

**SALINAS VALLEY
SOLID WASTE AUTHORITY**
Monterey County, California

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018



PREPARED BY

THE AUTHORITY'S FINANCE DIVISION

C. Ray Hendricks
Finance and Administration Manager/Treasurer/Controller

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

AUDITORS

McGilloway, Ray, Brown & Kaufman
Accountants and Consultants
379 W. Market Street
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INTRODUCTORY SECTION



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

October 4, 2018

President and Board of the Salinas Valley Solid Waste Authority:

We are pleased to submit the Salinas Valley Solid Waste Authority's (Authority) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. 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.

McGilloway, Ray, Brown & Kaufman, an independent firm of certified public accountants, has audited the Authority's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2018, 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 unmodified opinion that the Authority's financial statements for the fiscal year ended June 30, 2018, 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 "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 waste recovery and 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

GAAP require that depreciation, estimated closure costs, and estimated post-closure maintenance costs be charged as a current expense. These expenses are allocated over the estimated remaining capacity of the landfills within the Authority's disposal system. Based on these requirements, the Salinas Valley Solid Waste Authority reports operating income of \$6,815,921 and an increase in net position of \$5,853,162 for the fiscal year ended June 30, 2018.

As part of its adopted policy, the Authority does not set aside funds for post-closure maintenance. Per the agreement with the California Integrated Waste Management Board, dated June 19, 1998, the Authority has pledged future revenue to cover the cost of post-closure maintenance. The Authority's tipping fees are not expected to cover the accrual of post-closure expenses in the current period. At June 30, 2018 the Authority has accrued post-closure liabilities totaling \$15,563,106 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. As of June 30, 2018, \$4,152,902 has been set aside as required by CalRecycle. Closure liabilities are \$3,268,984 which are fully funded at June 30, 2018.

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

The Statement of Cash Flows for the fiscal year ended June 30, 2018, provides a detailed reconciliation of the Authority's cash, which increased \$6,326,483, from \$21,202,634 to \$27,529,117.

Financial Management

The Authority carefully monitors its charges for services. On July 1, 2016, the tipping fee increased \$1.50 to \$68.50 per ton, which was necessary to keep up with operating expenses. Tonnage has increased significantly due to increased economic activity and reduced markets for recycled materials. Effective July 1, 2013 the Board adopted an AB939 Fee, which generated \$2.32 million during the year ended June 30, 2018. This revenue is guaranteed regardless of tonnage received. This will reduce the fluctuations in revenue due to changes in tonnage.

Bond Issue 2014

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

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

Expansion Fund

The “Expansion Fund” was established to collect proceeds from the sale of outside waste, pay costs associated with increased tonnage generated by outside waste, pay the costs related to locating and permitting a new landfill site, and other long-term expansion costs. Over the term of the revised agreement with South Valley Disposal, revenue from the sale of outside waste was \$23.18 million, with costs estimated at \$4.9 million to operate Crazy Horse, \$1.8 million for landfill cell liners at Johnson Canyon, \$2.2 million in closure costs set-asides, and \$1.8 million in taxes and fees. In addition to money allocated to CIPs related to expansion and conversion technologies, and investment earnings, the Board of Directors decided to use these funds for operations during the Great Recession until the economy recovered in order to avoid tipping fee increases. At June 30, 2018, the Expansion Fund had unrestricted net position of \$8,319,174.

Summary


Benefitting from the highest tonnage accepted since 2007 (213,714 tons), the Authority eliminated the Net Deficit of \$404,354 and ended the year with a Net Position of \$5,448,808. With principal payments on the Equipment Lease Payable and Bonds Payable, the Net Position is expected to continue to improve. Thus, allowing the Authority to set aside reserves and possibly prefund some of its long-term liabilities.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Salinas Valley Solid Waste Authority for its CAFR for the year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. Salinas Valley Solid Waste Authority has received this award every year beginning with fiscal year ending June 30, 2014.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'C. Ray Hendricks', with a long horizontal line extending to the right.

C. Ray Hendricks
Finance and Administration Manager/Treasurer/Controller



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Salinas Valley Solid Waste Authority
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



List of Principal Officials

As of June 30, 2018

Simon Salinas, County of Monterey
President

Robert Cullen, City of King
Vice President

Gloria De La Rosa, City of Salinas
Alternate Vice President

Christopher K. Bourke, City of Soledad
Board Member

Tony Barrera, City of Salinas
Board Member

John M. Phillips, County of Monterey
Board Member

Kimbley Craig, City of Salinas
Board Member

Elizabeth Silva, City of Gonzales
Board Member

Avelina Torres, City of Greenfield
Board Member

R. Patrick Mathews
General Manager/
Chief Administrative Officer

Thomas M. Bruen
General Counsel

C. Ray Hendricks
Finance and Administration
Manager/Treasurer/Controller

Brian Kennedy
Engineering and Environmental
Compliance Manager

Mandy Brooks
Resource Recovery Manager

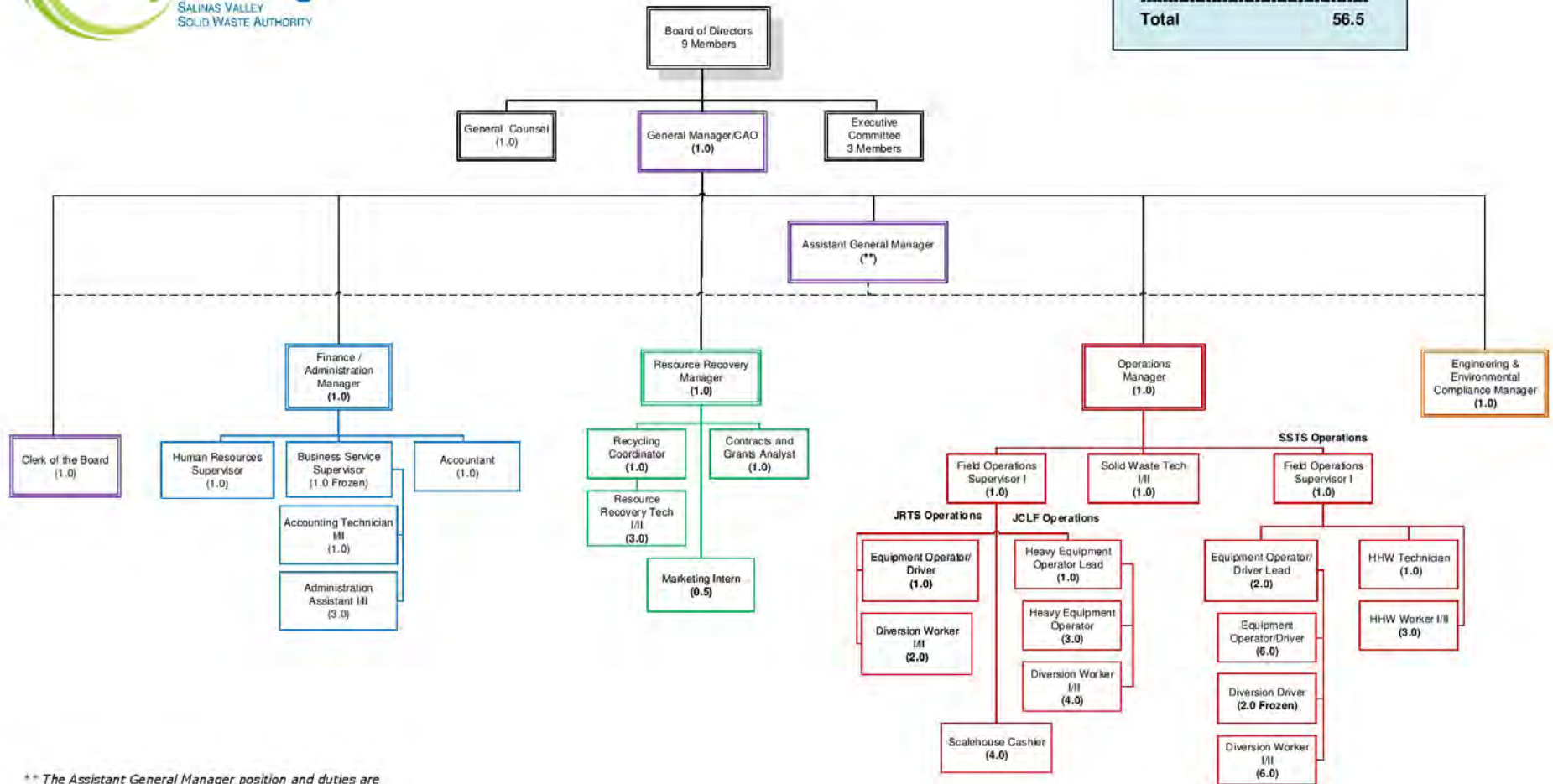
Cesar Zuniga
Assistant General Manager/
Operations Manager



Organizational Chart

Effective Date: August 28, 2017

Finance/Administration	09
Resource Recovery	06.5
Operations	37
Engineering	01
Frozen	03
<hr/>	
Total	56.5



** The Assistant General Manager position and duties are assigned to a Division Manager by the GM. Currently this assignment is being held by the Operations Manager.

FINANCIAL SECTION



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3478 Buskirk Avenue
Suite A1000
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Fax 831-373-3437

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Salinas Valley Solid Waste Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Salinas Valley Solid Waste Authority as of June 30, 2018, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Daniel M. McGilloway, Jr., CPA, CVA | Gerald C. Ray, CPA | Patricia M. Kaufman, CPA, CGMA | Larry W. Rollins, CPA | Jesus Montemayor, CPA

Sarita C. Shannon, CPA | Whitney Ernest, CPA | Devvyn MacBeth, CPA | Smriti Shrestha, CPA | Deanna Thomas, CPA

Emphasis of Matter

Implementation of New Accounting Standard

The Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an Amendment of GASB Statement No. 45*, during the year ended June 30, 2018. GASB Statement No. 75 expands disclosures related to other post-employment benefit and requires the Authority to report the net other post-employment benefit liability in the statement of net position. The adoption of this statement reduced net position by \$10,516 as of July 1, 2017 as disclosed in Note 20. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of Authority's proportionate share of the net pension liability and related ratios as of measurement date – cost sharing defined benefit pension plan, the schedule of statutorily required employer contributions pension plan, the schedule of changes in the Authority's net OPEB liability and related ratios as of measurement date, and the schedule of employer OPEB contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the supplementary information.



McGilloway, Ray, Brown & Kaufman
Salinas, California
October 4, 2018

**SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Introduction

This section of the Salinas Valley Solid Waste Authority (Authority) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and comparative analysis of the financial activities of the Authority for the fiscal years ended June 30, 2018 and June 30, 2017. Please consider the information presented here in conjunction with the basic financial statements that immediately follow, along with the letter of transmittal, and other portions of this CAFR.

For the fiscal year ended June 30, 2018, the Authority adopted the following pronouncements of the Governmental Accounting Standards Board (GASB):

- Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"
- Statement No. 81, "Irrevocable Split-Interest Agreements"
- Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73"
- Statement No. 85, "Omnibus 2017"
- Statement No. 86, "Certain Debt Extinguishment Issues"

Financial Highlights

- The Authority's net position increased \$5,863,678 to \$5,448,808.
- Operating revenues increased \$1,645,273 (7.9%) as the result of increased economic activity and an increase to the AB939 fee.
- Waste landfilled increased by 14,257 tons (7.1%) from 199,457 tons in fiscal year 2016-17 to 213,714 tons in fiscal year 2017-18 as the result of increased economic activity.
- Operating expenses decreased by \$161,435 (-1.0%) to \$15,690,868 due primarily to a year over year decrease in costs for postclosure landfill maintenance of \$1,710,266 because of an adjustment to the Postclosure Liability in FY 2016-17.
- The Authority's total liabilities decreased by \$512,114 to \$55,588,067.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the CAFR, which is 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 Basic 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, deferred outflows of resources, liabilities, and deferred inflows of resources. It 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.

**SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

All 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. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations and investments.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the financial statements.

Required Supplementary Information

In addition to the basic financial statements, a CAFR also provides Required Supplementary Information that presents the funding progress of the Authority's retirement plan.

FINANCIAL STATEMENTS ANALYSIS

Statement of Net Position

The Statement of Net Position is a good indicator of the Authority's financial position. At the end of this fiscal year, the Authority closed with a net position of \$5,448,808, which is an increase of \$5,853,162 from the prior year net deficit position of \$404,354.

The following is the condensed Statement of Net Position for the fiscal years ended June 30, 2018 and 2017:

Salinas Valley Solid Waste Authority Condensed Statement of Net Position June 30, 2018 and 2017				
	2018	2017	Change	% Change
Assets				
Current Assets	\$ 25,809,990	\$ 20,775,439	\$ 5,034,551	24.2%
Other Assets	4,152,902	3,838,099	314,803	8.2%
Capital Assets, Net	29,228,278	29,707,129	(478,851)	-1.6%
Total Assets	59,191,170	54,320,667	4,870,503	9.0%
Deferred Outflows of Resources	1,929,837	1,547,085	382,752	24.7%
Liabilities				
Current Liabilities	5,022,342	3,881,757	1,140,585	29.4%
Long-term Liabilities	50,565,725	52,218,454	(1,652,729)	-3.2%
Total Liabilities	55,588,067	56,100,211	(512,144)	-0.9%
Deferred Inflows of Resources	84,132	171,895	(87,763)	-51.1%
Net Position				
Net Investment in				
Capital Assets	(2,956,872)	(3,830,703)	873,831	22.8%
Restricted	956,776	1,028,150	(71,374)	-6.9%
Unrestricted	7,448,904	2,398,199	5,050,705	210.6%
Total Net Position (Deficit)	\$ 5,448,808	\$ (404,354)	\$ 5,853,162	1447.5%

**SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The deficit in Net Invested in Capital Assets of \$ 2,956,872 is the result of capital assets depreciating at a faster rate than the related debt is being paid. The repayment schedule of the 2014 refunding bonds had minimal principal payments for the first few years. As full principal payments begin to be paid in FY 2018-19, the deficit position in Net Invested in Capital Assets should improve.

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, 2018 and 2017.

Salinas Valley Solid Waste Authority
Condensed Statement of Revenues, Expenses and Changes in Net Position
For the years ended June 30, 2018 and 2017

	2018	2017	Change	% Change
Operating Revenues				
Charges for Services	\$ 21,472,434	\$ 20,148,726	\$ 1,323,708	6.6%
Sales of Materials	701,566	646,673	54,893	8.5%
Operating Grants and Contributions	332,789	66,117	266,672	403.3%
Total Operating Revenues	<u>22,506,789</u>	<u>20,861,516</u>	<u>1,645,273</u>	<u>7.9%</u>
Operating Expenses	<u>15,690,868</u>	<u>15,852,303</u>	<u>(161,435)</u>	<u>-1.0%</u>
Operating Income/(Loss)	6,815,921	5,009,213	1,806,708	36.1%
Non-operating Revenues				
Investment Earnings	303,212	95,624	207,588	217.1%
Other Non-operating Revenue	227,533	53,114	174,419	328.4%
Total Non-operating Revenues	<u>530,745</u>	<u>148,738</u>	<u>382,007</u>	<u>256.8%</u>
Non-operating Expenses				
Interest Expense	<u>(1,482,988)</u>	<u>(1,521,621)</u>	<u>38,633</u>	<u>-2.5%</u>
Change in Net Position	5,863,678	3,636,330	2,227,348	61.3%
Total Net Position - Beginning of Year, as Restated (See Note 20)	<u>(414,870)</u>	<u>(4,040,684)</u>	<u>3,625,814</u>	<u>89.7%</u>
Net Position - Ending of Year	<u>\$ 5,448,808</u>	<u>\$ (404,354)</u>	<u>\$ 5,853,162</u>	<u>1447.5%</u>

The Authority's activities eliminated the net deficit and created a net position of \$5,448,808. Key elements of this change are as follows:

Operating revenues increased \$1,645,273 (7.9%) as the result of increased economic activity and increases to the AB939 fee.

An increase in landfilled tons resulted in \$832,400 in additional tipping fee revenue from solid waste. Tipping fee revenue from diverted materials increased \$291,900. The transportation surcharge increased \$120,200 due to additional franchise tonnage at the transfer stations, and a full year of the Authority operations at our Jolon Road Transfer Station. The AB939 Service Fee increased \$90,800. Other charges for services had a net decrease of \$11,592.

Operating expenses decreased by \$161,435 (-1.0%) to \$15,690,868. Personnel Services, and supplies needed to run the landfill increased by \$886,964. This was necessary to maintain services due to increased materials being accepted by our sites. Depreciation increased \$191,790. Adjustments to the Post-closure Liability in FY 2016-17 resulted in a year over year decrease in costs for postclosure landfill maintenance of \$1,710,266. This decrease offset all other increases.

**SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Postclosure maintenance expenses for Crazy Horse Canyon Landfill were \$556,500. Postclosure maintenance expenses for Lewis Road Landfill were \$117,800. Postclosure maintenance expenses for Jolon Road Landfill were \$117,900. For the active Johnson Canyon Landfill, Closure and Postclosure Liabilities are expensed as a percentage of capacity used at the landfill. FY 2017-18 expenses for postclosure were \$59,500. Closure expenses were \$382,500.

The \$1,482,988 in non-operating expenses is for interest paid on the Authority's long-term debt.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the Authority had \$29,228,278 invested in capital assets, primarily in landfills as summarized below. During this fiscal year, the Authority added \$1,132,892 in capital assets and recorded a depreciation expense of \$1,611,743. Additional information on the Authority's capital assets can be found in Note 6.

Salinas Valley Solid Waste Authority
Condensed Statement of Capital Assets
For the years ended June 30, 2018 and 2017

	2018	2017
Land	\$ 42,600	\$ 42,600
Buildings	456,484	456,484
Improvements other than buildings	55,385,107	55,009,457
Equipment	9,095,470	8,603,723
Construction in progress	676,377	410,882
Total Capital Assets	65,656,038	64,523,146
Accumulated Depreciation	(36,427,760)	(34,816,017)
Net Capital Assets	<u>\$ 29,228,278</u>	<u>\$ 29,707,129</u>

Long-Term Debt

At the end of this fiscal year, the Authority had \$32.50 million in long-term debt as shown below. No new debt was incurred during the fiscal year. Principal payments of \$1,229,866 were paid on the debt. Additional information on the Authority's long-term debt can be found in Note 8. Standard & Poor's Corporation (S&P) upgraded the revenue bonds a rating to "AA".

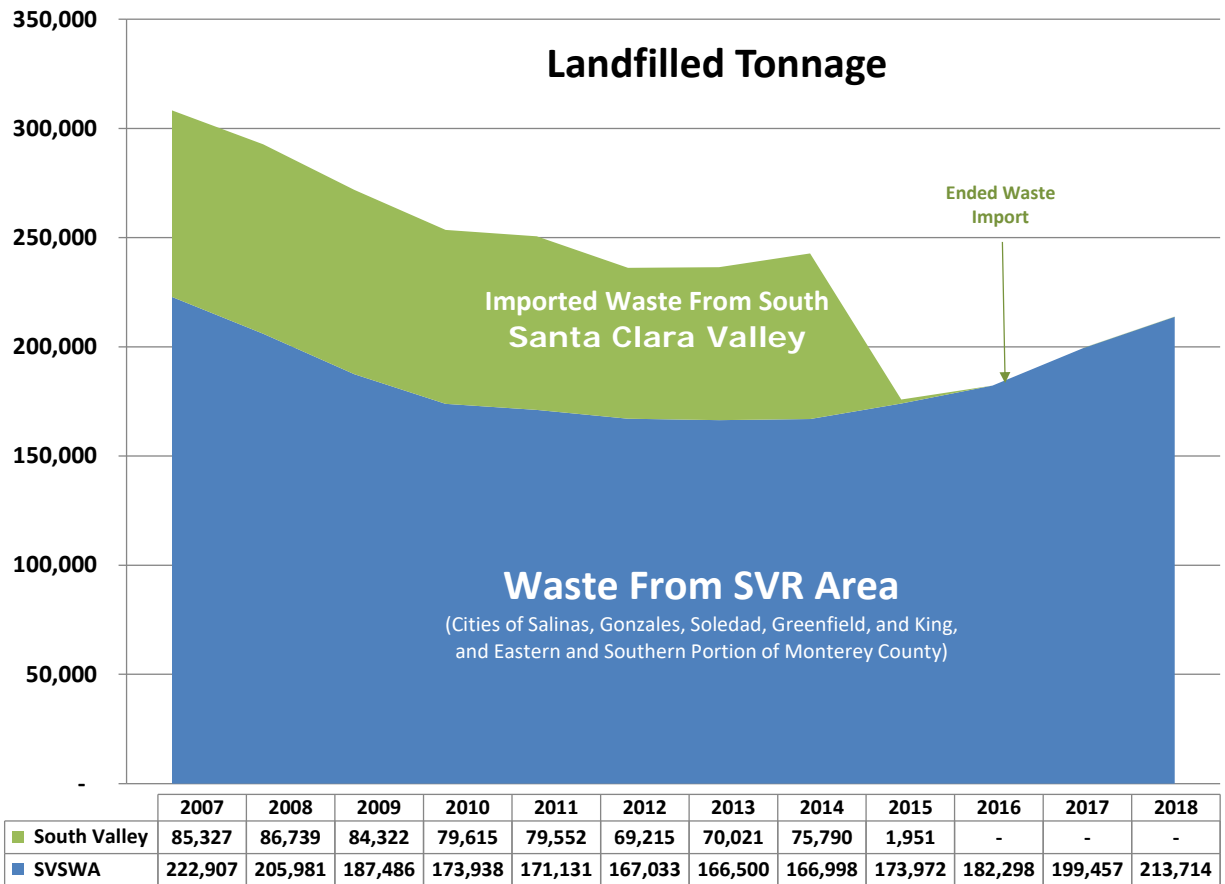
Salinas Valley Solid Waste Authority
Condensed Statement of Long-Term Debt
For the years ended June 30, 2018 and 2017

	2018	2017
2014A (AMT) Refunding Revenue Bond	\$ 27,670,000	\$ 27,815,000
2014B (Taxable) Refunding Revenue Bond	2,280,000	2,615,000
2014 Refunding Revenue Bond Premium	1,564,986	1,734,012
Equipment Lease Payable	985,802	1,735,668
Total	<u>\$ 32,500,788</u>	<u>\$ 33,899,680</u>

**SALINAS VALLEY SOLID WASTE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

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. A recession can have a drastic effect on solid waste tonnage, as is shown from 2007 to 2012 when the Great Recession led to a 25% decrease in landfilled tonnage. Tonnage remained largely unchanged from 2012 to 2014 and began an upward trend in 2015. In 2018 the Authority landfilled 213,714 tons. Management has conservatively budgeted 185,000 tons during 2018-19 with the tipping fee remaining at \$68.50 per ton. The 2018-19 budget is balanced.



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 there are any questions about this report or need additional financial information, please contact the Authority's Finance Department, at the Salinas Valley Solid Waste Authority, 128 Sun Street, Suite 101, Salinas, California 93901.

SALINAS VALLEY SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018
With Comparative Totals as of June 30, 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and Cash Equivalent	\$ 23,299,645	\$ 17,226,398
Restricted Cash and Cash Equivalent	76,570	138,137
Certificates of Deposit	-	1,000,000
Receivable, Net	2,101,416	2,185,576
Interest Receivable	121,004	40,436
Prepaid Expenses	211,355	184,892
Total Current Assets	<u>25,809,990</u>	<u>20,775,439</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalent	4,152,902	3,838,099
Capital Assets, Net	29,228,278	29,707,129
Total Noncurrent Assets	<u>33,381,180</u>	<u>33,545,228</u>
Total Assets	<u>59,191,170</u>	<u>54,320,667</u>
Deferred Outflows of Resources		
Deferred Outflows related to Pension Liabilities	1,159,200	1,185,239
Deferred Outflows related to OPEB Liabilities	455,000	-
Deferred Loss on Refunding of Bonds	315,637	361,846
Total Deferred Outflows of Resources	<u>1,929,837</u>	<u>1,547,085</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 61,121,007</u></u>	<u><u>\$ 55,867,752</u></u>

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2018
With Comparative Totals as of June 30, 2017
(Continued)

	2018	2017
Liabilities		
Current Liabilities		
Accounts Payable	\$ 852,292	\$ 871,805
Wages Payable	221,219	204,071
Accrued Leave	86,776	74,935
Interest Payable	655,900	669,095
Equipment Lease Payable	773,139	749,866
Bonds Payable - Current	1,776,876	649,027
Unearned Revenues	94,877	111,619
Postclosure Payable - Current	561,263	551,339
Total Current Liabilities	<u>5,022,342</u>	<u>3,881,757</u>
Long Term Liabilities		
Accrued Leave	461,679	431,470
Equipment Lease Payable	212,663	985,802
Bonds Payable, Net	29,738,110	31,514,985
Closure Payable	3,268,984	2,886,448
Postclosure Payable	15,001,843	14,852,204
OPEB Liability	780,000	635,469
Pension Liability	1,102,446	912,076
Total Long Term Liabilities	<u>50,565,725</u>	<u>52,218,454</u>
Total Liabilities	<u>55,588,067</u>	<u>56,100,211</u>
Deferred Inflows of Resources		
Deferred Inflows related to Pension Liabilities	84,132	171,895
Total Deferred Inflows of Resources	<u>84,132</u>	<u>171,895</u>
Total Liabilities and Deferred Inflows of Resources	<u>55,672,199</u>	<u>56,272,106</u>
Net Position		
Net Investment in Capital Assets	(2,956,872)	(3,830,703)
Restricted for Grants	72,858	76,499
Restricted for Closure Reserve	883,918	951,651
Unrestricted	7,448,904	2,398,199
Total Net Position (Deficit)	<u>5,448,808</u>	<u>(404,354)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 61,121,007</u>	<u>\$ 55,867,752</u>

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, 2018
With Comparative Totals for fiscal year ended June 30, 2017

	2018	2017
Operating Revenues		
Charges for Services	\$ 21,472,434	\$ 20,148,726
Sales of Materials	701,566	646,673
Operating Grants and Contributions	332,789	66,117
Total Operating Revenues	<u>22,506,789</u>	<u>20,861,516</u>
Operating Expenses		
Personnel Services	5,924,325	5,148,507
Contractual Services	2,450,412	2,210,991
Operating Contracts	2,038,226	2,015,999
Supplies	808,707	697,561
Insurance	128,141	178,486
Building Rent	186,831	116,045
Taxes and Permits	528,695	520,155
Utilities	130,160	131,476
Depreciation/Amortization	1,611,743	1,419,953
Closure/Postclosure Maint.	1,234,202	2,944,468
Hazardous Waste	208,637	202,372
Other	440,789	266,290
Total Operating Expenses	<u>15,690,868</u>	<u>15,852,303</u>
Operating Income	<u>6,815,921</u>	<u>5,009,213</u>
Non-Operating Revenues (Expenses)		
Investment Earnings	303,212	95,624
Insurance Reimbursements	167,367	-
Rental Income	60,166	53,114
Interest Expense	(1,482,988)	(1,521,621)
Total Non-Operating Revenues (Expenses)	<u>(952,243)</u>	<u>(1,372,883)</u>
Change in Net Position	5,863,678	3,636,330
Total Net Position (Deficit) - Beginning of Year	(404,354)	(4,040,684)
New Accounting Prouncement - Note 20	(10,516)	-
Total Net Position (Deficit) - End of Year	<u>\$ 5,448,808</u>	<u>\$ (404,354)</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, 2018
With Comparative Totals for Fiscal Year Ended June 30, 2017

	2018	2017
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 22,574,207	\$ 20,623,684
Payments to Suppliers	(7,658,677)	(7,275,704)
Payments to Employees	(6,057,466)	(5,279,581)
Net Cash Provided by Operating Activities	<u>8,858,064</u>	<u>8,068,399</u>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(1,132,892)	(1,342,677)
Insurance proceeds received for property destruction	167,367	-
Principal paid on Capital Debt	(1,229,866)	(1,221,540)
Interest paid on Capital Debt	(1,619,000)	(1,483,874)
Net Cash Used Capital and Related Financing Activities	<u>(3,814,391)</u>	<u>(4,048,091)</u>
Cash Flows from Investing Activities:		
Proceeds from maturity of Certificate of Deposit	1,000,000	750,000
Interest received	249,414	94,350
Rental income received	60,166	53,114
Increase (Decrease) in FMV of LAIF investment	(26,770)	(21,262)
Net Cash Provided by Investing Activities	<u>1,282,810</u>	<u>876,202</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,326,483	4,896,510
Cash and Cash Equivalents at Beginning of Year	<u>21,202,634</u>	<u>16,306,124</u>
Cash and Cash Equivalents at End of Year	<u>\$ 27,529,117</u>	<u>\$ 21,202,634</u>
Unrestricted Cash and Investments	\$ 23,299,645	\$ 17,226,398
Restricted Cash and Investments	4,229,472	3,976,236
	<u>\$ 27,529,117</u>	<u>\$ 21,202,634</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	<u>\$ 6,815,921</u>	<u>\$ 5,009,213</u>
Adjustments to Reconcile Net Income to Net Cash Provided (used) by Operating Activities:		
Depreciation	1,611,743	1,419,953
(Increase) Decrease in Accounts Receivable	84,160	(269,165)
(Increase) Decrease in Prepaid Expenses	(26,463)	5,918
Increase (Decrease) in Accounts Payable	(19,513)	(82,638)
Increase (Decrease) in Wages Payable	17,148	15,678
Increase (Decrease) in Accrued Leave	42,050	62,888
Increase (Decrease) in Unearned Revenue	(16,742)	31,333
Increase (Decrease) in Closure/Postclosure Payable	542,099	2,084,859
Increase (Decrease) in OPEB Net Position	(320,985)	139,470
Increase (Decrease) in Pension Net Position	128,646	(349,110)
Total Adjustments to Net Income	<u>2,042,143</u>	<u>3,059,186</u>
Net Cash Provided by Operating Activities	<u>\$ 8,858,064</u>	<u>\$ 8,068,399</u>
Noncash Investing, Capital and Financing Activities		
Amortization of Bond Premium	<u>\$ 169,026</u>	<u>\$ 161,458</u>

The accompanying notes are an integral part of this financial statement

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

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

Accounting Principles: The accounting policies of the Authority conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountant (AICPA).

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 non-operating 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 non-operating 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, 2018

New Accounting Pronouncements: The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 75	<i>"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2017. The Authority has implemented this statement effective July 1, 2017.
Statement No. 81	<i>"Irrevocable Split-Interest Agreements"</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2016. This statement has no financial effect on these financial statements.
Statement No. 82	<i>"Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2016. Except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement has no financial effect on these financial statements.
Statement No. 85	<i>"Omnibus 2017"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2017. This statement has no financial effect on these financial statements.
Statement No. 86	<i>"Certain Debt Extinguishment Issues"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2017. This statement has no financial effect on these financial statements.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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

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

Investments: Investments consisted of deposits in open end, money market mutual funds and deposits with the LAIF, an investment pool with restricted withdrawals, 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 which include property, plant, equipment, and landfills are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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. 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.

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.

Depreciation of capital assets other than landfill cells is computed using the straight-line method, beginning the following fiscal year, 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

Landfill cells are depreciated/amortized based on units of consumption. Units-of-consumption depreciation rates are determined annually for our operating landfill at Johnson Canyon. The rates are based on estimates provided by our engineers and accounting personnel and consider the information provided by airspace surveys, which are performed at least annually. Significant changes in our estimates could materially increase our landfill depletion rates, which could have a material adverse effect on our financial condition and results of operations. In addition, 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.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

Restricted Cash: Restricted cash of the Authority represent 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.

Net investment in capital assets - 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 net investment in capital assets. 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 net investment in capital assets or restricted.

Deferred Outflows and Inflows of Resources: In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

Pensions - for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the CalPERS Public Employees Retirement System (CalPERS) and additions to/deductions from CalPERS' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) - For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Loss on Refunding - the item that qualifies in this category is the deferred loss on refunding reported in the Statement of Net Position (deferred outflow). Deferred charges, resulting from

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

the carrying value of refunded debt and its reacquisition price, are deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

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 insurance on long-term debt are amortized on the effective interest rate 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. Landfill expenses also include accruals for landfill closure and post closure 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 payable within one year on the statement of net position as current liabilities.

Public Employees Retirement System: The Authority offers 2 retirement plans to its employees. Employees hired before January 1, 2013 are members of the CalPERS Classic Plan and employees hired after January 1, 2013 are members of the California Public Employees' Pension Reform Act Plan (PEPRA Plan).

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the Salinas Valley Solids Waste Authority's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS finance office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 for the CalPERS Classic Plan disclosures.

Post-employment Benefits Other than Pensions: The Authority's net Other Post-Employment Benefits (OPEB) Obligation is recognized as a long-term liability in the Statement of Net Position, the amount is actuarially determined. The Authority offers health benefits to retirees under age 65 as well as their qualified dependents, as required by state law. The Authority joined The California Employer's Retiree Benefit Trust (CERBT) in 2017 to prefund it's OPEB liability. It's initial cash contribution to the plan was \$438,000. For future contributions, the Authority will us the annual required contribution (ARC) of the employer, which is expected to prefund all unfunded liabilities by 2040.

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, 2018

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's financial statement presentation.

Future Accounting Pronouncements: GASB Statements listed below will be implemented in future financial statements:

Statement No. 83	<i>"Certain Assets Retirement Obligation"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2018.
Statement No. 84	<i>"Fiduciary Activities"</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2018.
Statement No. 87	<i>"Leases"</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2019.
Statement No. 88	<i>"Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements"</i>	The provisions of this statement are effective for reporting periods beginning after June 15, 2018.
Statement No. 89	<i>"Accounting for Interest Cost Incurred before the End of a Construction Period"</i>	The provisions of this statement are effective for reporting periods beginning after December 15, 2019.
Statement No. 90	<i>"Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61"</i>	The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

2. Cash and Investments:

Cash and Investments: The bank balance and carrying value of the Authority's cash and investments, including restricted balances, at June 30, 2018 were as follows:

Cash and Cash Equivalents	
Unrestricted Cash	\$ 23,299,645
Restricted Cash	4,229,472
Total Cash and Cash Equivalents	<u>\$ 27,529,117</u>

The Authority's cash and investments at June 30, 2018, were held as follows:

Cash managed by the Authority's Treasurer	\$ 2,055,548
Investments managed by the Authority's Treasurer	25,473,569
Total Cash and Investments	<u>\$ 27,529,117</u>

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

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. The Authority's investments are carried at fair value, as required by generally accepted accounting principles. The Authority adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Disclosures Related to Fair Value Measurement: The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using quoted prices for identical securities in markets that are not active or similar assets in active markets.

At June 30, 2018, the Authority had no leveled investments.

Investment in State Investment Pool (LAIF): The Authority participates in the California Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. The LAIF is a special fund of the California State Treasury through which local governments may pool investments. At June 30, 2018, the total fair value amount invested by all public agencies in LAIF is \$88,949,144,132 managed by the State Treasurer. Of that amount, 2.67% is invested in medium-term and short-term structured notes and asset-back securities. No amounts were invested in derivative financial products. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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.

Credit Risk: The safety and risk associated with an investment refers to the potential loss of principal, interest or a combination of these amounts. Investments of the Salinas Valley Solid Waste Authority shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The Authority only invests in those instruments that are considered very safe.

SALINAS VALLEY SOLID WASTE AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

The Local Agency Investment Fund (LAIF) managed by the State Treasurer, representing 100% of the investment portfolio, is not rated.

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. The investment in LAIF Account, representing 100%, of the portfolio are not considered a concentrated risk

The Authority was in compliance with these limitations at June 30, 2018. At June 30, 2018, 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	\$25,473,569	\$ -	\$ 25,473,569	\$ -	100.0
	<u>\$25,473,569</u>	<u>\$ -</u>	<u>\$ 25,473,569</u>	<u>\$ -</u>	<u>100.0</u>

Interest Rate Risk: The Salinas Valley Solid Waste Authority investment portfolio is designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the Authority's investment risk constraints and the cash flow characteristics of the portfolio. Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the table above that shows the distribution of the Authority's investments by maturity.

3. Receivable:

Receivables and the related allowance for doubtful accounts at June 30, 2018, are summarized as follows:

Tipping Fee Accounts Receivable	\$ 1,626,512
Intergovernmental Grants Receivable	280,707
LFG Gas Royalties	63,599
Sales of Recycling Materials	45,226
Franchise Administration	35,943
Workers Comp Deposits	18,598
Global Earht Organics Receivables	16,065
Recycled Paint	9,091
Employees' Flexible Spending Account	10,407
Vision Recycling Fuel	1,893
WM JR Electricity	1,327
SS Illegal Dumping	181
Total Receivables	2,109,549
Allowance for Doubtful Accounts	(8,133)
Total Receivables, Net	<u>\$ 2,101,416</u>

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4. Loss on Bonds Refunding:

The Authority had a loss on the refunding of the Series 2002 Revenue Bonds, which is a deferred outflow of resources.

Deferred Outflows of Resources balances for the year ended June 30, 2018 were as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
Loss on Refunding of Bonds:				
2014A (AMT) Refunding Revenue Bonds	\$ 332,850	\$ -	\$(41,331)	\$ 291,519
2014B (Taxable) Refunding Revenue Bond	28,996	-	(4,878)	24,118
	<u>\$ 361,846</u>	<u>\$ -</u>	<u>\$(46,209)</u>	<u>\$ 315,637</u>

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

Fiscal Year Ended June 30,	2014A (AMT) Refunding Revenue Bond	2014B (Taxable) Refunding Revenue Bond	Total
2019	\$ 32,660	\$ 4,186	\$ 36,846
2020	32,660	4,186	36,846
2021	32,660	4,186	36,846
2022	32,660	4,186	36,846
2023	32,660	4,186	36,846
2024-2028	104,813	3,188	108,001
2029-2032	23,406	-	23,406
	<u>\$ 291,519</u>	<u>\$ 24,118</u>	<u>\$ 315,637</u>

5. Restricted Cash:

Cash and investments of \$4,229,472 are recorded as restricted assets at June 30, 2018.

Cash and investments of \$4,152,902 are restricted by the California Integrated Waste Management Board for the closure of Johnson Canyon Landfill.

Cash and investments of \$5,299 are restricted by the Flexible Spending Arrangement for employees' pay out-of-pocket health and child care costs.

Cash and investments of \$71,271 are restricted by agreement with the Central Coast Recycling Media Coalition. These funds are to be used for the Tri-County public/private cooperative marketing and advertising projects.

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6. Capital Assets:

The changes in capital assets of the Authority for the year ended June 30, 2018, are summarized as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
Nondepreciable assets:				
Land	\$ 42,600	\$ -	\$ -	\$ 42,600
Construction in Progress	410,882	376,824	(111,329)	676,377
Total nondepreciable assets	<u>453,482</u>	<u>376,824</u>	<u>(111,329)</u>	<u>718,977</u>
Depreciable Assets:				
Buildings	456,484	-	-	456,484
Other Improvements	55,009,457	375,650	-	55,385,107
Machinery and Equipment	8,603,723	491,747	-	9,095,470
Total depreciable assets	<u>64,069,664</u>	<u>867,397</u>	<u>-</u>	<u>64,937,061</u>
Less Accumulated Depreciation	<u>(34,816,017)</u>	<u>(1,611,743)</u>	<u>-</u>	<u>(36,427,760)</u>
Total Depreciable Assets, Net	<u>29,253,647</u>	<u>(744,346)</u>	<u>-</u>	<u>28,509,301</u>
Total Capital Assets, Net	<u>\$29,707,129</u>	<u>\$ (367,522)</u>	<u>\$ (111,329)</u>	<u>\$29,228,278</u>

The accumulated depreciation by major class is summarized as follows:

	June 30, 2017	Increases	June 30, 2018
Buildings	\$ (349,164)	\$ (18,859)	\$ (368,023)
Other Improvements	(31,063,258)	(361,797)	(31,425,055)
Machinery and Equipment	<u>(3,403,595)</u>	<u>(1,231,087)</u>	<u>(4,634,682)</u>
Total	<u>\$ (34,816,017)</u>	<u>\$ (1,611,743)</u>	<u>\$ (36,427,760)</u>

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, 2018, the liability for this accrued leave is \$548,455.

The changes in accrued leave of the Authority for the year ended June 30, 2018, are summarized as follows:

	June 30, 2017	Increases	Decreases	June 30, 2018
Accrued Leave				
Current	\$ 74,935	\$ 11,841	\$ -	\$ 86,776
Noncurrent	<u>431,470</u>	<u>30,209</u>	<u>-</u>	<u>461,679</u>
Total	<u>\$ 506,405</u>	<u>\$ 42,050</u>	<u>\$ -</u>	<u>\$ 548,455</u>

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8. Long Term Liabilities:

The following is a summary of long term liabilities for the fiscal year ended June 30, 2018:

	June 30, 2017	Increases	Decreases	June 30, 2018	Due Within One year
Long Term Debt:					
2014A (AMT) Refunding					
Revenue Bonds	\$ 27,815,000	\$ -	\$ 145,000	\$ 27,670,000	\$ 1,265,000
2014B (Taxable) Refunding					
Revenue Bonds	2,615,000	-	335,000	2,280,000	345,000
2014 Revenue Bonds					
Original Issue Premium	1,734,012	-	169,026	1,564,986	166,876
Equipment Lease Payable	1,735,668	-	749,866	985,802	773,139
Long Term Debt Subtotal	33,899,680	-	1,398,892	32,500,788	2,550,015
Other Long Term Liabilities:					
Post Employment Benefits	1,547,545	334,901	-	1,882,446	-
Closure Payable	2,886,448	382,536	-	3,268,984	-
Postclosure Payable	15,403,543	159,563	-	15,563,106	561,263
Total Long Term Liabilities	\$ 53,737,216	\$ 877,000	\$ 1,398,892	\$ 53,215,324	\$ 3,111,278

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 2,383,139	\$ 1,550,433	\$ 3,933,572
2020	1,897,663	1,452,290	3,349,953
2021	1,770,000	1,366,699	3,136,699
2022	1,855,000	1,278,956	3,133,956
2023	1,950,000	1,185,730	3,135,730
2024-2028	11,200,000	4,279,929	15,479,929
2029-2033	9,880,000	1,123,925	11,003,925
	<u>\$ 30,935,802</u>	<u>\$ 12,237,962</u>	<u>\$ 43,173,764</u>

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

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

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

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

2014A (AMT) Refunding Revenue Bond			
Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 1,265,000	\$ 1,436,250	\$ 2,701,250
2020	1,330,000	1,371,375	2,701,375
2021	1,400,000	1,303,125	2,703,125
2022	1,470,000	1,231,375	2,701,375
2023	1,545,000	1,156,000	2,701,000
2024-2028	10,780,000	4,269,763	15,049,763
2029-2032	9,880,000	1,123,925	11,003,925
	<u>\$27,670,000</u>	<u>\$11,891,813</u>	<u>\$39,561,813</u>

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

2014B (Taxable) Refunding Revenue Bond			
Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 345,000	\$ 89,728	\$ 434,728
2020	355,000	77,640	432,640
2021	370,000	63,574	433,574
2022	385,000	47,581	432,581
2023	405,000	29,730	434,730
2024-2028	420,000	10,166	430,166
	<u>\$ 2,280,000</u>	<u>\$ 318,419</u>	<u>\$ 2,598,419</u>

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

The equipment under this capital lease is included in machinery and equipment. Amortization of this equipment is included in depreciation expense. The annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 773,139	\$ 24,455	\$ 797,594
2020	212,663	3,275	215,938
	<u>\$ 985,802</u>	<u>\$ 27,730</u>	<u>\$ 1,013,532</u>

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9. Unamortized Bond Premium:

The refunding bonds Series 2014A was sold at a premium of \$2,254,049. The premium is being amortized over the life of the bond issue.

The following is a summary of the 2014 Revenue Bonds unamortized premium at June 30, 2018:

	June 30, 2017	Increases	Decreases	June 30, 2018
Revenue Bonds, Series 2014	\$1,734,012	\$ -	\$ (169,026)	\$1,564,986

Total bonded debt outstanding at June 30, 2018 net of the unamortized bond premium is as follows:

Bonds payable	\$ 29,950,000
Add unamortized bond issue premium	1,564,986
Net bonds payable	<u>\$ 31,514,986</u>

10. Landfill Closure and Postclosure Requirements:

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

The landfills are regulated by the California Department of Resources, Recycling, and Recovery (CalRecycle) which requires the Authority to set-aside funds annually for landfill closure and to fund postclosure maintenance for at least 30 years after closure. On June 19, 1998, the CalRecycle, approved the Authority's financial assurance mechanisms for closure and postclosure maintenance for the Authority's four landfills. Since then, the CalRecycle and the Authority have agreed to the financial assurance mechanism for corrective action for the Jolon Road, Johnson Canyon, Lewis Road, 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 Statement of Net Position 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.

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The system estimated capacity at June 30, 2018 is presented as follows:

	<u>Johnson Canyon</u>
Permitted Capacity (cu. yd.)	12,566,162
Cumulative Capacity Used (cu. yd.)	<u>(2,703,547)</u>
Remaining Capacity (cu. yd.)	<u><u>9,862,615</u></u>

System Capacity: As of June 30, 2018, the Authority has 78.49% 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, 2018, the Authority landfilled a total of 213,714 tons of solid waste. As of June 30, 2018 the Authority has 43 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. The site capacity estimates and closure and postclosure costs were revised as part of the permit process. Johnson Canyon Landfill has capacity to the year 2061 based on remaining capacity and current in-place density per 2017 calculations.

Closed Landfills: Crazy Horse Landfill was closed on May 31, 2009 and received closure certification from CalRecycle in January 2017. Jolon Road Landfill is accepting waste only as a transfer station. The landfill was closed in October 2007. Lewis Road Landfill is a closed landfill. No refuse is being landfilled at any of these sites.

Closure and Postclosure Maintenance Costs: Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2018, are presented as follows:

	<u>Total</u>	<u>Crazy Horse</u>	<u>Johnson Canyon</u>	<u>Lewis Road</u>	<u>Jolon Road</u>
Estimated:					
Closure Cost	\$ 15,194,327	\$ -	\$ 15,194,327	\$ -	\$ -
Postclosure Maintenance Cost	<u>17,418,498</u>	<u>11,763,881</u>	<u>2,363,993</u>	<u>1,567,073</u>	<u>1,723,551</u>
Total Estimated	<u><u>\$ 32,612,825</u></u>	<u><u>\$ 11,763,881</u></u>	<u><u>\$ 17,558,320</u></u>	<u><u>\$ 1,567,073</u></u>	<u><u>\$ 1,723,551</u></u>
Expense (Income):					
Closure	\$ 382,536	\$ -	\$ 382,536	\$ -	\$ -
Postclosure Maintenance	<u>851,666</u>	<u>556,437</u>	<u>59,516</u>	<u>117,838</u>	<u>117,875</u>
Total Expense (Income)	<u><u>\$ 1,234,202</u></u>	<u><u>\$ 556,437</u></u>	<u><u>\$ 442,052</u></u>	<u><u>\$ 117,838</u></u>	<u><u>\$ 117,875</u></u>
Outstanding Liability:					
Closure	\$ 3,268,984	\$ -	\$ 3,268,984	\$ -	\$ -
Postclosure Maintenance	<u>15,563,106</u>	<u>11,763,881</u>	<u>508,601</u>	<u>1,567,073</u>	<u>1,723,551</u>
Total Liability	<u><u>\$ 18,832,090</u></u>	<u><u>\$ 11,763,881</u></u>	<u><u>\$ 3,777,585</u></u>	<u><u>\$ 1,567,073</u></u>	<u><u>\$ 1,723,551</u></u>
Assets Set-Aside for Closure-Cash	<u><u>\$ 4,152,902</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,152,902</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash over/(under) Closure Liability	<u><u>\$ 883,918</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 883,918</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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Crazy Horse Landfill estimated postclosure costs increased \$208,005 as a result of the revised CalRecycle inflation factor of 101.8%. Current year postclosure expenditures were \$348,432.

Johnson Canyon Landfill estimated closure costs increased \$382,536 as a result of the revised CalRecycle inflation factor of 101.8%.

Johnson Canyon Landfill estimated postclosure costs increased \$59,516 as a result of the CalRecycle inflation factor of 101.8% and recalculation.

Lewis Road Landfill estimated postclosure costs decreased \$57,811 as a result of the revised CalRecycle inflation factor of 101.8%, and a change in estimate to the postclosure liability. Current year postclosure expenditures were \$175,649.

Jolon Road Landfill estimated postclosure costs decreased \$50,147 as a result of the revised CalRecycle inflation factor of 101.8%, and a change in estimate to the postclosure liability. Current year postclosure expenditures were \$168,022.

The postclosure maintenance liability of \$15,563,106 will be funded from future revenues as expenditures take place.

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 \$1,044,574 as of June 30, 2018. 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:

A. General Information about the Pension Plan

Plan Description: All qualified employees are eligible to participate in the Authority's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members or beneficiaries. The Authority entered into a contract with CalPERS effective July 1, 2004 to provide 2% at 55 annual retirement benefits for Local Miscellaneous Members. The California Public Employees' Pension Reform Act (PEPRA) was approved in 2012. It provides a 2% at 62 annual retirement benefit for employees hired after January 1, 2013. All CalPERS participant pension benefits vest after five years of service. Once vested, the plan provides an annual pension at retirement using the following calculation. The

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employee's final eligible compensation, multiplied by the percentage that corresponds to the employee's age at retirement, multiplied by the number of years of service in the system.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Classic	PEPRA
Hire date	*Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2.0% at 62
Benefit vesting schedule	5 years service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a % of eligible compensation	1.426%-2.418%	1.000% to 2.500%
Required employee contribution rates	7.00%	6.250%
Required employer contribution rates	8.921%	6.533%
Required Payment of Unfunded Liability	\$32,620	\$79

**Plan is closed to new members. Miscellaneous members that were CalPERS participants before January 1, 2013, with no break of service over six months, may continue in the plan.*

Contributions: Section 20814(c) of the California Public Employee's Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Funding contributions are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribute rate of employees.

The Authority's contributions were as follows:

	Fiscal Year Paid		
	2017/18	2016/17	2015/16
Misc Classic	\$ 313,549	\$ 296,383	\$ 209,017
Misc PEPRA	75,316	62,312	41,889
	<u>\$ 388,865</u>	<u>\$ 358,695</u>	<u>\$ 250,906</u>

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the Authority reported net pension liabilities for its proportionate share of the net pension liability as follows:

	Fiscal Year Ending		
	June 30, 2018	June 30, 2017	June 30, 2016
Authority's Miscellaneous Plan	\$ 1,102,446	\$ 912,076	\$ 649,956
Total Net Pension Liability	<u>\$ 1,102,446</u>	<u>\$ 912,076</u>	<u>\$ 649,956</u>

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The Authority's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Authority's proportion of the net pension liability was based on a projections of the Authority's long-term share of contributions to the pension plans relative to the projected contributions for all participating employers, actuarially determined. The Authority's proportionate share of the net pension liability as of June 30, 2018 and 2017 was a follows:

	Percentage Share of Risk		Change:
	6/30/2018	6/30/2017	Increase/(Decrease)
Measurement date	6/30/2017	6/30/2016	
Percentage of Plan (PERF C) NPL	0.011116%	0.010540%	0.000576%

For the year ended June 30, 2018, the Authority recognized pension expense of \$517,511. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,302	\$ 32,975
Changes in assumption	285,580	21,776
Net differences between projected and actual earnings on plan investments	64,586	-
Change in employer's proportion	246,857	29,381
Differences between the employer's contributions and the employer's proportionate share of contributions	171,010	-
Pension contributions subsequent to measurement date	388,865	-
Total	<u>\$ 1,159,200</u>	<u>\$ 84,132</u>

Deferred outflows of resources in the amount of \$388,865 were reported related to contributions subsequent to the measurement date and will recognized as a reduction of the net pension liability in the year ended June 30, 2019. Recognition of amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2019	\$ 280,523
2020	266,469
2021	177,557
2022	(38,346)
2023	-
Thereafter	-
Total	<u>\$ 686,203</u>

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Actuarial Methods and Assumptions Used to Determine Pension Liability: For the measurement period ended June 30, 2017 (the measurement date), the total pension liabilities were determined by rolling forward the June 30, 2016, actuarial accounting valuation to June 30, 2017. The June 30, 2017, total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

*The Mortality table used was developed based on CalPERS' specific date. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>.

Other significant actuarial assumptions used in the June 30, 2016, valuations were based on the results of the actuarial experience study for the period from 1997 to 2011.

Change of Assumption: In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent and reflects the long-term expected rate of return for the Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), the amortization and smoothing periods adopted by the Board in 2013 were used. For the Plan, the crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results can be found on CalPERS' website at <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash

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flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set to equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017.

Amortization of Deferred Outflows and Deferred Inflows of Resources: The Net Difference Between Projected and Actual Earnings on Pension Plan Investments is amortized over a five-year period on a straight-line basis. One-fifth is recognized in pension expense during the measurement period, and the remaining Net Difference Between Projected and Actual Investment Earning on Pension Plan Investments is amortized over the remaining amortization periods. The Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments in the Schedule of Collective Pension Amounts represents the unamortized balance relating to the current measurement period and the prior measurement periods on a net basis.

Deferred outflows of resources and deferred inflows of resources relating to Differences Between Expected and Actual Experience and Changes of Assumptions are amortized over the Expected Average Remaining Service Lifetime (EARSL) of members provided with pensions through the Plan determined as of the beginning of the related measurement period. The EARSL for PERF C for the June 30, 2017 measurement date is 3.8 years, which was obtained by dividing the total service years of 490,088 (the sum of remaining service lifetimes of all active employees) by 130,595 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Authority's proportionate share of the net pension liability for each Plan, calculated using the discount rate of each Plan, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate		
	6.15%	7.15%	8.15%
	(1% Decrease)	(Current Rate)	(1% Increase)
Measurement date		June 30, 2017	
Fiscal Year End		June 30, 2018	
Net Pension Liability	\$ 2,043,799	\$ 1,102,446	\$ 322,800

Pension Plan Fiduciary Net Positions: Detailed information about each plan's fiduciary net position is available in the separately issued CalPERS financial reports. The effect of CalPERS on the Authority's net position has been determined on the same basis used CalPERS

Subsequent Events: There were no subsequent events that would materially affect the results presented in this disclosure.

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13. Other Post Employment Benefit (OPEB):

A. General Information about the OPEB Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes.

For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017
GASB Statement No. 75 Implementation Date	June 30, 2018

Plan Description: The Authority joined the Public Employees' Medical & Hospital Care Act (PEMHCA) in 2004. It is a cost-sharing multiple-employer plan administered by California Public Employees' Retirement System (CalPERS). PEMHCA governs health care provided to employees and retirees under health care plans administered by CalPERS. All public agencies providing health care to their active employees through CalPERS PEMHCA plans are also required to offer health care under those plans to their retirees.

OPEB Trust: The Authority joined The California Employers' Retiree Benefit Trust (CERBT) in 2017 to prefund it's OPEB liability. CERBT is an agent multiple-employer defined plan for other post-employment benefits administered by CalPERS. The Plan includes participating employers of the State of California and public agencies. CalPERS is governed by a 13-member Board of Administration (the Board); two elected by CalPERS members, one elected by retired members of CalPERS, two appointed by the Governor, one public representative appointed jointly by the Speaker of the Assembly and Senate Rules Committee, and four ex-officio members: State Treasurer, State Controller, Director of California Department of Human Resources, and Designee of the State Personal Board. The Board is responsible for the management and control of CalPERS, including the exclusive control of the administration and investments of the Plan.

The plan information is as follows:

<u>Fiscal Year End</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Plan Type	Agent Employer	n/a
OPEB Trust	CERBT #3	n/a
Special Funding Situations	None	n/a
Nonemployer Contributing Entities	None	n/a
Blended Component Units with OPEB	None	n/a
Discrete Component Units with OPEB	None	n/a

Benefits Provided: PEHMCA provides employees who retire directly from the Authority after five years of service a cash subsidy for monthly medical insurance premiums. Employees with 20 years of service with the Authority that do not retire directly from the Authority can request benefits later.

Benefits are also paid to the surviving spouse of retirees who elected CalPERS joint and survivor payment options, as well as spouses of an active employee who died while eligible to retire receiving CalPERS survivor's benefit. The Minimum Employer Contribution amount is prescribed by

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Government Code Section 22892 of the PEMHCA. It was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. Starting in calendar year 2009, the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U). The Authority opted for the unequal method of distribution when it joined in 2004. Using this method, the Authority pays a percentage of the contribution, with the percentage paid increasing by 5% each year. The minimum amount in 2018 is \$133 per month, of which the Authority pays 70% or \$93.10. The Authority is scheduled to pay the full minimum amount in 2024.

Employees Covered: As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the PEMHCA Plan:

June 30, 2018 Fiscal Year End June 30, 2017 Valuation Date June 30, 2017 Measurement Date	Covered Employees On Valuation Date June 30, 2017	Covered Employees On Measurement Date June 30, 2017
Inactive Employees Currently Receiving Benefit Payments	4	4
Inactive Employees Entitled to but not yet Receiving Benefit Payments	2	2
Actives Employees	54	54
Total Employees	60	60

Contributions: In 2017, the Authority joined CERBT to prefund it's OPEB liability. The Authority's initial cash contribution to the plan was \$438,000. For future contributions, the Authority will use the annual required contribution (ARC) of the employer, which is expected to prefund all unfunded liabilities by 2040. Direct payments for retired benefits, and the estimated implied subsidy was \$17,000 resulting in total payments of \$455,000.

B. OPEB Liabilities, OPEB Expenses, and Deferred Outflows/Inflows of Resources Related to OPEB

Actuarial Methods and Assumptions Used to Determine the OPEB Liability: The Authority's net OPEB liability was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

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Significant Accounting Actuarial Assumptions and Methods:

Fiscal Year End	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2016
Valuation Date	June 30, 2017	June 30, 2017
Discount Rate	5.50%	5.50%
Long-Term Net Rate of Return	5.50%	5.50%
Municipal Bond Rate	n/a	n/a
Source of Municipal Bond Rate	n/a	n/a
General Inflation	2.75%	2.75%
Aggregate Payroll Increases	3.00%	3.00%
Investment Expenses	0.04%	0.04%
Trust Administrative Expenses	0.06%	0.06%
Healthcare Administrative Expenses	0.33% of Premium	0.33% of Premium
Merit Payroll Increases	CalPERS 1997-2015	CalPERS 1997-2015
Retirement	CalPERS 1997-2015	CalPERS 1997-2015
Termination	CalPERS 1997-2015	CalPERS 1997-2015
Disability	CalPERS 1997-2015	CalPERS 1997-2015
Mortality	CalPERS 1997-2015	CalPERS 1997-2015
Mortality Improvement Scale	MP-2017	MP-2017
Other Assumptions	See Valuation Report	See Valuation Report
Healthcare Trend	<u>Increase from Prior Year</u>	<u>Increase from Prior Year</u>
Calendar Year	<u>Non-Medicare</u>	<u>Non-Medicare</u>
		<u>Medicare</u>
2019	7.50%	6.50%
2020	7.50%	6.50%
2021	7.25%	6.30%
2022	7.00%	6.10%
2023	6.75%	5.90%
↓	↓	↓
2076+	4.00%	4.00%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
	Level Percent of Pay	Level Percent of Pay

Expected Long Rate of Return: The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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CERBT Investment Strategy #3	Long-Term Target		Long-Term Expected	
Asset Class	Asset Allocation		Geometric Real Return	
Measurement Date	6/30/17	6/30/16	6/30/17	6/30/16
Global Equity	24%	n/a	4.82%	n/a
Fixed Income	39%	n/a	1.47%	n/a
TIPS	26%	n/a	1.29%	n/a
REITS	8%	n/a	3.76%	n/a
Commodities	3%	n/a	0.84%	n/a
Assumed Long-Term Rate of Inflation			2.75%	n/a
Assumed Long-Term Investment Expenses			0.04%	n/a
Expected Long-Term Net Rate of Return			5.50%	n/a

Discount Rate: The discount rate used to measure the total OPEB liability was 5.50%. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (5.5%) in measuring the Net OPEB Liability.

	Discount Rate		
	-1%	Assumption	+1%
	4.50%	5.50%	6.50%
Total OPEB Liability	\$ 912,000	\$ 780,000	\$ 675,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	\$ 912,000	\$ 780,000	\$ 675,000

Medical Trend Sensitivity Analysis: The following presents the net OPEB liability of the Authority if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	Medical Trend		
	-1%	Assumption	+1%
Total OPEB Liability	\$ 649,000	\$ 780,000	\$ 951,000
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	\$ 649,000	\$ 780,000	\$ 951,000

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Changes in the OPEB Liability: The changes in the net OPEB liability for the Authority Plan are as follows:

Changes in Net OPEB Liability	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at June 30, 2017			
(Measurement Date June 30, 2016)	\$ 660,000	n/a	\$ 660,000
Service Cost at Beginning of Year	93,000	n/a	93,000
Interest on Total OPEB Liability	41,000	n/a	41,000
Employer Contributions	n/a	n/a	n/a
Nonemployer Contributing Entity Contribution	n/a	n/a	n/a
Employee Contributions	n/a	n/a	n/a
Net Investment Income	n/a	n/a	n/a
Benefit Payments	(14,000)	n/a	(14,000)
Administrative Expenses	n/a	n/a	n/a
Expected versus Actual Experience	-	n/a	-
Changes of Benefit Terms	-	n/a	-
Changes of Assumptions	-	n/a	-
Net Changes	120,000	n/a	120,000
Balance at June 30, 2018			
(Measure Date June 30, 2017)	<u>\$ 780,000</u>	<u>n/a</u>	<u>\$ 780,000</u>

Recognition of Deferred Outflows and Deferred Inflows of Resources: To smooth market volatility, gains and losses related to changes in total OPEB liability and fiduciary net position are recognized over five years. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB: For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$134,000. As of fiscal year ended June 30, 2018, the Authority reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Projected and Actual Earnings	\$ -	\$ -
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Employer Contributions after Measurement Date	455,000	-
Total	<u>\$ 455,000</u>	<u>\$ -</u>

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Deferred outflows of resources in the amount of \$455,000 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized as expense as follows:

	Amount Recognized in OPEB Expense					
Recognition of Deferred Outflows of Resources and (Deferred Inflows of Resources)	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2023	FYE 2024+
Projected versus Actual Earnings	\$ -	\$ -	\$ -	\$ -	n/a	n/a
Expected versus Actual Experience	-	-	-	-	\$ -	\$ -
Changes of Assumptions	-	-	-	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

14. Concentrations:

The Authority received 63.22% of its Charges for Services (tipping fees) from two haulers: Republic Services and Waste Management. These two haulers comprised approximately \$1,233,036, (75.81%) of accounts receivable balances at June 30, 2018. 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 King City, are required to bring their garbage and yard waste to Authority facilities.

15. Commitments and Contingencies:

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. The lease was extended for three years on February 18, 2016. Effective January 1, 2012, the current monthly lease payments are \$7,194.

The future minimum lease payments through December 2019 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 86,328
2020	43,164
	<u>\$ 129,492</u>

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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, 2013 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	Detail	Limits	Deductible
Environmental Impairment Liability	Per Occurrence	\$10,000,000	\$ 25,000
Additional Pollution Liability Limited Occurrence		1,000,000	10,000
Commercial Auto Physical Damage	Aggregate	10,000,000	5,000
Commercial Property	Per Occurrence	3,650,565	5,000
Earthquake	Per Occurrence	3,932,102	50,000
Environmental Excess Liability	Per Occurrence	5,000,000	-
General Liability	Aggregate	1,000,000	-
Auto Liability	Per Accident	1,000,000	1,000
Crime	-	1,000,000	5,000
Public Officials and Employment			
Practices Liability	Each Act	1,000,000	10,000
Workers Comp	-	1,000,000	-

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 of contaminants 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 of contaminants at the Authority landfills is estimated as follows:

Landfill - Action	Capital			Total
	Improvement	Maintenance	Contingency	
Johnson Canyon	\$ 433,796	\$ 368,580	\$ -	\$ 802,376
Crazy Horse	3,388,139	7,669,973	-	11,058,112
Jolon Road	-	1,516,869	-	1,516,869
Lewis Road	127,798	235,389	36,454	399,641
Total Corrective Actions	\$ 3,949,733	\$ 9,790,811	\$ 36,454	\$13,776,998

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The capital improvements costs are one-time costs. The maintenance costs are the total estimated cost ranging from 18 years for Lewis Road to 66 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 completed, 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 measurable.

16. Related Parties:

The Authority entered into a MOU with the City of Gonzales for mitigation issues for hosting the landfill, under this agreement, the Authority will pay the City \$20,833 per month commencing on the date of closure of the Crazy Horse landfill until the initial landfill expansion is entirely filled up by disposed solid waste.

17. Restricted Net Position:

At June 30, 2018, the statement of net position reports restricted net position of \$956,776. None of the net positions are restricted by enabling legislation. This consists of \$72,858 of unspent grant monies and \$883,918 for closure reserve.

18. Net Position:

Deficit Net Investment in Capital Assets: The deficit of \$2,956,872 in Net Investment in Capital Assets is the result of the Authority issuing 30-year bond to purchase and improve assets that depreciate at a 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: The unrestricted surplus of \$7,448,904 is the result of the 2014 refunding of its 2002 bond issue. The savings from the reissue were taken in the first few years of the payment cycle in order to fund long term capital needs. In addition, the economy has had an upswing in activity. This has generated higher than expected revenues, allowing the Authority to begin funding reserves in accordance to its reserve policy.

19. Bond Rate Covenant:

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

This calculation is based on Net Revenues as described in the Master Indenture. The calculation is based on operating income increased by investment earnings on all funds other than bond project funds and reduced by postclosure expense, depreciation and amortization, all non-cash items. At June 30, 2018, the calculation is 469%.

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Net revenue available for debt service for the year ended June 30, 2018, is determined as follows:

Salinas Valley Solid Waste Authority
Debt Service Coverage Ratio Calculations
Fiscal year ended June 30, 2018

Revenues	
Operating revenues	\$ 22,506,789
Interest not on Project funds	303,212
Revised Revenues	<u>22,810,001</u>
Maintenance & Operations Costs	
GAAP Operating Expenses	15,690,868
Less the following items per Master Indenture	
Postclosure maintenance	(851,666)
Closure	(382,536)
Depreciation	(1,611,743)
Add Postclosure liability being paid	
Lewis Road	175,649
Jolon Road	<u>168,022</u>
Revised Maintenance and Operations Expenses per Master Indenture	<u>13,188,594</u>
Net Revenues	<u>\$ 9,621,407</u>
Debt service on 2014 Bond	<u>\$ 2,051,271</u>
Debt Service Coverage Ratio	469%
Debt Service Coverage Required	115%

20. New Accounting Pronouncements:

As part of implementing the requirement of GASB Statement 75, the Authority adjusted its beginning net position as of July 1, 2017 for the portion of other post-employment benefits (OPEB) for health insurance attributable to periods before the year ended June 30, 2017. An OPEB liability of \$24,516 and deferred outflow of resources related to OPEB contributions of \$14,000 were recorded as prior year adjustments. This resulted in a net decrease to net position of \$10,516.

The restatement of beginning net position is summarized as follows:

Net position at July 1, 2017, as previously stated	\$ (404,354)
Implementation of GASB Statement No. 75, net OPEB liability as of measurement date of June 30, 2017	<u>(10,516)</u>
Net Position at July 1, 2017, as restated	<u>\$ (414,870)</u>

In accordance with GASB Statement No. 75, the statement of all deferred outflows and inflows was not practical, and therefore not included in the restatement of the beginning balance.

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21. Subsequent Events:

Date of Management Review: Management has evaluated subsequent events through October 4, 2018, the date which these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of the Authority's Proportionate Share of the Net Pension Liability
and Related Ratios as of Measurement Date
Cost Sharing Defined Benefit Pension Plan
As of June 30, 2018
Last 10 Years^

	Fiscal Year End			
	06/30/18	06/30/17	06/30/16	06/30/15
Measurement Date	06/30/17	06/30/16	06/30/15	06/30/14
Authority's proportion of the net pension liability	0.011116%	0.010540%	0.009469%	0.010779%
Authority's proportionate share of the net pension liability	\$1,102,446	\$912,076	\$ 649,956	\$670,697
Authority's covered-employee payroll*	\$3,334,650	\$2,992,877	\$2,691,705	\$2,418,312
Authority's proportionate share of the net pension liability as a percentage of covered employee payroll	33.06%	30.47%	24.15%	27.73%
Plan's fiduciary net position as a percentage of the plan's total pension liability	73.31%	74.06%	78.40%	79.82%

^ Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

* For the year ending on the measurement date.

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REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Statutorily Required Employer Contributions

Pension Plan

As of June 30, 2018

Last 10 Years^

Contributions for the fiscal year ended:	06/30/18	06/30/17	06/30/16	06/30/15
Actuarially determined contribution	\$ 315,704	\$ 296,695	\$ 220,619	\$ 285,581
Contributions in relation to the actuarially determined contribution	388,865	358,695	250,906	285,581
Contribution deficiency (excess)	<u>\$ (73,161)</u>	<u>\$ (62,000)</u>	<u>\$ (30,287)</u>	<u>\$ -</u>
Authority's covered-employee payroll *	\$3,546,721	\$3,334,650	\$2,992,877	\$2,691,705
Contributions as a percentage of covered-employee payroll	10.96%	10.76%	8.38%	10.61%

^ Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

* For the fiscal year ended on the date shown.

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REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Changes in the Authority's Net OPEB Liability
and Related Ratios as of Measurement Date

Last 10 Years[^]

	Fiscal Year End
	<u>06/30/18</u>
Measurement Date	<u>06/30/17</u>
Changes in total OPEB liability	
Service cost at beginning of year	\$ 93,000
Interest on the total OPEB liability	41,000
Actual benefits payments	(14,000)
Actual and expected experience difference	-
Changes in benefits terms	-
Changes in assumption	-
Net changes in total OPEB liability	<u>120,000</u>
Total OPEB liability - beginning	660,000
Total OPEB liability - ending	<u><u>\$ 780,000</u></u>
Changes in plan fiduciary net position	
Expected return at beginning of year	n/a
Employer contributions	n/a
Nonemployer contributing entity contributions	n/a
Employee contributions	n/a
Net investment income	n/a
Benefit payments	n/a
Administrative expenses	n/a
Net changes in plan fiduciary net position	<u>n/a</u>
Plan fiduciary net position - beginning	n/a
Plan fiduciary net position - ending	<u><u>n/a</u></u>
Net OPEB liability	
Total OPEB liability	\$ 780,000
Plan fiduciary net position	\$ -
Net OPEB liability	\$ 780,000
Net OPEB liability funded percentage	0.0%
Covered employee payroll *	\$ 3,334,650
Net OPEB liability as a percent of covered-employee payroll	23.39%

[^] Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

* For the year ending on the measurement date.

SALINAS VALLEY SOLID WASTE AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Schedule of Employer OPEB Contributions
As of June 30, 2018
Last 10 Years[^]

Contributions for the fiscal year ended:	06/30/18
Actuarially determined contribution	\$ 149,000
Contributions in relation to the actuarially determined contribution	455,000
Contribution deficiency (excess)	\$ (306,000)
Authority's covered-employee payroll *	\$ 3,546,721
Contributions as a percentage of covered-employee payroll	12.83%

[^] Fiscal year 2018 was the 1st year of implementation, therefore only one year is shown.

* For the fiscal year ended on the date shown.

Significant Actuarial Methods and Assumptions used for Actuarially Determined Contributions:

Valuation Date	June 30, 2017
Actuarially Determined Contribution	2017/18 Fiscal Year
Cost Method	Entry Age Normal Cost Method Normal Cost is level percentage of payroll.
Actuarial Value of Assets	Actuarial Value of Assets is the Market Value of Assets.
Employer Contribution	The Actuarially Determined Contribution (ADC) includes the Normal Cost, an amortization of the Unfunded Actuarial Accrued Liability, and a provision for administrative expenses. Actuarial valuations determine the ADC for the two fiscal years immediately following the valuation. Employer contributes at least the ADC. Cash subsidy and implied subsidy benefit payments and PEMHCA administrative fees are currently paid by the employer and not reimbursed by the OPEB trust.
Amortization Method	Level percentage of payroll.
Amortization Period	22-year fixed period for the 2017/18 ADC.
Retiree Cost Sharing	Retirees can participate in the employer's medical plan participating retirees pay the premium cost in excess of the employer's cash subsidy.

STATISTICAL SECTION (unaudited)

SALINAS VALLEY SOLID WASTE AUTHORITY

Index to Statistical Section (unaudited)

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

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

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Demographic and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the Authority's financial activities take place.

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Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the Authority's financial report relates to the services the Authority provides and the activities it performs.

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

Description	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Net investment in capital assets	\$ (12,533,301)	\$ (9,445,282)	\$ (9,560,964)	\$ (8,493,008)	\$ (8,341,693)	\$ (6,400,056)	\$ (6,007,513)	\$ (4,921,464)	\$ (3,830,703)	\$ (2,956,872)
Restricted	6,876,058	2,820,700	2,820,700	3,438,482	3,419,936	426,877	1,101,582	1,101,436	1,028,150	956,776
Unrestricted	(5,894,727)	(3,798,683)	(3,496,327)	(5,024,860)	(5,342,702)	(4,265,137)	(3,200,369)	(220,656)	2,398,199	7,448,904
Total Net Position	<u>\$ (11,551,970)</u>	<u>\$ (10,423,265)</u>	<u>\$ (10,236,591)</u>	<u>\$ (10,079,386)</u>	<u>\$ (10,264,459)</u>	<u>\$ (10,238,316)</u>	<u>\$ (8,106,300)</u>	<u>\$ (4,040,684)</u>	<u>\$ (404,354)</u>	<u>\$ 5,448,808</u>

Note: The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 34 in fiscal year 2003.

Data Source: Salinas Valley Solid Waste Authority Finance Division

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

Description	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	(As Restated) 6/30/2014	(As Restated) 6/30/2015	6/30/2016	6/30/2017	6/30/2018
Changes in Net Position:										
Operating Revenues	\$ 15,298,739	\$ 16,135,595	\$ 15,070,564	\$ 15,273,792	\$ 15,980,945	\$ 18,253,123	\$ 16,797,238	\$ 18,445,166	\$ 20,861,516	\$ 22,506,789
Operating Expenses	17,370,851	12,610,300	11,720,409	12,554,260	12,837,292	13,245,635	11,139,153	11,672,645	14,432,350	14,079,125
Depreciation and amortization	2,411,454	552,132	566,286	698,156	1,359,411	1,412,742	1,180,131	1,228,692	1,419,953	1,611,743
Operating income(loss)	(4,483,566)	2,973,163	2,783,869	2,021,376	1,784,242	3,594,746	4,477,954	5,543,829	5,009,213	6,815,921
Non-operating revenues (expenses)										
Interest income	764,812	289,760	233,541	52,658	39,180	28,013	36,631	64,248	95,624	303,212
Gain(loss) on disposition of capital assets	-	-	(848,017)	-	-	-	-	-	-	-
Interest expense	(2,225,196)	(2,177,895)	(2,132,513)	(2,085,322)	(2,026,114)	(1,724,013)	(1,557,530)	(1,549,675)	(1,521,621)	(1,482,988)
Grant income	-	-	-	-	-	-	-	-	-	-
Other revenue(expense), net	1,481	43,678	149,793	168,493	17,619	-	-	-	-	167,367
Rental Income	-	-	-	-	-	9,914	6,191	7,214	53,114	60,166
Cost of bond issuance	-	-	-	-	-	(561,881)	-	-	-	-
Total non-operating revenues (expense), net	(1,458,903)	(1,844,457)	(2,597,196)	(1,864,171)	(1,969,315)	(2,247,967)	(1,514,708)	(1,478,213)	(1,372,883)	(952,243)
Changes in net position	\$ (5,942,469)	\$ 1,128,706	\$ 186,673	\$ 157,205	\$ (185,073)	\$ 1,346,779	\$ 2,963,246	\$ 4,065,616	\$ 3,636,330	\$ 5,863,678
Net assets by component:										
Net Investment in capital assets	\$(12,533,301)	\$(9,445,282)	\$(9,560,964)	\$(8,493,008)	\$(8,341,693)	\$(6,400,056)	\$(6,007,513)	\$(4,921,464)	\$(3,830,703)	\$(2,956,872)
Restricted for debt service	2,820,700	2,820,700	2,820,700	2,820,700	2,820,700	-	-	-	-	-
Restricted for grants	-	-	-	112,906	196,309	69,427	61,684	95,345	76,499	72,858
Restricted per lease agreement	-	-	-	-	-	-	242,326	-	-	-
Restricted for capital projects	4,055,358	-	-	-	-	-	-	-	-	-
Restricted for closure reserve	-	-	-	504,876	402,927	357,450	797,572	1,006,091	951,651	883,918
Unrestricted	(5,894,727)	(3,798,683)	(3,496,327)	(5,024,860)	(5,342,702)	(4,265,137)	(3,200,369)	(220,656)	2,398,199	7,448,904
Total Net Position	\$(11,551,970)	\$(10,423,265)	\$(10,236,591)	\$(10,079,386)	\$(10,264,459)	\$(10,238,316)	\$(8,106,300)	\$(4,040,684)	\$(404,354)	\$ 5,448,808

Note: The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 34 in fiscal year 2003.

Data Source: Salinas Valley Solid Waste Authority Finance Division

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

Fiscal Year	Charges for Services	Sales of Materials	Operating Grants and Contributions	Total Operating Revenues
06/30/09	\$ 15,038,687	\$ 186,521	\$ 73,531	\$ 15,298,739
06/30/10	15,612,328	405,466	117,801	16,135,595
06/30/11	14,621,695	433,359	15,510	15,070,564
06/30/12	14,654,565	419,613	199,614	15,273,792
06/30/13	15,438,514	392,958	149,473	15,980,945
(As Restated) 6/30/2014	17,542,289	594,054	116,780	18,253,123
(As Restated) 6/30/2015	16,096,863	583,734	116,641	16,797,238
06/30/16	17,678,305	618,784	148,077	18,445,166
06/30/17	20,148,726	646,673	66,117	20,861,516
06/30/18	21,472,434	701,566	332,789	22,506,789

Data Source: Salinas Valley Solid Waste Authority Finance Division

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

Fiscal Year	Personnel Services	Contractural Services	Operating Contracts	Supplies	Insurance	Building Rent	Taxes and Permits	Utilities	Closure/ Postclosure Maintenance	Hazardous Waste	Other	Total Operating Expenses
6/30/2009	\$ 2,704,352	\$ 1,916,644	\$ 5,539,953	\$230,557	\$233,477	\$ 99,190	\$ 735,705	\$134,839	\$ 5,435,843	\$168,862	\$ 171,429	\$17,370,851
6/30/2010	3,273,902	1,561,538	5,326,362	319,126	216,357	96,814	733,494	155,505	556,332	174,900	195,970	12,610,300
6/30/2011	3,697,152	1,136,289	4,422,103	361,401	189,062	99,310	685,116	160,573	641,333	171,496	156,574	11,720,409
6/30/2012	3,593,200	1,390,036	4,804,124	382,533	220,868	99,606	742,681	133,416	897,535	173,359	116,902	12,554,260
6/30/2013	3,763,121	1,454,029	4,783,575	454,034	219,004	104,508	728,267	137,788	712,257	192,176	288,533	12,837,292
(As Restated) 6/30/2014	4,089,204	1,666,686	4,737,350	488,034	238,921	104,658	736,419	138,820	639,510	172,520	233,513	13,245,635
(As Restated) 6/30/2015	4,093,952	1,714,543	3,313,514	687,375	287,724	105,070	610,254	146,427	(267,617)	202,715	245,196	11,139,153
6/30/2016	4,805,714	1,795,961	2,164,435	687,779	318,293	191,594	597,266	141,808	476,570	220,294	272,931	11,672,645
6/30/2017	5,148,507	2,210,991	2,015,999	697,561	178,486	116,045	520,155	131,476	2,944,468	202,372	266,290	14,432,350
6/30/2018	5,924,325	2,450,412	2,038,226	808,707	128,141	186,831	528,695	130,160	1,234,202	208,637	440,789	14,079,125

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority
Revenue Base (unaudited)
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Solid Waste Landfilled (tons)</u>
6/30/2009	271,808
6/30/2010	253,553
6/30/2011	250,683
6/30/2012	236,248
6/30/2013	236,521
6/30/2014	242,788
6/30/2015	175,923
6/30/2016	182,298
6/30/2017	199,457
6/30/2018	213,714

Data Source: Salinas Valley Solid Waste Authority Finance Division - CalRecycle Worksheet for Johnson Canyon Landfill

Salinas Valley Solid Waste Authority
Revenue Rates (unaudited)
Last Ten Fiscal Years

Tipping Fees	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>
Tipping Fee	\$ 58	\$ 63	\$ 63	\$ 64	\$ 64	\$ 67	\$ 67	\$ 67	\$ 67	\$ 69	\$ 69
Surcharge on Salinas franchise waste	-	-	6	5	5	8	11	14	17	17	18
AB939 Fee (1)	-	-	-	-	-	-	12	12	15	11	11

Data Source: Salinas Valley Solid Waste Authority Finance Division

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

Customer	6/30/2018	
	Tons Processed	Percentage of Total
Republic Services of Salinas	82,106	26.78%
Waste Management - Madison Lane	58,398	19.05%
Rural Dispose-All	16,687	5.44%
City Of Soledad	10,596	3.46%
King City Disposal	10,535	3.44%
Randazzo Enterprises Inc.	9,587	3.13%
City Of Greenfield	8,160	2.66%
A.J. Excavation Inc.	7,313	2.39%
Tri-Cities Disposal	6,481	2.11%
Underground Construction Company	6,258	2.04%
All Other Customers	90,447	29.50%
Total Tons for All Customers	<u>306,568</u>	<u>100.00%</u>

Customer	6/30/2009	
	Tons Processed	Percentage of Total
Republic Services Of Salinas	107,942	35.59%
Recology South Valley	84,486	27.85%
Waste Management	31,487	10.38%
Rural Dispose-All	23,085	7.61%
City Of Soledad	6,980	2.30%
City Of Greenfield	6,617	2.19%
City of Gonzales	3,643	1.20%
Tri-Cities Disposal	3,556	1.17%
Correctional Transfer Facility Soledad	2,560	0.84%
West Valley Construction	2,304	0.76%
All Other Customers	30,675	10.11%
Total Tons for All Customers	<u>303,335</u>	<u>100.00%</u>

Data Source: Salinas Valley Solid Waste Authority Finance Division

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

FYE	Revenue Bonds, Series 2002	Installment Purchase Agreement	2014 Series A Bonds Payable	2014 Series A		2014 Series B Bonds Payable	Eq Lease Payable	Total		
				Bonds Premium				Total (1)	Per Capita (2)	As a Share of Personal Income
6/30/2009	\$ 36,770,000	\$3,709,274	\$ -	\$ -		\$ -	\$ -	\$40,479,274	\$ 99	0.24%
6/30/2010	35,910,000	3,615,785	-	-		-	-	39,525,785	95	0.23%
6/30/2011	35,010,000	3,514,756	-	-		-	-	38,524,756	91	0.22%
6/30/2012	34,070,000	3,405,575	-	-		-	-	37,475,575	88	0.20%
6/30/2013	33,085,000	3,287,588	-	-		-	-	36,372,588	85	0.19%
(Restated) 6/30/2014	-	-	27,815,000	2,254,049		3,575,000	3,670,000	37,314,049	87	0.19%
(Restated) 6/30/2015	-	-	27,815,000	2,064,718		3,260,000	3,327,721	36,467,439	84	0.17%
6/30/2016	-	-	27,815,000	1,895,470		2,940,000	2,462,960	35,113,430	81	0.18%
6/30/2017	-	-	27,815,000	1,734,012		2,615,000	1,735,668	33,899,680	77	N/A
6/30/2018	-	-	27,670,000	1,564,985		2,280,000	985,802	32,500,787	N/A	N/A

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

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

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

Description	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	(As Restated)	(As Restated)	6/30/2016	6/30/2017	6/30/2018
						6/30/2014	6/30/2015			
Operating Income (see Schedule 2)	\$ (4,483,566)	\$2,973,163	\$2,783,869	\$2,021,376	\$1,784,242	\$3,594,746	\$4,477,952	\$5,543,829	\$5,009,213	\$6,815,921
Investment Earnings	650,090	289,760	233,541	52,658	39,180	28,013	36,631	64,248	95,624	303,212
Closure/Postclosure Expense	2,400,249	556,332	641,333	897,535	712,257	639,510	(267,617)	476,570	2,944,468	1,234,202
Lewis Rd Postclosure	(154,128)	(99,706)	(134,012)	(135,362)	(103,497)	(97,684)	(115,654)	(76,393)	(188,946)	(175,649)
Jolon Rd Postclosure	(38,081)	(37,209)	(35,581)	(21,935)	(29,946)	(29,657)	(34,437)	(19,870)	(162,615)	(168,022)
Depreciation and Amortization	2,411,454	552,132	566,286	698,156	1,359,411	1,412,742	1,180,131	1,228,692	1,419,953	1,611,743
Total	<u>\$ 786,018</u>	<u>\$4,234,472</u>	<u>\$4,055,436</u>	<u>\$3,512,428</u>	<u>\$3,761,647</u>	<u>\$5,547,670</u>	<u>\$5,277,006</u>	<u>\$7,217,075</u>	<u>\$9,117,697</u>	<u>\$9,621,407</u>
Annual Debt Service	<u>\$ 2,754,916</u>	<u>\$2,753,154</u>	<u>\$2,753,091</u>	<u>\$2,753,092</u>	<u>\$2,754,954</u>	<u>\$2,879,137</u>	<u>\$1,920,876</u>	<u>\$1,908,648</u>	<u>\$1,907,820</u>	<u>\$2,051,271</u>
Coverage Percentage	29%	154%	147%	128%	137%	193%	275%	378%	478%	469%
Required Percentage	115%	115%	115%	115%	115%	115%	115%	115%	115%	115%

Data Source: Salinas Valley Solid Waste Authority Finance Division

Salinas Valley Solid Waste Authority
Demographic Statistics (unaudited)
Last Ten Fiscal Years

Monterey County, CA				
Year	Unemployment Rate (1)	Population (2)	Personal Income (000) (3)	Personal Income Per Capita (4)
6/30/2009	9.8%	410,370	\$ 16,724,481	\$ 40,765
6/30/2010	10.3%	415,057	16,947,037	40,705
6/30/2011	10.8%	421,898	17,678,701	41,958
6/30/2012	10.0%	426,762	18,496,346	43,411
6/30/2013	8.5%	429,123	19,233,171	44,851
6/30/2014	7.1%	431,344	19,889,054	46,109
6/30/2015	6.8%	433,898	21,623,627	49,836
6/30/2016	6.1%	435,232	19,164,943	44,034
6/30/2017	5.5%	437,907	N/A	N/A
6/30/2018	4.2%	N/A	N/A	N/A

Sources:

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

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

MSA and Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017
SALINAS MSA									
Total									
No. of Businesses	11,770	11,895	12,022	11,195	11,717	11,038	12,180	12,274	12,681
No. of Employees	146,140	148,321	150,224	155,869	158,846	160,954	170,385	170,383	173,386
Payroll (in thousands)	\$ 1,283,014	\$ 1,341,043	\$ 1,406,250	\$ 1,450,658	\$ 1,507,712	\$ 1,565,332	\$ 1,684,580	\$ 1,823,620	\$ 1,868,529
Agriculture									
No. of Businesses	546	529	529	532	540	546	539	520	530
No. of Employees	54,635	56,258	58,401	60,673	62,874	66,033	67,029	66,347	67,159
Payroll (in thousands)	\$380,582	\$416,294	\$448,534	\$472,663	\$520,761	\$557,753	\$596,901	\$658,994	\$675,089
Utilities									
No. of Businesses	21	19	20	21	21	22	20	20	20
No. of Employees	500	482	557	868	872	763	789	784	804
Payroll (in thousands)	\$11,086	\$10,735	\$14,754	\$19,317	\$21,089	\$183,131	\$20,427	\$21,753	\$22,014
Construction and Mining									
No. of Businesses	930	866	824	787	825	857	886	914	951
No. of Employees	4,578	4,314	3,997	4,673	4,823	5,080	5,538	6,067	6,416
Payroll (in thousands)	\$59,777	\$54,275	\$51,117	\$58,685	\$62,188	\$65,513	\$75,409	\$91,161	\$94,666

- (1) Data are confidential if there are fewer than 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category.
- (2) Data are suppressed because confidential data could be extrapolated if these totals were included.
- (3) Data do not include totals for government employment.
- (4) Data is reported at September 30 each year.
- (5) Data for the mining industry is combined with the construction industry beginning in 2008
- (6) Rules instituted by the Federal Bureau of Labor Statistics after September 11, 2001, prohibit state departments of labor or economic security from publicly identifying the names of individual employers.
- (7) 2018 Data is not yet available.

Definitions of Terms and Source Notes

<http://www.labormarketinfo.edd.ca.gov/LMID/Size of Business Data.html>

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

MSA and Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017
Manufacturing									
No. of Businesses	255	256	244	248	265	267	259	264	271
No. of Employees	5,861	5,457	5,869	5,287	5,439	5,337	5,685	5,529	5,759
Payroll (in thousands)	\$56,038	\$57,445	\$66,066	\$63,429	\$59,826	\$60,774	\$65,737	\$69,340	\$73,079
Wholesale Trade									
No. of Businesses	402	391	377	377	368	411	384	375	366
No. of Employees	4,940	5,281	5,120	5,480	5,227	4,710	5,459	5,548	5,868
Payroll (in thousands)	\$74,947	\$79,735	\$83,299	\$88,422	\$92,922	\$59,857	\$94,037	\$101,499	\$99,856
SALINAS MSA									
Retail Trade									
No. of Businesses	1,221	1,227	1,200	1,195	1,175	1,358	1,199	1,212	1,188
No. of Employees	14,877	15,251	15,530	15,812	16,144	16,969	16,366	16,356	16,241
Payroll (in thousands)	\$107,453	\$111,004	\$122,602	\$120,195	\$120,072	\$114,448	\$128,116	\$134,773	\$134,980
Transportation and Warehousing									
No. of Businesses	241	239	227	230	239	240	269	266	283
No. of Employees	3,032	2,942	2,715	3,085	3,309	2,814	3,907	3,817	3,493
Payroll (in thousands)	\$34,856	\$36,081	\$36,164	\$37,895	\$40,049	\$26,107	\$48,726	\$46,978	\$45,508

- (1) Data are confidential if there are fewer than 3 businesses in a category or one employer makes up 80 percent or more of the employment in a category.
- (2) Data are suppressed because confidential data could be extrapolated if these totals were included.
- (3) Data do not include totals for government employment.
- (4) Data is reported at September 30 each year.
- (5) Data for the mining industry is combined with the construction industry beginning in 2008
- (6) Rules instituted by the Federal Bureau of Labor Statistics after September 11, 2001, prohibit state departments of labor or economic security from publically identifying the names of individual employers.
- (7) 2018 Data is not yet available.

Definitions of Terms and Source Notes

<http://www.labormarketinfo.edd.ca.gov/LMID/Size of Business Data.html>

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

MSA and Industry	2009	2010	2011	2012	2013	2014	2015	2016	2017
Information									
No. of Businesses	98	106	99	102	102	119	84	88	87
No. of Employees	1,671	1,619	1,532	1,525	1,517	2,307	1,325	1,126	1,036
Payroll (in thousands)	\$24,735	\$23,894	\$24,061	\$23,229	\$23,947	\$31,249	\$23,019	\$17,431	\$15,534
Finance and Insurance									
No. of Businesses	363	367	363	345	333	375	333	354	349
No. of Employees	2,857	2,630	2,528	2,480	2,235	3,711	2,247	2,354	2,430
Payroll (in thousands)	\$47,648	\$46,824	\$43,452	\$46,190	\$43,238	\$50,791	\$45,027	\$49,584	\$51,645
Real Estate and Rental and Leasing									
No. of Businesses	393	386	360	369	380	428	387	382	390
No. of Employees	1,730	1,745	1,654	1,753	1,639	2,313	1,781	1,803	1,933
Payroll (in thousands)	\$15,087	\$15,752	\$17,044	\$17,891	\$18,071	\$20,400	\$20,113	\$22,487	\$22,408
Services									
No. of Businesses	7,300	7,509	7,779	6,989	7,469	6,415	7,820	7,879	8,246
No. of Employees	51,459	52,342	52,321	54,233	54,767	50,917	60,259	60,652	62,247
Payroll (in thousands)	\$470,805	\$489,004	\$499,157	\$502,741	\$505,549	\$395,309	\$567,068	\$609,620	\$633,751

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Definitions of Terms and Source Notes

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

<u>Fiscal Year</u>	<u>New Single Family Residence</u>	<u>Other Residential</u>	<u>Total Residential</u>	<u>Nonresidential</u>	<u>Total All Building Permits</u>
6/30/2009	67	511	578	1,539	2,117
6/30/2010	72	973	1,045	1,139	2,184
6/30/2011	71	1,655	1,726	408	2,134
6/30/2012	111	1,711	1,822	355	2,177
6/30/2013	118	1,578	1,696	522	2,218
6/30/2014	119	1,958	2,077	338	2,415
6/30/2015	204	2,340	2,544	452	2,996
6/30/2016	268	2,597	2,865	478	3,343
6/30/2017	892	2,076	2,968	470	3,438
6/30/2018	830	2,196	3,026	513	3,539

Data for 6/30/2014 and subsequent years provided by the Monterey County Department of Building Services

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

<u>Fiscal Year</u>	<u>Single Family Residential</u>	<u>Multiple</u>	<u>Mobile Homes</u>	<u>Total All Housing</u>
6/30/2009	96,668	96,668	5,709	199,045
6/30/2010	96,569	96,569	5,678	198,816

Source:

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

<u>Date</u>	<u>Single Family Residential Detached</u>	<u>Single Family Residential Attached</u>	<u>Multiple Two to Four</u>	<u>Multiple Five Plus</u>	<u>Mobile Homes</u>
1/1/2011	87,355	8,902	12,388	23,593	5,672
1/1/2012	87,610	8,902	12,394	23,625	5,675
1/1/2013	87,563	8,903	12,412	23,753	5,677
1/1/2014	87,723	8,910	12,494	24,005	5,685
1/1/2015	87,833	8,910	12,513	24,232	5,689
1/1/2016	88,062	8,911	12,496	24,269	5,697
1/1/2017	88,326	8,888	12,550	24,334	5,723
1/1/2018	88,711	8,899	12,555	24,436	5,729

Source:

CA Dept. of Finance - Report E-5 Population and Housing Estimates for Cities, Counties, and the State, 1/1/2011-2018, with 2010 Census Benc

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

Fiscal Year	Authority's Employees by Department				
	Administration	Finance	Engineering	Operations	Diversion
6/30/2009	6	4	1	9	8
6/30/2010	6	4	2	15	8
6/30/2011	6	4	2	15	8
6/30/2012	6	4	1	22	5
6/30/2013	6	4	1	19	5
6/30/2014	6	3	1	21	5
6/30/2015	6	3	1	29	5
6/30/2016	6	3	1	33	5
6/30/2017	6	3	1	37	5
6/30/2018	6	3	2	36	7

Fiscal Year	Other Operating and Capacity Indicators		
	Authority Area (Square Miles)	Landfill Acreage	Daily Landfill Capacity (tons)
6/30/2009	3,280.600	943.000	1,574.000
6/30/2010	3,280.600	943.000	1,574.000
6/30/2011	3,280.600	943.000	1,574.000
6/30/2012	3,280.600	943.000	1,574.000
6/30/2013	3,280.600	943.000	1,574.000
6/30/2014	3,280.600	943.000	1,574.000
6/30/2015	3,280.600	943.000	1,574.000
6/30/2016	3,280.600	943.000	1,574.000
6/30/2017	3,280.600	943.000	1,574.000
6/30/2018	3,280.600	943.000	1,574.000

Source:

Authority Area: U.S. Census Bureau
Other data: From Internal Sources

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

Function	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Administration										
Vehicles	1	1	1	1	1	1	2	2	2	2
Computer Equipment	6	6	6	6	6	6	6	6	6	6
Buildings	1	1	1	1	1	1	1	1	1	1
Buildings (square footage)	6,884	6,884	6,884	6,884	6,884	6,884	6,884	6,884	6,884	6,884
Finance										
Computer Equipment	4	4	4	4	4	4	3	3	3	3
Operations										
Vehicles	12	12	12	13	13	14	17	26	26	26
Machinery & Equipment										
Forklifts/Hydraulic Lifts	2	2	2	2	2	2	2	2	2	2
Heavy Equipment	2	3	5	6	6	7	10	13	15	15
Water Truck	-	-	1	1	1	1	3	4	4	4
Bulldozers	-	-	-	-	-	-	2	2	2	2
Computer Equipment	8	8	8	8	8	8	9	9	9	9
Fuel Tanks	-	-	1	1	2	2	2	2	2	2
Buildings	10	10	10	10	10	10	10	10	10	10
Buildings (square footage)	29,110	29,110	29,110	29,110	29,110	29,110	29,110	29,110	29,110	29,110
Landfills	4	4	4	4	4	4	4	4	4	4
Flares	4	4	4	4	4	4	4	4	5	5
Site Security Systems	2	1	1	1	1	1	1	3	4	4
Leachate Systems	3	3	3	3	3	3	3	3	3	3
Gas Monitoring Wells	38	40	40	40	40	40	40	40	40	40
Water Wells	48	48	48	48	48	48	48	48	48	48
Water Tanks	3	3	3	3	3	3	3	3	3	3
Land (acreage)	943	943	943	943	943	943	943	943	943	943
Landfill Gas to Energy - Gas Scrubber	-	-	-	-	-	1	1	1	1	1
Resource Recovery										
Vehicles	3	3	3	3	3	3	2	3	4	4
Computer Equipment	5	5	5	5	5	5	6	6	6	6

Data Source: Salinas Valley Solid Waste Authority Finance Division