SALINAS VALLEY
SOLID WASTE AUTHORITY

Salinas, California

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2006

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SOLID WASTE AUTHORITY

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

January 3, 2007

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, 2006. 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, 2006, 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, 2006, 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.

P.O. Box 2159, Salinas, California 93902-2159
Telephone 831-755-1300 Facsimile 831-755-1322
www.svswa.org

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 loss of $28,122 for the fiscal year ended June 30, 2006.

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 $145,982 which will be officially set aside by the Board in February 2007.

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, 2006, provides a detailed reconciliation of the Authority's increase in cash of $239,774.

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 the City 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, 2006, the Authority's investment earnings were $1,219,357 consisting of $1,256,229 of interest income and $36,872 in unrealized losses.

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 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. Annually thereafter tipping fees have increased $2 per ton. On July 1, 2006, the tipping fee was increased $4.50 per ton from $50 to $54.50. The tipping fees are expected to increase 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. On June 30, 2006, there was $8,813,993 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. Additionally the Board directed staff to look at alternatives to a new landfill site.

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, 2006, the Expansion Fund had unrestricted net assets of $2,402,902.

Summary

Authority projections indicate that the current tipping fee ($54.50 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

Stephen Johnson
Chief Administrative Officer

Roberto Moreno
Finance Manager

Thomas M. Bruen
General Counsel

Tom Kever
Interim Treasurer/Controller

BROWN, KAUFMAN & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS
150 Cayuga Street, Suite 1 . Salinas. California 93901-2684
Telephone (831) 424-2737 . Facsimile (831) 424-7936

INDEPENDENTAUDITOR'S REPORT

The Honorable Board
of the SalinasValley 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 30,2006, as listed in the table of contents. These 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 financial statements referred to above present fairly, in all material respects, the financial position of Authority as of June 30, 2006, and the respective changes in financial position and cash flows 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 25, 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 inquires 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.

Brown Kaufman & Associates LLP

December 28,2006

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, 2006. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The Authority's net assets decreased 1.8% from a deficit of $1,572,193 to a deficit of $1,600,315 as a result of this year's operations.
- During the year, the Authority's total expenses exceeded total revenues by $28,122 while cash and cash equivalents increased $239,774.
- Operating revenues increased $837,432 (6.0%) as expected based on a rate increase and increased tonnage.
- Tons landfilled increased 6,150 tons during the year from 319,252 tons in fiscal year 2004-05 to 325,402 tons in fiscal year 2005-06. On July 1, 2005, tipping fees were increased $2 per ton from $48 per ton to $50 per ton.
- Operating expenses increased $2,445,186 (21.5%). The increased operating expenses were due primarily to an increases of $1,476,896 in closure and postclosure expenses.
- At June 30, the Authority is still holding $8,813,993 in unspent bond proceeds to be used for Crazy Horse closure and other capital projects per the Authority's 10-year financial plan.
- The Authority's total debt decreased by $788,547 to $43,074,913.
- During FY 2005-06 the Authority spent $223,122 seeking supplemental landfill capacity and alternatives to landfill disposal, which continue to be top priority for FY 2006-07.

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.

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 $1,600,315, which is an decrease of $28,122 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2006 and 2005:

Salinas Valley Solid Waste Authority
Condensed Comparative Statement of Net Assets
June 30, 2006 and 2005

	2006	2005	Total % Change
Assets:			
Current Assets	$ 12,103,262	$ 11,709,414	3.4%
Other Assets	23,420,333	22,040,136	6.3%
Capital Assets, Net	28,396,350	28,184,787	0.8%
Total Assets	63,919,945	61,934,337	3.2%
Liabilities:			
Current Liabilities	4,882,409	3,250,566	50.2%
Long-term Liabilities	60,637,851	60,255,964	0.6%
Total Liabilities	65,520,260	63,506,530	3.2%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(5,519,727)	(6,111,819)	9.7%
Restricted	10,835,323	3,233,233	235.1%
Unrestricted	(6,915,911)	1,306,393	-629.4%
Total Net Assets	$ (1,600,315)	$ (1,572,193)	-1.8%

The deficit net assets result from liabilities exceeding assets. The Authority has $10.8 million in restricted net assets that can be spent only for debt service, capital projects. Unrestricted net assets are a negative $6,915,911. The total negative net assets is due primarily to a negative $5,519,727 Invested in Capital Assets, Net of Related Debt. 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. $43,074,913 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.

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, 2006 and 2005.

The Authority's activities decreased net assets by $28,122. Key elements of this change are as follows:

Salinas Valley Solid Waste Authority
Condensed Statement of Revenues, Expenses and Changes In Net Assets
For the years ended June 30, 2006 and 2005

	2006	2005	% change
Operating Revenues	$ 14,809,642	$ 13,972,210	6.0%
Operating Expenses	13,800,230	11,355,044	21.5%
Operating Income (Loss)	1,009,412	2,617,166	-61.4%
Non-operating Revenues	1,365,856	873,762	56.3%
Non-operating Expenses	(2,352,878)	(2,389,943)	-1.6%
Loss on disposition of capital assets	(50,512)	-	
Change in Net Assets	(28,122)	1,100,985	-102.6%
Net Assets - Beginning	(1,572,193)	(2,673,178)	-41.2%
Net Assets - Ending	$ (1,600,315)	$ (1,572,193)	1.8%

Operating revenues increased $837,432 (6.0%). The primary reason for this increase is the increase of $218,052 in revenues from the importation of out-of-county waste. The rest of the increase was due to the per ton rate increase of $2 per ton from $48 to $50 per ton effective July 1, 2005 and a minor increase in tonnage not related to out-of-county waste.

Operating expenses increased $2,445,186 (21.5%). The major reason for this increase is an increase of $1,476,896 in closure/postclosure expense. In FY 2004-05 the Crazy Horse Landfill capacity was increased by 3.4 million cubic years Since remaining capacity is the basis for depreciation and closure/postclosure expenses of a landfill, in FY 2004-05 the increased capacity caused Crazy Horse landfill to report no depreciation expense and its closure/postclosure expense was also greatly reduced. The $1,476,896 increase in closure/postclosure expenses is really not an increase in expenses but a bringing back into a normal cost pattern the closure/postclosure expenses.

Personnel services increased $342,252 (29.3%) due to the hiring of additional personnel budgeted. Professional contractual services decreased $135,536 (10.7%) to $1,136,668 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 $6,350,548 increased $416,980 (7.0%) over the previous year due to a CPI escalator and the handling of additional tonnage at Sun Street Convenience Station. The single biggest expense for the year was the $5,934,658 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the Authority had $28.4 million invested in capital assets, primarily in landfills as summarized below. During this fiscal year the Authority purchased $1,047,887 in capital assets, recorded depreciation expense of $785,813 and wrote-off $50,512 in capital assets. Additional information on the Authority's capital assets can be found in Note 5 on page 15 of this report.

Salinas Valley Solid Waste Authority
Condensed Statement of Capital Assets
For the years ended June 30, 2006 and 2005

	2006	2005
Land	$ 42,600	$ 42,600
Buildings	456,484	456,484
Improvements other than buildings	43,287,366	42,980,354
Equipment	786,395	650,955
Construction in progress	3,798,198	3,243,274
	48,371,043	47,373,667
Accumulated Depreciation	(19,974,693)	(19,188,880)
Totals	$ 28,396,350	$ 28,184,787

Long-Term Debt

At the end of this fiscal year, the Authority had $43,074,913 in long-term debt as shown below. No new debt was incurred during this fiscal year. The first principal payment of $720,000 was paid on the revenue bonds. Additional information on the Authority's long-term debt can be found in Note 7 on page 15 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
For the years ended June 30, 2006 and 2005

	2006	2005
Revenue Bonds, Series 2002	$ 39,125,000	$ 39,845,000
Installment Purchase Agreement	3,949,913	4,018,460
Total Long-Term Debt	$ 43,074,913	$ 43,863,460

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 2005-06 the tipping fee was increased $2.00 per ton to $50 for franchise haulers. For fiscal year 2006-07 the Authority's tipping fees were increased to $54.50 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, 2006

Assets:		
Current Assets:		
Cash and Investments	$	10,241,826
Accounts Receivable, Net		1,444,825
Interest Receivable		353,317
Intergovernmental Receivable		63,294
Total Current Assets		12,103,262
Noncurrent Assets:		
Deferred Charges		1,807,196
Restricted Cash		21,613,137
Capital Assets, Net		28,396,350
Total Noncurrent Assets		51,816,683
Total Assets		63,919,945
Liabilities:		
Current Liabilities:		
Accounts Payable		2,889,591
Accrued Leave		128,304
Deferred Revenue		109,729
Interest Payable		935,709
Installment Purchase Agreement		74,076
Bonds Payable - Current		745,000
Total Current Liabilities		4,882,409
Long Term Liabilities:		
Closure Payable		9,842,105
Postclosure Payable		8,884,752
Installment Purchase Agreement		3,875,837
Bonds Payable, Net		38,035,157
Total Long Term Liabilities		60,637,851
Total Liabilities		65,520,260
Net Assets:		
Invested in Capital Assets, Net of Related Debt		(5,519,727)
Restricted		10,835,323
Unrestricted		(6,915,911)
Total Net Assets	$	(1,600,315)

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, 2006

Operating Revenues:	
Charges for Services	$ 14,774,920
Operating Grants and Contributions	34,722
Total Operating Revenues	14,809,642
Operating Expenses:	
Personnel Services	1,510,747
Contractual Services	1,136,668
Operating Contracts	6,350,548
Supplies	294,943
Insurance	220,400
Building Rent	42,441
Taxes	856,633
Utilities	100,847
Depreciation	785,813
Amortization	69,508
Closure/Postclosure Maint.	2,182,801
Hazardous Waste	127,346
Other	121,535
Total Operating Expenses	13,800,230
Operating Income (Loss)	1,009,412
Non-Operating Revenues (Expenses):	
Investment Earnings	1,219,357
Other Non-Operating Revenue	146,499
Loss on Disposition of Capital Assets	(50,512)
Interest Expense	(2,352,878)
Total Non-Operating Revenues (Expenses)	(1,037,534)
Change in Net Assets	(28,122)
Total Net Assets - Beginning	(1,572,193)
Total Net Assets - End of Year	$ (1,600,315)

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, 2006

Cash Flows from Operating Activities:	
Receipts from Customer and Users	$ 14,739,231
Payments to Suppliers	(8,755,865)
Payments to Employees	(1,426,661)
Net Cash Provided by Operating Activities	4,556,705
Cash Flows from Non-Capital Financing Activities:	
Other Non-Operating Revenue	134,857
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(1,047,887)
Principal paid on Capital Debt	(720,000)
Interest paid on Capital Debt	(2,356,230)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,124,117)
Cash Flows from Investing Activities:	
Interest Received	1,158,907
Increase (Decrease) in Fair Value of Investments	(36,872)
Transfer (to) from Restricted Cash	(1,449,706)
Net Cash Provided by Investing Activities	(327,671)
Net Increase (Decrease) in Cash and Cash Equivalents	239,774
Cash and Cash Equivalents at Beginning of Year	10,002,052
Cash and Cash Equivalents at End of Year	$ 10,241,826

Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:	
Operating Income (Loss)	$ 1,009,412
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	785,813
Amortization	69,508
(Increase) Decrease in Accounts Receivable	(70,411)
Increase (Decrease) in Accounts Payable	803,973
Increase (Decrease) in Accrued Leave	50,710
Increase (Decrease) in Closure/Postclosure Payable	1,907,700
Total Adjustments to Net Income	3,547,293
Net Cash Provided by Operating Activities	$ 4,556,705

The accompanying notes are an integral part of this statement.

1. <u>Summary of Significant Accounting Policies</u>:

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 financial statements of the Authority are presented in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, the Authority follows the accounting standard hierarchy established by the GASB. 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 tipping 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.

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 sets aside 2% of accounts receivable as an allowance for uncollectible accounts based on historical collections. Accounts receivable are reported net of the allowance for uncollectible accounts.

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.

H. 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.

I. 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.

J. 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 which are not restricted for any project or other purpose.

K. Future GASB Implementation

In July of 2004, the GASB issued Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, with required implementation for the Authority during the 2008-2009 fiscal year. The new statement will significantly change the way state and local governments report their "other post employment benefits" to the public. As a result of GASB 45, state and local governments will be required to (1) recognize the cost of these benefits in periods when the related services were rendered to the employer, (2) provide information about the actuarial accrued liabilities for promised benefits associated with past services and to what extent those benefits have been funded, (3) and provide information useful in assessing potential demands on the employer's cash flow.

2. Cash and Investments:

The Authority’s cash and investments at June 30, 2006, are included in the accompanying basic financial statements as follows:

Cash and Investments	$ 10,241,826
Restricted Cash	21,613,137
Total	$ 31,854,963

The Authority’s cash and investments at June 30, 2006, were held as follows:

Investments held in trust by Fiscal Agent	$ 11,635,413
Investments managed by the City Treasurer	20,219,550
Total	$ 31,854,963

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 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, 2006 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, 2006, the Authority had the following investments and maturities:

		Investment Maturities			
Investment Type	Fair Value	0-6 mths	6-12 mths	1-5 years	over 5 yrs
State of California Local Agency Investment Fund	$ 20,163,126	$ 20,163,126	$ -	$ -	$ -
State of California Local Agency Investment Fund	8,813,177	8,813,177	-	-	-
JP Morgan Treasury Plus Money Market Fund	1,539	1,539	-	-	-
AIG Matched Funding Investment Agreement	2,820,700	-	-	-	2,820,700
	$ 31,798,542	$ 28,977,842	$ -	$ -	$ 2,820,700

Credit Risk

The Local Agency Investment Fund managed by the State Treasurer, representing 91.1% 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, 2006, 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 91.1% of the portfolio is not considered a concentrated risk. The AIG Matched Funding Investment Agreement represents 8.9% 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, 2006, had an average life of 152 days, it was presented as an investment with a maturity of 1-6 months. 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. ***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, 2006, reported on the Statement of Net Assets as deferred charges:

	June 30, 2005	Increases	Decreases	June 30, 2006
Revenue Bonds, Series 2002	$ 1,876,704	$ -	$ 69,508	$ 1,807,196

4. ***Restricted Cash:***

Cash and investments of $21,613,137 are recorded as restricted assets at June 30, 2006.

Cash and investments of $9,977,724 are restricted by the California Integrated Waste Management Board for the eventual closure of the landfills.

Cash and investments of $2,821,420 held by the fiscal agent are restricted to cover expenses of debt service.

Cash and investments of $8,813,993 are bond proceeds restricted for capital improvement projects.

5. ***Capital Assets:***

Capital asset activity for the year ended June 30, 2006, was as shown on the next page:

Business-type activities	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
Nondepreciable Assets:				
Land	$ 42,600	$ -	$ -	$ 42,600
Construction in Progress	3,243,274	605,436	(50,512)	3,798,198
Total nondepreciable assets	3,285,874	605,436	(50,512)	3,840,798
Depreciable Assets:				
Buildings	456,484	-	-	456,484
Other Improvements	42,980,354	307,012	-	43,287,366
Machinery and Equipment	650,955	135,440	-	786,395
Total depreciable assets	44,087,793	442,452	-	44,530,245
Less Accumulated Depreciation	(19,188,880)	(785,813)	-	(19,974,693)
Total Depreciable Assets, Net	24,898,913	(343,361)	-	24,555,552
Total Capital Assets, Net	$ 28,184,787	$ 262,075	$ (50,512)	$ 28,396,350

Construction in progress at June 30, 2006, consists of $575,113 in costs associated with siting a new regional landfill, $655,215 in costs associated with various landfills and transfer stations projects, and $2,567,870 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.

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, 2006, the liability for this accrued leave is $128,304.

7. ***Long Term Liabilities:***

The following is a summary of long term liabilities for the fiscal year ended June 30, 2006:

	June 30, 2005	Increases	Decreases	June 30, 2006	Due Within One Year
Long Term Debt:					
2002 Revenue Bonds	$ 39,845,000	$ -	$ 720,000	$ 39,125,000	$ 745,000
Installment Purchase Agreement	4,018,460	-	68,547	3,949,913	74,076
Long Term Debt Subtotal	43,863,460	-	788,547	43,074,913	819,076
Other Long Tern Liabilities:					
Bond Discount	(358,106)	-	(13,263)	(344,843)	-
Closure Payable	8,790,738	1,051,367	-	9,842,105	-
Post Closure Payable	8,028,419	856,333	-	8,884,752	-
Total Long Term Liabilities	$ 60,324,511	$ 1,907,700	$ 775,284	$ 61,456,927	$ 819,076

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 June 30,	Principal	Interest	Total
2007	$ 745,000	$ 2,003,054	$ 2,748,054
2008	785,000	1,964,804	2,749,804
2009	825,000	1,929,916	2,754,916
2010	860,000	1,893,154	2,753,154
2011	900,000	1,853,091	2,753,091
2012-2016	5,195,000	8,577,578	13,772,578
2017-2021	6,805,000	6,959,209	13,764,209
2022-2026	8,845,000	4,923,122	13,768,122
2027-2030	11,485,000	2,274,431	13,759,431
2031-2032	2,680,000	70,350	2,750,350
	$ 39,125,000	$ 32,448,709	$ 71,573,709

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.

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, 2006, the remaining balance due was $3,949,913. The annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	101,030	284,067	385,097
2012-2016	641,372	1,284,113	1,925,485
2017-2021	945,310	980,176	1,925,486
2022-2026	1,393,279	532,207	1,925,486
2027-2028	534,795	42,852	577,647
	$ 3,949,913	$ 4,329,677	$ 8,279,590

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, 2006:

	June 30, 2005	Increases	Decreases	June 30, 2006
Revenue Bonds, Series 2002	$ 358,106	$ -	$ (13,263)	$ 344,843

Total bonded debt outstanding at June 30, 2006 net of the unamortized bond discount is as follows:

Bonds payable	$ 39,125,000
Less unamortized bond discount	344,843
Net bonds payable	$ 38,780,157

9. ***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 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 (Sun Street and Jolon Road), one inactive landfill (Jolon Road) and one closed landfill (Lewis Road).

The landfills are regulated by the California Integrated Waste Management Board (CIWMB) which requires that the Authority set-aside funds annually for the eventual closure of the landfills and to provide funding for postclosure maintenance for a period of at least 30 years after closure. On June 19, 1998, the CIWMB 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. Under the terms of these agreements the Authority has agreed to annually set-aside funds for the closure of the landfills. The postclosure maintenance costs will be funded on a pay-as-you go basis when they are actually incurred.

Although closure and postclosure maintenance costs will be paid only near or after the date that the landfills stop accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In October 2006 the Authority engineers prepared closure and postclosure maintenance costs and remaining permitted capacity estimates of the Authority's landfills for submittal to the CIWMB. 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.

The system estimated capacity at June 30, 2006 is presented as follows:

	June 30, 2006									
	Total		Crazy Horse		Johnson Canyon		Lewis Road		Jolon Road	
Permitted Capacity (cu. yd.)	11,174,333	100%	5,280,000	100%	4,894,333	100%	-	100%	1,000,000	100%
Capacity Used (cu. yd.)	(5,758,694)	55%	(4,182,804)	79%	(1,144,223)	23%	-	100%	(431,667)	43%
Remaining Capacity (cu. yd.)	5,415,639	45%	1,097,196	21%	3,750,110	77%	-	0%	568,333	57%

System Capacity

As of June 30, 2006, the Authority has used 55% 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, 2006, the Authority landfilled a total of 325,402 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 259,598 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 79% filled at June 30, 2006. 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 tons per day is the reason the landfill is expected to reach capacity in 2009.

Johnson Canyon Landfill

Johnson Canyon received 65,804 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 is seeking CIWMB permit revision to increase the landfill capacity to the year 2027. 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 2027, all waste could go to Jolon Road if reactivated. At the full annual fill rate, Jolon Road has 1 year of capacity remaining. Jolon Road would only be reactivated if an additional 4.5 million tons were permitted. This would yield an additional 10 years capacity.

In summary, once Johnson Canyon Landfill receives its approved capacity increase, it is anticipated the total system capacity would be 21 years from 2006.

Closure and Postclosure Maintenance Costs

Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2006, are presented as follows:

		June 30, 2006			
	Total	Crazy Horse	Johnson Canyon	Lewis Road	Jolon Road
Estimated:					
Closure Cost	$ 18,375,801	$ 9,113,310	$ 6,952,392	$ -	$ 2,310,099
Postclosure Maintenance Cost	$ 12,678,561	$ 8,188,886	$ 2,142,134	$ 1,554,336	$ 793,205
Expense (Income):					
Closure	$ 1,051,367	$ 828,351	$ 195,855	$ -	$ 27,161
Postclosure Maintenance	1,131,434	744,326	60,345	317,437	9,326
Total Expense (Income)	$ 2,182,801	$ 1,572,677	$ 256,200	$ 317,437	$ 36,487
Outstanding Liability:					
Closure	$ 9,842,105	$ 7,219,544	$ 1,625,367	$ -	$ 997,194
Postclosure Maintenance	8,884,752	6,487,217	500,799	1,554,336	342,400
Total Liability	$ 18,726,857	$ 13,706,761	$ 2,126,166	$ 1,554,336	$ 1,339,594
Assets Set-Aside for Closure-Cash	$ 9,977,724	$ 7,118,068	$ 1,580,861	$ -	$ 1,278,795
Cash over/(under) Closure Liability	$ 135,619	$ (101,476)	$ (44,506)	$ -	$ 281,601

Estimated total closure costs for all landfills increased $500,508 for the fiscal year ended June 30, 2006, as a result of the CIWMB inflation factor of 2.8%. After taking into account the filled capacity of the landfills, the Authority recognized a closure expense of $1,051,367.

Estimated postclosure maintenance costs for all landfills increased $856,333 for fiscal year ending June 30, 2006, as a result of the CIWMB inflation factor of 2.8%. The Authority's postclosure expense for the fiscal year ended June 30, 2006, was $1,131,434 due to higher than expected postclosure maintenance costs for the Lewis Road landfill which 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 Generally Accepted Accounting Principles (GAAP). The results of the annual evaluation can increase or decrease closure and postclosure cost depending on the various components here described.

10. Commitments and Contingencies:

Unfunded Closure Costs

As of June 30, 2006, closure costs of $145,982 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 2007 to fully fund Crazy Horse ($101,476) and Johnson Canyon ($44,506). These funds will come from Cash and Investments at June 30, 2006. This action will have no impact on the Authority's cash flow.

Construction Commitments

The Authority has active construction projects as of June 30, 2006. 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:

Capital Project	Spent-to-Date	Remaining Commitment
Crazy Horse Closed Area	$ 114,985	$ 20,608
Lewis Road Landfill Closure	2,196,010	342,873

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, 2006, were as follows:

Contract Ending Date	Service	Basic Annual Fee	Future Minimum Contractual Amount
12/31/2013	Crazy Horse Landfill Basic Facility Fee	$ 1,949,946	$ 6,824,811
12/31/2013	Johnson Canyon Landfill Basic Facility Fee	755,898	5,669,235
12/31/2013	Diversion Assistance Fees-all landfills	130,278	977,085
12/31/2007	Sun Street Convenience Station operations	510,504	765,756

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, 2006, the Authority paid Norcal Engineering $5,852,044 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

The Authority has a monthly lease obligation of $3,607 for office space at 337 Melody Lane which will expire on March 31, 2007. 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. Monthly lease payments for the first five years are $6,540. The minimum monthly rent will increase to $7,194 on January 1, 2012. The lease has an option to extend for two five-year periods. The future minimum lease payments through December 2017 for both leases are as follows:

Fiscal Year Ending June 30,	Amount
2007	$ 71,702
2008	78,478
2009	78,478
2010	78,478
2011	78,478
2012-2017	470,865
	$ 856,479

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

The Authority had been 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 involved conflicting claims of these parties regarding who is responsible for closure costs and post-closure maintenance costs of the landfill. USA Waste contended 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. USA Waste also claimed unpaid rent and property tax reimbursements allegedly owed under the lease in the amount of $307,210. The complaint did not specify a dollar amount of any other damages allegedly owed.

The Authority and USA Waste settled this litigation on May 26, 2006 by having the Authority purchase the Jolon Road Landfill site for $1.00 and thus assuming full responsibility for closure and postclosure maintenance costs. In addition USA Waste will continue to operate the transfer station on this site for a period of ten years under a new operating agreement. At June 30, 2006 the Authority has recorded a closure liability of $997,194, which is fully funded. The postclosure maintenance liability of $342,400 is financially assured by a pledge of future revenue. The recorded liabilities reflect 43.167% of the total estimated costs of closure ($2,310,099) and postclosure ($793,205) based on the landfill's used capacity as of June 30, 2006.

USA Waste Long-Term Contract

As part of the Settlement Agreement and Release on the above-mentioned 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 shall end on September 1, 2016, however it may be extended for up to three (3) additional one-year renewal terms. Effective June 1, 2006 USA Waste's base compensation was increased to $49,000 per month. The base compensation consists of a fuel component of $2,294 and a non-fuel component of $46,706. The base compensation shall be 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, 2006, were as follows:

Contract Ending Date	Service	Basic Annual Fee	Future Minimum Contractual Amount
09/01/2006	Jolon Road Transfer Station	$ 588,000	$ 5,977,961

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

As of June 30, 2006 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. The Authority participated in mediation which led to a compromise by all parties involved. The Authority settled on November 15, 2006 for $350,000 which was roughly the retention amount on the construction contract.

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:

Coverage	Limits	Deductible
Pollution liability	10,000,000	$ 25,000
General liability	2,000,000	
Automobile liability	1,000,000	25,000
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

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.

11. ***Related Party Disclosures:***

The City of Salinas provided administrative services to the Authority at a cost of $95,610 for the year ended June 30, 2006. This item is included as part of personnel services on the financial statements.

12. ***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 $81,947 at June 30, 2006. 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.

13. __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 $102,993, including normal costs and annual amortization of prior service costs.

__Public Employees Retirement System__

__Plan Description__ The Authoritys' 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 statues 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 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. 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 statue and the employer contribution rate is actuarially determined annually by CalPERS.

__Annual Pension Cost__ For fiscal year 2005-06, the Authority's annual pension cost of $102,993 was equal to the Authority's required and actual contributions. In addition, the employees contributed $70,382 from their earnings on a pre-tax basis. The required contribution for fiscal year 2005-06 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 second 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.

14. Net Assets:

The deficit of $5,519,727 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 deficit of $6,915,911 in Unrestricted Net Assets is due to the fact that most of the Authority's assets are Restricted Net Assets of $10,835,323. These items combine to create a negative Net Assets of $1,600,315. The negative Net Assets increased $28,122 this fiscal year due primarily to a $50,512 loss on disposition of capital assets.

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 of $785,813.

The Statement of Cash Flows for the fiscal year ended June 30, 2006, provides a detailed reconciliation of the Authority's increase in cash of $239,774.

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 Accrued 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, 2006

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Fund	Johnson Canyon Fund	Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund	2006 Total
Assets:									
Current Assets:									
Cash and Investments	$ 707,175	$ 330,110	$ 2,857,256	$ (111,527)	$ 458,665	$ (310,182)	$ 4,880,153	$ 1,430,176	$ 10,241,826
Accounts Receivable	7,218	-	612,850	361,282	-	-	103,343	381,682	1,466,375
Allowance for Uncollectible A/R			(12,250)	(7,230)			(2,070)		(21,550)
Interest Receivable	9,052	4,130	155,376	52,235	22,778	29,086	64,729	15,931	353,317
Intergovernmental Receivable	51,133	12,161	-	-	-	-	-	-	63,294
Total Current Assets	774,578	346,401	3,613,232	294,760	481,443	(281,096)	5,046,155	1,827,789	12,103,262
Noncurrent Assets:									
Deferred Charges	37,916	-	952,705	397,133	231,494	187,948	-	-	1,807,196
Restricted Cash	59,193	-	16,701,135	2,918,768	361,819	1,572,222	-	-	21,613,137
Capital Assets, Net	474,895	327,497	2,118,900	18,287,399	-	1,437,223	5,175,323	575,113	28,396,350
Total Noncurrent Assets	572,004	327,497	19,772,740	21,603,300	593,313	3,197,393	5,175,323	575,113	51,816,683
Total Assets	1,346,582	673,898	23,385,972	21,898,060	1,074,756	2,916,297	10,221,478	2,402,902	63,919,945
Liabilities:									
Current Liabilities:									
Accounts Payable	277,542	175,848	1,220,195	496,629	299,725	108,935	236,287	74,430	2,889,591
Accrued Leave	98,565	29,739	-	-	-	-	-	-	128,304
Deferred Revenue	-	109,729	-	-	-	-	-	-	109,729
Interest Payable	17,458	-	542,138	182,860	106,712	86,541	-	-	935,709
Installment Purchase Agreement	-	-	-	-	-	-	-	-	-
Bonds Payable-Current Portion	-	-	-			-			-
Total Current Liabilities	393,565	315,316	1,762,333	679,489	406,437	195,476	236,287	74,430	4,063,333
Long Term Liabilities:									
Closure Payable	-	-	7,219,544	1,625,367	-	997,194	-	-	9,842,105
Postclosure Payable	-	-	6,487,217	500,799	1,554,336	342,400	-	-	8,884,752
Installment Purchase Agreement	-	-	3,949,913	-	-	-	-	-	3,949,913
Unamortized Bond Discount	(7,236)	-	(181,792)	(75,777)	(44,173)	(35,865)	-	-	(344,843)
Bonds Payable	820,894	-	20,620,019	8,597,680	5,017,387	4,069,020	-	-	39,125,000
Total Long Term Liabilities	813,658	-	38,094,901	10,648,069	6,527,550	5,372,749	-	-	61,456,927
Total Liabilities	1,207,223	315,316	39,857,234	11,327,558	6,933,987	5,568,225	236,287	74,430	65,520,260
Net Assets:									
Invested in Capital Assets, Net of Related Debt	(338,763)	327,497	(14,173,147)	10,483,396	(4,973,214)	(2,595,932)	5,175,323	575,113	(5,519,727)
Restricted	41,735	-	8,939,453	1,110,541	255,107	488,487	-	-	10,835,323
Unrestricted	436,387	31,085	(11,237,568)	(1,023,435)	(1,141,124)	(544,483)	4,809,868	1,753,359	(6,915,911)
Total Net Assets	$ 139,359	$ 358,582	$ (16,471,262)	$ 10,570,502	$ (5,859,231)	$ (2,651,928)	$ 9,985,191	$ 2,328,472	$ (1,600,315)

SALINAS VALLEY SOLID WASTE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS BY LOCATION
FOR FISCAL YEAR ENDED JUNE 30, 2006

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Funds	Johnson Canyon Fund	Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund	Inter Fund Elimination	Totals
Operating Revenues:										
Charges for Services	$ 2,100,000	$ 996,897	$ 8,371,893	$ 3,216,997	$ 500,000	$ -	$ 1,438,502	$ 2,250,631	$ (4,100,000)	$ 14,774,920
Operating Grants and Contributions	-	(6,231)	40,953	-	-	-	-	-	-	34,722
Total Operating Revenues	2,100,000	990,666	8,412,846	3,216,997	500,000	-	1,438,502	2,250,631	(4,100,000)	14,809,642
Operating Expenses:										
Personnel Services	1,122,661	388,086	-	-	-	-	-	-	-	1,510,747
Administration	-	-	1,470,000	630,000	-	-	-	-	(2,100,000)	-
Contractual Services	502,866	212,459	216,442	104,178	68,426	32,297	-	-	-	1,136,668
Operating Contracts	-	682,690	2,925,921	1,186,123	-	533,278	1,022,536	-	-	6,350,548
Supplies	45,046	15,743	1,325	357	-	-	232,472	-	-	294,943
Insurance	57,260	-	39,964	39,964	39,964	-	43,248	-	-	220,400
Building Rent	42,441	-	-	-	-	-	-	-	-	42,441
Taxes	-	415	455,793	196,508	34,999	2,668	1,987	164,263	-	856,633
Utilities	18,902	3,158	29,517	26,342	-	-	22,928	-	-	100,847
Depreciation	100,171	29,393	-	496,744	-	-	159,505	-	-	785,813
Amortization	1,458	-	36,643	15,274	8,904	7,229	-	-	-	69,508
Closure/Postclosure Maint.	-	-	1,572,677	256,200	317,437	36,487	-	-	-	2,182,801
Resource Recovery	-	-	350,000	150,000	-	-	-	-	(500,000)	-
Transfer Station	-	-	700,000	300,000	-	-	-	-	(1,000,000)	-
Lewis Road Closed Landfill	-	-	350,000	150,000	-	-	-	-	(500,000)	-
Hazardous Waste	-	127,346	-	-	-	-	-	-	-	127,346
Other	85,182	14,803	12,250	7,230	-	-	2,070	-	-	121,535
Total Operating Expenses	1,975,987	1,474,093	8,160,532	3,558,920	469,730	611,959	1,484,746	164,263	(4,100,000)	13,800,230
Operating Income (Loss)	124,013	(483,427)	252,314	(341,923)	30,270	(611,959)	(46,244)	2,086,368	-	1,009,412
Non-Operating Revenues (Expenses):										
Investment Earnings	23,413	16,485	546,393	174,999	84,223	111,333	206,458	56,053	-	1,219,357
Other Non-Operating Revenue	54,423	62,982	-	22,327	-	4,885	1,882	-	-	146,499
Loss on Disposition of Capital Assets	-	-	-	-	-	(50,512)	-	-	-	(50,512)
Interest Expense	(42,759)	-	(1,388,909)	(447,879)	(261,366)	(211,965)	-	-	-	(2,352,878)
Total Non-Operating Revenues (Expenses)	35,077	79,467	(842,516)	(250,553)	(177,143)	(146,259)	208,340	56,053	-	(1,037,534)
Change in Net Assets before Transfers	159,090	(403,960)	(590,202)	(592,476)	(146,873)	(758,218)	162,096	2,142,421	-	(28,122)
Transfers In/(Out)	-	-	1,250,704	-	-	-	-	(1,250,704)	-	-
Net Assets - Beginning	(19,731)	762,542	(17,131,764)	11,162,978	(5,712,358)	(1,893,710)	9,823,095	1,436,755	-	(1,572,193)
Net Assets - End of Year	$ 139,359	$ 358,582	$ (16,471,262)	$ 10,570,502	$ (5,859,231)	$ (2,651,928)	$ 9,985,191	$ 2,328,472	$ -	$ (1,600,315)

SALINAS VALLEY SOLID WASTE AUTHORITY
SCHEDULE OF CASH FLOWS BY LOCATION
FOR FISCAL YEAR ENDED JUNE 30, 2006

	Administation Fund	Resource Recovery Fund	Crazy Horse Canyon Fund	Johnson Canyon Fund	Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund Fund	Totals
Cash Flows from Operating Activities:									
Receipts from Customer and Users	$ (7,218)	$ 490,666	$ 8,432,324	$ 3,247,580	$ -	$ -	$ 442,067	$ 2,133,812	$ 14,739,231
Receipts from interfund services provided	2,100,000	500,000	-	-	500,000	-	1,000,000	-	4,100,000
Payments to Suppliers	(575,975)	(1,044,430)	(3,018,781)	(1,685,585)	(357,695)	(579,564)	(1,348,701)	(145,134)	(8,755,865)
Payments to Employees	(1,062,949)	(371,986)	8,274	-	-	-	-	-	(1,426,661)
Payments for interfund services used	-	-	(2,870,000)	(1,230,000)	-	-	-	-	(4,100,000)
Net Cash Provided by Operating Activities	453,858	(425,750)	2,551,817	331,995	142,305	(579,564)	93,366	1,988,678	4,556,705
Cash Flows from Non-Capital Financing Activities:									
Other Non-Operating Revenue	39,290	135,020	(68,547)	22,327	-	4,885	1,882	-	134,857
Operating Transfers In	-	-	1,250,704	-	-	-	-	-	1,250,704
Operating Transfers Out	-	-	-	-	-	-	-	(1,250,704)	(1,250,704)
Net Cash Provided (Used) by Non-Capital Financing Activities	39,290	135,020	1,182,157	22,327	-	4,885	1,882	(1,250,704)	134,857
Cash Flows from Capital and Related Financing Activities:									
Acquisition of Capital Assets	(223,590)	-	(210,469)	(96,543)	-	(153,288)	(229,023)	(134,974)	(1,047,887)
Principal paid on Capital Debt	(15,106)	-	(379,460)	(158,220)	(92,334)	(74,880)	-	-	(720,000)
Interest paid on Capital Debt	(42,792)	-	(1,391,524)	(448,220)	(261,567)	(212,127)	-	-	(2,356,230)
Net Cash Provided (Used) by Capital and Related Financing Activities	(281,488)	-	(1,981,453)	(702,983)	(353,901)	(440,295)	(229,023)	(134,974)	(4,124,117)
Cash Flows from Investing Activities:									
Interest Received	20,392	16,078	505,868	169,868	78,215	113,553	207,751	47,182	1,158,907
Increase (Decrease) in Fair Value of Investments	(954)	(456)	(14,092)	(5,296)	(1,492)	(2,989)	(9,833)	(1,760)	(36,872)
Transfer (to) from Restricted Cash	10,621	-	(1,335,935)	(241,969)	64,924	52,653	-	-	(1,449,706)
Net Cash Provided (Used) by Investing Activities	30,059	15,622	(844,159)	(77,397)	141,647	163,217	197,918	45,422	(327,671)
Net Increase (Decrease) in Cash and Cash Equivalents	241,719	(275,108)	908,362	(426,058)	(69,949)	(851,757)	64,143	648,422	239,774
Cash and Cash Equivalents at Beginning of Year	465,456	605,218	1,948,894	314,530	528,614	541,576	4,816,010	781,754	10,002,052
Cash and Cash Equivalents at End of the Year	$ 707,175	$ 330,110	$ 2,857,256	$ (111,528)	$ 458,665	$ (310,181)	$ 4,880,153	$ 1,430,176	$ 10,241,826
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:									
Operating Income (Loss)	$ 124,013	$ (483,427)	$ 252,314	$ (341,923)	$ 30,270	$ (611,959)	$ (46,244)	$ 2,086,368	$ 1,009,412
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:									
Depreciation	100,171	29,393	-	496,744	-	-	159,505	-	785,813
Amortization	1,458	-	36,643	15,274	8,904	7,229	-	-	69,508
(Increase) Decrease in Accounts Receivable	(7,218)	-	19,478	30,583	-	-	3,565	(116,819)	(70,411)
Increase (Decrease) in Accounts Payable	196,299	16,709	670,705	(124,883)	60,795	(11,321)	(23,460)	19,129	803,973
Increase (Decrease) in Accrued Leave	39,135	11,575	-	-	-	-	-	-	50,710
Increase (Decrease) in Closure/Postclosure	-	-	1,572,677	256,200	42,336	36,487	-	-	1,907,700
Total Adjustments to Net Income	329,845	57,677	2,299,503	673,918	112,035	32,395	139,610	(97,690)	3,547,293
Net Cash Provided by Operating Activities	$ 453,858	$ (425,750)	$ 2,551,817	$ 331,995	$ 142,305	$ (579,564)	$ 93,366	$ 1,988,678	$ 4,556,705