

**SALINAS VALLEY
SOLID WASTE AUTHORITY**

Salinas, California



BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

SALINAS VALLEY SOLID WASTE AUTHORITY

BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2013



PREPARED BY

THE AUTHORITY'S FINANCE DIVISION

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Finance Manager/Treasurer

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Ray Hendricks, Business Services Supervisor
Christine Casey, Accounting Technician

AUDITORS

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

October 10, 2013

President and Board of the Salinas Valley Solid Waste Authority:

We are pleased to submit the Salinas Valley Solid Waste Authority’s (Authority) Basic Financial Statements for the fiscal year ended June 30, 2013. 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 financial position of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority’s assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the Authority’s financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority’s financial statements have been audited by McGilloway, Ray, Brown & Kaufman, a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2013, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Authority’s financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

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

Reporting Entity

On January 1, 1997, the Salinas Valley Solid Waste Authority was created through a joint powers agreement among the cities of Salinas, Gonzales, Greenfield, King City, and Soledad, and the unincorporated area of the eastern portion of Monterey County, to provide solid waste disposal services to the member cities and the unincorporated area in the eastern and southern portion of the county. The Authority is governed by a nine-member board consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one City Council member each from the cities of Gonzales, Greenfield, King 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 operating income of \$1,784,242 and a decrease in net position of \$185,073 for the fiscal year ended June 30, 2013.

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 cover the accrual of postclosure expenses in the current period. At June 30, 2013 the Authority has accrued postclosure liabilities totaling \$13,796,385 which will be paid out of future revenues over the next 30 years.

The Authority's policy is to set aside funds for closure costs. Closure liabilities of \$2,399,481 are fully funded at June 30, 2013.

The Authority's 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's tipping fees are not expected to recover depreciation expense.

The Statement of Cash Flows for the fiscal year ended June 30, 2013, provides a detailed reconciliation of the Authority's decrease in cash of \$832 to \$8,576,010.

Cash Management Policies and Practices

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

Investment income includes changes in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. Decreases in fair value of \$12,627 during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2013 the Authority's investment earnings were \$57,989, an increase of \$6,782 from the previous year.

Risk Management

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

Financial Management

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

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 pay off the Authority's existing 1997 Revenue Bonds, payoff a portion of the Crazy Horse installment purchase agreement, provide for the 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. Management is working on refunding this bond issue at a lower interest rate which should achieve at least \$1.5 million in savings. The refunding is expected to take place before the end of calendar year 2013.

Expansion Fund

The "Expansion Fund" was established to collect proceeds from the sale of outside waste, pay costs associated with increased tonnage generated by outside waste and pay the costs related to locating and permitting a new landfill site and other long-term expansion costs. Over the ten-year term of the revised agreement with South Valley Disposal, revenue from the sale of outside waste is estimated at \$23.3 million, with costs estimated at \$4.9 million to operate Crazy Horse, \$1.8 million for liners at Johnson Canyon, \$2.2 million in closure set-asides, \$1.8 million in taxes and fees and \$0.8 million on conversion technology projects with the balance to be used for locating and permitting a new landfill site. In order to avoid tipping fee increases during the Great Recession the Board of Directors decided to use these funds for a couple of years for operations. At June 30, 2013, the Expansion Fund had unrestricted net position of \$6,186,756.

Summary

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

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

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

Acknowledgements

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

Respectfully submitted,



Roberto Moreno
Finance Manager/Treasurer

SALINAS VALLEY SOLID WASTE AUTHORITY



List of Principal Officials

As of June 30, 2013

Fernando Armenta, County of Monterey
President

Elizabeth Silva, City of Gonzales
Vice President

Gloria De La Rosa, City of Salinas
Board Member

Lou Calcagno, County of Monterey
Board Member

Tony Barrera, City of Salinas
Board Member

Robert Cullen, City of King City
Board Member

Annie Moreno, City of Greenfield
Board Member

Jyl Lutes, City of Salinas
Board Member

Richard Perez, City of Soledad
Board Member

R. Patrick Mathews
General Manager/CAO

David Meza
Engineering Manager

Thomas M. Bruen
General Counsel

Susan Warner
Division Manager

Roberto Moreno
Finance Manager/Treasurer

Cesar Zuniga
Operations Manager

Rose Gill
Administrative Manager

McGILLOWAY, RAY, BROWN & KAUFMAN

Accountants & Consultants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Salinas Valley Solid Waste Authority (Authority), as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Sarita C. Shannon, CPA, Deanna Lozano, CPA, Whitney Ernest, CPA, Dewyn MacBeth, CPA,
Nancy H. Rimberg, CPA, Jesus Montemayor, CPA, Smriti Shrestha, CPA*

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2013, and the respective changes in financial position and cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

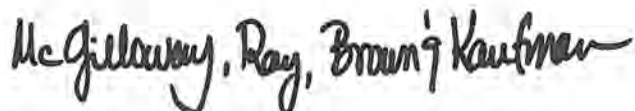
Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedules of Funding Progress on pages 32 and pages 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Salinas, California
October 10, 2013

SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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, 2013. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The Authority's deficit net position increased by \$185,073 to a deficit of \$10,264,459.
- Operating revenues increased \$707,153 (4.6%), as the result of \$3.00 (4.7%) increase in tipping fees.
- Landfill tonnage increased 273 tons (0.1%) during the year from 236,248 tons in fiscal year 2011-12 to 236,521 tons in fiscal year 2012-13.
- Operating expenses increased \$944,287 (7.1%) to \$14,196,703 due primarily to increases of \$774,843 in depreciation for Johnson Canyon Landfill.
- The Authority's total liabilities decreased by \$3,114,172 to \$55,413,286 due to debt principal payments of \$1,089,724 and the balance was the continued construction of the Crazy Horse Landfill closure which is carried as a liability until completed.
- The closure of Crazy Horse Landfill is underway and expected to be completed by December 2013. This is the single largest project of the Authority since being formed in 1997.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's 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 position includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

FINANCIAL STATEMENTS ANALYSIS

Statement of Net Position

Net position is a good indicator of the Authority's financial position. At the end of this fiscal year, the Authority had a deficit net position of \$10,264,459 which is a decrease in net position of \$185,073.

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2013 and 2012:

Salinas Valley Solid Waste Authority Condensed Statement of Net Position June 30, 2013 and 2012				
	2013	2012	Change	% Change
Assets				
Current Assets	\$ 10,465,344	\$ 13,021,243	\$ (2,555,899)	-19.6%
Other Assets	6,904,589	6,709,526	195,063	2.9%
Capital Assets, Net	27,778,894	28,717,303	(938,409)	-3.3%
Total Assets	45,148,827	48,448,072	(3,299,245)	-6.8%
Liabilities				
Current Liabilities	4,229,899	7,275,202	(3,045,303)	-41.9%
Long-term Liabilities	51,183,387	51,252,256	(68,869)	-0.1%
Total Liabilities	55,413,286	58,527,458	(3,114,172)	-5.3%
Net Position				
Invested in Capital Assets				
Net of Related Debt	(8,341,693)	(8,493,008)	151,315	-1.8%
Restricted	3,419,936	3,438,482	(18,546)	-0.5%
Unrestricted	(5,342,702)	(5,024,860)	(317,842)	6.3%
Total Net Position (Deficit)	\$ (10,264,459)	\$ (10,079,386)	\$ (185,073)	1.8%

The change in Current Assets is the result of restricted cash being used to pay the Crazy Horse closure project. Unrestricted net position is a deficit of \$5,342,702. This deficit is due in large part to the postclosure maintenance liability of \$13,796,385 that is not funded. The Authority assumed the postclosure liability when it was formed. It is to be paid from current rates when the actual maintenance activities take place. The deficit of \$8,341,693 in Invested in Capital Assets, Net of Related Debt is the result of capital assets depreciating at a faster rate than the related debt is being paid.

**SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Statement of Revenues, Expenses and Changes in Net Position

The following is the Condensed Statement of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2013 and 2012.

Salinas Valley Solid Waste Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues	\$ 15,980,945	\$ 15,273,792	\$ 707,153	4.6%
Operating Expenses	<u>(14,196,703)</u>	<u>(13,252,416)</u>	<u>(944,287)</u>	7.1%
Operating Income/(Loss)	1,784,242	2,021,376	(237,134)	-11.7%
Non-operating Revenues	56,799	221,151	(164,352)	-74.3%
Non-operating Expenses	<u>(2,026,114)</u>	<u>(2,085,322)</u>	<u>59,208</u>	-2.8%
Change in Net Position	(185,073)	157,205	(342,278)	-217.7%
Net Position - Beginning	<u>(10,079,386)</u>	<u>(10,236,591)</u>	<u>157,205</u>	-1.5%
Net Position - Ending	<u><u>\$ (10,264,459)</u></u>	<u><u>\$ (10,079,386)</u></u>	<u><u>\$ (185,073)</u></u>	1.8%

The Authority's activities increased the net deficit by \$185,073. Key elements of this change are as follows:

Operating revenues increased \$707,153 (4.6%) primarily due to a \$3 increase in tipping fees.

Operating expenses increased \$944,287 (7.1%) primarily due to a \$661,255 (105.2%) increase in depreciation.

The single biggest expense for the year was the \$2,913,601 paid to Recology Waste Systems for operation of the Johnson Canyon landfill, diversion services and air space conservation adjustment.

The \$2,026,114 in non-operating expenses is interest paid on the Authority's long term debt.

SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year, the Authority had \$27,778,894 invested in capital assets, primarily in landfills as summarized below. During this fiscal year the Authority added \$351,494 in capital assets and recorded depreciation expense of \$1,289,903. Additional information on the Authority's capital assets can be found in Note 6 on page 18 of this report.

Salinas Valley Solid Waste Authority
Condensed Statement of Capital Assets
For the years ended June 30, 2013 and 2012

	2013	2012
Land	\$ 42,600	\$ 42,600
Building	456,484	456,484
Improvements other than building	53,773,249	53,421,755
Equipment	2,799,196	2,799,196
Construction in progress	281,864	281,864
	57,353,393	57,001,899
Accumulated Depreciation	(29,574,499)	(28,284,596)
Total	\$ 27,778,894	\$ 28,717,303

Long-Term Debt

At the end of this fiscal year, the Authority had \$36.1 million in long-term debt as shown below. No new debt was incurred during this fiscal year. Principal payments of \$1,102,987 were paid on the debt. Additional information on the Authority's long-term debt can be found in Note 8 on page 18 of this report.

Standard & Poor's Corporation (S&P) assigned the revenue bonds a rating of "AAA". Moody's Investors Service assigned the same bonds a rating of "Aaa". The Authority's credit rating was recently affirmed by Standard & Poors as "A+" with a stable outlook.

Salinas Valley Solid Waste Authority
Condensed Statement of Long-Term Debt
For the years ended June 30, 2013 and 2012

	2013	2012
Revenue Bonds, Series 2002	\$ 33,085,000	\$ 34,070,000
Bond Discount	(252,002)	(265,265)
Installment Purchase Agreement	3,287,588	3,405,575
Total	\$ 36,120,586	\$ 37,210,310

SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

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. For FY 2013-14 management is anticipating tonnage to remain constant. The tipping fees remain at \$67.00 per ton. However, the Authority implemented an AB939 Service Fee which generates \$1.7 million regardless of tonnage received.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

SALINAS VALLEY SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2013
With Comparative Totals as of June 30, 2012

	2013	2012
Assets		
Current Assets		
Cash and Investments	\$ 8,576,010	\$ 8,576,842
Restricted Cash	225,734	2,992,471
Accounts Receivable, Net	1,659,316	1,441,464
Interest Receivable	4,284	10,466
Total Current Assets	10,465,344	13,021,243
Noncurrent Assets		
Unamortized Bond Issuance Costs	1,320,640	1,390,148
Restricted Cash	5,583,949	5,319,378
Capital Assets, Net	27,778,894	28,717,303
Total Noncurrent Assets	34,683,483	35,426,829
Total Assets	45,148,827	48,448,072
Liabilities		
Current Liabilities		
Accounts Payable	1,629,204	1,482,684
Wages Payable	97,938	74,245
Accrued Leave	343,881	350,960
Interest Payable	803,891	828,103
Closure Payable	34,202	3,198,605
Postclosure Payable - Current	171,540	250,880
Installment Purchase Agreement	127,506	117,988
Bonds Payable - Current	1,021,737	971,737
Total Current Liabilities	4,229,899	7,275,202
Long Term Liabilities		
OPEB Liability	221,920	159,000
Closure Payable	2,365,279	1,637,919
Postclosure Payable	13,624,845	13,334,752
Installment Purchase Agreement	3,160,082	3,287,587
Bonds Payable, Net	31,811,261	32,832,998
Total Long Term Liabilities	51,183,387	51,252,256
Total Liabilities	55,413,286	58,527,458
Net Position		
Invested in Capital Assets, Net of Related Debt	(8,341,693)	(8,493,008)
Restricted for Debt Service	2,820,700	2,820,700
Restricted for Grant	196,309	112,906
Restricted for Closure Reserve	402,927	504,876
Unrestricted	(5,342,702)	(5,024,860)
Total Net Position (Deficit)	\$ (10,264,459)	\$ (10,079,386)

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for fiscal year ended June 30, 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Charges for Services	\$ 15,438,514	\$ 14,654,565
Sales of Materials	392,958	419,613
Operating Grants and Contributions	<u>149,473</u>	<u>199,614</u>
Total Operating Revenues	<u>15,980,945</u>	<u>15,273,792</u>
Operating Expenses		
Personnel Services	3,763,121	3,593,200
Contractual Services	1,454,029	1,390,036
Operating Contracts	4,783,575	4,804,124
Supplies	454,034	382,533
Insurance	219,004	220,868
Building Rent	104,508	99,606
Taxes and Permits	728,267	742,681
Utilities	137,788	133,416
Depreciation	1,289,903	628,648
Amortization	69,508	69,508
Closure/Postclosure Maint.	712,257	897,535
Hazardous Waste	192,176	173,359
Other	<u>288,533</u>	<u>116,902</u>
Total Operating Expenses	<u>14,196,703</u>	<u>13,252,416</u>
Operating Income (Loss)	<u>1,784,242</u>	<u>2,021,376</u>
Non-Operating Revenues (Expenses)		
Investment Earnings	39,180	52,658
Other Non-Operating Revenue	17,619	168,493
Interest Expense	<u>(2,026,114)</u>	<u>(2,085,322)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,969,315)</u>	<u>(1,864,171)</u>
Change in Net Position	<u>(185,073)</u>	<u>157,205</u>
Total Net Position - Beginning	<u>(10,079,386)</u>	<u>(10,236,591)</u>
Total Net Position - End of Year	<u>\$ (10,264,459)</u>	<u>\$ (10,079,386)</u>

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY
STATEMENT OF CASH FLOWS
FOR FISCAL YEAR ENDED JUNE 30, 2013
With Comparative Totals for fiscal year ended June 30, 2012

	2013	2012
Cash Flows from Operating Activities:		
Receipts from Customer and Users	\$ 15,763,071	\$ 15,527,496
Payments to Suppliers	(11,153,925)	(15,246,156)
Payments to Employees	(3,683,581)	(3,621,968)
Net Cash Provided (Used) by Operating Activities	925,565	(3,340,628)
Cash Flows from Non-Capital Financing Activities:		
Other Non-Operating Revenue/(Expense)	17,619	90,976
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(351,494)	(660,687)
Principal paid on Capital Debt	(1,102,987)	(1,049,180)
Interest paid on Capital Debt	(2,037,063)	(2,090,476)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,491,544)	(3,800,343)
Cash Flows from Investing Activities:		
Interest Received	57,989	51,207
Increase (Decrease) in Fair Value of Investments	(12,627)	14,945
Transfer (to) from Restricted Cash	2,502,166	6,891,686
Net Cash Provided (Used) by Investing Activities	2,547,528	6,957,838
Net Increase (Decrease) in Cash and Cash Equivalents	(832)	(92,157)
Cash and Cash Equivalents at Beginning of Year	8,576,842	8,668,999
Cash and Cash Equivalents at End of Year	\$ 8,576,010	\$ 8,576,842
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ 1,784,242	\$ 2,021,376
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,289,903	628,648
Amortization	69,508	69,508
(Increase) Decrease in Accounts Receivable	(217,852)	253,696
Increase (Decrease) in Accounts Payable	146,520	282,713
Increase (Decrease) in Wages Payable	23,693	(117,726)
Increase (Decrease) in Accrued Leave	(7,079)	27,855
Increase (Decrease) in OPEB Payable	62,920	61,100
Increase (Decrease) in Closure/Postclosure Payable	(2,226,290)	(6,567,798)
Total Adjustments to Net Income	(858,677)	(5,362,004)
Net Cash Provided (Used) by Operating Activities	\$ 925,565	\$ (3,340,628)

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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

Financial Reporting Entity: The Salinas Valley Solid Waste Authority (Authority) is a joint exercise of powers authority, created pursuant to an agreement dated as of January 1, 1997, (the "Authority Agreement") among the County of Monterey, and the cities of Salinas, Gonzales, Greenfield, Soledad, and King 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 unified and coordinated solid waste management for the member agencies.

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

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

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

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. **Summary of Significant Accounting Policies (continued):**

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

In December, 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. This included pronouncements by the Financial Accounting Standards Board (FASB), Accounting Principles Board (APB), and the Accounting Research Bulletins of the American Institute of Certified Public Accountants (AICPA) Committee on Accounting Procedures, unless those pronouncements conflict or contradict with GASB pronouncements. This statement became effective for period effective beginning after December 15, 2011 and did not have a significant impact on the Authority's financial statements for 2012.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The requirement of this statement standardizes the presentation of deferred inflows and outflows of resources, and their effect on a government's net position. This statement became effective for period beginning after December 15, 2011. The implementation of this statement to the Authority is limited to renaming of "Net Assets" to Net Position".

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

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014. The Authority is evaluating the impact of this standard on the financials.

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. **Summary of Significant Accounting Policies (continued):**

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

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

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

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

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

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

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

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

1. **Summary of Significant Accounting Policies (continued):**

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

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

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

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

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

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

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

2. Cash and Investments:

Cash and Cash Equivalents: The bank balance and carrying value of the Authority's cash and cash equivalents, including restricted balances, at June 30, 2013 were as follows:

Cash and Investments	\$	8,576,010
Restricted Cash		5,809,683
Total	\$	14,385,693

The Authority's cash and investments at June 30, 2013, were held as follows:

Cash managed by the Authority's Treasurer	\$	316,106
Investments managed by the Authority's Treasurer		11,239,882
Investments managed by the Fiscal Agent		2,829,705
Investments Subtotal		14,069,587
Total	\$	14,385,693

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

The Authority participates in the Local Authority Investment Fund (LAIF), an investment pool managed by the State of California. At June 30, 2013, LAIF had invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. These Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

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

Credit Risk

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

2. Cash and Investments (continued):

The Local Agency Investment Fund (LAIF) managed by the State Treasurer, representing 65.0% of the investment portfolio, is not rated. Investments in money market funds are limited by Government Code Section 53601 to those that have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority's investment policy addresses the concentration of credit risk by limiting the maximum amount that may be invested in certain investments and in any one issuer, except for investments in LAIF and those made by Bank of New York (BNY). The investment in LAIF and the Public Investment Money Market Account, representing 60.3% and 7.1%, respectively, of the portfolio are not considered a concentrated risk. The BNY investment, the bond reserve represents 20.1% of the investment portfolio and exceeds 5% of the Authority's investment portfolio. The investment is made in accordance with the Indenture of Trust of the 2002 Revenue Bonds and is invested in U.S. Treasuries Money Market Fund and, therefore, does represent a concentration of credit risk. The Rabobank Certificates of Deposit represents 12.5% of the portfolio. They are fully collateralized at 110% of value.

The Authority was in compliance with these limitations at June 30, 2013. At June 30, 2013 certain individual investments exceeded 5% of the total investment portfolio (including cash and cash equivalents) as follows:

Investment Type	Investment Maturities				% of Total
	Fair Value	0-6 Mths	6-12 Mths	1-5 years	
State of California Local Agency Investment Fund	\$ 8,486,955	\$ -	\$ 8,486,955	\$ -	60.3
Bank of New York JP Morgan US Treasury Plus Premier #3920	2,829,705	2,829,705			20.1
Public Investment Money Market Account	1,002,927	1,002,927			7.1
Rabobank Certificates of Deposit	1,750,000			1,750,000	12.5
	<u>\$14,069,587</u>	<u>\$3,832,632</u>	<u>\$ 8,486,955</u>	<u>\$1,750,000</u>	<u>100.0</u>

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

3. Accounts Receivable:

Accounts receivable and the related allowance for doubtful accounts at June 30, 2013 are summarized as follows:

Billed Receivables:

Tipping Fee Accounts Receivable	\$	1,333,231
Recology - Tonnage Band		127,351
Intergovernmental Grants Receivable		69,402
Sales of Recycling Materials		58,026
Franchise Administration		33,405
LFG Gas Royalties		32,696
ECS - Sales of E-Waste		9,457
Employees' Flexible Spending Account		6,075
PG&E Rent		2,000
Vision Recycling Fuel Purchase		711
Refund - Safety Program		294
		1,672,648
Total Accounts Receivable		1,672,648
Allowance for Doubtful Accounts		(13,332)
		\$ 1,659,316

4. Unamortized 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, 2013, reported on the Statement of Net Position as deferred charges:

	2012	Increases	Decreases	2013
Revenue Bonds, Series 2002	\$ 1,390,148	\$ -	\$ (69,508)	\$ 1,320,640

5. Restricted Cash:

Cash and investments of \$5,809,683 are recorded as restricted assets at June 30, 2013.

Cash and investments of \$2,848,013 are restricted by the California Integrated Waste Management Board for the eventual closure of the landfills.

Cash and investments of \$2,820,700 held by the fiscal agent are restricted to cover expenses of debt service.

Cash and investments of \$74,889 are restricted for the California Department of Conservation grant for recycling activities and \$66,081 are restricted for the United States Department of Agriculture grant for the 2 anaerobic basins at Crazy Horse landfill.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

6. Capital Assets:

The changes in capital assets of the Authority for the year ended June 30, 2013 are summarized as follows:

	2012	Increases	Decreases	2013
Business-type activities				
Nondepreciable assets:				
Land	\$ 42,600	\$ -	\$ -	\$ 42,600
Construction in Progress	281,864	-	-	281,864
Total nondepreciable assets	<u>324,464</u>	<u>-</u>	<u>-</u>	<u>324,464</u>
Depreciable Assets:				
Buildings	456,484	-	-	456,484
Other Improvements	53,421,755	351,494	-	53,773,249
Machinery and Equipment	2,799,196	-	-	2,799,196
Total depreciable assets	<u>56,677,435</u>	<u>351,494</u>	<u>-</u>	<u>57,028,929</u>
Less Accumulated Depreciation	<u>(28,284,596)</u>	<u>-</u>	<u>(1,289,903)</u>	<u>(29,574,499)</u>
Total Depreciable Assets, Net	<u>28,392,839</u>	<u>351,494</u>	<u>(1,289,903)</u>	<u>27,454,430</u>
Total Capital Assets, Net	<u>\$ 28,717,303</u>	<u>\$ 351,494</u>	<u>\$ (1,289,903)</u>	<u>\$ 27,778,894</u>

Construction in progress at June 30, 2013, consists of \$281,864 in costs associated with various landfill projects.

7. Accrued Leave:

Employees are eligible to receive their entire unused paid time off upon termination, or can elect to be paid annually for a maximum of fifteen days of annual leave, depending on years of service. At June 30, 2013, the liability for this accrued leave is \$343,881.

8. Long Term Liabilities:

The following is a summary of long term liabilities for the fiscal year ended June 30, 2013:

	June 30, 2012	Increases	Decreases	June 30, 2013	Due Within One year
Long Term Debt:					
2002 Revenue Bonds	\$ 34,070,000	\$ -	\$ 985,000	\$ 33,085,000	\$ 1,035,000
Bond Discount	(265,265)	-	(13,263)	(252,002)	(13,263)
Installment Purchase Agreement	3,405,575	-	117,987	3,287,588	127,506
Long term Debt Subtotal	<u>37,210,310</u>	<u>-</u>	<u>1,089,724</u>	<u>36,120,586</u>	<u>1,149,243</u>
Other Long Term Liabilities:					
Post Employment Benefits	159,000	62,920	-	221,920	-
Closure Payable	4,836,524	-	2,437,043	2,399,481	34,202
Postclosure Payable	13,585,632	210,753	-	13,796,385	171,540
Total Long Term Liabilities	<u>\$ 55,791,466</u>	<u>\$ 273,673</u>	<u>\$ 3,526,767</u>	<u>\$ 52,538,372</u>	<u>\$ 1,354,985</u>

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

8. Long Term Liabilities (continued):

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:

<u>Fiscal year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,035,000	\$ 1,721,524	\$ 2,756,524
2015	1,085,000	1,667,203	2,752,203
2016	1,150,000	1,604,344	2,754,344
2017	1,215,000	1,537,828	2,752,828
2018	1,285,000	1,467,516	2,752,516
2019-2023	7,570,000	6,196,600	13,766,600
2024-2028	9,815,000	3,948,394	13,763,394
2029-2032	9,930,000	1,076,775	11,006,775
	<u>\$ 33,085,000</u>	<u>\$ 19,220,184</u>	<u>\$ 52,305,184</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.

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, 2013, the remaining balance due was \$3,287,588. The annual debt service requirements are as follows:

<u>Fiscal year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 127,506	\$ 257,591	\$ 385,097
2015	137,792	247,306	385,098
2016	148,907	236,190	385,097
2017	160,919	224,178	385,097
2018	173,901	211,197	385,098
2019-2024	1,103,976	821,509	1,925,485
2025-2027	1,434,587	298,350	1,732,937
	<u>\$ 3,287,588</u>	<u>\$ 2,296,321</u>	<u>\$ 5,583,909</u>

SALINAS VALLEY SOLID WASTE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

9. 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, 2013:

	2012	Increases	Decreases	2013
Revenue Bonds, Series 2002	\$ 265,265	\$ -	\$ (13,263)	\$ 252,002

Total bonded debt outstanding at June 30, 2013 net of the unamortized bond discount is as follows:

Bonds payable	\$ 33,085,000
Less unamortized bond discount	(252,002)
Net bonds payable	\$ 32,832,998

10. Landfill Closure and Postclosure Requirements:

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

The landfills are regulated by the California Department of Resources, Recycling, and Recovery (CalRecycle) which requires the Authority to set-aside funds annually for landfill closure and to fund postclosure maintenance for at least 30 years after closure. On June 19, 1998, the CalRecycle, approved the Authority's financial assurance mechanisms for closure and postclosure maintenance for the Authority's four landfills. Since then, the CalRecycle and the Authority have agreed to the financial assurance mechanism for corrective action for the Jolon Road, Johnson Canyon and Crazy Horse Landfills. The State found that the Enterprise Fund and Pledge of Revenue Agreement met the requirements of Title 27 of the California Code of Regulations and Federal Title 40 regulations. Under the terms of these agreements the Authority is to annually set-aside funds for the closure of the landfills. The postclosure maintenance and corrective action costs will be funded on a pay-as-you go basis when they are actually incurred and are secured by a pledge of revenue.

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

10. Landfill Closure and Postclosure Requirements (continued):

The system estimated capacity at June 30, 2013 is presented as follows:

	Johnson Canyon	
Permitted Capacity (cu. yd.)	10,512,141	100.0%
Cumulative Capacity Used (cu. yd.)	(2,310,648)	22.0%
Remaining Capacity (cu. yd.)	8,201,493	78.0%

System Capacity

As of June 30, 2013, the Authority has 78.0% of its system capacity remaining. System capacity is based on the capacity of the one active landfill, Johnson Canyon. During the fiscal year ended June 30, 2013, the Authority landfilled a total of 236,521 tons of solid waste. As of June 30, 2013 the Authority has 29 years remaining landfill capacity.

Johnson Canyon Landfill

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

Closed Landfills

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

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

10. Landfill Closure and Postclosure Requirements (continued):

Closure and Postclosure Maintenance Costs

Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2013, are presented as follows:

	June 30, 2013				
	Total	Crazy Horse	Johnson Canyon	Lewis Road	Jolon Road
Estimated:					
Closure Cost	\$ 9,315,521	\$ 451,076	\$ 8,864,445	\$ -	\$ -
Postclosure Maintenance Cost	\$ 16,249,079	\$ 10,963,269	\$ 3,143,673	\$ 957,999	\$ 1,184,138
Expense (Income):					
Closure	\$ 368,061	\$ 57,575	\$ 310,486	\$ -	\$ -
Postclosure Maintenance	344,196	193,850	110,110	18,769	21,467
Total Expense (Income)	\$ 712,257	\$ 251,425	\$ 420,596	\$ 18,769	\$ 21,467
Outstanding Liability:					
Closure	\$ 2,399,481	\$ 451,076	\$ 1,948,405	\$ -	\$ -
Postclosure Maintenance	13,796,385	10,963,269	690,979	957,999	1,184,138
Total Liability	\$ 16,195,866	\$ 11,414,345	\$ 2,639,384	\$ 957,999	\$ 1,184,138
Assets Set-Aside for Closure-Cash	\$ 2,848,013	\$ 84,764	\$ 2,763,249	\$ -	\$ -
Cash over/(under) Closure Liability	\$ 448,532	\$ (366,312)	\$ 814,844	\$ -	\$ -

Johnson Canyon Landfill estimated closure costs increased \$156,739 as a result of the CalRecycle inflation factor of 1.8%. After taking into account the capacity used at the landfill, the Authority recognized a closure expense of \$310,486 for Johnson Canyon.

Johnson Canyon Landfill estimated postclosure costs increased \$55,586 as a result of the CalRecycle inflation factor of 1.8%. After taking into account the remaining capacity of the landfill, the Authority recognized a postclosure expense of \$110,110.

The postclosure maintenance liability of \$13,796,385 will be funded from future revenues as expenditures take place.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

11. Deferred Compensation Plan:

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

The Authority's deferred compensation plan is administered by the ICMA Retirement Corporation. The ICMA Deferred Compensation plan has a balance of \$465,037 as of June 30, 2013. Since these funds are held by the ICMA Retirement Corporation under a trust arrangement for the benefit of the employees, these funds are not reported on the financial statements.

12. Retirement Programs:

Effective July 1, 2004, the Authority entered into a contract with the California Public Employees' Retirement System (CalPERS) for the provision of retirement benefits under the Public Employees' Retirement Law. The total pension expense for the fiscal year was \$426,483 which included normal costs, annual amortization of prior service costs and Employer Paid Member Contributions.

Public Employees Retirement System

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

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

Funding Policy Active plan members are required to contribute 7% of their annual covered salary. Effective January 1, 2010 the Authority began contributing the 7% as Employer Paid Member Contributions. The Authority is also required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-13 was 10.152% for miscellaneous employees of annual covered payroll. The contribution requirements of the plan members are established by State statute and employer contribution rate is established and may be amended by CalPERS.

SALINAS VALLEY SOLID WASTE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

12. Retirement Programs (continued):

Annual Pension Cost For fiscal year 2012-13, the Authority's annual pension cost of \$426,483 was equal to the Authority's required and actual contributions of \$251,378 and \$175,105 as Employer Paid Member Contributions. The required contribution for fiscal year 2012-13 was determined as part of the original actuarial valuation using the Entry Age Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumption included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.55% to 14.45% for miscellaneous members, and (c) 3.25% payroll growth.

Both (a) and (b) include an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments spreading the unrealized and realized gain/(loss) over a 15 year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of assumed future payroll on a closed basis. All pension costs are paid upon receipt of invoices.

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2011	\$ 383,979	100%	\$ -
6/30/2012	388,253	100%	-
6/30/2013	426,483	100%	-

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

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

Plan Description and Funding Policy

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

Annual OPEB Costs and Net OPEB Obligation

The Authority funds the payment of current retirees health costs on a pay-as-you go basis. For the fiscal year ended June 30, 2013, the Authority's pay-as-you-go contributions for health care benefits for retirees are \$580. There was 1 retiree on the health insurance.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. Postemployment Healthcare Plan:

The Authority's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The components of the Authority's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the Authority's net OPEB obligation (NOO) for the year ended June 30, 2013 and June 30, 2012 are as follows:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual required contribution	\$ 63,600	\$ 56,900
Interest on net OPEB obligation	6,800	4,200
Adjustments to net OPEB obligation	<u>(6,900)</u>	<u>-</u>
Annual OPEB expense	63,500	61,100
Contribution under "pay-as-you-go"		
Payment for CalPERS	<u>(580)</u>	<u>-</u>
Increase in OPEB obligation	62,920	61,100
Net OPEB obligation - beginning of year	<u>159,000</u>	<u>97,900</u>
Net OPEB obligation - end of year	<u><u>\$ 221,920</u></u>	<u><u>\$ 159,000</u></u>

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits as well as the unfunded actuarial accrued liability (UAAL) was \$234,100. The covered payroll (annual payroll of active employees covered by the plan) was \$2,252,000 and the ratio of the UAAL to the covered payroll was 10.4%. The plan has no segregated assets.

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

13. Postemployment Healthcare Plan (continued):

Actuarial Methods and Assumptions

In the June 30, 2012 actuarial valuation, the actuarial cost method used is Entry Age Normal (EAN) cost method. Under the EAN cost method, the plan's Normal Cost is developed as a level percent of payroll throughout the participants' working lifetime. Entry age is based on current age minus years of service. The Actuarial Accrued Liability (AAL) is the cumulative value on the valuation date of prior Normal Cost. For the retirees, the AAL is the present value of all projected benefits. The Unfunded AAL is being amortized as a level dollar closed 30 year basis, as a level percent of payroll with a remaining amortization period at June 30, 2013 for 27 years. GASB 45 requires the interest rate to represent the underlying expected return for the source of funds used to pay benefits. The actuarial methods and assumptions included 4.5% interest rate, representing the long term expected rate of return on the Authority's pooled investments. Annual inflation assumed to increase at 3% per annum and Aggregate Payroll assumed to increase at 3.25% per annum. The study also used assumptions for the salary merit and longevity increases, and demographic assumptions such as mortality withdrawal, and disability based on CalPERS 1997-2007 Experience Study. Retirement assumption was also based on CalPERS 1997-2002 Experience Study of the Miscellaneous Plan 2.0% at 55 years, with expected retirement age of approximately 62.78.

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

14. Concentrations

The Authority received 78.8% of its Charges for Services (tipping fees) from three haulers: Republic Services, Waste Management and Recology South Valley. These three haulers comprised approximately as \$1,024,317 (76.8%) of accounts receivable balances at June 30, 2013. A major reduction in revenue from any of the above sources may have a significant effect on the future operations of the Authority, however this is very unlikely.

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

Recology South Valley brings their waste to Johnson Canyon Landfill, under the Waste Disposal and Capacity Guarantee Agreement approved in 2003. This agreement has a termination date of December 31, 2013, but can be extended for up to four 1-year extensions at the Authority's sole discretion. Their revenue is guaranteed for as long as the agreement is in place.

SALINAS VALLEY SOLID WASTE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

15. Commitments and Contingencies:

Recology Waste Systems Long-Term Contract

On October 23, 2003, the Authority entered into a revised long-term contract with Norcal Waste Systems (Norcal) for the operation of scalehouses Sun Street Transfer Station and diversion services. Norcal has since become Recology Waste Systems (Recology). All services are provided based on a minimum flat monthly fee along with additional fees based on tonnages/quantities processed at each of the sites and landfill compaction. The Authority has taken over several of the operations. The basic contract terms, at June 30, 2013, were as follows:

Contract Ending Date	Service	Basic Annual Fee	Future Minimum Contractual Amount
12/31/2014	Johnson Canyon Landfill Basic Facility Fee	\$ 1,988,880	\$ 2,983,320

For the fiscal year ended June 30, 2013, the Authority paid Recology Waste Systems \$2,913,601 for operations of Johnson Canyon landfills, diversion services, excess tonnage, and air space conservation adjustment.

USA Waste Long-Term Contract

As part of the Settlement Agreement and Release on the Jolon Road litigation, the Authority entered into an Amended and Restated Operating Agreement for the Jolon Road Transfer Station. The initial term of this Amended Agreement commenced on June 3, 2004 and ends on September 1, 2016, however, it may be extended for up to three (3) additional one-year renewal terms. Effective June 1, 2013, the base compensation consists of a fuel component of \$2,874 and a non-fuel component of \$54,905. The base compensation is adjusted annually on the anniversary date of the Amended Agreement based on changes in the Retail On-Highway Diesel Prices and Consumer Price Index. The basic contract terms at June 30, 2013, were as follows:

Contract Ending Date	Service	Basic Annual Fee	Future Minimum Contractual Amount
9/1/2016	Jolon Road Transfer Station	\$ 680,736	\$ 2,195,602

Lease Obligations

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

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

<u>Ended June 30</u>	<u>Amount</u>
2014	\$ 86,328
2015	86,328
2016	86,328
2017	43,165
	<u>\$ 302,149</u>

SALINAS VALLEY SOLID WASTE AUTHORITY
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2013

15. Commitments and Contingencies (continued):

Risk Management

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

Coverage	Detail	Limits	Deductible
Environmental impairment liability	Per occurrence	\$ 10,000,000	\$ 25,000
Additional pollution liability limited	occurrence	1,000,000	10,000
General liability	Aggregate	1,000,000	-
Automobile liability	Per accident	1,000,000	1,000
Property damage	Per occurrence	3,530,565	5,000
Public officials/employment practices	Each act	1,000,000	10,000
Excess liability	Each act	2,000,000	-
Crime	-	1,000,000	5,000
Equipment Floater	-	10,000,000	5,000

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

Corrective Action Plan

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

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

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

15. Commitments and Contingencies (continued):

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

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

16. Restricted Net Position:

At June 30, 2013, the statement of net position reports restricted net position of \$3,419,936. None of the net positions are restricted by enabling legislation. This consists of \$2,820,700 for the debt service reserve which cannot be used until the bonds are paid in full in 2031, \$196,309 of unspent grant monies, and \$402,927 for closure reserve.

17. Net Position:

Deficit Invested in Capital Assets, Net of Related Debt

The deficit of \$8,341,693 Invested in Capital Assets, Net of Related Debt is the result of the Authority issuing 30-year debt to purchase and improve assets that depreciated at a much faster rate than the debt is being repaid. Three of the Authority's landfills are closed and fully depreciated, however, the debt associated with those assets will not be paid in full until 2032.

Unrestricted Net Deficit

The deficit of \$5,342,702 in Unrestricted Net Deficit is the result of accrued operating expenses such as postclosure that will be paid from future revenues. Per Board policy tipping fees are set at an amount such that postclosure maintenance is funded on a pay-as-you-go basis. Thus far \$13,796,385 in operating expenses has been accrued as a long term liability which will be funded over the next 30 years from tipping fees. This is in accordance with the Pledge of Revenue that is part of the Financial Assurances agreement between the Authority and CalRecycle.

18. Bond Rate Covenant:

Pursuant to the Master Indenture of the Revenue Bonds, Series 2002, the Authority has agreed to at all times while any of the Bonds remain Outstanding to set fees and charges and manage operations so as to yield Net Revenues during the fiscal year equal to at least one hundred fifteen percent (115%) of the bond's annual debt service for the fiscal year.

This calculation is based on Net Revenues as described in the Master Indenture. The calculation is based on operating income increased by investment earnings on all funds other than bond project funds and reduced by postclosure expense, depreciation and amortization, all non-cash items. At June 30, 2013, the calculation is 123%.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

18. Bond Rate Covenant (continued):

Net revenue available for debt service for the year ended June 30, 2013 is determined as follows:

Revenues	
Operating revenues	\$ 15,980,945
Interest not on Project funds	39,180
Revised Revenues	16,020,125
Maintenance & Operations Costs	
GAAP Operating Expenses	14,196,703
Less the following items per Master Indenture	
Postclosure maintenance	(344,196)
Closure	
Depreciaiton	(1,289,903)
Amortization	(69,508)
Add Postclosure liability being paid	
Lewis Road	103,497
Jolon Road	29,946
Revised Maintenance and Operations Expenses per Master Indenture	12,626,539
Net Revenues	\$ 3,393,586
<u>Annual Debt Service</u>	
Debt service on 2002 bonds	\$ 2,754,954
Use of capitalized interest	-
Revised Annual Debt Service	\$ 2,754,954

19. Reclassification:

Certain amounts reported at June 30, 2012 have been reclassified to reflect information and assumptions existing at June 30, 2013. These reclassifications had no effect on net position or the change in net position as previously reported.

20. Subsequent Events:

Refunding of Revenue Bonds, Series 2002

On August 16, 2012 the Authority Board of Directors authorized staff to pursue the refunding of the Revenue Bonds, Series 2002. It is expected to take place in the early part of 2013.

County of Monterey Notice of Intent to Withdraw from the Joint Powers Agreement

On August 16, 2012 the Authority Board of Directors received the County's Notice of Intent to Withdraw from the Authority and to terminate its Waste Delivery Agreement. The Notice begins a one-year period at the end of which the County could withdraw if the existing bonds and other Authority debts are paid off or alternative arrangements are made. The County would also continue to be responsible for its share of postclosure maintenance and corrective action plans for Authority facilities.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

20. Subsequent Events (continued):

Date of Management Review

Management has evaluated subsequent events through October 2, 2013, the date which these financial statements were available to be issued.

SALINAS VALLEY SOLID WASTE AUTHORITY
 REQUIRE SUPPLEMENTARY INFORMATION
 JUNE 30, 2013

California Public Employees' Retirement System
 Schedule of Funding Progress

Miscellaneous 2% at 55 Risk Pool

Actuarial Valuation Date	(a) Actuarial Accrued Liability- (AAL) Entry Age	(b) Actuarial Value of Assets	(a-b) Unfunded AAL (UAAL)	(b/a) Funded Ratio	© Covered Payroll	[(a-b)/c] UAAL as a Percentage of Covered Payroll
6/30/2005	\$ 2,891,460,651	\$ 2,588,713,000	\$ 302,747,651	89.5%	\$ 755,046,679	40.1%
6/30/2006	\$ 2,754,396,608	\$ 2,492,226,176	\$ 262,170,432	90.5%	\$ 699,897,835	37.5%
6/30/2007	\$ 2,611,746,790	\$ 2,391,434,447	\$ 220,312,343	91.6%	\$ 665,522,859	33.1%
6/30/2008	\$ 2,780,280,768	\$ 2,547,323,278	\$ 232,957,490	91.6%	\$ 688,606,681	33.8%
6/30/2009	\$ 3,104,798,222	\$ 2,758,511,101	\$ 346,287,121	88.8%	\$ 742,981,488	46.6%
6/30/2010	\$ 3,309,064,934	\$ 2,946,408,106	\$ 362,656,828	89.0%	\$ 748,401,352	48.5%

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

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

SALINAS VALLEY SOLID WASTE AUTHORITY
 REQUIRE SUPPLEMENTARY INFORMATION
 JUNE 30, 2013

Postemployment Health Insurance Benefits Plan
 Schedule of Funding Progress

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

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