

# **SALINAS VALLEY SOLID WASTE AUTHORITY**

**Salinas, California**



## **BASIC FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2007**

# **SALINAS VALLEY SOLID WASTE AUTHORITY**

## **BASIC FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2007**



PREPARED BY  
THE AUTHORITY'S FINANCE DIVISION

Robert Moreno  
Finance Manager/Treasurer

J.D. Black, Accountant  
Ray Hendricks, Accounting Technician

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### AUDITORS

McGilloway, Ray, Brown & Kaufman  
Accountants and Consultants  
150 Cayuga Street, Suite 1  
Salinas, CA 93901

SALINAS VALLEY SOLID WASTE AUTHORITY  
Annual Financial Report  
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January 31, 2008

President and Board of the Salinas Valley Solid Waste Authority:

We are pleased to submit the Salinas Valley Solid Waste Authority (Authority) Basic Financial Statements for the fiscal year ended June 30, 2007. 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, management of the Authority has established a comprehensive internal control framework that is designed both to protect the Authority's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority's financial statements have been audited by McGilloway, Ray, Brown & Kaufman a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2007, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Authority's financial statements for the fiscal year ended June 30, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **Reporting Entity**

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

## **Operating Results**

Generally Accepted Accounting Principles require that depreciation, estimated closure costs and estimated postclosure maintenance costs be charged as a current expense. These expenses are allocated over the estimated remaining capacity of the landfills within the Authority's disposal system. Based on these requirements, the Salinas Valley Solid Waste Authority reports a net loss of \$3,955,427 for the fiscal year ended June 30, 2007.

As part of its adopted policy, the Authority does not set aside funds for postclosure maintenance. Per agreement with the California Integrated Waste Management Board, dated June 19, 1998, the Authority has pledged future revenue to cover the cost of postclosure maintenance. Authority tipping fees are not expected to recover the accrual of postclosure expenses in the current period.

The Authority's policy is to set aside funds for closure costs. Closure liabilities are fully funded except for \$641,011 which were officially set aside by the Board in November 2007.

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

The Statement of Cash Flows for the fiscal year ended June 30, 2007, provides a detailed reconciliation of the Authority's increase in cash of \$441,860.

## **Cash Management Policies and Practices**

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

Investment income includes appreciation in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. Decreases in fair value during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2007, the Authority's investment earnings were \$1,498,000.

## **Risk Management**

The Authority purchases commercial insurance for general liability, automobile liability, pollution liability, public official's bonds and property damage. Additional information on the Agency's risk management activity can be found in Note 11 of the financial statements.

## **Financial Management**

The Authority carefully monitors its rates. After four years without a rate increase, the tipping fee was increased from \$39 per ton to \$43 per ton, effective July 1, 2001. Annual increases have ranged from \$1.00 to \$4.50 per ton. On July 1, 2006, the tipping fee was increased \$4.50 per ton from \$50.00 to \$54.50. The tipping fees are expected to increase annually. Authority rates have been set to fund operating expenses, closure costs, postclosure maintenance costs for Lewis Road, and to provide for debt service on the Authority's 2002 Revenue Bonds.

## **Bond Issue 2002**

On May 15, 2002, the Salinas Valley Solid Waste Authority issued Revenue Bonds, Series 2002 in the amount of \$39,845,000. The bonds were sold to payoff the Authority's existing 1997 Revenue Bonds, payoff a portion of the Crazy Horse installment purchase agreement, provide for cost of bond issuance, capitalized interest and a bond reserve and to finance various capital projects at the landfill sites, including the completion of the Regional Environmental Impact Report. Maximum annual debt service is \$2,756,524, including interest at 5.56% for thirty (30) years. On June 30, 2007, there was \$8,745,386 in unspent bond proceeds to be used for Authority capital projects.

## **Regional Solid Waste Facilities Project**

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

## **Expansion Fund**

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

A new fund "Expansion Fund" was established to collect proceeds from the sale of outside waste, pay costs associated with increased tonnage generated by outside waste, pay the costs related to locating and permitting a new landfill site and other long-term expansion costs. Over the ten-year term of the agreement with South Valley Disposal, revenue from the sale of outside waste is estimated at \$28.8 million, with costs estimated at \$4.5 million to operate Crazy Horse, \$3.8 million for liners at Johnson Canyon, \$2.7 million in closure set-asides and \$2.5 million in taxes and fees, leaving \$15.3 million for locating and permitting a new landfill site. At June 30, 2007, the Expansion Fund had unrestricted net assets of \$2,509,385.

**Summary**

Authority projections indicate that the current tipping fee of \$58.00 per ton as of July 1, 2007, including about \$2 per ton annual increases will be sufficient to provide for operations, closure costs, postclosure maintenance, capital requirements and debt service through the expansion period. Until Crazy Horse Canyon is filled and closed, which is anticipated to occur in late 2008, the Authority will be operating both Crazy Horse Canyon and Johnson Canyon landfills. To keep tipping fee increases to a minimum, the Authority approved the sale of outside waste as the preferred method of providing funds to operate two landfills and develop a new landfill site.

**Acknowledgements**

I would like to take this opportunity to thank the members of the Salinas Valley Solid Waste Authority's Board of Directors for their interest and support in the financial operations of the Authority. It is the responsible and progressive manner in which business is conducted that makes the Authority successful. I would also like to extend special recognition to 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 and Ray Hendricks 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 'Roberto Moreno', with a stylized, flowing script.

Roberto Moreno  
Finance Manager/Treasurer

# **SALINAS VALLEY SOLID WASTE AUTHORITY**



## **List of Principal Officials**

**As of June 30, 2007**

**George Worthy, City of Gonzales**  
President

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

**Gloria De La Rosa, City of Salinas**  
Alternate Vice President

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

**Dennis Donohue, City of Salinas**  
Board Member

**Janet Barnes, City of Salinas**  
Board Member

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

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

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

**Stephen Johnson**  
Chief Administrative Officer

**Roberto Moreno**  
Finance Manager/Treasurer

**Thomas M. Bruen**  
General Counsel

**Jose Gamboa**  
Operations Manager

**Susan Warner**  
Administrative Manager



# McGILLOWAY, RAY, BROWN & KAUFMAN

*Accountants & Consultants*

2511 Garden Road, Suite A180  
Monterey, CA 93940-5301  
831-373-3337 Fax 831-373-3437  
Toll Free 866-373-2511

150 Cayuga Street, Suite #1  
Salinas, CA 93901  
831-424-2737  
Fax 831-424-7936

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of Salinas Valley Solid Waste Authority (Authority) as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Authority as of June 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

*McGillaway, Ray, Brown & Kaufman*

January 31, 2008

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This analysis of the Salinas Valley Solid Waste Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

### **Financial Highlights**

- The Authority's net assets decreased \$3,955,427 from a deficit of \$1,600,315 to a deficit of \$5,555,742 as a result of this year's operations.
- The Authority had an operating loss of \$1,812,633 due to an increase in operating expenses highlighted below. Cash and cash equivalents increased \$441,860.
- Operating revenues increased \$486,250 (3.3%) as the result of a rate increase and a decrease in tonnage.
- Tons landfilled decreased 17,168 tons (5.3%) during the year from 325,402 tons in fiscal year 2005-06 to 308,234 tons in fiscal year 2006-07. On July 1, 2006, tipping fees increased \$4.50 per ton (9.0%) from \$50.00 per ton to \$54.50 per ton.
- Operating expenses increased \$3,308,295 (24.0%). The increased operating expenses were due primarily to an increase of \$1,652,717 in closure/postclosure expenses for Jolon Road landfill and \$1,664,148 in depreciation for Crazy Horse and Johnson Canyon landfills.
- At June 30, the Authority is still holding \$8,745,386 in unspent bond proceeds to be used for Crazy Horse closure and other capital projects per the Authority's 10-year financial plan.
- The Authority's total long term debt decreased by \$819,077 to \$42,255,836.
- During FY 2006-07 the Authority began the closure of Jolon Road Landfill.

### **Overview of the Financial Statements**

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

### **Basic Financial Statements**

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

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

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Notes to the Basic Financial Statements

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

### Supplementary Information

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

### FINANCIAL STATEMENTS ANALYSIS

#### Statement of Net Assets

Net assets are a good indicator of the Authority's financial position. At the end of this fiscal year, the net assets of the Authority were a negative \$5,555,742, which is a decrease of \$3,955,427 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2007 and 2006:

Salinas Valley Solid Waste Authority  
Condensed Comparative Statement of Net Assets  
June 30, 2007 and 2006

	2007	2006	Total % Change
Assets:			
Current Assets	\$ 12,431,628	\$ 12,103,262	2.7%
Other Assets	24,122,390	23,420,333	3.0%
Capital Assets, Net	25,533,242	28,396,350	-10.1%
Total Assets	62,087,260	63,919,945	-2.9%
Liabilities:			
Current Liabilities	6,221,781	4,882,409	27.4%
Long-term Liabilities	61,421,221	60,637,851	1.3%
Total Liabilities	67,643,002	65,520,260	3.2%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(16,391,014)	(5,519,727)	-197.0%
Restricted	12,208,279	10,835,323	12.7%
Unrestricted	(1,373,007)	(6,915,911)	-80.1%
Total Net Assets/(Deficit)	\$ (5,555,742)	\$ (1,600,315)	-247.2%

The deficit net assets result from liabilities exceeding assets. The Authority has \$12.2 million in restricted net assets that can be spent only for debt service, capital projects and closure cost reserves. Unrestricted net assets are a deficit of \$1,373,007. The total deficit net assets is due primarily to a deficit of \$16,391,014 in Invested in Capital Assets, Net of Related Debt. This is the result of capital assets decreasing at a faster rate than the related debt. Very little has been paid on the Authority's debt while capital assets continue to depreciate as explained in the Notes on capital assets and deficit net assets. \$42,255,836 of the long-term debt is scheduled to be paid with future revenues.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following is the Condensed Statement of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2007 and 2006.

The Authority's activities decreased net assets by \$3,955,427. Key elements of this change are as follows:

Salinas Valley Solid Waste Authority  
Condensed Statement of Revenues, Expenses and Changes in Net Assets  
For the years ended June 30, 2007 and 2006

	2007	2006	% change
Operating Revenues	\$ 15,295,892	\$ 14,809,642	3.3%
Operating Expenses	<u>17,108,525</u>	<u>13,800,230</u>	24.0%
Operating Income (Loss)	(1,812,633)	1,009,412	-279.6%
Non-operating Revenues	1,604,492	1,365,856	17.5%
Non-operating Expenses	(2,310,063)	(2,352,878)	-1.8%
Loss on disposition of capital assets	<u>(1,437,223)</u>	<u>(50,512)</u>	
Change in Net Assets	(3,955,427)	(28,122)	13965.2%
Net Assets/(Deficit) - Beginning	<u>(1,600,315)</u>	<u>(1,572,193)</u>	1.8%
Net Assets/(Deficit) - Ending	<u>\$ (5,555,742)</u>	<u>\$ (1,600,315)</u>	247.2%

Operating revenues increased \$486,250 (3.3%). The primary reason for this increase is the tipping fee per ton rate increase of \$4.50 per ton from \$50.00 to \$54.50 per ton effective July 1, 2006 and a minor increase in tonnage from out-of-county waste.

Operating expenses increased \$3,308,295 (24.0%). The reason for this increase is an increase of \$1,652,717 in closure/postclosure expense and an increase of \$1,664,148 in depreciation. The closure/postclosure expense increase was due to the closure of Jolon Road Landfill causing an expense of \$1,784,510. Johnson Canyon Landfill had an increase of \$1,381,087 in depreciation and Crazy Horse Landfill had an increase of \$327,760 in depreciation over the previous year.

Other than the increased expense for closure/postclosure and depreciation as stated above, all other expense categories actually decreased \$8,570 in total in comparison to the prior year.

Operating contract expense of \$5,825,771 decreased \$524,777 (8.3%) over the previous year due to a reduction in the amount paid to Norcal for air space conservation. The single biggest expense for the year was the \$4,750,114 paid to Norcal Engineering Services for operation of the Crazy Horse and Johnson Canyon landfills, Sun Street convenience station, diversion services, excess tonnage and air space conservation adjustment.

The \$1,437,223 loss on disposition of capital assets is the result of closing the Jolon Road landfill. This amount represents the portion of the Regional Environmental Impact Report (EIR) which allowed Jolon Road to be expanded. Since Jolon Road will not be expanded this entire cost which was capitalized pending the expansion of Jolon Road now needs to be written off.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2007, the Authority had \$25.5 million invested in capital assets, primarily in landfills as summarized below. During this fiscal year the Authority purchased \$1,024,074 in capital assets, recorded depreciation expense of \$2,449,961 and wrote-off \$1,437,223 in capital assets. Additional information on the Authority's capital assets can be found in Note 6 on page 15 of this report.

Salinas Valley Solid Waste Authority  
Condensed Statement of Capital Assets  
For the years ended June 30, 2007 and 2006

	2007	2006
Land	\$ 42,600	\$ 42,600
Buildings	456,484	456,484
Improvements other than buildings	43,827,381	43,287,366
Equipment	983,924	786,395
Construction in progress	2,647,507	3,798,198
	<u>47,957,896</u>	<u>48,371,043</u>
Accumulated Depreciation	(22,424,654)	(19,974,693)
Totals	<u>\$ 25,533,242</u>	<u>\$ 28,396,350</u>

#### Long-Term Debt

At the end of this fiscal year, the Authority had \$42,255,836 in long-term debt as shown below. No new debt was incurred during this fiscal year. The principal payments of \$819,077 were paid on the debt. Additional information on the Authority's long-term debt can be found in Note 8 on page 15 of this report.

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

Salinas Valley Solid Waste Authority  
Condensed Statement of Long-Term Debt  
For the years ended June 30, 2007 and 2006

	2007	2006
Revenue Bonds, Series 2002	\$ 38,380,000	\$ 39,125,000
Installment Purchase Agreement	3,875,836	3,949,913
Total Long-Term Debt	<u>\$ 42,255,836</u>	<u>\$ 43,074,913</u>

### ECONOMIC FACTORS AND NEXT YEAR'S RATES

The Authority's operations are dependent on the amount of solid waste that is received at the landfills. At the beginning of fiscal year 2006-07 the tipping fee was increased \$4.50 per ton to \$54.50 for franchise haulers. For fiscal year 2007-08 the Authority's tipping fees were increased to \$58.00 per ton. While fiscal year 2007 had a decrease in tonnage due to the increased tipping fee the Authority was able to cover all operating expenses.

### CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

**Assets:**

Current Assets:

Cash and Investments	\$ 10,683,686
Accounts Receivable, Net	1,270,980
Interest Receivable	429,843
Intergovernmental Receivable	47,119
Total Current Assets	<u>12,431,628</u>

Noncurrent Assets:

Deferred Charges	1,737,688
Restricted Cash	22,384,702
Capital Assets, Net	25,533,242
Total Noncurrent Assets	<u>49,655,632</u>

Total Assets	<u>62,087,260</u>
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**Liabilities:**

Current Liabilities:

Accounts Payable	2,373,239
Wages Payable	63,531
Accrued Leave	147,456
Deferred Revenue	143,615
Interest Payable	918,434
Closure Payable	1,571,854
Postclosure Payable	138,600
Installment Purchase Agreement	80,052
Bonds Payable - Current	785,000
Total Current Liabilities	<u>6,221,781</u>

Long Term Liabilities:

Closure Payable	9,886,591
Postclosure Payable	10,475,426
Installment Purchase Agreement	3,795,784
Bonds Payable, Net	37,263,420
Total Long Term Liabilities	<u>61,421,221</u>

Total Liabilities	<u>67,643,002</u>
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**Net Assets:**

Invested in Capital Assets, Net of Related Debt	(16,391,014)
Restricted for Debt Service	2,821,882
Restricted for Capital Projects	8,745,386
Restricted for Closure Reserve	641,011
Unrestricted	<u>(1,373,007)</u>
Total Net Assets/(Deficit)	<u>\$ (5,555,742)</u>

The accompanying notes are an integral part of this statement.

SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**Operating Revenues:**

Charges for Services	\$ 15,241,960
Operating Grants and Contributions	<u>53,932</u>
Total Operating Revenues	<u>15,295,892</u>

**Operating Expenses:**

Personnel Services	1,572,729
Contractual Services	1,572,274
Operating Contracts	5,825,771
Supplies	90,958
Insurance	286,669
Building Rent	74,108
Taxes	840,698
Utilities	116,233
Depreciation	2,449,961
Amortization	69,508
Closure/Postclosure Maint.	3,835,518
Hazardous Waste	203,060
Other	<u>171,038</u>
Total Operating Expenses	<u>17,108,525</u>

Operating Income (Loss)	<u>(1,812,633)</u>
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**Non-Operating Revenues (Expenses):**

Investment Earnings	1,498,000
Other Non-Operating Revenue	106,492
Loss on Disposition of Capital Assets	(1,437,223)
Interest Expense	<u>(2,310,063)</u>

Total Non-Operating Revenues (Expenses)	<u>(2,142,794)</u>
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Change in Net Assets	<u>(3,955,427)</u>
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Total Net Assets/(Deficit) - Beginning	<u>(1,600,315)</u>
--	--------------------

Total Net Assets/(Deficit) - End of Year	<u><u>\$ (5,555,742)</u></u>
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The accompanying notes are an integral part of this statement.



SALINAS VALLEY SOLID WASTE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR FISCAL YEAR ENDED JUNE 30, 2007

**Cash Flows from Operating Activities:**

Receipts from Customer and Users	\$ 15,469,737
Payments to Suppliers	(10,136,832)
Payments to Employees	(1,540,279)

Net Cash Provided by Operating Activities	3,792,626
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**Cash Flows from Non-Capital Financing Activities:**

Other Non-Operating Revenue	156,553
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**Cash Flows from Capital and Related Financing Activities:**

Acquisition of Capital Assets	(1,024,076)
Principal paid on Capital Debt	(819,077)
Interest paid on Capital Debt	(2,314,073)

Net Cash Provided (Used) by Capital and Related Financing Activities	(4,157,226)
---	-------------

**Cash Flows from Investing Activities:**

Interest Received	1,435,222
Increase (Decrease) in Fair Value of Investments	(13,750)
Transfer (to) from Restricted Cash	(771,565)

Net Cash Provided by Investing Activities	649,907
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Net Increase (Decrease) in Cash and Cash Equivalents	441,860
--	---------

Cash and Cash Equivalents at Beginning of Year	10,241,826
--	------------

Cash and Cash Equivalents at End of Year	\$ 10,683,686
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**Reconciliation of Operating Income to Net Cash  
Provided (used) by Operating Activities:**

Operating Income (Loss)	\$ (1,812,633)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	2,449,961
Amortization	69,508
(Increase) Decrease in Accounts Receivable	173,845
Increase (Decrease) in Accounts Payable	(466,119)
Increase (Decrease) in Wages Payable	13,298
Increase (Decrease) in Accrued Leave	19,152
Increase (Decrease) in Closure/Postclosure Payable	3,345,614

Total Adjustments to Net Income	5,605,259
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Net Cash Provided by Operating Activities	\$ 3,792,626
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The accompanying notes are an integral part of this statement.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

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

**A. *Financial Reporting Entity***

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

The Authority is governed by a nine member governing board, consisting of three members of the Salinas City Council, two members of the Monterey County Board of Supervisors, and one City Council member each from the cities of Gonzales, Greenfield, King City and Soledad. Pursuant to the Authority Agreement, the affirmative vote of at least one member of the Authority Board who is a member of the Salinas City Council is required to approve Board actions. On September 1, 2006 the Authority became completely independent from the City of Salinas with the appointment of its own Chief Administrative Officer.

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

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

The financial statements of the Authority are presented in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. As a governmental entity, the Authority follows the accounting standard hierarchy established by the GASB. The Authority has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements currently in effect as well as Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The Authority has elected not to follow subsequent private sector guidance of FASB after November 20, 1989.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from the operation of the Authority's landfill sites and related services. The principal operating revenues of the Authority are tipping fees charged to customers for use of the landfills. Operating grants that are exchange transactions and are activities that are related to the operation of the landfill are also considered operating revenues. Operating expenses include the cost of maintenance and operations of the landfills and transfer stations, closure, and postclosure costs, general and administrative expenses and

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**D. Cash and Cash Equivalents**

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

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

**E. Accounts Receivable**

The Authority sets aside 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.

**F. Capital Assets**

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

- General Capital Assets                      \$5,000

For all exhaustible capital assets depreciation is recorded on a straight-line method (beginning the year after acquisition) over the useful lives of the assets as follows:

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

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

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

**G. Compensated Absences**

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

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

**H. Use of Estimates**

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

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

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

**J. Classification of Net Assets**

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

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

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

**K. Future GASB Implementation**

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

**2. Cash and Investments:**

The Authority's cash and investments at June 30, 2007, are included in the accompanying basic financial statements as follows:

Cash and Investments	\$ 10,683,686
Restricted Cash	<u>22,384,702</u>
Total	<u>\$ 33,068,388</u>

The Authority's cash and investments at June 30, 2007, were held as follows:

Cash managed by the Authority Treasurer	\$ 39,050
Investments managed by the Authority Treasurer	21,462,070
Investments managed by the Fiscal Agent	<u>11,567,268</u>
Total	<u>\$ 33,068,388</u>

The Authority follows the practice of pooling cash and investments of all funds except for funds required to be held by outside fiscal agents under the provisions of bond indentures. Earnings from these investments are allocated quarterly to each fund based on average monthly cash

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund. The Authority's investment policy conforms to state law (Government Code Sections 53601 through 53659). The investment of bond proceeds is governed by the specific Indenture of Trust. The investment policy is reviewed annually. Investments shown at fair value are for information only to assess the actual value if the Authority were to liquidate the investments before maturity. The Authority intends to hold all investments to maturity.

The Authority participates in the Local Authority Investment Fund (LAIF), an investment pool managed by the State of California. At June 30, 2007 LAIF had invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. These Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

### Investments

At June 30, 2007, the Authority had the following investments and maturities:

<u>Investment Type</u>	<u>Investment Maturities</u>				
	<u>Fair Value</u>	<u>0-6 mths</u>	<u>6-12 mths</u>	<u>1-5 years</u>	<u>over 5 yrs</u>
State of California					
Local Agency Investment Fund	\$ 21,462,070	\$ 21,462,070	\$ -	\$ -	\$ -
State of California					
Local Agency Investment Fund	8,745,386	8,745,386	-	-	-
JP Morgan Treasury Plus					
Money Market Fund	1,182	1,182	-	-	-
AIG Matched Funding					
Investment Agreement	2,820,700	-	-	-	2,820,700
	<u>\$ 33,029,338</u>	<u>\$ 30,208,638</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,820,700</u>

### Credit Risk

The Local Agency Investment Fund managed by the State Treasurer, representing 91.3% of the portfolio, is not rated. Investments in money market funds are limited by Government Code Section 53601 to those that have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. At June 30, 2007, the money market fund used by the Authority was rated AAAM by Standard & Poor's Rating Group and Aaa by Moody's Investors Service. AIG Matched Funding was rated AAA and Aaa by Standard and Poor's Rating Group and Moody's Investor's Service, respectively.

### Concentration of Credit Risk

The Local Agency Investment Fund, representing 91.3% of the portfolio is not considered a concentrated risk. The AIG Matched Funding Investment Agreement represents 8.5% of the investment portfolio. This investment agreement exceeds 5% of the Authority's investment portfolio and therefore does represent a concentration of credit risk. The investment is in accordance with the Indenture of Trust and is insured by AMBAC Financial Guaranty Insurance.

### Interest Rate Risk

As a means of limiting exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the maturity of investments in accordance with Government Code Sections 53601 (a)-(n) and 53636 (a)-(m). Because the Local Agency Investment Fund as of June 30, 2007, had an average life of 176 days, it is presented as an investment with a maturity of 1-6 months. However LAIF allows the Authority to make withdrawals of any amount

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

within 24 hours. The AIG Matched Funding Investment Agreement is the debt service reserve for the 2002 Revenue Bonds. It matures on August 1, 2031, when the bond issue matures.

**Custodial Credit Risk**

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy limits safekeeping of investments to third party custody. According to the investment policy investment of bond proceeds are restricted by the provisions of relevant bond documents. Funds held by Bank of New York (BNY) the Fiscal Agent of the 2002 Revenue Bonds are held in the Trustee's name, BNY, for the benefit of the Authority. This custodial credit risk exists due to the requirements of the bond indenture.

**3. Accounts Receivable:**

Accounts receivable at June 30, 2007 consists of the following:

Billed Receivables	
Tipping Fees	\$ 1,278,906
Franchise Contracts Management	11,540
Hazardous Waste Collections	2,560
Electronic Asset Recovery Receivables	14,432
Employees' Flexible Spending Account	7,546
	<u>1,314,984</u>
Allowance for Doubtful Accounts	<u>(44,004)</u>
	<u>\$ 1,270,980</u>

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

The Authority incurred bond issuance costs of \$2,085,228 in connection with the issuance of the Revenue Bonds, Series 2002. The issuance costs are being amortized over 30 years, the life of the 2002 Revenue Bonds, at an annual amortization expense of \$69,508. The following is a summary of unamortized bond issuance costs at June 30, 2007, reported on the Statement of Net Assets as deferred charges:

	June 30, 2006	Increases	Decreases	June 30, 2007
Revenue Bonds, Series 2002	\$ 1,807,196	\$ -	\$ 69,508	\$ 1,737,688

**5. Restricted Cash:**

Cash and investments of \$22,384,702 are recorded as restricted assets at June 30, 2007.

Cash and investments of \$10,817,434 are restricted by the California Integrated Waste Management Board for the eventual closure of the landfills.

Cash and investments of \$2,821,882 held by the fiscal agent are restricted to cover expenses of debt service.

Cash and investments of \$8,745,386 are bond proceeds restricted for capital improvement projects.

**SALINAS VALLEY SOLID WASTE AUTHORITY**  
**Notes to Basic Financial Statements**  
**June 30, 2007**

**6. Capital Assets:**

Capital asset activity for the year ended June 30, 2007, is as shown:

<b>Business-type activities</b>	<b>June 30, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2007</b>
<b>Nondepreciable Assets:</b>				
Land	\$ 42,600	\$ -	\$ -	\$ 42,600
Construction in Progress	3,798,198	286,532	(1,437,223)	2,647,507
Total nondepreciable assets	3,840,798	286,532	(1,437,223)	2,690,107
<b>Depreciable Assets:</b>				
Buildings	456,484	-	-	456,484
Other Improvements	43,287,366	540,015	-	43,827,381
Machinery and Equipment	786,395	197,529	-	983,924
Total depreciable assets	44,530,245	737,544	-	45,267,789
Less Accumulated Depreciation	(19,974,693)	(2,449,961)	-	(22,424,654)
Total Depreciable Assets, Net	24,555,552	(1,712,417)	-	22,843,135
Total Capital Assets, Net	\$ 28,396,350	\$ (1,425,885)	\$ (1,437,223)	\$ 25,533,242

Construction in progress at June 30, 2007, consists of the following: \$575,113 in costs associated with siting a new regional landfill, \$788,459 in costs associated with various landfills and transfer stations projects, and \$1,283,935 of capitalized costs for the Johnson Canyon environmental impact report (EIR). This report was required for the regional solid waste facilities expansion project and will be depreciated over the life of the expanded landfill site when the permit for the expanded capacity is approved.

**7. Annual Leave Liability:**

Employees are eligible to receive their entire unused annual leave balance upon termination, or can elect to be paid annually for a maximum of fifteen days of annual leave, depending on years of service. At June 30, 2007, the liability for this accrued leave is \$147,456.

**8. Long Term Liabilities:**

The following is a summary of long term liabilities for the fiscal year ended June 30, 2007:

	<b>June 30, 2006</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2007</b>	<b>Due Within One Year</b>
<b>Long Term Debt:</b>					
2002 Revenue Bonds	\$ 39,125,000	\$ -	\$ 745,000	\$ 38,380,000	\$ 785,000
Installment Purchase Agreement	3,949,913	-	74,077	3,875,836	80,052
Long Term Debt Subtotal	43,074,913	-	819,077	42,255,836	865,052
<b>Other Long Term Liabilities:</b>					
Bond Discount	(344,843)	-	(13,263)	(331,580)	-
Closure Payable	9,842,105	1,883,990	267,650	11,458,445	1,571,854
Post Closure Payable	8,884,752	1,769,740	40,466	10,614,026	138,600
Total Long Term Liabilities	\$ 61,456,927	\$ 3,653,730	\$ 1,113,930	\$ 63,996,727	\$ 2,575,506

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

Revenue Bonds, Series 2002

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2008	\$ 785,000	\$ 1,964,804	\$ 2,749,804
2009	825,000	1,929,916	2,754,916
2010	860,000	1,893,154	2,753,154
2011	900,000	1,853,091	2,753,091
2012	940,000	1,814,554	2,754,554
2013-2017	5,470,000	8,300,853	13,770,853
2018-2022	7,180,000	6,584,581	13,764,581
2023-2027	9,315,000	4,449,509	13,764,509
2028-2032	12,105,000	1,655,194	13,760,194
	<u>\$ 38,380,000</u>	<u>\$ 30,445,656</u>	<u>\$ 68,825,656</u>

Installment Purchase Agreement

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

On August 28, 2002, principal of \$3,470,438 was paid to the City reducing the outstanding balance on the installment purchase agreement to \$4,168,269. The installment payments to the City are reduced to \$385,097 per year, including interest at 7.91% for the remaining 27 years. At June 30, 2007, the remaining balance due was \$3,875,836. The annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
2008	\$ 80,052	\$ 305,045	\$ 385,097
2009	86,510	298,587	385,097
2010	93,489	291,609	385,098
2011	101,030	284,067	385,097
2012	109,180	275,917	385,097
2013-2017	693,111	1,232,374	1,925,485
2018-2022	1,021,567	903,918	1,925,485
2023-2027	1,505,674	419,812	1,925,486
2028	185,223	7,326	192,549
	<u>\$ 3,875,836</u>	<u>\$ 4,018,655</u>	<u>\$ 7,894,491</u>



SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

**9. Unamortized Bond Discount:**

The 2002 Revenue Bonds were sold at a discount of \$397,895. The discount is being amortized over the life of the bond issue (30 years) at an annual rate of \$13,263. The following is a summary of the 2002 Revenue Bonds unamortized discount at June 30, 2007:

	June 30, 2006	Increases	Decreases	June 30, 2007
Revenue Bonds, Series 2002	\$ 344,843	\$ -	\$ (13,263)	\$ 331,580

Total bonded debt outstanding at June 30, 2007 net of the unamortized bond discount is as follows:

Bonds payable	\$ 38,380,000
Less unamortized bond discount	<u>331,580</u>
Net bonds payable	<u>\$ 38,048,420</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 City, and the eastern and southern portions of the unincorporated area of the County. The system currently consists of two active landfills (Crazy Horse and Johnson Canyon), two transfer stations (Sun Street and Jolon Road) and two closed landfills (Lewis Road and Jolon Road).

The landfills are regulated by the California Integrated Waste Management Board (CIWMB) which requires that the Authority set-aside funds annually for the eventual closure of the landfills and to provide funding for postclosure maintenance for a period of at least 30 years after closure. On June 19, 1998, the CIWMB Permitting and Enforcement Division, approved the Authority's financial assurance mechanisms for closure and postclosure maintenance for the Authority's four landfills. The State found the Enterprise Fund and Pledge of Revenue Agreement met the requirements of Title 27 of the California Code. The State approved financial assurance mechanism is in accordance with the Environmental Protection Agency's financial assurance requirements for Municipal Solid Waste Landfill under Federal Title 40 regulations. Under the terms of these agreements the Authority has agreed to annually set-aside funds for the closure of the landfills. The postclosure maintenance costs will be funded on a pay-as-you go basis when they are actually incurred.

Although closure and postclosure maintenance costs will be paid only near or after the date that the landfills stop accepting waste, the Authority reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In October 2007 the Authority engineers prepared closure and postclosure maintenance costs and remaining permitted capacity estimates of the Authority's landfills for submittal to the CIWMB. Capacity estimates are based on permitted airspace, as stated in the approved Solid Waste Facility Permit for each facility. Each landfill fund sets aside monies for the eventual closure of the landfills. Postclosure maintenance costs are secured by a pledge of revenue.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

The system estimated capacity at June 30, 2007 is presented as follows:

	June 30, 2007							
	Total		Crazy Horse		Johnson Canyon		Lewis Road	Jolon Road
Permitted Capacity (cu. yd.)	10,174,333	100%	5,280,000	100%	4,894,333	100%	-	-
Capacity Used (cu. yd.)	(5,786,699)	57%	(4,543,151)	86%	(1,243,548)	25%	-	-
Remaining Capacity (cu. yd.)	<u>4,387,634</u>	43%	<u>736,849</u>	14%	<u>3,650,785</u>	75%	-	-
							0%	0%

### System Capacity

As of June 30, 2007, the Authority has used 57% of its system capacity. System capacity is based on the capacity of the two active landfills (Crazy Horse and Johnson Canyon). During the fiscal year ended June 30, 2007, the Authority landfilled a total of 308,234 tons of solid waste. At this time it is anticipated that Crazy Horse Landfill will close in 2008 and that Johnson Canyon Landfill will then accept all refuse.

### Crazy Horse Landfill

Crazy Horse received 248,639 tons this fiscal year. In March 2005 the CIWMB approved a revised permit to increase the Crazy Horse landfill capacity from 3,440,000 c.y. to 5,280,000 c.y. This changed Crazy Horse's filled capacity from 97% filled at June 30, 2004 to 86% filled at June 30, 2007. While 1,840,000 cubic yards of capacity was added, the daily rate of refuse tonnage increased from 900 to 1,400 per day. Utilization of the daily permitted tonnage of 1,400 tons per day is the reason the landfill is expected to reach capacity in 2008.

### Johnson Canyon Landfill

Johnson Canyon received 58,594 tons this fiscal year. After Crazy Horse fills in 2008, all waste will go to Johnson Canyon. Under the current permit Johnson Canyon is expected to reach full capacity in 2015. However, as allowed in approved environmental documents, the Authority is seeking CIWMB permit revision to increase the landfill capacity to the year 2040. Once CIWMB approves this application both the site capacity estimates and closure costs will be revised. Approval is expected by January 2008.

### Jolon Road Landfill

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

In summary, once Johnson Canyon Landfill receives its approved capacity increase, it is anticipated the total system capacity will be 33 years from 2007.

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

Closure and Postclosure Maintenance Costs

Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2007, are presented as follows:

	June 30, 2007				
	<u>Total</u>	<u>Crazy Horse</u>	<u>Johnson Canyon</u>	<u>Lewis Road</u>	<u>Jolon Road</u>
Estimated:					
Closure Cost	\$ 18,103,461	\$ 9,377,596	\$ 7,154,011	\$ -	\$ 1,571,854
Postclosure Maintenance Cost	\$ 13,434,165	\$ 8,426,363	\$ 2,204,256	\$ 1,532,849	\$ 1,270,697
Expense (Income):					
Closure	\$ 2,065,778	\$ 849,364	\$ 192,316	\$ 181,788	\$ 842,310
Postclosure Maintenance	1,769,740	763,207	59,257	5,076	942,200
Total Expense (Income)	\$ 3,835,518	\$ 1,612,571	\$ 251,573	\$ 186,864	\$ 1,784,510
Outstanding Liability:					
Closure	\$ 11,458,445	\$ 8,068,908	\$ 1,817,683	\$ -	\$ 1,571,854
Postclosure Maintenance	10,614,026	7,250,424	560,056	1,532,849	1,270,697
Total Liability	\$ 22,072,471	\$ 15,319,332	\$ 2,377,739	\$ 1,532,849	\$ 2,842,551
Assets Set-Aside for Closure-Cash	\$ 10,817,434	\$ 7,818,889	\$ 1,718,954	\$ -	\$ 1,279,591
Cash over/(under) Closure Liability	\$ (641,011)	\$ (250,019)	\$ (98,729)	\$ -	\$ (292,263)

Estimated total closure costs for Crazy Horse and Johnson Canyon landfills increased \$465,905 for the fiscal year ended June 30, 2007, as a result of the CIWMB inflation factor of 2.9%. After taking into account the filled capacity of these landfills, the Authority recognized a closure expense of \$1,041,680 for Crazy Horse and Johnson Canyon Landfills.

Estimated postclosure maintenance costs for Crazy Horse and Johnson Canyon landfills increased \$299,599 for fiscal year ending June 30, 2007, as a result of the CIWMB inflation factor of 2.9%. After taking into account the filled capacity of these landfills, the Authority recognized a postclosure expense of \$822,464 for Crazy Horse and Johnson Canyon Landfills.

Jolon Road Landfill recognized a one-time closure expense of \$842,310 and one-time postclosure expense of \$942,200. The Authority agreed to close the landfill by December 2007. This caused the Authority to recognize Jolon Road Landfill as 100% filled. Previously it had been recognized as being only 46% filled. As of June 30, 2007 the closure construction project was well under way.

Lewis Road Landfill is closed and currently under postclosure maintenance.

Landfill owners and operators are required to incur a variety of costs to provide for protection of the environment both during the period of landfill operation and during the postclosure period. These include the cost of equipment and facilities, such as leachate collection systems and final cover, as well as the cost of services, such as postclosure maintenance and monitoring costs. Closure and postclosure care costs extend over a 30 year period of time. For this reason, it is likely that there will be various changes in the components used to calculate closure and postclosure costs. Some of these variances are due to changes in technologies, changes in operational conditions and physical changes at the landfills. Estimated current costs of closure

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

and postclosure care are evaluated annually as required by Generally Accepted Accounting Principles (GAAP). The results of the annual evaluation can increase or decrease closure and postclosure cost depending on the various components here described.

**11. Commitments and Contingencies:**

Unfunded Closure Costs

As of June 30, 2007, closure costs of \$641,011 are currently unfunded as shown on Note 10. While the liability has been recognized, the funds have not been set-aside as restricted cash. The Board of Directors took action on November 15, 2007 to fully fund Crazy Horse \$250,019 and Johnson Canyon \$98,729. The Jolon Road unfunded amount of \$292,263 is actually funded as part of the construction costs of the landfill closure but the funds are not in the Closure Fund. They are in the Capital Projects fund as part of the appropriation for the closure project. These funds will come from Cash and Investments at June 30, 2007. This action will have no impact on the Authority's cash flow.

Construction Commitments

The Authority had one active construction project as of June 30, 2007. The commitment for this project is being financed by landfill closure funds. At year-end the Authority's commitments with contractors are as follows:

<u>Capital Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Jolon Road Closure	\$ 0	\$1,193,092

Norcal Waste Systems Long-Term Contract

On October 23, 2003, the Authority entered into a revised long-term contract with Norcal Waste Systems (Norcal) for the operation of the Crazy Horse (until closed) and Johnson Canyon landfills and scalehouses and the Sun Street Transfer Station and scalehouse. Norcal is also compensated for diversion services at each of the landfills and transfer station. All of these services are provided based on a minimum flat monthly fee along with additional fees based on tonnages/quantities processed at each of the sites and landfill compaction. Since the Authority is able to take over scalehouse operations with six months notice, that part of the contract is not considered a long-term contract. The basic contract terms at June 30, 2007, were as follows:

<u>Contract</u>		<u>Basic</u>	<u>Future Minimum</u>
<u>Ending Date</u>	<u>Service</u>	<u>Annual Fee</u>	<u>Contractual Amount</u>
12/31/2013	Crazy Horse Landfill Basic Facility Fee	\$ 1,994,688	\$ 2,327,136
12/31/2013	Johnson Canyon Landfill Basic Facility Fee	768,696	11,712,576
12/31/2013	Diversion Assistance Fees-all landfills	143,868	645,243
12/31/2007	Sun Street Convenience Station operations	1,035,648	517,824

The future minimum contractual amount for Crazy Horse was calculated through August 31, 2008, when Crazy Horse is expected to close. When Crazy Horse closes the future minimum contractual amounts for Johnson Canyon Landfill increase according to the contract. The contract with Norcal for the operation of Sun Street ends December 31, 2007, when the Authority takes over the operation. For the fiscal year ended June 30, 2007, the Authority paid Norcal Engineering \$4,750,144 for operations of Crazy Horse and Johnson Canyon landfills and scalehouses, the Sun Street Transfer Station and scalehouse, diversion services, excess tonnage, and air space conservation adjustment. The Sun Street Transfer Station began operations on January 1, 2005.

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June 30, 2007

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. Monthly lease payments for the first five years are \$6,540. The minimum monthly rent will increase to \$7,194 on January 1, 2012. The lease has an option to extend for two five-year periods. The future minimum lease payments through December 2017 for both leases are as follows:

Fiscal Year Ending June 30,	Amount
2008	\$ 78,478
2009	78,478
2010	78,478
2011	78,478
2012	82,402
2013-2017	388,464
	<u>\$ 784,778</u>

USA Waste Long-Term Contract

As part of the Settlement Agreement and Release on the Jolon Road litigation, the Authority entered into an Amended and Restated Operating Agreement for the Jolon Road Transfer Station. The initial term of this Amended Agreement commenced on June 3, 2004 and ends on September 1, 2016, however, it may be extended for up to three (3) additional one-year renewal terms. Effective June 1, 2006 USA Waste's base compensation was increased to \$49,000 per month. The base compensation consists of a fuel component of \$2,294 and a non-fuel component of \$46,706. The base compensation shall be adjusted annually on the anniversary date of the Amended Agreement based on changes in the Retail On-Highway Diesel Prices and Consumer Price Index. The basic contract terms at June 30, 2007, were as follows:

Ending Date	Service	Annual Fee	Contractual Amount
09/01/2016	Jolon Road Transfer Station	\$ 604,908	\$ 5,544,950

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

As of June 30, 2007 the Authority has settled the lawsuit involving J.J. Albanese relating to the construction of the closure system at the Lewis Road Landfill. The Authority settled on November 15, 2006 for \$350,000 which was approximately the retention amount on the construction contract.

Vernon Dower et al. v. Bridgestone Firestone North America Tire, L.L.C. et al (Federal Court, San Jose).

The Salinas Valley Solid Waste Authority ("SVSWA"), and the City of Salinas, a member agency of the SVSWA, have been sued as third party defendants in a lawsuit entitled *Vernon Dower et al. v. Bridgestone Firestone North America Tire, L.L.C. et al*, which is pending in the United States District Court for the Northern District of California, Civil No. C-06-6837 JW(RS) (the "Action"). The SVSWA and the City have been brought into the lawsuit through a third party

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

complaint filed by Bridgestone Firestone North America, L.L.C., and Bridgestone Americas Holding, Inc. (collectively "Bridgestone").

The plaintiffs, who have sued Bridgestone, claim they live or have lived approximately 1.2 miles down gradient of the Crazy Horse Landfill in an area they call the "Pesante Road Triangle." These ten individuals are suing Bridgestone for personal injuries (including various types of cancer and other injuries), property damage and/or wrongful death damages, allegedly caused by contamination in the drinking water wells and of the properties used by the plaintiffs and their family members. The plaintiffs allege this contamination was caused by liquid hazardous substances that the Firestone Tire and Rubber Company (Bridgestone's predecessor) disposed of in an unlined portion of the Crazy Horse Landfill in the 1960s and 1970s, and that these substances leached from the landfill into groundwater that fed the plaintiffs' wells.

Bridgestone in its third party complaint asserts that the SVSWA as owner and operator of the Crazy Horse Landfill, and the City as the prior owner and operator, are responsible to Bridgestone under a theory of equitable indemnity and/or contribution to pay for all or a part of any damages that might be awarded the plaintiffs as against Bridgestone.

The amount of damages being sought by plaintiffs is not presently known, nor is it possible to predict with reasonable certainty what the outcome of the litigation might be. However, the SVSWA and the City deny the allegations of the plaintiffs and of Bridgestone, and are vigorously defending the lawsuit.

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

Risk Management

The Authority is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Effective July 1, 2004 the Authority has purchased worker's compensation insurance through the State Compensation Insurance Fund for its employees. The Authority has the following commercial insurance policies:

<u>Coverage</u>	<u>Limits</u>	<u>Deductible</u>
Pollution liability	10,000,000	\$ 25,000
General liability	2,000,000	-0-
Automobile liability	1,000,000	25,000
Property damage	2,106,214	10,000
Public Officials/Employment practices	1,000,000	10,000/25,000
Excess Liability	2,000,000	10,000

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

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

**12. Related Party Disclosures:**

The City of Salinas provided administrative services to the Authority at a cost of \$14,906 for the year ended June 30, 2007. The services were for the period of July and August 2006, at which time the Authority became independent from the City of Salinas. This item is included as part of personnel services on the financial statements.

**13. Deferred Compensation Plan:**

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

The Authority's deferred compensation plan is administered by the ICMA Retirement Corporation. The ICMA Deferred Compensation plan has a balance of \$159,946 at June 30, 2007. Since these funds are held by the ICMA Retirement Corporation under a trust arrangement for the benefit of the employees, these funds are not reported on the financial statements.

**14. Retirement Programs:**

Effective July 1, 2004, the Authority entered into a contract with the California Public Employees' Retirement System (CalPERS) for the provision of retirement benefits under the Public Employees' Retirement Law. The total pension expense for the fiscal year was \$102,993, including normal costs and annual amortization of prior service costs.

**Public Employees Retirement System**

**Plan Description** The Authority's defined benefit pension Miscellaneous Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The Authority selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

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

SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

Funding Policy Active plan members are required to contribute 7% of their annual covered salary. The Authority is required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2006-07 was 10.145% for miscellaneous employees of annual covered payroll. The contribution requirements of the plan members and the Authority are established and may be amended by CalPERS.

Annual Pension Cost For fiscal year 2006-07, the Authority's annual pension cost of \$110,421 was equal to the Authority's required and actual contributions. In addition, the employees contributed \$79,833 from their earnings on a pre-tax basis. The required contribution for fiscal year 2005-06 was determined as part of the original actuarial valuation using the Entry Age Actuarial Cost Method with the contributions determined as a percent of pay. The actuarial assumption included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members, and (c) 3.25% payroll growth. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short term volatility in the market value of investments spreading the unrealized and realized gain/(loss) over a 15 year period (smoothed market value). CalPERS unfunded actuarial accrued liability is being amortized as a level percentage of assumed future payroll on a closed basis.

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

THREE-YEAR TREND INFORMATION FOR PERS

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/05	\$ 71,647	100%	\$ 0
6/30/06	102,993	100%	0
6/30/07	110,421	100%	0

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

**15. Restricted Net Assets:**

At June 30, 2007, the statement of net assets reports the following restricted net assets:

Restricted for:	
Debt Service	\$ 2,821,882
Capital Projects	8,745,386
Closure Cost	<u>641,011</u>
Total restricted net assets	<u>\$ 12,208,279</u>

None of the net assets are restricted by enabling legislation.



SALINAS VALLEY SOLID WASTE AUTHORITY  
Notes to Basic Financial Statements  
June 30, 2007

**16. Deficit Net Assets:**

The deficit of \$16,391,014 in Invested in Capital Assets, Net of Related Debt is the result of the Authority issuing 30-year debt to purchase assets that are depreciated at a much faster rate. The Authority has more debt than net assets purchased with that debt. The increase in this deficit is due to the large depreciation expense for the year.

The deficit of \$1,373,007 in Unrestricted Net Assets represents operating expenses such as postclosure that will be paid from future revenues.

Authority tipping fees are set at an amount sufficient to provide for operations, closure set-aside requirements, postclosure maintenance on a pay-as-you-go basis, capital requirements and debt service on bonds issued for capital replacement. Authority tipping fees are not expected to recover depreciation expense of \$2,449,961.

The Statement of Cash Flows for the fiscal year ended June 30, 2007, provides a detailed reconciliation of the Authority's increase in cash of \$441,860.

**Negative Change in Net Assets**

The negative change in net assets of \$3,955,427 is due primarily to the closure of the Jolon Road Landfill in fiscal year 2006-07. The Jolon Road Landfill had been 43% filled since 1997. This fiscal year the CIWMB forced the Authority to close the landfill causing the Authority to record unusually high expenses for the year. Since as of June 30, 2007 the Jolon Road Landfill is considered filled 100% the Authority has to fully recognize all closure and postclosure expenses totaling \$1,784,510. Additionally, due to the closure of the landfill and the Board's decision not to proceed with expanding the landfill, \$1,437,223 in capitalized assets (the Jolon Road Landfill portion of the 2002 Regional Expansion EIR) had to be written down as a Loss on Disposition of Capital Assets.

The Authority is projected to continue incurring losses until all but one landfill is open. The Authority's rates are not set to recover depreciation or postclosure expense. Once landfills are closed there will be no more depreciation or postclosure expense. The Authority's rates will be set so as to cover the actual disbursement of postclosure costs. This will in turn reduce postclosure liabilities.

SALINAS VALLED SOLID WASTE AUTHORITY  
Required Supplementary Information

California Public Employees' Retirement System  
Schedule of Funding Progress

Miscellaneous 2% at 55 Risk Pool

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability- (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	© Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
06/30/2004	\$ 2,746,095,668	\$ 2,460,944,656	\$ 285,151,012	89.6%	\$ 743,691,970	38.3%
06/30/2005	\$ 2,891,460,651	\$ 2,588,713,000	\$ 302,747,651	89.5%	\$ 755,046,679	40.1%
06/30/2006	\$ 2,754,396,608	\$ 2,492,226,176	\$ 262,170,432	90.5%	\$ 699,897,835	37.5%

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

Since the Authority joined CalPERS on July 1, 2004, the Actuarial Valuation Data as of June 30, 2004 does not include the Authority.

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

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SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF NET ASSETS BY LOCATION  
JUNE 30, 2007

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Fund	Johnson Canyon Fund
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Investments	\$ 570,292	\$ 384,569	\$ 1,954,994	\$ 324,468
Accounts Receivable	31,570	16,992	545,603	295,363
Allowance for Uncollectible A/R	-	-	(34,704)	(7,230)
Interest Receivable	5,831	3,215	293,320	36,572
Due from Other Funds	1,284	-	-	-
Intergovernmental Receivable	-	22,086	25,033	-
Total Current Assets	<u>608,977</u>	<u>426,862</u>	<u>2,784,246</u>	<u>649,173</u>
<b>Noncurrent Assets:</b>				
Deferred Charges	36,458	-	916,062	381,859
Restricted Cash	59,178	-	17,334,556	3,056,703
Capital Assets, Net	<u>615,972</u>	<u>299,084</u>	<u>2,219,223</u>	<u>16,572,249</u>
Total Noncurrent Assets	<u>711,608</u>	<u>299,084</u>	<u>20,469,841</u>	<u>20,010,811</u>
<b>Total Assets</b>	<u>1,320,585</u>	<u>725,946</u>	<u>23,254,087</u>	<u>20,659,984</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	68,596	131,156	1,354,106	446,498
Wages Payable	47,323	13,403	2,805	-
Accrued Leave	108,109	39,347	-	-
Deferred Revenue	-	143,615	-	-
Interest Payable	17,136	-	532,115	179,491
Due to Other Funds	1,284	-	-	-
Closure Payable	-	-	-	-
Postclosure Payable	-	-	-	-
Installment Purchase Agreement	-	-	80,052	-
Bonds Payable-Current Portion	<u>16,469</u>	<u>-</u>	<u>413,719</u>	<u>172,504</u>
Total Current Liabilities	<u>258,917</u>	<u>327,521</u>	<u>2,382,797</u>	<u>798,493</u>
<b>Long Term Liabilities:</b>				
Closure Payable	-	-	8,068,908	1,817,683
Postclosure Payable	-	-	7,250,424	560,056
Installment Purchase Agreement	-	-	3,795,784	-
Unamortized Bond Discount	(6,958)	-	(174,800)	(72,862)
Bonds Payable	<u>788,795</u>	<u>-</u>	<u>19,813,663</u>	<u>8,261,462</u>
Total Long Term Liabilities	<u>781,837</u>	<u>-</u>	<u>38,753,979</u>	<u>10,566,339</u>
<b>Total Liabilities</b>	<u>1,040,754</u>	<u>327,521</u>	<u>41,136,776</u>	<u>11,364,832</u>
<b>Net Assets:</b>				
Invested in Capital Assets,				
Net of Related Debt	(182,334)	299,084	(21,709,195)	8,211,145
Restricted for Debt Service	59,178	-	1,488,181	619,849
Restricted for Projects	-	-	8,027,486	717,900
Restricted for Closure Reserve	-	-	250,019	98,729
Unrestricted	<u>402,987</u>	<u>99,341</u>	<u>(5,939,180)</u>	<u>(352,471)</u>
<b>Total Net Assets/(Deficit)</b>	<u>\$ 279,831</u>	<u>\$ 398,425</u>	<u>\$ (17,882,689)</u>	<u>\$ 9,295,152</u>

Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund	Interfund Eliminations	2007 Total
\$ 259,813	\$ (243,322)	\$ 5,120,188	\$ 2,312,684	\$ -	\$ 10,683,686
-	-	173,543	251,913	-	1,314,984
-	-	(2,070)	-	-	(44,004)
7,704	15,211	49,997	17,993	-	429,843
-	-	-	-	(1,284)	-
-	-	-	-	-	47,119
267,517	(228,111)	5,341,658	2,582,590	(1,284)	12,431,628
222,590	180,719	-	-	-	1,737,688
361,321	1,572,944	-	-	-	22,384,702
-	-	5,251,601	575,113	-	25,533,242
583,911	1,753,663	5,251,601	575,113	-	49,655,632
851,428	1,525,552	10,593,259	3,157,703	(1,284)	62,087,260
14,169	83,631	201,878	73,205	-	2,373,239
-	-	-	-	-	63,531
-	-	-	-	-	147,456
-	-	-	-	-	143,615
104,745	84,947	-	-	-	918,434
-	-	-	-	(1,284)	-
-	1,571,854	-	-	-	1,571,854
78,300	60,300	-	-	-	138,600
-	-	-	-	-	80,052
100,668	81,640	-	-	-	785,000
297,882	1,882,372	201,878	73,205	(1,284)	6,221,781
-	-	-	-	-	9,886,591
1,454,549	1,210,397	-	-	-	10,475,426
-	-	-	-	-	3,795,784
(42,474)	(34,486)	-	-	-	(331,580)
4,821,180	3,909,900	-	-	-	37,595,000
6,233,255	5,085,811	-	-	-	61,421,221
6,531,137	6,968,183	201,878	73,205	(1,284)	67,643,002
(4,879,374)	(3,957,054)	5,251,601	575,113	-	(16,391,014)
361,321	293,353	-	-	-	2,821,882
-	-	-	-	-	8,745,386
-	292,263	-	-	-	641,011
(1,161,656)	(2,071,193)	5,139,780	2,509,385	-	(1,373,007)
\$ (5,679,709)	\$ (5,442,631)	\$ 10,391,381	\$ 3,084,498	\$ -	\$ (5,555,742)

SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS BY LOCATION  
FOR FISCAL YEAR ENDED JUNE 30, 2007

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Funds	Johnson Canyon Fund
Operating Revenues:				
Charges for Services	\$ 70,120	\$ 849,059	\$ 6,824,346	\$ 3,294,149
Operating Grants and Contributions	-	53,932	-	-
Total Operating Revenues	70,120	902,991	6,824,346	3,294,149
Operating Expenses:				
Personnel Services	1,200,717	372,012	-	-
Contractual Services	584,352	353,070	247,973	140,443
Operating Contracts	-	543,410	2,231,352	996,273
Supplies	82,193	8,321	298	146
Insurance	59,335	-	47,300	44,290
Building Rent	74,108	-	-	-
Taxes	-	-	406,577	164,854
Utilities	20,113	1,125	39,114	31,231
Depreciation	56,452	28,413	327,760	1,877,831
Amortization	1,458	-	36,643	15,274
Closure/Postclosure Maint.	-	-	1,612,571	251,573
Hazardous Waste	-	203,060	-	-
Other	48,487	15,232	-	-
Total Operating Expenses	2,127,215	1,524,643	4,949,588	3,521,915
Operating Income (Loss)	(2,057,095)	(621,652)	1,874,758	(227,766)
Non-Operating Revenues (Expenses):				
Investment Earnings	19,857	7,588	923,557	128,440
Other Non-Operating Revenue	69,686	3,903	25,033	3,685
Loss on Disposition of Capital Assets	-	-	-	-
Interest Expense	(41,980)	-	(1,363,660)	(439,717)
Total Non-Operating Revenues (Expenses)	47,563	11,491	(415,070)	(307,592)
Change in Net Assets before Transfers	(2,009,532)	(610,161)	1,459,688	(535,358)
Interfund Transfers In/(Out)	2,150,004	650,004	(2,871,115)	(739,992)
Net Assets/(Deficit) - Beginning	139,359	358,582	(16,471,262)	10,570,502
Net Assets/(Deficit) - End of Year	\$ 279,831	\$ 398,425	\$ (17,882,689)	\$ 9,295,152

Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund	Totals
\$ -	\$ -	\$ 2,003,687	\$ 2,200,599	\$ 15,241,960
-	-	-	-	53,932
-	-	2,003,687	2,200,599	15,295,892
-	-	-	-	1,572,729
70,397	56,048	6,088	113,903	1,572,274
-	591,164	1,463,572	-	5,825,771
-	-	-	-	90,958
44,000	41,744	50,000	-	286,669
-	-	-	-	74,108
5,933	67,062	9,655	186,617	840,698
-	-	24,650	-	116,233
-	-	159,505	-	2,449,961
8,904	7,229	-	-	69,508
186,864	1,784,510	-	-	3,835,518
-	-	-	-	203,060
-	-	107,319	-	171,038
316,098	2,547,757	1,820,789	300,520	17,108,525
(316,098)	(2,547,757)	182,898	1,900,079	(1,812,633)
42,220	58,525	222,957	94,856	1,498,000
-	3,850	335	-	106,492
-	(1,437,223)	-	-	(1,437,223)
(256,604)	(208,102)	-	-	(2,310,063)
(214,384)	(1,582,950)	223,292	94,856	(2,142,794)
(530,482)	(4,130,707)	406,190	1,994,935	(3,955,427)
710,004	1,340,004	-	(1,238,909)	-
(5,859,231)	(2,651,928)	9,985,191	2,328,472	(1,600,315)
\$ (5,679,709)	\$ (5,442,631)	\$ 10,391,381	\$ 3,084,498	\$ (5,555,742)

SALINAS VALLEY SOLID WASTE AUTHORITY  
SCHEDULE OF CASH FLOWS BY LOCATION  
FOR FISCAL YEAR ENDED JUNE 30, 2007

	Administration Fund	Resource Recovery Fund	Crazy Horse Canyon Fund	Johnson Canyon Fund
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customer and Users	\$ 45,768	\$ 885,999	\$ 6,914,047	\$ 3,360,068
Receipts from interfund services provided	-	-	-	-
Payments to Suppliers	(1,046,859)	(1,157,626)	(2,830,429)	(1,427,368)
Payments to Employees	(1,174,525)	(360,285)	(5,469)	-
Payments for interfund services used	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>(2,175,616)</b>	<b>(631,912)</b>	<b>4,078,149</b>	<b>1,932,700</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Other Non-Operating Revenue	120,819	27,864	-	3,685
Operating Transfers In/(Out)	2,150,004	650,004	(2,871,115)	(739,992)
Operating Transfers Out	-	-	-	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>2,270,823</b>	<b>677,868</b>	<b>(2,871,115)</b>	<b>(736,307)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of Capital Assets	(197,529)	-	(428,083)	(162,681)
Principal paid on Capital Debt	(15,630)	-	(466,716)	(163,712)
Interest paid on Capital Debt	(42,024)	-	(1,366,689)	(440,171)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(255,183)</b>	<b>-</b>	<b>(2,261,488)</b>	<b>(766,564)</b>
<b>Cash Flows from Investing Activities:</b>				
Interest Received	23,284	8,628	794,833	144,987
Increase (Decrease) in Fair Value of Investments	(206)	(125)	(9,220)	(885)
Transfer (to) from Restricted Cash	15	-	(633,421)	(137,935)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>23,093</b>	<b>8,503</b>	<b>152,192</b>	<b>6,167</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(136,883)</b>	<b>54,459</b>	<b>(902,262)</b>	<b>435,996</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>707,175</b>	<b>330,110</b>	<b>2,857,256</b>	<b>(111,528)</b>
<b>Cash and Cash Equivalents at End of the Year</b>	<b>\$ 570,292</b>	<b>\$ 384,569</b>	<b>\$ 1,954,994</b>	<b>\$ 324,468</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (2,057,095)	\$ (621,652)	\$ 1,874,758	\$ (227,766)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Depreciation	56,452	28,413	327,760	1,877,831
Amortization	1,458	-	36,643	15,274
(Increase) Decrease in Accounts Receivable	(24,352)	(16,992)	89,701	65,919
Increase (Decrease) in Accounts Payable	(178,271)	(33,408)	142,185	(50,131)
Increase (Decrease) in Wages Payable	16,648	2,119	(5,469)	-
Increase (Decrease) in Accrued Leave	9,544	9,608	-	-
Increase (Decrease) in Closure/Postclosure	-	-	1,612,571	251,573
<b>Total Adjustments to Net Income</b>	<b>(118,521)</b>	<b>(10,260)</b>	<b>2,203,391</b>	<b>2,160,466</b>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ (2,175,616)</b>	<b>\$ (631,912)</b>	<b>\$ 4,078,149</b>	<b>\$ 1,932,700</b>



Lewis Road Fund	Jolon Road Fund	Transfer Station Fund	Expansion Fund Fund	Totals
\$ -	\$ -	\$ 1,933,487	\$ 2,330,368	\$ 15,469,737
(614,237)	(1,062,875)	(1,695,693)	(301,745)	(10,136,832)
-	-	-	-	(1,540,279)
(614,237)	(1,062,875)	237,794	2,028,623	3,792,626
-	3,850	335	-	156,553
710,004	1,340,004	-	(1,238,909)	-
-	-	-	-	-
710,004	1,343,854	335	(1,238,909)	156,553
-	-	(235,783)	-	(1,024,076)
(95,539)	(77,480)	-	-	(819,077)
(256,872)	(208,317)	-	-	(2,314,073)
(352,411)	(285,797)	(235,783)	-	(4,157,226)
57,375	72,812	239,763	93,540	1,435,222
(81)	(413)	(2,074)	(746)	(13,750)
498	(722)	-	-	(771,565)
57,792	71,677	237,689	92,794	649,907
(198,852)	66,859	240,035	882,508	441,860
458,665	(310,181)	4,880,153	1,430,176	10,241,826
\$ 259,813	\$ (243,322)	\$ 5,120,188	\$ 2,312,684	\$ 10,683,686
\$ (316,098)	\$ (2,547,757)	\$ 182,898	\$ 1,900,079	\$ (1,812,633)
-	-	159,505	-	2,449,961
8,904	7,229	-	-	69,508
-	-	(70,200)	129,769	173,845
(285,556)	(25,304)	(34,409)	(1,225)	(466,119)
-	-	-	-	13,298
-	-	-	-	19,152
(21,487)	1,502,957	-	-	3,345,614
(298,139)	1,484,882	54,896	128,544	5,605,259
\$ (614,237)	\$ (1,062,875)	\$ 237,794	\$ 2,028,623	\$ 3,792,626