SALINAS VALLEY SOLID WASTE AUTHORITY	ITEM NO. 10

SALINAS VALLEY SOLID WASTE AUTHORITY

Report to the Board of Directors

ITEM NO. 10

Finance Manager/Controller-Treasurer

N/A
Legal Counsel

General Manager/CAO

Date: March 19, 2009

From: Roberto Moreno, Finance Manager

Title: Audited Financial Statements for the Year ended June 30, 2008

RECOMMENDATION

Staff and the Executive Committee recommend acceptance of the Audited Financial Statements for the fiscal year ended June 30, 2008.

BACKGROUND

The Authority's financial statements have been audited by McGilloway, Ray, Brown & Kaufman. The financial statements received an unqualified "clean" opinion. The Management Discussion & Analysis section beginning on page 3 of the Audited Financial Statements provides a concise summary of the results of the fiscal year in an easy to read format.

DISCUSSION & ANALYSIS

Page 8 of the financial statements shows that the Authority had Operating Income of $1,482,589 but incurred a net loss of $53,759 for the year. This loss is based on full accrual accounting as required by the Governmental Accounting Standards Board (GASB). The Authority, however, does not set its rates and does not budget based on full accrual accounting. The Authority does not budget so as to cover all full accrual expenses (i.e., depreciation, amortization, postclosure) out of the rates in the year the expenses are incurred under full accrual accounting.

Authority Budgetary Basis

Based on the Authority's rate setting policy and basis for budgeting the Authority would report a net income of $1,279,325.

The Authority's policy for establishing the budget and setting rates is to *not* recognize depreciation, amortization or postclosure expense as current year expenses. Postclosure costs are funded when actually incurred (pay-as-you go basis) as allowed under the financial assurances approved by the California Integrated Waste Management Board. Paper transactions (i.e., amortization) are also not recognized in the budgeting process.

The Authority chose to not follow full accrual accounting practices when it comes to budgeting and rate setting in order to avoid larger than necessary rate increases. For FY 2007-08 the Authority would have needed an additional $11 per ton tipping fee increase to cover all costs under full accrual accounting, not counting the amortization expense.

Budgetary Comparison to Full Accrual

The attached comparison of the Authority's full accrual income statement, as required by GASB, to an income statement prepared in the manner that the Authority budgets, shows that while under GASB pronouncements the Authority incurred a net loss of $53,759, under the Authority's basis or budgeting the Authority would report net income of $1,279,325. This is a difference of $1,333,084.

Conclusion

Under full accrual accounting, which is the proper way to account and report, the Authority incurred a loss of $53,759, due in large part to depreciation, amortization and postclosure expenses which are not covered in the Authority's rates. According to the basis the Authority uses for budgeting, the Authority covered all its expenses and had a surplus of $1,279,325.

FISCAL IMPACT

None

ATTACHMENT(S)

1. Basic Financial Statements for the year ended June 30, 2008
2. Income statement comparison – full accrual vs. budget basis

SALINAS VALLEY SOLID WASTE AUTHORITY
Comparison of Full Accrual vs. Budget Basis Income Statement
FOR FISCAL YEAR ENDED JUNE 30, 2008

	Accrual Basis	Budget Basis	Difference
Operating Revenues:			
Charges for Services	$ 15,281,310	$ 15,281,310	$ -
Sales of Materials	266,657	266,657	-
Operating Grants and Contributions	158,167	158,167	-
Total Operating Revenues	15,706,134	15,706,134	-
Operating Expenses:			
Personnel Services	2,217,099	2,217,099	-
Contractual Services	2,042,237	2,042,237	-
Operating Contracts	5,907,393	5,907,393	-
Supplies	176,589	176,589	-
Insurance	254,783	254,783	-
Building Rent	90,733	90,733	-
Taxes	772,394	772,394	-
Utilities	125,726	125,726	-
Depreciation	1,909,945	-	1,909,945
Amortization	69,508	-	69,508
Closure/Postclosure Maint.	296,515	77,832	218,683
Hazardous Waste	177,680	177,680	-
Other	182,943	182,943	-
Total Operating Expenses	14,223,545	12,025,409	2,198,136
Operating Income (Loss)	1,482,589	3,680,725	2,198,136
Non-Operating Revenues (Expenses):			
Investment Earnings	1,397,018	1,397,018	-
Other Non-Operating Revenue	13,772	13,772	-
Other Non-Operating Expense	(681,336)	(681,336)	-
Loss on Disposition of Capital Assets	-	-	-
Interest Expense	(2,265,802)	(2,265,802)	-
Total Non-Operating Revenues (Expenses)	(1,536,348)	(1,536,348)	-
Reduction of Long Term Debt			
2002 Revenue Bonds		785,000	785,000
Installment Purchase Agreement		80,052	80,052
		865,052	865,052
Change in Net Assets	(53,759)	1,279,325	1,333,084

SALINAS VALLEY SOLID WASTE AUTHORITY

Salinas, California

BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2008

SALINAS VALLEY
SOLID WASTE AUTHORITY

BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2008

PREPARED BY

THE AUTHORITY'S FINANCE DIVISION

Roberto Moreno
Finance Manager/Treasurer

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

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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SALINAS VALLEY
SOLID WASTE AUTHORITY
"Promoting the environmental health of the Salinas Valley"

March 10, 2009

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, 2008. These statements combined with other information are analyzed in the narrative section called Management's Discussion and Analysis (MD&A). The MD&A provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations, and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the Authority.

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

The Authority's financial statements have been audited by McGilloway, Ray, Brown & Kaufman, a firm of licensed, certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2008, 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, 2008, 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.

P.O. Box 2159, Salinas, California 93901-2159
Telephone 831-775-3000 Facsimile 831-755-1322
www.svswa.org

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

Reporting Entity

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

Operating Results

Generally Accepted Accounting Principles require that depreciation, estimated closure costs and estimated postclosure maintenance costs be charged as a current expense. These expenses are allocated over the estimated remaining capacity of the landfills within the Authority's disposal system. Based on these requirements, the Salinas Valley Solid Waste Authority reports a net income of $1,482,589 and a negative change in net assets of $53,759 for the fiscal year ended June 30, 2008.

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 at June 30, 2008.

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, 2008, provides a detailed reconciliation of the Authority's decrease in cash of $2,188,870.

Cash Management Policies and Practices

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

Investment income includes changes in the fair value of investments. Calculation of gains and losses in fair value of investments is unrealized and only measures the fair value at a point in time. Decreases in fair value during the current year, however, do not necessarily represent trends that will continue. During the fiscal year ended June 30, 2008, the Authority's investment earnings were $1,397,018.

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, 2008, the tipping fee was increased $3.50 per ton from $54.50 to $58.00. 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 Jolon Road lanfills, 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 the cost of bond issuance, capitalized interest and a bond reserve; and to finance various capital projects at the landfill sites, including the completion of the Regional Environmental Impact Report. Maximum annual debt service is $2,756,524, including interest at 5.56% for thirty (30) years. On June 30, 2008, there was $8,149,009 in unspent bond proceeds to be used for Authority capital projects.

Expansion Fund

As a result of the 2002 Regional EIR process, the Authority adopted a program that provides for expansion of the available capacity at the Crazy Horse and Johnson Canyon landfills. 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 "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, 2008, the Expansion Fund had unrestricted net assets of $3,371,795.

Summary

The Authority's projections indicate that the current tipping fee of $63.00 per ton as of July 1, 2008, 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 mid 2009, the Authority will be operating both Crazy Horse Canyon and Johnson Canyon landfills. To keep tipping fee increases to a minimum, the Authority approved the sale of outside waste as the preferred method of providing funds to operate two landfills and develop a new landfill site.

The deficit Net Assets is expected to diminish over time once Crazy Horse is closed since a large part of the Authority's assets will have been fully depreciated. Closure, postclosure and depreciation expenses will much less. Rates at that time will cover all operating expenses.

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,

Roberto Moreno
Finance Manager/Treasurer

SALINAS VALLEY
SOLID WASTE AUTHORITY

SALINAS VALLEY
SOLID WASTE AUTHORITY

List of Principal Officials

As of June 30, 2008

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

Annie Moreno, City of Greenfield
Board Member

Richard Ortiz, City of Soledad
Board Member

Josephine Campos, City of King
Board Member

R. Patrick Mathews
General Manager/CAO

Roberto Moreno
Finance Manager/Treasurer

Thomas M. Bruen
General Counsel

Jose Gamboa
Assistant General Manager

Susan Warner
Diversion Manager

Rose Gill
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, 2008, 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, 2008, 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.

Daniel M. McGilloway, Jr., CPA, CVA, Gerald C. Ray, CPA, Clyde W. Brown, CPA, Patricia M. Kaufman, CPA, Larry W. Rollins, CPA

Rachelle F. Onishi, CPA, CFE, Reginald F. Pires, CPA, Sarita C. Shannon, CPA, Audrey M. Thorne, CPA

The accompanying required supplementary information, such as management's discussion and analysis and the retirement schedule of pension funding progress on pages 3 through 6 and 25, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information, such as the introductory section, 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 not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGilloway, Ray, Brown & Kaufman

March 10, 2009

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, 2008. Please read it in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

Financial Highlights

- The Authority's net assets decreased $53,759 from a deficit of $5,555,742 to a deficit of $5,609,501 as a result of this year's operations.
- The Authority had operating income of $1,482,589 due to the decrease in operating expenses highlighted below.
- Operating revenues increased only $410,242 (2.7%). Charges for services remained constant as the result of a rate increase and a decrease in tonnage.
- Tons landfilled decreased 15,514 tons (5.0%) during the year from 308,234 tons in fiscal year 2006-07 to 292,720 tons in fiscal year 2008-09. On July 1, 2007, tipping fees increased $3.50 per ton (6.4%) from $54.50 per ton to $58.00 per ton.
- Operating expenses decreased $2,884,980 (16.9%). The decreased operating expenses were due primarily to decreases of $3,539,003 in closure/postclosure expenses and $540,016 in depreciation.
- At June 30, the Authority is still holding $8,149,009 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 $865,052 to $41,390,784.
- On January 1, 2008 the Authority assumed the transfer station operations at Sun Street resulting in a 62% increase in tonnage processed at the facility with no additional expense.

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

FINANCIAL STATEMENTS ANALYSIS

Statement of Net Assets

Net assets are a good indicator of the Authority's financial position. At the end of this fiscal year, the Authority had a net deficit of $5,609,501 which is a decrease of $53,759 from the prior year.

The following is the condensed Statement of Net Assets for the fiscal years ended June 30, 2008 and 2007:

Salinas Valley Solid Waste Authority
Condensed Statement of Net Assets
June 30, 2008 and 2007

	2008	2007	Total % Change
Assets:			
Current Assets	$ 10,227,714	$ 12,431,628	-17.7%
Other Assets	24,614,582	24,122,390	2.0%
Capital Assets, Net	24,969,876	25,533,242	-2.2%
Total Assets	59,812,172	62,087,260	-3.7%
Liabilities:			
Current Liabilities	4,875,740	6,221,781	-21.6%
Long-term Liabilities	60,545,933	61,421,221	-1.4%
Total Liabilities	65,421,673	67,643,002	-3.3%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	(16,102,591)	(16,391,014)	1.8%
Restricted	13,379,080	12,208,279	9.6%
Unrestricted	(2,885,990)	(1,373,007)	110.2%
Total Net Assets/(Deficit)	$ (5,609,501)	$ (5,555,742)	-1.0%

The net deficit resulted from liabilities exceeding assets. The Authority has $13.4 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 $2,885,990. The total net deficit is due primarily to a deficit of $16,102,591 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 Note 6 - Capital Assets and Note 15 - Deficit Net Assets. $50,978,611 of the long-term debt is scheduled to be paid with future revenues.

Net deficits 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.

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, 2008 and 2007.

The Authority's activities decreased net assets by $53,759. 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, 2008 and 2007

	2008	2007	% change
Operating Revenues	$ 15,706,134	$ 15,295,892	2.7%
Operating Expenses	14,223,545	17,108,525	-16.9%
Operating Income (Loss)	1,482,589	(1,812,633)	-181.8%
Non-operating Revenues	1,410,790	1,604,492	-12.1%
Non-operating Expenses	(2,947,138)	(2,310,063)	27.6%
Loss on disposition of capital assets	-	(1,437,223)	-100.0%
Change in Net Assets	(53,759)	(3,955,427)	-98.6%
Net Assets/(Deficit) - Beginning	(5,555,742)	(1,600,315)	247.2%
Net Assets/(Deficit) - Ending	$ (5,609,501)	$ (5,555,742)	1.0%

Operating revenues increased $410,242 (2.7%). The primary reason for this increase was the strong market in the sale of recycled materials. In spite of a rate increase of $3.50 per ton from $54.50 to $58.00 effective July 1, 2007, tipping fee revenue of $15,281,310 increased only 0.3% due to a decrease in tonnage as a result of the weak economy.

Operating expenses decreased $2,884,980 (16.9%). The reason for this decrease is a decrease of $3,539,003 in closure/postclosure expense and a decrease of $540,016 in depreciation. The closure/postclosure expense decrease was due to the additional capacity gained at Johnson Canyon Landfill and the fact that the prior year's expense was higher than normal due to the closure of Jolon Road Landfill.

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

Operating contract expense of $5,907,393 increased $81,622 (1.4%) over the previous year. The single biggest expense for the year was the $4,825,282 paid to Norcal Engineering Services for operation of the Crazy Horse and Johnson Canyon landfills, Sun Street convenience station through December 31, 2007, diversion services, excess tonnage and air space conservation adjustment.

Non-operating expense includes $681,336 paid to the IRS as a settlement of the closing agreement of the audit of the 2002 Revenue Bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007-08, the Authority had $25 million invested in capital assets, primarily in landfills as summarized below. During this fiscal year the Authority purchased $1,346,579 in capital assets, recorded depreciation expense of $1,909,945 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, 2008 and 2007

	2008	2007
Land	$ 42,600	$ 42,600
Buildings	456,484	456,484
Improvements other than buildings	45,866,650	43,827,381
Equipment	1,677,169	983,924
Construction in progress	1,261,572	2,647,507
	49,304,475	47,957,896
Accumulated Depreciation	(24,334,599)	(22,424,654)
Totals	$ 24,969,876	$ 25,533,242

Long-Term Debt

At the end of this fiscal year, the Authority had $41,072,467 in long-term debt as shown below. No new debt was incurred during this fiscal year. Principal payments of $865,052 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, 2008 and 2007

	2008	2007
Revenue Bonds, Series 2002	$ 37,595,000	$ 38,380,000
Bond Discount	(318,317)	(331,580)
Installment Purchase Agreement	3,795,784	3,875,836
Total Long-Term Debt	$ 41,072,467	$ 41,924,256

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 2007-08 the tipping fee was increased $3.50 per ton to $58.00 for franchise haulers. For fiscal year 2008-09 the Authority's tipping fees were increased to $63.00 per ton. While fiscal year 2007-08 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, 2008
With Comparative Totals as of June 30, 2007

	2008	2007
Assets:		
Current Assets:		
Cash and Investments	$ 8,494,816	$ 10,683,686
Accounts Receivable, Net	1,441,745	1,270,980
Interest Receivable	291,153	429,843
Intergovernmental Receivable	-	47,119
Total Current Assets	10,227,714	12,431,628
Noncurrent Assets:		
Deferred Charges	1,668,180	1,737,688
Restricted Cash	22,946,402	22,384,702
Capital Assets, Net	24,969,876	25,533,242
Total Noncurrent Assets	49,584,458	49,655,632
Total Assets	59,812,172	62,087,260
Liabilities:		
Current Liabilities:		
Accounts Payable	2,593,860	2,373,239
Wages Payable	77,459	63,531
Accrued Leave	178,328	147,456
Deferred Revenue	62,958	143,615
Interest Payable	901,125	918,434
Closure Payable	-	1,571,854
Postclosure Payable - Current	150,500	138,600
Installment Purchase Agreement	86,510	80,052
Bonds Payable - Current	825,000	785,000
Total Current Liabilities	4,875,740	6,221,781
Long Term Liabilities:		
Closure Payable	9,567,322	9,886,591
Postclosure Payable	10,817,654	10,475,426
Installment Purchase Agreement	3,709,274	3,795,784
Bonds Payable, Net	36,451,683	37,263,420
Total Long Term Liabilities	60,545,933	61,421,221
Total Liabilities	65,421,673	67,643,002
Net Assets:		
Invested in Capital Assets, Net of Related Debt	(16,102,591)	(16,391,014)
Restricted for Debt Service	2,821,862	2,821,882
Restricted for Capital Projects	8,149,009	8,745,386
Restricted for Closure Reserve	2,408,209	641,011
Unrestricted	(2,885,990)	(1,373,007)
Total Net Assets	$ (5,609,501)	$ (5,555,742)

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, 2008
With Comparative Totals for fiscal year ended June 30, 2007

	2008	2007
Operating Revenues:		
Charges for Services	$ 15,281,310	$ 15,241,960
Sales of Materials	266,657	-
Operating Grants and Contributions	158,167	53,932
Total Operating Revenues	15,706,134	15,295,892
Operating Expenses:		
Personnel Services	2,217,099	1,572,729
Contractual Services	2,042,237	1,572,274
Operating Contracts	5,907,393	5,825,771
Supplies	176,589	90,958
Insurance	254,783	286,669
Building Rent	90,733	74,108
Taxes	772,394	840,698
Utilities	125,726	116,233
Depreciation	1,909,945	2,449,961
Amortization	69,508	69,508
Closure/Postclosure Maint.	296,515	3,835,518
Hazardous Waste	177,680	203,060
Other	182,943	171,038
Total Operating Expenses	14,223,545	17,108,525
Operating Income (Loss)	1,482,589	(1,812,633)
Non-Operating Revenues (Expenses):		
Investment Earnings	1,397,018	1,498,000
Other Non-Operating Revenue	13,772	106,492
Other Non-Operating Expense	(681,336)	-
Loss on Disposition of Capital Assets	-	(1,437,223)
Interest Expense	(2,265,802)	(2,310,063)
Total Non-Operating Revenues (Expenses)	(1,536,348)	(2,142,794)
Change in Net Assets	(53,759)	(3,955,427)
Total Net Assets - Beginning	(5,555,742)	(1,600,315)
Total Net Assets - End of Year	$ (5,609,501)	$ (5,555,742)

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, 2008
With Comparative Totals for fiscal year ended June 30, 2007

	2008	2007
Cash Flows from Operating Activities:		
Receipts from Customer and Users	$ 15,535,369	$ 15,469,737
Payments to Suppliers	(12,024,703)	(10,136,832)
Payments to Employees	(2,172,299)	(1,540,279)
Net Cash Provided by Operating Activities	1,338,367	3,792,626
Cash Flows from Non-Capital Financing Activities:		
Other Non-Operating Revenue	141,548	156,553
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(1,507,406)	(1,024,076)
Principal paid on Capital Debt	(851,789)	(819,077)
Interest paid on Capital Debt	(2,269,848)	(2,314,073)
Net Cash Provided (Used) by Capital and Related Financing Activities	(4,629,043)	(4,157,226)
Cash Flows from Investing Activities:		
Interest Received	1,523,373	1,435,222
Increase (Decrease) in Fair Value of Investments	(1,415)	(13,750)
Transfer (to) from Restricted Cash	(561,700)	(771,565)
Net Cash Provided by Investing Activities	960,258	649,907
Net Increase (Decrease) in Cash and Cash Equivalents	(2,188,870)	441,860
Cash and Cash Equivalents at Beginning of Year	10,683,686	10,241,826
Cash and Cash Equivalents at End of Year	$ 8,494,816	$ 10,683,686
Reconciliation of Operating Income to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	$ 1,482,589	$ (1,812,633)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,909,945	2,449,961
Amortization	69,508	69,508
(Increase) Decrease in Accounts Receivable	(170,765)	173,845
Increase (Decrease) in Accounts Payable	(460,715)	(466,119)
Increase (Decrease) in Wages Payable	13,928	13,298
Increase (Decrease) in Accrued Leave	30,872	19,152
Increase (Decrease) in Closure/Postclosure Payable	(1,536,995)	3,345,614
Total Adjustments to Net Income	(144,222)	5,605,259
Net Cash Provided by Operating Activities	$ 1,338,367	$ 3,792,626

The accompanying notes are an integral part of this statement.

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.

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 is maintained as a proprietary (enterprise) fund. 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 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.

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, 2008, are included in the accompanying basic financial statements as follows:

Cash and Investments	$ 8,494,816
Restricted Cash	22,946,402
Total	$ 31,441,218

The Authority's cash and investments at June 30, 2008, were held as follows:

Cash managed by the Authority Treasurer	$ 198,926
Investments managed by the Authority Treasurer	20,271,421
Investments managed by the Fiscal Agent	10,970,871
Total	$ 31,441,218

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 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, 2008 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, 2008, the Authority had the following investments and maturities:

		Investment Maturities			
Investment Type	Fair Value	0-6 mths	6-12 mths	1-5 years	over 5 yrs
State of California Local Agency Investment Fund	$ 20,271,421	$ -	$ 20,271,421	$ -	$ -
State of California Local Agency Investment Fund	8,149,009	-	8,149,009	-	-
JP Morgan Treasury Plus Money Market Fund	1,162	1,162	0	-	-
AIG Matched Funding Investment Agreement	2,820,700	-	-	-	2,820,700
	$ 31,242,292	$ 1,162	$ 28,420,430	$ -	$ 2,820,700

Credit Risk

The Local Agency Investment Fund managed by the State Treasurer, representing 91.0% of the investment portfolio, is not rated. Investments in money market funds are limited by Government Code Section 53601 to those that have attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. At June 30, 2008, the JP Morgan Treasury Plus money market fund used by the Authority was rated AAA by Standard & Poor's Rating Group and Aaa by Moody's Investors Service. AIG Matched Funding was rated A- and A2 by Standard and Poor's Rating Group and Moody's Investor's Service, respectively.

Concentration of Credit Risk

The Local Agency Investment Fund, representing 91.0% of the portfolio is not considered a concentrated risk. The AIG Matched Funding Investment Agreement represents 9.0% 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)-(p). Because the Local Agency Investment Fund as of June 30, 2008, had an average life of 212 days, it is presented as an investment with a maturity of 6-12 months. However LAIF allows the Authority to make withdrawals of any amount within 24 hours. The

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

Custodial Credit Risk

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. 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, 2008 consists of the following:

Billed Receivables	
Tipping Fees	$ 1,319,347
Franchise Contracts Management	17,520
Hazardous Waste Collections	1,762
Miscellaneous	6,535
Electronic Asset Recovery Receivables	29,415
Employees' Flexible Spending Account	9,035
Norcal Contract Receivables	124,977
	1,508,591
Allowance for Doubtful Accounts	(66,846)
	$ 1,441,745

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, 2008, reported on the Statement of Net Assets as deferred charges:

	June 30, 2007	Increases	Decreases	June 30, 2008
Revenue Bonds, Series 2002	$ 1,737,688	$ -	$ 69,508	$ 1,668,180

5. ***Restricted Cash:***

Cash and investments of $22,946,402 are recorded as restricted assets at June 30, 2008.

Cash and investments of $11,975,531 are restricted by the California Integrated Waste Management Board for the eventual closure of the landfills.

Cash and investments of $2,821,862 held by the fiscal agent are restricted to cover expenses of debt service.

Cash and investments of $8,149,009 are bond proceeds restricted for capital improvement projects.

6. *Capital Assets:*

Capital asset activity for the year ended June 30, 2008, is as shown:

Business-type activities	June 30, 2007	Increases	Adjustments	June 30, 2008
Nondepreciable Assets:				
Land	$ 42,600	$ -	$ -	$ 42,600
Construction in Progress	2,647,507	545,911	(1,931,846)	1,261,572
Total nondepreciable assets	2,690,107	545,911	(1,931,846)	1,304,172
Depreciable Assets:				
Buildings	456,484	-	-	456,484
Other Improvements	43,827,381	959,921	1,079,348	45,866,650
Machinery and Equipment	983,924	45,333	647,912	1,677,169
Total depreciable assets	45,267,789	1,005,254	1,727,260	48,000,303
Less Accumulated Depreciation	(22,424,654)	(1,909,945)	-	(24,334,599)
Total Depreciable Assets, Net	22,843,135	(904,691)	1,727,260	23,665,704
Total Capital Assets, Net	$ 25,533,242	$ (358,780)	$ (204,586)	$ 24,969,876

Construction in progress at June 30, 2008, consists of the following: $575,113 in costs associated with siting a new regional landfill and $686,459 in costs associated with various landfill projects.

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, 2008, the liability for this accrued leave is $178,328.

8. *Long Term Liabilities:*

The following is a summary of long term liabilities for the fiscal year ended June 30, 2008:

	June 30, 2007	Increases	Decreases	June 30, 2008	Due Within One Year
Long Term Debt:					
2002 Revenue Bonds	$ 38,380,000	$ -	$ 785,000	$ 37,595,000	$ 825,000
Bond Discount	(331,580)	-	(13,263)	(318,317)	-
Installment Purchase Agreement	3,875,836	-	80,052	3,795,784	86,510
Long Term Debt Subtotal	41,924,256	-	851,789	41,072,467	911,510
Other Long Term Liabilities:					
Closure Payable	11,458,445	1,030,670	2,921,793	9,567,322	-
Post Closure Payable	10,614,026	760,945	406,817	10,968,154	150,500
Total Long Term Liabilities	$ 63,996,727	$ 1,791,615	$ 4,180,399	$ 61,607,943	$ 1,062,010

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
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	985,000	1,769,954	2,754,954
2014-2018	5,770,000	9,768,368	15,538,368
2019-2023	7,570,000	6,196,600	13,766,600
2024-2028	9,815,000	5,027,928	14,842,928
2029-2032	9,930,000	1,076,775	11,006,775
	$ 37,595,000	$ 31,330,340	$ 68,925,340

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, 2008, the remaining balance due was $3,875,836. The annual debt service requirements are as follows:

Fiscal Year Ended June 30,	Principal	Interest	Total
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	117,988	267,109	385,097
2014-2018	749,024	1,176,461	1,925,485
2019-2023	1,103,976	821,509	1,925,485
2024-2028	1,434,587	298,350	1,732,937
	$ 3,795,784	$ 3,713,609	$ 7,509,393

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, 2008:

	June 30, 2007	Increases	Decreases	June 30, 2008
Revenue Bonds, Series 2002	$ 331,580	$ -	$ (13,263)	$ 318,317

Total bonded debt outstanding at June 30, 2008 net of the unamortized bond discount is as follows:

Bonds payable	$ 37,595,000
Less unamortized bond discount	(318,317)
Net bonds payable	$ 37,276,683

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, approved the Authority's financial assurance mechanisms for closure and postclosure maintenance for the Authority's four landfills. Since then, CIWMB has approved the financial assurance mechanism for corrective action for the Jolon Road and Crazy Horse 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 and corrective action 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. Each landfill fund sets aside monies for the eventual closure of the landfills. Postclosure maintenance and corrective action costs are secured by a pledge of revenue.

The system estimated capacity at June 30, 2008 is presented as follows:

	June 30, 2008									
	Total		Crazy Horse		Johnson Canyon		Lewis Road		Jolon Road	
Permitted Capacity (cu. yd.)	15,792,140	100%	5,280,000	100%	10,512,140	100%	-		-	
Capacity Used (cu. yd.)	(5,726,917)	36%	(4,887,987)	93%	(838,930)	8%	-		-	
Remaining Capacity (cu. yd.)	10,065,223	64%	392,013	7%	9,673,210	92%	-	0%	-	0%

System Capacity

As of June 30, 2008, the Authority has used 36% of its revised system capacity. System capacity is based on the capacity of the two active landfills (Crazy Horse and Johnson Canyon). During the fiscal year ending June 30, 2008, the Authority landfilled a total of 292,720 tons of solid waste. At this time it is anticipated that Crazy Horse Landfill will close in 2009. Johnson Canyon Landfill will then accept all refuse.

Crazy Horse Landfill

Crazy Horse received 237,407 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 93% filled at June 30, 2008. While 1,840,000 cubic yards of capacity was added, the daily rate of refuse tonnage increased from 900 to 1,400 per day. Utilization of the daily permitted tonnage of 1,400 tons per day is the reason the landfill is expected to reach capacity in 2009.

Johnson Canyon Landfill

Johnson Canyon received 55,313 tons this fiscal year. After Crazy Horse fills in 2009, all waste will go to Johnson Canyon. Under the previous year's permit Johnson Canyon was expected to reach full capacity in 2015. However, the Authority sought a CIWMB permit revision to increase the landfill capacity. Approval was granted on February 1, 2008. Johnson Canyon now has capacity to the year 2040 based on the assumption that the goal of 75% is reached by the year 2015. The site capacity estimates and closure costs were revised as part of the permit process.

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, the Authority now has a remaining capacity of 32 years from 2008.

Closure and Postclosure Maintenance Costs

Estimated closure and postclosure maintenance costs and amounts set-aside for closure as of June 30, 2008, are presented as follows:

		June 30, 2008			
	Total	Crazy Horse	Johnson Canyon	Lewis Road	Jolon Road
Estimated:					
Closure Cost	$ 17,795,209	$ 9,630,791	$ 8,164,418	$ -	$ -
Postclosure Maintenance Cost	$ 14,275,006	$ 8,653,875	$ 2,895,417	$ 1,480,082	$ 1,245,632
Expense (Income):					
Closure	$ (135,445)	$ 846,846	$ (1,166,115)	$ -	$ 183,824
Postclosure Maintenance	431,960	760,945	(328,985)	-	-
Total Expense (Income)	$ 296,515	$ 1,607,791	$ (1,495,100)	$ -	$ 183,824
Outstanding Liability:					
Closure	$ 9,567,322	$ 8,915,754	$ 651,568	$ -	$ -
Postclosure Maintenance	10,968,154	8,011,369	231,071	1,480,082	1,245,632
Total Liability	$ 20,535,476	$ 16,927,123	$ 882,639	$ 1,480,082	$ 1,245,632
Assets Set-Aside for Closure-Cash	$ 11,975,531	$ 8,755,555	$ 1,896,951	$ -	$ 1,323,025
Cash over/(under) Closure Liability	$ 2,408,209	$ (160,199)	$ 1,245,383	$ -	$ 1,323,025

Estimated total closure costs for Crazy Horse and Johnson Canyon landfills decreased $308,252 for the fiscal year ended June 30, 2008, as a result of the CIWMB inflation factor of 2.7% being applied to Crazy Horse and a decrease of $1,010,407 for Johnson Canyon due to a revised permit for this facility. After taking into account the remaining capacity of these landfills, the Authority recognized a negative closure expense of $135,445 for Crazy Horse and Johnson Canyon Landfills.

Estimated postclosure maintenance costs for Crazy Horse and Johnson Canyon landfills increased $840,841 for fiscal year ending June 30, 2008, as a result of the CIWMB inflation factor of 2.7% and the revised permit for Johnson Canyon landfill. After taking into account the remaining capacity of these landfills, the Authority recognized a postclosure expense of $431,960 for Crazy Horse and Johnson Canyon Landfills.

Jolon Road Landfill recognized a closure expense of $183,824 due to landfill closure project and no postclosure expense since it closed October 2007.

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 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:*

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, 2008, were as follows:

Contract Ending Date	Service	Basic Annual Fee	Future Minimum Contractual Amount
12/31/2013	Crazy Horse Landfill Basic Facility Fee	$ 2,028,804	$ 1,859,737
12/31/2013	Johnson Canyon Landfill Basic Facility Fee	781,836	9,203,886
05/01/2010	Diversion Assistance Fees-all landfills	134,124	214,051

The future minimum contractual amount for Crazy Horse was calculated through May 31, 2009, when Crazy Horse is expected to close. When Crazy Horse closes the annual basic facility fee for Johnson Canyon Landfill will increase according to the contract from the $781,836 stated above to $1,851,888. The contract with Norcal for the operation of Sun Street ended December 31, 2007, when the Authority took over the operation. The agreement for Diversion services is for five (5) years from the date the program began on May 1, 2005. When Crazy Horse closes the annual diversion assistance service fee will decrease from the $134,124 stated above to $91,104.

For the fiscal year ended June 30, 2008, the Authority paid Norcal Engineering $4,825,282 for operations of Crazy Horse and Johnson Canyon landfills and scalehouses, diversion services, excess tonnage, and air space conservation adjustment.

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
2009	$ 78,478
2010	78,478
2011	78,478
2012	82,402
2013	86,328
2014-2017	302,148
	$ 706,312

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 $50,409 per month. The base compensation consists of a fuel component of $2,115 and a non-fuel component of $48,294. 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, 2008, were as follows:

Ending Date	Service	Annual Fee	Contractual Amount
09/01/2016	Jolon Road Transfer Station	$ 644,448	$ 5,262,949

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 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:

Coverage	Limits	Deductible
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.

12. ***Deferred Compensation Plan:***

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

The Authority's deferred compensation plan is administered by the ICMA Retirement Corporation. The ICMA Deferred Compensation plan has a balance of $201,004 as of June 30, 2008. Since these funds are held by the ICMA Retirement Corporation under a trust arrangement for the benefit of the employees, these funds are not reported on the financial statements.

13. Retirement Programs:

Effective July 1, 2004, the Authority entered into a contract with the California Public Employees' Retirement System (CalPERS) for the provision of retirement benefits under the Public Employees' Retirement Law. The total pension expense for the fiscal year was $168,612 which included normal costs, annual amortization of prior service costs and Employer Paid Member Contributions.

Public Employees Retirement System

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

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

Funding Policy Active plan members are required to contribute 7% of their annual covered salary. Effective January 1, 2008 the Authority began contributing 5% as Employer Paid Member Contributions. The Authority is also required to contribute an actuarially determined rate. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2007-08 was 9.587% 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 2007-08, the Authority's annual pension cost of $168,612 was equal to the Authority's required and actual contributions of $131,531 and $37,081 as Employer Paid Member Contributions. In addition, the employees contributed $79,178 from their earnings on a pre-tax basis. The required contribution for fiscal year 2007-08 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
6/30/06	$ 102,993	100%	$ 0
6/30/07	110,421	100%	0
6/30/08	131,531	100%	0

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

14. ***Restricted Net Assets:***

At June 30, 2008, the statement of net assets reports the following restricted net assets:

Restricted for:	
Debt Service	$ 2,821,862
Capital Projects	8,149,009
Closure Cost	2,408,209
Total restricted net assets	$ 13,379,080

None of the net assets are restricted by enabling legislation.

15. ***Deficit Net Assets:***

The deficit of $16,102,591 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 deficit of $2,885,990 in Unrestricted Net Assets is the result of accrued 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 $1,909,945.

SALINAS VALLEY 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 Accrued Liability- (AAL) Entry Age	(b) Actuarial Value of Assets	(a-b) Unfunded AAL (UAAL)	(b/a) Funded Ratio	© Covered Payroll	[(a-b)/c] UAAL as a Percentage of Covered Payroll
6/30/2004	$ 2,746,095,668	$ 2,460,944,656	$ 285,151,012	89.6%	$ 743,691,970	38.3%
6/30/2005	$ 2,891,460,651	$ 2,588,713,000	$ 302,747,651	89.5%	$ 755,046,679	40.1%
6/30/2006	$ 2,754,396,608	$ 2,492,226,176	$ 262,170,432	90.5%	$ 699,897,835	37.5%
6/30/2007	$ 2,611,746,790	$ 2,391,434,447	$ 220,312,343	91.6%	$ 665,522,859	33.1%

Since the Authority has less than 100 active members it is required to particiapte 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.