-	809,199
15,274	8,904	7,229	-	-	69,508
101,081	-	11,489	(74,899)	(91,589)	705,633
62,568	(79,530)	(17,321)	62,999	4,094	(596,325)
-	-	-	-	-	17,011
314,241	(86,556)	68,048	-	-	519,487
<u>1,195,497</u>	<u>(157,182)</u>	<u>69,445</u>	<u>(11,900)</u>	<u>(87,495)</u>	<u>1,524,513</u>
<u>\$ 2,073,594</u>	<u>\$ 582,552</u>	<u>\$ (669,205)</u>	<u>\$ (738,094)</u>	<u>\$ 1,754,154</u>	<u>\$ 4,141,679</u>