

**Yoakum, Lovell & Co., PLC**

CERTIFIED PUBLIC ACCOUNTANTS

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY  
INFORMATION AND OTHER REPORTS

SEPTEMBER 30, 2010 AND 2009

TABLE OF CONTENTS

	<u>PAGE</u>
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	1-3
INDEPENDENT AUDITORS' REPORT	4
FINANCIAL STATEMENTS	
BALANCE SHEETS	5
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-15
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	16-17

## MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS SECTION OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S ANNUAL FINANCIAL REPORT PRESENTS AN ANALYSIS OF THE DISTRICT'S FINANCIAL PERFORMANCE DURING THE YEARS ENDING SEPTEMBER 30, 2010 AND 2009. THIS INFORMATION IS PRESENTED IN CONJUNCTION WITH THE AUDITED BASIC FINANCIAL STATEMENTS, WHICH FOLLOW THIS SECTION.

### FINANCIAL HIGHLIGHTS FOR FISCAL YEAR

- THE DISTRICT'S NET LANDFILL REVENUE INCREASED BY \$120,403 OR 5% OVER THE PAST YEAR FROM \$2,482,430 TO \$2,602,833.
- THE DISTRICT'S TOTAL NET ASSETS INCREASED BY \$250,431 OVER THE PAST YEAR FROM \$219,072 TO \$469,503.

### OVERVIEW OF THE FINANCIAL STATEMENTS

THE ANNUAL REPORT CONSISTS OF THE MANAGEMENT'S DISCUSSION AND ANALYSIS AND THE BASIC FINANCIAL STATEMENTS. THE FINANCIAL STATEMENTS INCLUDE NOTES, WHICH EXPLAIN IN DETAIL SOME OF THE INFORMATION INCLUDED IN THE BASIC FINANCIAL STATEMENTS.

### REQUIRED FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS OF THE DISTRICT REPORT INFORMATION UTILIZING THE FULL ACCRUAL BASIS OF ACCOUNTING. THE FINANCIAL STATEMENTS CONFORM TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES. THE BALANCE SHEETS INCLUDE INFORMATION ON THE DISTRICT'S ASSETS AND LIABILITIES AND PROVIDE INFORMATION ABOUT THE NATURE AND AMOUNTS OF INVESTMENTS IN RESOURCES (ASSETS) AND THE OBLIGATIONS TO DISTRICT CREDITORS (LIABILITIES). THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS IDENTIFY THE DISTRICT'S REVENUES AND EXPENSES FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009. THIS STATEMENT PROVIDES INFORMATION ON THE DISTRICT'S OPERATIONS OVER THE PAST TWO YEARS AND CAN BE USED TO DETERMINE WHETHER THE DISTRICT HAS RECOVERED ALL OF ITS COSTS THROUGH USER FEES AND OTHER CHARGES. THE THIRD FINANCIAL STATEMENT IS THE STATEMENTS OF CASH FLOWS. THIS STATEMENT PROVIDES INFORMATION ON THE DISTRICT'S CASH RECEIPTS, CASH PAYMENTS, AND CHANGES IN CASH RESULTING FROM OPERATIONS, INVESTMENTS, AND FINANCING ACTIVITIES. FROM THE STATEMENTS OF CASH FLOWS, THE READER CAN OBTAIN COMPARATIVE INFORMATION ON THE SOURCE AND USE OF CASH AND THE CHANGE IN THE CASH BALANCE FOR EACH OF THE LAST TWO YEARS.

### FINANCIAL ANALYSIS OF THE DISTRICT

THE BALANCE SHEETS AND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS PROVIDE AN INDICATION OF THE DISTRICT'S FINANCIAL CONDITION. THE DISTRICT'S NET ASSETS REFLECT THE DIFFERENCE BETWEEN ASSETS AND LIABILITIES. AN INCREASE IN NET ASSETS OVER TIME TYPICALLY INDICATES AN IMPROVEMENT IN FINANCIAL CONDITION. A SUMMARY OF THE DISTRICT'S BALANCE SHEETS AND STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS ARE PRESENTED BELOW.

#### CONDENSED BALANCE SHEETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
CURRENT AND OTHER ASSETS	\$ 3,817,734	\$ 3,712,890	\$ 5,505,958
CAPITAL ASSETS, NET	<u>4,805,672</u>	<u>5,027,178</u>	<u>3,765,433</u>
TOTAL ASSETS	<u>\$ 8,623,406</u>	<u>\$ 8,740,068</u>	<u>\$ 9,271,391</u>

CURRENT LIABILITIES	\$ 564,669	\$ 687,271	\$ 1,189,678
LONG-TERM AND OTHER LIABILITIES	<u>7,589,234</u>	<u>7,833,725</u>	<u>8,074,008</u>
TOTAL LIABILITIES	<u>8,153,903</u>	<u>8,520,996</u>	<u>9,263,686</u>
UNRESTRICTED NET ASSETS	<u>469,503</u>	<u>219,072</u>	<u>7,705</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,623,406</u>	<u>\$ 8,740,068</u>	<u>\$ 9,271,391</u>

AS THE ABOVE TABLE INDICATES, TOTAL ASSETS HAVE DECREASED \$647,985 OR 7% OVER THE PAST THREE YEARS FROM \$9,271,391 TO \$8,623,406. THIS DECREASE IS PRIMARILY DUE TO PAYING OFF DEBT OVER THE PAST THREE YEARS.

THE TOTAL LIABILITIES HAVE DECREASED \$1,109,783 OR 12% OVER THE PAST THREE YEARS FROM \$9,263,686 TO \$8,153,903. THIS DECREASE IS PRIMARILY FROM THE DECREASE OF THE BONDS PAYABLE AND CARRYING LESS IN ACCOUNTS PAYABLE.

CONDENSED STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>	<u>2008</u>
OPERATING REVENUES			
LANDFILL REVENUE, NET	\$ 2,602,833	\$ 2,482,430	\$ 3,002,160
OTHER REVENUE	<u>223,395</u>	<u>237,509</u>	<u>149,957</u>
TOTAL OPERATING REVENUES	2,826,228	2,719,939	3,152,117
INVESTMENT RETURN	<u>31,512</u>	<u>41,896</u>	<u>144,903</u>
TOTAL REVENUE	<u>2,857,740</u>	<u>2,761,835</u>	<u>3,297,020</u>
OPERATING EXPENSES			
PERSONNEL	869,105	1,077,531	981,319
LANDFILL OPERATIONS	901,515	679,123	1,394,939
DEPRECIATION	<u>530,055</u>	<u>534,502</u>	<u>484,865</u>
TOTAL OPERATING EXPENSES	2,300,675	2,291,156	2,861,123
INTEREST	303,682	311,162	292,927
LOSS (GAIN) ON SALE OF ASSETS	<u>2,952</u>	<u>(51,850)</u>	
TOTAL EXPENSES	<u>2,607,309</u>	<u>2,550,468</u>	<u>3,154,050</u>
CHANGE IN NET ASSETS	250,431	211,367	142,970
NET ASSETS AT BEGINNING OF YEAR	<u>219,072</u>	<u>7,705</u>	<u>(135,265)</u>
NET ASSETS AT END OF YEAR	<u>\$ 469,503</u>	<u>\$ 219,072</u>	<u>\$ 7,705</u>

THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS IDENTIFY THE VARIOUS REVENUE AND EXPENSE ITEMS WHICH AFFECT THE CHANGE IN NET ASSETS. AS THE TABLE ABOVE INDICATES, THE CHANGE IN NET ASSETS HAS BEEN CONSISTENTLY POSITIVE OVER THE PAST THREE YEARS.

THE DISTRICT'S OPERATING REVENUE HAS DECREASED \$325,889 OR 10% OVER THE PAST THREE YEARS FROM \$3,152,117 TO \$2,826,228. THE DECREASE IS PRIMARILY FROM THE DECREASE IN WASTE TONNAGE BROUGHT IN DURING THIS PERIOD.

THE DISTRICT'S OPERATING EXPENSES HAVE DECREASED \$560,448 OR 20% OVER THE PAST THREE YEARS FROM \$2,861,123 TO \$2,300,675. THE DECREASE IS PRIMARILY FROM DECREASES IN CLOSURE AND POST-CLOSURE COSTS DURING THIS PERIOD.

**ANALYSIS OF CAPITAL ASSETS AND LONG-TERM DEBT**

A SUMMARY OF THE DISTRICT'S CAPITAL ASSETS AND LONG-TERM DEBT BALANCES ARE BELOW.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
NON-DEPRECIABLE ASSETS			
LAND	\$ 53,387	\$ 53,387	\$ 53,387
DEPRECIABLE ASSETS			
LAND IMPROVEMENTS	8,861,151	8,766,751	7,045,303
BUILDINGS	1,910,923	1,904,093	1,904,093
EQUIPMENT	2,372,193	2,193,866	2,351,550
VEHICLES	76,357	84,857	84,857
LESS: ACCUMULATED DEPRECIATION	<u>(8,468,339)</u>	<u>(7,975,776)</u>	<u>(7,673,757)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 4,805,672</u>	<u>\$ 5,027,178</u>	<u>\$ 3,765,433</u>

THE DISTRICT HAS REPLACED VARIOUS EQUIPMENT AND COMPLETED A NEW CELL OVER THE PAST THREE YEARS WITHOUT ACQUIRING ANY NEW DEBT. THE DISTRICT HAS ALSO SET ASIDE FUNDS FOR FUTURE CAPITAL IMPROVEMENTS. THOSE FUNDS HAVE DECREASED \$1,416,889 OR 57% OVER THE PAST THREE YEARS FROM \$2,470,920 TO \$1,054,031. THE PRIMARY CAUSE OF THIS DECREASE WAS THE CONSTRUCTION OF THE NEW CELL DURING THIS TIME PERIOD.

**LONG-TERM DEBT**

	<u>2010</u>	<u>2009</u>	<u>2008</u>
REVENUE BONDS	\$ 6,700,000	\$ 6,960,000	\$ 7,210,000

THE REVENUE BONDS WILL FULLY MATURE IN 2028. ALL SCHEDULED DEBT SERVICE PAYMENTS HAVE BEEN MADE OVER THE PAST TWO YEARS. ADDITIONAL INFORMATION ON THE DISTRICT'S LONG-TERM DEBT IS PROVIDED IN NOTE 7 OF THE FINANCIAL STATEMENTS.

# Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

BOARD OF DIRECTORS  
SALINE COUNTY REGIONAL SOLID  
WASTE MANAGEMENT DISTRICT  
BAUXITE, ARKANSAS

WE HAVE AUDITED THE ACCOMPANYING BALANCE SHEETS OF THE SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT (AN INDEPENDENT GOVERNMENTAL UNIT) AS OF SEPTEMBER 30, 2010 AND 2009, AND THE RELATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS AND CASH FLOWS FOR THE YEARS THEN ENDED. THESE FINANCIAL STATEMENTS ARE THE RESPONSIBILITY OF THE SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S MANAGEMENT. OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDITS.

WE CONDUCTED OUR AUDITS IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND THE STANDARDS APPLICABLE TO FINANCIAL AUDITS CONTAINED IN *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDITS 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 AUDITS PROVIDE A REASONABLE BASIS FOR OUR OPINION.

IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF THE SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT AS OF SEPTEMBER 30, 2010 AND 2009, AND THE RESULTS OF ITS OPERATIONS AND ITS CASH FLOWS FOR THE YEARS THEN ENDED IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON PAGES 1 THROUGH 3 ARE NOT A REQUIRED PART OF THE BASIC FINANCIAL STATEMENTS BUT ARE SUPPLEMENTARY INFORMATION REQUIRED BY ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES. 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.

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, WE HAVE ALSO ISSUED A REPORT DATED JANUARY 12, 2011, ON OUR CONSIDERATION OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S INTERNAL CONTROL OVER FINANCIAL REPORTING AND OUR TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS, AND GRANTS. THAT REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND SHOULD BE READ IN CONJUNCTION WITH THE REPORT IN CONSIDERING THE RESULTS OF OUR AUDIT.

*Yoakum, Lovell & Co., PLC*  
CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS  
JANUARY 12, 2011

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
BALANCE SHEETS  
SEPTEMBER 30, 2010 AND 2009

ASSETS

	2010	2009
CURRENT ASSETS		
CASH	\$ 349,694	\$ 385,247
ACCOUNTS RECEIVABLE, LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS; 2010-\$30,473, 2009-\$49,991	393,623	271,091
ACCOUNTS RECEIVABLE - OTHER	15,000	177,750
INVENTORY	33,453	33,453
TOTAL CURRENT ASSETS	791,770	867,541
RESTRICTED FUNDS	2,979,746	2,797,405
CAPITAL ASSETS, NET	4,805,672	5,027,178
OTHER ASSETS		
UTILITY DEPOSITS	110	110
BOND ISSUE COSTS, NET	46,108	47,834
TOTAL OTHER ASSETS	46,218	47,944
TOTAL ASSETS	\$8,623,406	\$8,740,068

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
CURRENT PORTION OF LONG-TERM DEBT	\$ 265,000	\$ 260,000
ACCOUNTS PAYABLE	87,183	98,259
ACCRUED EXPENSES	61,479	75,305
ACCRUED INTEREST PAYABLE	70,615	72,751
ACCRUED WAGES AND LEAVE	57,076	58,751
DEFERRED GRANT REVENUE	23,316	122,205
TOTAL CURRENT LIABILITIES	564,669	687,271
LONG-TERM DEBT AND OTHER LIABILITIES		
ACCRUED CLOSURE AND POST-CLOSURE COSTS	1,702,199	1,702,199
LONG-TERM DEBT, NET	5,887,035	6,131,526
TOTAL LONG TERM DEBT AND OTHER LIABILITIES	7,589,234	7,833,725
NET ASSETS		
UNRESTRICTED	469,503	219,072
TOTAL NET ASSETS	469,503	219,072
TOTAL LIABILITIES AND NET ASSETS	\$8,623,406	\$8,740,068

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
LANDFILL REVENUE, NET	\$2,602,833	\$ 2,482,430
RECYCLING REVENUE	65,046	43,384
OTHER INCOME	54,419	49,916
RECYCLING GRANT	103,930	144,209
TOTAL OPERATING REVENUES	<u>2,826,228</u>	<u>2,719,939</u>
OPERATING EXPENSES		
WAGES AND SALARIES	608,033	690,276
PAYROLL TAXES	52,116	55,701
EMPLOYEE INSURANCE	145,855	263,235
RETIREMENT	63,101	68,319
FUEL AND OIL	119,508	111,442
REPAIRS AND MAINTENANCE	284,060	219,222
UTILITIES	37,420	37,767
PROFESSIONAL FEES	77,092	36,008
RENT	1,115	2,625
SUPPLIES AND OTHER	129,900	110,593
INSURANCE	36,068	40,560
WATER AND GAS TESTING	94,725	53,366
STORMWATER TREATMENT	103,722	41,718
RECYCLING	17,905	25,822
DEPRECIATION	530,055	534,502
TOTAL OPERATING EXPENSES	<u>2,300,675</u>	<u>2,291,156</u>
OPERATING INCOME	<u>525,553</u>	<u>428,783</u>
NONOPERATING REVENUES (EXPENSES)		
INVESTMENT RETURN	31,512	41,896
INTEREST EXPENSE	(303,682)	(311,162)
GAIN (LOSS) ON SALE OF ASSETS	(2,952)	51,850
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(275,122)</u>	<u>(217,416)</u>
CHANGES IN NET ASSETS	250,431	211,367
NET ASSETS AT BEGINNING OF YEAR	<u>219,072</u>	<u>7,705</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 469,503</u></u>	<u><u>\$ 219,072</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.



SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
CASH RECEIVED FROM CUSTOMERS	\$2,534,720	\$2,661,507
CASH RECEIVED FROM RECYCLING	70,087	236,018
CASH PAID FOR EMPLOYEES	(870,780)	(1,110,110)
CASH PAID TO SUPPLIERS	(926,417)	(709,656)
NET CASH PROVIDED BY OPERATING ACTIVITIES	807,610	1,077,759
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM THE SALE OF EQUIPMENT	163,475	
PURCHASES OF CAPITAL ASSETS	(312,226)	(2,417,844)
INTEREST PAID	(283,583)	(291,809)
PAYMENTS ON LONG-TERM DEBT	(260,000)	(250,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(692,334)	(2,959,653)
CASH FLOWS FROM INVESTING ACTIVITIES		
INTEREST RECEIVED	46,706	65,938
CHANGE IN RESTRICTED FUNDS	(197,535)	1,474,434
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(150,829)	1,540,372
NET DECREASE IN CASH	(35,553)	(341,522)
CASH AT BEGINNING OF YEAR	385,247	726,769
CASH AT END OF YEAR	\$ 349,694	\$ 385,247
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
OPERATING INCOME	\$ 525,553	\$ 428,783
ITEMS NOT REQUIRING (PROVIDING) CASH:		
PROVISION FOR BAD DEBTS	(7,452)	27,016
DEPRECIATION EXPENSE	530,055	534,502
(INCREASE) DECREASE IN:		
ACCOUNTS RECEIVABLE - CUSTOMERS	(115,080)	102,145
INCREASE (DECREASE) IN:		
ACCOUNTS PAYABLE	(11,076)	(37,907)
ACCRUED LIABILITIES	(15,501)	(25,205)
DEFERRED GRANT REVENUE	(98,889)	48,425
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 807,610	\$1,077,759

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

THE SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT (THE DISTRICT) IS ORGANIZED FOR THE COLLECTION AND OPERATION OF A CLASS I AND CLASS IV LANDFILL UNDER A PERMIT BY THE ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY. THE DISTRICT'S PRIMARY CUSTOMERS ARE NATIONAL COMMERCIAL WASTE HAULING COMPANIES AND REGIONAL MUNICIPAL ENTITIES. REVENUES ARE BILLED ON A PER TON BASIS, WHICH IS DETERMINED BY WEIGHT SCALES. THE DISTRICT ACCEPTS AND DISPOSES OF RESIDENTIAL AND INDUSTRIAL SOLID WASTE IN ACCORDANCE WITH STATUTES AND REGULATIONS OF THE ENVIRONMENTAL PROTECTION AGENCY. OPERATING INCOME INCLUDES REVENUES AND EXPENSES RELATED TO THE PRIMARY, CONTINUING OPERATIONS OF THE DISTRICT, INCLUDING RECYCLING. PRINCIPAL OPERATING REVENUES ARE CHARGES TO CUSTOMERS FOR SERVICES. PRINCIPAL OPERATING EXPENSES ARE THE COSTS OF PROVIDING SERVICES AND INCLUDE ADMINISTRATIVE EXPENSES AND DEPRECIATION OF CAPITAL ASSETS. OTHER REVENUES AND EXPENSES ARE CLASSIFIED AS NON-OPERATING IN THE FINANCIAL STATEMENTS.

THE DISTRICT WAS CREATED UNDER ACT 752 OF THE 78<sup>TH</sup> REGULAR SESSION OF THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS. THE BOARD OF DIRECTORS IS COMPOSED OF THE SALINE COUNTY JUDGE, MAYOR OF THE CITIES OF BENTON, BRYANT, SHANNON HILLS, AND HASKELL, ARKANSAS OR THEIR APPOINTED REPRESENTATIVE.

- A. BASIS OF PRESENTATION - THE FINANCIAL STATEMENTS ARE PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES. THE DISTRICT'S REPORTING ENTITY APPLIES ALL RELEVANT GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) PRONOUNCEMENTS AND APPLICABLE FINANCIAL ACCOUNTING STANDARDS BOARD (FASB) PRONOUNCEMENTS AND ACCOUNTING PRINCIPAL BOARD (APB) OPINIONS ISSUED ON OR BEFORE NOVEMBER 30, 1989, UNLESS THEY CONFLICT WITH GASB PRONOUNCEMENTS. THE DISTRICT'S REPORTING ENTITY DOES NOT APPLY FASB PRONOUNCEMENTS OR APB OPINIONS ISSUED AFTER NOVEMBER 30, 1989.
- B. BASIS OF ACCOUNTING - THE FINANCIAL STATEMENTS ARE PREPARED ON THE ACCRUAL BASIS OF ACCOUNTING USING THE ECONOMIC RESOURCES MEASUREMENT FOCUS. REVENUES ARE RECOGNIZED WHEN THEY ARE EARNED AND EXPENSES ARE RECOGNIZED WHEN THEY ARE INCURRED.
- C. CASH AND INVESTMENTS - CASH CONSISTS OF ALL CASH ON HAND, DEPOSITED IN THE BANK, OR IN CERTIFICATES OF DEPOSITS. THE DISTRICT CARRIES INVESTMENTS IN MARKETABLE SECURITIES AT THEIR FAIR VALUE ON THE BALANCE SHEET (SEE FOOTNOTE 2). THE CHANGES IN UNREALIZED GAINS AND LOSSES ARE INCLUDED IN INVESTMENT RETURN ON THE ACCOMPANYING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS.
- D. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS - ALL CASH DEPOSITED WITH BANKS IS INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION. IF THE CASH DEPOSITS EXCEED THE \$250,000 FEDERAL DEPOSIT INSURANCE LIMIT, THE FINANCIAL INSTITUTION HAS PLEDGED U.S. GOVERNMENT SECURITIES WITH A THIRD PARTY CUSTODIAN TO COVER THE EXCESS OVER THE \$250,000 LIMIT.

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- E. INVENTORY - INVENTORY CONSISTS OF EXPENDABLE SUPPLIES HELD FOR CONSUMPTION STATED ON A FIRST-IN, FIRST-OUT BASIS. THEY ARE REPORTED AT COST, WHICH IS RECORDED AS AN EXPENSE AT THE TIME INDIVIDUAL INVENTORY ITEMS ARE USED.
- F. CAPITAL ASSETS - CAPITAL ASSETS ARE RECORDED AT COST. ANY DONATED CAPITAL ASSETS ARE RECORDED AT FAIR VALUE ON THE DATE OF THE GIFT. DEPRECIATION IS CALCULATED USING THE STRAIGHT LINE METHOD BASED UPON THE ESTIMATED USEFUL LIVES OF THE RELATED ASSETS. ESTIMATED USEFUL LIVES ARE AS FOLLOWS, EXCEPT FOR LAND WHICH IS A NON-DEPRECIABLE CAPITAL ASSET:

LAND IMPROVEMENTS	5-30 YEARS
BUILDINGS	10-30 YEARS
VEHICLES	5 YEARS
EQUIPMENT	3-15 YEARS

MAINTENANCE AND REPAIRS ARE CHARGED TO EXPENSE AS INCURRED. IT IS THE DISTRICT'S POLICY FOR ADDITIONS, RENEWALS, AND BETTERMENTS WITH A COST OF AT LEAST \$1,000 AND A USEFUL LIFE OF THREE YEARS OR LONGER ARE CAPITALIZED.

- G. BOND ISSUE COSTS - THESE COSTS WERE INCURRED IN ORDER TO ISSUE BONDS. THESE COSTS ARE RECORDED AS DEFERRED CHARGES AND AMORTIZED OVER THE LIFE OF THE BOND ISSUE BY THE INTEREST METHOD OF AMORTIZATION USING THE EFFECTIVE INTEREST RATE. THE AMOUNT AMORTIZED FOR THE YEARS ENDING SEPTEMBER 30, 2010 AND 2009, WAS \$1,726 AND \$1,659, RESPECTIVELY. THE AMORTIZATION IS INCLUDED IN INTEREST EXPENSE ON THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS.
- H. DEFERRED GRANT REVENUE - FUNDS RECEIVED FOR THE RECYCLING GRANT ARE DEFERRED AND RECOGNIZED OVER THE PERIOD TO WHICH THE RECYCLING EXPENSES ARE INCURRED.
- I. NET ASSETS - UNDER GASB 34, THE DISTRICT MUST REPORT ITS NET ASSETS AS EITHER RESTRICTED, UNRESTRICTED, OR INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT. AS OF SEPTEMBER 30, 2010 AND 2009, THE NET ASSETS INVESTED IN CAPITAL ASSETS WERE LESS THAN THE AMOUNT OF RELATED DEBT AND THERE WERE NO RESTRICTED NET ASSETS. THEREFORE, ALL OF THE NET ASSETS ARE REPORTED AS UNRESTRICTED.
- J. USE OF ESTIMATES - THE PREPARATION OF FINANCIAL STATEMENTS IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES REQUIRES MANAGEMENT TO MAKE ESTIMATES AND ASSUMPTIONS THAT AFFECT THE REPORTED AMOUNTS OF ASSETS AND LIABILITIES AND DISCLOSURE OF CONTINGENT ASSETS AND LIABILITIES AT THE DATE OF THE FINANCIAL STATEMENTS AND THE REPORTED AMOUNTS OF REVENUES AND EXPENSES DURING THE REPORTING PERIOD. ACTUAL RESULTS COULD DIFFER FROM THOSE ESTIMATES.

NOTE 2: RESTRICTED FUNDS

THESE FUNDS CONSIST OF CASH AND MONEY MARKET BALANCES OR CERTIFICATES OF DEPOSIT, EXCEPT FOR THE CLOSURE FUNDS (SEE DETAIL BELOW). THE FOLLOWING IS A SUMMARY OF RESTRICTED FUNDS AT SEPTEMBER 30:

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2: RESTRICTED FUNDS (CONT'D)

	2010	2009
BOND FUNDS	\$ 277,681	\$ 307,529
DEBT SERVICE RESERVE FUNDS	272,724	273,361
CLOSURE FUNDS - CASH	180,103	37,807
CLOSURE FUNDS - INVESTMENTS	1,061,593	1,117,581
CAPITAL IMPROVEMENT FUNDS	1,054,031	835,251
RECYCLING FUNDS	123,307	206,841
DISABILITY DISBURSEMENT FUNDS	3,627	7,633
ACCRUED INTEREST RECEIVABLE	6,680	11,402
TOTAL RESTRICTED FUNDS	\$ 2,979,746	\$ 2,797,405

BOND FUNDS - THESE FUNDS ARE RESTRICTED FOR PAYMENT OF THE PRINCIPAL AND INTEREST OF THE BONDS. THE DISTRICT IS REQUIRED ON THE FIRST BUSINESS DAY OF EACH MONTH TO DEPOSIT ONE-SIXTH OF THE NEXT INSTALLMENT OF INTEREST AND ONE-TWELFTH OF THE NEXT INSTALLMENT OF PRINCIPAL ON THE OUTSTANDING BONDS INTO THESE FUNDS.

DEBT SERVICE RESERVE FUNDS - THESE FUNDS ARE RESTRICTED FOR PAYMENT OF THE PRINCIPAL AND INTEREST ON THE BONDS WHEN THE BOND FUNDS ARE NO LONGER AVAILABLE. THE DISTRICT IS REQUIRED TO MAINTAIN A DEBT SERVICE RESERVE EQUAL TO THE MAXIMUM ANNUAL PRINCIPAL AND INTEREST REQUIREMENTS ON ALL OUTSTANDING BONDS OR 10% OF THE ORIGINAL PROCEEDS OF SUCH BONDS, WHICHEVER IS LESSER.

CLOSURE FUNDS - THESE FUNDS ARE RESTRICTED FOR PAYMENT OF THE DISTRICT'S COST OF CLOSING THE LANDFILL AND POST CLOSURE CARE OF THE LANDFILL. THE DISTRICT IS REQUIRED TO MAKE DEPOSITS INTO THESE FUNDS PURSUANT TO THE CLOSURE TRUST AGREEMENT.

CAPITAL IMPROVEMENT FUNDS - THESE FUNDS ARE RESTRICTED FOR THE PURPOSE OF FUNDING ADDITIONAL CELLS OF THE DISTRICT AND FOR MAJOR EQUIPMENT PURCHASES. THE DISTRICT MUST DEPOSIT AT LEAST \$150,000 INTO THIS ACCOUNT ANNUALLY UNTIL IT HAS ACCUMULATED A BALANCE OF \$1,500,000.

RECYCLING FUNDS - THESE ARE GRANT FUNDS RECEIVED FROM THE ARKANSAS DEPARTMENT OF POLLUTION AND ECOLOGY, WHICH HAVE BEEN RESTRICTED FOR THE PAYMENT OF RECYCLING EXPENSES.

DISABILITY DISBURSEMENT FUNDS - THESE FUNDS ARE RESTRICTED FOR THE PAYMENT OF MEDICAL EXPENSES FOR THREE EMPLOYEES WHO RETIRED BECAUSE OF DISABILITY. A SET AMOUNT IS PUT INTO THIS ACCOUNT EACH MONTH FOR EACH EMPLOYEE FOR A PERIOD OF TWO YEARS FROM RETIREMENT OR UNTIL THE EMPLOYEE GOES ON MEDICARE, WHICHEVER OCCURS FIRST.

THE DISTRICT'S INVESTMENTS IN THE CLOSURE FUNDS CONSISTED OF GOVERNMENT BONDS. ALL OF THE INVESTMENTS WERE INSURED UP TO THEIR FAIR VALUE. THE FOLLOWING SCHEDULE SUMMARIZES THE COST AND FAIR VALUE OF THESE INVESTMENTS AT SEPTEMBER 30:

	2010	2009
COST	\$ 1,051,055	\$1,116,354
UNREALIZED APPRECIATION (DEPRECIATION)	10,538	1,227
FAIR VALUE	\$ 1,061,593	\$1,117,581

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 2: RESTRICTED FUNDS (CONT'D)

THE FOLLOWING SCHEDULE SUMMARIZES INVESTMENT RETURN AT SEPTEMBER 30:

	<u>2010</u>	<u>2009</u>
INTEREST INCOME	\$ 41,985	\$ 68,279
TRUSTEE FEES	(19,784)	(19,429)
CHANGE IN UNREALIZED GAINS (LOSSES) ON INVESTMENTS	<u>9,311</u>	<u>(6,954)</u>
INVESTMENT RETURN	<u>\$ 31,512</u>	<u>\$ 41,896</u>

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

THE FOLLOWING IS A SUMMARY OF THE CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR THE YEARS ENDING SEPTEMBER 30:

	<u>2010</u>	<u>2009</u>
BALANCE AT BEGINNING OF YEAR	\$ 49,991	\$ 28,184
PROVISION CHARGED TO OPERATING REVENUE	(7,452)	27,016
AMOUNTS CHARGED OFF	<u>(12,066)</u>	<u>(5,209)</u>
BALANCE AT END OF YEAR	<u>\$ 30,473</u>	<u>\$ 49,991</u>

NOTE 4: CAPITAL ASSETS

THE FOLLOWING IS A SUMMARY OF CAPITAL ASSETS AT SEPTEMBER 30, 2010 AND 2009:

	<u>10/01/09</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>9/30/10</u>
LAND	\$ 53,387	\$	\$	\$ 53,387
LAND IMPROVEMENTS	8,766,751	94,400		8,861,151
BUILDINGS	1,904,093	6,830		1,910,923
EQUIPMENT	2,193,866	210,995	32,668	2,372,193
VEHICLES	<u>84,857</u>		<u>8,500</u>	<u>76,357</u>
TOTAL CAPITAL ASSETS	13,002,954	<u>\$ 312,225</u>	<u>\$ 41,168</u>	13,274,011
LESS: ACCUMULATED DEPRECIATION	<u>7,975,776</u>			<u>8,468,339</u>
NET CAPITAL ASSETS	<u>\$ 5,027,178</u>			<u>\$ 4,805,672</u>
	<u>10/01/08</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>9/30/09</u>
	\$ 53,387	\$	\$	\$ 53,387
LAND IMPROVEMENTS	7,045,303	1,721,448		8,766,751
BUILDINGS	1,904,093			1,904,093
EQUIPMENT	2,351,550	254,010	411,694	2,193,866
VEHICLES	<u>84,857</u>			<u>84,857</u>
TOTAL CAPITAL ASSETS	11,439,190	<u>\$ 1,975,458</u>	<u>\$ 411,694</u>	13,002,954
LESS: ACCUMULATED DEPRECIATION	<u>7,673,757</u>			<u>7,975,776</u>
NET CAPITAL ASSETS	<u>\$ 3,765,433</u>			<u>\$ 5,027,178</u>

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 5: DEFERRED GRANT REVENUE

THE FOLLOWING IS A SUMMARY OF THE CHANGES IN DEFERRED GRANT REVENUE (AS DISCUSSED IN NOTE 1) FOR THE YEARS ENDING SEPTEMBER 30:

	2010	2009
BALANCE AT BEGINNING OF YEAR	\$ 122,205	\$ 73,780
FUNDS RECEIVED	5,041	192,634
FUNDS DISBURSED	(103,930)	(144,209)
BALANCE AT END OF YEAR	\$ 23,316	\$ 122,205

NOTE 6: CLOSURE AND POST-CLOSURE CARE COSTS

STATE AND FEDERAL LAWS AND REGULATIONS REQUIRE THAT THE DISTRICT PROVIDE A FINAL COVER ON ITS LANDFILL WHEN CLOSED AND PERFORM CERTAIN MAINTENANCE AND MONITORING FUNCTIONS AT THE LANDFILL SITE AFTER CLOSURE. IN ADDITION TO OPERATING EXPENSES RELATED TO CURRENT ACTIVITIES OF THE LANDFILL, AN EXPENSE PROVISION AND RELATED LIABILITY ARE BEING RECOGNIZED BASED ON THE FUTURE CLOSURE AND POST-CLOSURE CARE COSTS THAT WILL BE INCURRED NEAR OR AFTER THE DATE THE LANDFILL NO LONGER ACCEPTS WASTE. THE RECOGNITION OF THESE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS IS BASED ON THE AMOUNT OF THE LANDFILL USED DURING THE YEAR. THE LANDFILL CAPACITY USED AS OF SEPTEMBER 30, 2010, IS ESTIMATED TO BE 24% OF THE TOTAL CAPACITY AVAILABLE. THE ESTIMATED REMAINING LIFE OF THE LANDFILL IS 61 AND 34 YEARS FOR CLASS 1 AND CLASS 4, RESPECTIVELY. THE ESTIMATED LIABILITY FOR THE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS AT SEPTEMBER 30, 2010 AND 2009 IS \$1,702,199 FOR EACH YEAR. IT IS ESTIMATED THAT AN ADDITIONAL \$5,409,875 WILL BE RECOGNIZED AS CLOSURE AND POST-CLOSURE CARE EXPENSES BETWEEN THE DATE OF THE BALANCE SHEET AND THE DATE THE LANDFILL IS EXPECTED TO BE FILLED TO CAPACITY. THE ESTIMATED TOTAL CURRENT COST OF THE LANDFILL CLOSURE AND POST-CLOSURE CARE OF \$7,112,074 IS BASED ON THE AMOUNT THAT WOULD BE PAID IF ALL EQUIPMENT, FACILITIES, AND SERVICES REQUIRED TO CLOSE, MONITOR, AND MAINTAIN THE LANDFILL WERE ACQUIRED AS OF SEPTEMBER 30, 2010. THE ACTUAL COST OF CLOSURE AND POST-CLOSURE CARE MAY BE HIGHER DUE TO INFLATION, CHANGES IN TECHNOLOGY, OR CHANGES IN LANDFILL LAWS AND REGULATIONS. THE DISTRICT IS REQUIRED BY ITS TRUST INDENTURE TO ESTABLISH A CLOSURE FUND (NOTE 2) AND MAKE ANNUAL CONTRIBUTIONS FOR THE ESTIMATED LIABILITY FOR THE CLOSURE AND POST-CLOSURE CARE EXPENSES.

NOTE 7: LONG-TERM DEBT

LONG-TERM DEBT CONSISTED OF THE FOLLOWING AT SEPTEMBER 30:

	BALANCE 10/01/09	ADDITIONS	REDUCTIONS	BALANCE 9/30/10	CURRENT MATURITIES
REVENUE BONDS	\$ 6,960,000	\$	\$ 260,000	\$ 6,700,000	\$ 265,000
	BALANCE 10/01/08	ADDITIONS	REDUCTIONS	BALANCE 9/30/09	CURRENT MATURITIES
REVENUE BONDS	\$ 7,210,000	\$	\$ 250,000	\$ 6,960,000	\$ 260,000

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 7: LONG-TERM DEBT (CONT'D)

	2010	2009
SERIES 2005 WASTE DISPOSAL REFUNDING REVENUE BONDS; MATURING ANNUALLY ON THE FIRST DAY OF JANUARY, THROUGH JANUARY 2028; INTEREST DUE SEMI-ANNUALLY ON THE FIRST DAY OF JANUARY AND JULY AT RATES RANGING FROM 3.000% TO 4.500%; SECURED BY CAPITAL ASSETS AND ALL REVENUES AND INCOME RECEIVED	\$ 6,700,000	\$6,960,000
LESS: BOND DISCOUNT, NET	119,584	124,059
LONG-TERM DEBT, NET OF BOND DISCOUNT	6,580,416	6,835,941
LESS: LOSS FROM EARLY EXTINGUISHMENT OF DEBT	428,381	444,415
LONG-TERM DEBT, NET OF LOSS	6,152,035	6,391,526
LESS: CURRENT MATURITIES	265,000	260,000
LONG-TERM DEBT, NET OF CURRENT MATURITIES	\$ 5,887,035	\$6,131,526

BOND DISCOUNT - THE SERIES 2005 REVENUE BONDS WERE ISSUED AT A DISCOUNT OF \$140,300. THE INTEREST METHOD OF AMORTIZATION IS USED TO AMORTIZE THE DISCOUNT, BASED ON THE EFFECTIVE INTEREST RATE. THE AMOUNT AMORTIZED FOR THE YEARS ENDING SEPTEMBER 30, 2010 AND 2009, WAS \$4,475 AND \$4,303, RESPECTIVELY. THE AMORTIZATION IS INCLUDED IN INTEREST EXPENSE ON THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS.

LOSS FROM EARLY EXTINGUISHMENT OF DEBT - THE DISTRICT ISSUED THE SERIES 2005 REVENUE BONDS TO FINANCE THE ADVANCE REFUNDING OF THE SERIES 2002 REVENUE BONDS. THE DIFFERENCE BETWEEN THE BOOK VALUE OF THE REFUNDED DEBT AND THE AMOUNT REQUIRED TO RETIRE THE DEBT CREATED AN ECONOMIC LOSS OF \$502,591. THE LOSS WAS DEFERRED OVER THE LIFE OF THE REFUNDED DEBT USING THE INTEREST METHOD OF AMORTIZATION, BASED ON THE EFFECTIVE INTEREST RATE. THE AMOUNT AMORTIZED FOR THE YEARS ENDING SEPTEMBER 30, 2010 AND 2009 WAS \$16,034 AND \$15,414, RESPECTIVELY. THE AMORTIZATION IS INCLUDED IN INTEREST EXPENSE ON THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS.

THE FOLLOWING IS A SCHEDULE OF THE FUTURE MATURITIES OF LONG-TERM DEBT AND INTEREST AS OF SEPTEMBER 30, 2010:

	PRINCIPAL	INTEREST	TOTAL
2011	\$ 265,000	\$ 274,853	\$ 539,853
2012	280,000	265,447	545,447
2013	290,000	255,328	545,328
2014	300,000	244,632	544,632
2015	305,000	233,439	538,439
2016 - 2020	1,740,000	969,456	2,709,456
2021 - 2025	2,120,000	560,579	2,680,579
2026 - 2028	1,400,000	91,125	1,491,125
	\$ 6,700,000	\$ 2,894,859	\$ 9,594,859

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9: RETIREMENT PLAN

A. DESCRIPTION OF THE PLAN

ALL FULL-TIME EMPLOYEES OF THE DISTRICT ARE COVERED BY THE STATE OF ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM (APERS), WHICH IS A COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLAN ESTABLISHED BY AUTHORITY OF THE ARKANSAS GENERAL ASSEMBLY WITH THE PASSAGE OF ACT 177 OF 1957 TO PROVIDE RETIREMENT BENEFITS FOR ELIGIBLE EMPLOYEES AND ELECTED OFFICIALS OF STATE AND LOCAL GOVERNMENTAL ENTITIES IN ARKANSAS.

BENEFIT PROVISIONS ARE ESTABLISHED BY STATE LAW AND MAY BE AMENDED ONLY BY THE ARKANSAS GENERAL ASSEMBLY. MEMBERS ARE ELIGIBLE FOR FULL BENEFITS (1) AT AGE SIXTY-FIVE (65) WITH FIVE (5) YEARS OF ACTUAL SERVICE, OR (2) AT ANY AGE WITH TWENTY-EIGHT (28) YEARS OF ACTUAL SERVICE. THE NORMAL RETIREMENT BENEFIT AMOUNT, PAID ON A MONTHLY BASIS, IS DETERMINED BY THE MEMBER'S FINAL AVERAGE SALARY AND NUMBER OF YEARS OF SERVICE. A MEMBER MAY RETIRE WITH A REDUCED BENEFIT AT AGE FIFTY-FIVE (55) WITH AT LEAST FIVE (5) YEARS OF ACTUAL SERVICE IF THE MEMBER IS WITHIN TEN (10) YEARS OF NORMAL RETIREMENT AGE. THE ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM ALSO PROVIDES FOR DISABILITY AND SURVIVOR BENEFITS.

APERS PREPARES FINANCIAL STATEMENTS WHICH INCLUDE FINANCIAL INFORMATION COMBINED FOR ALL MEMBERS OF THE PLAN. WHEN AUDITED FINANCIAL STATEMENTS ARE COMPLETED, COPIES ARE MAILED TO EACH MEMBER. SINCE THE DISTRICT IS A MEMBER OF APERS, FURTHER INFORMATION AND COPIES OF THE FINANCIAL REPORT MAY BE OBTAINED FROM THE DISTRICT.

B. ELIGIBILITY

APERS COVERS ALL STATE EMPLOYEES WHO ARE NOT COVERED BY ANOTHER AUTHORIZED PLAN, ALL COUNTY EMPLOYEES, MUNICIPAL EMPLOYEES FOR WHOM MUNICIPALITIES HAVE ELECTED COVERAGE UNDER THE SYSTEM, COLLEGE AND UNIVERSITY EMPLOYEES, AND CERTAIN NON-TEACHING SCHOOL EMPLOYEES.

C. CONTRIBUTIONS

CONTRIBUTION PROVISIONS ARE ESTABLISHED BY STATE LAW AND MAY BE AMENDED ONLY BY THE ARKANSAS GENERAL ASSEMBLY. APERS WAS ESTABLISHED AS A CONTRIBUTORY PLAN. HOWEVER, WITH THE PASSAGE OF ACT 793 OF 1977, EXISTING MEMBERS AND PREVIOUS MEMBERS WERE OFFERED THE OPPORTUNITY TO CHOOSE TO BECOME NON-CONTRIBUTORY MEMBERS, PROVIDED THAT THE ELECTION WAS MADE BY JUNE 30, 1991. ANYONE JOINING THE SYSTEM SUBSEQUENT TO JANUARY 1, 1978, WHO HAD NOT PREVIOUSLY BEEN A MEMBER WAS AUTOMATICALLY ENROLLED AS A NON-CONTRIBUTORY MEMBER. WITH THE PASSAGE OF ACT 2084 OF 2005, NEW HIRES ARE AUTOMATICALLY ENROLLED AS A CONTRIBUTORY MEMBER WITH NO OPTION OF BECOMING NON-CONTRIBUTORY. CONTRIBUTORY MEMBERS ARE REQUIRED BY STATUTE TO CONTRIBUTE 5% OF GROSS WAGES TO APERS. EMPLOYEE CONTRIBUTIONS REMAINING ON DEPOSIT WITH APERS FOR A PERIOD OF FIVE (5) YEARS EARN INTEREST CREDITS, WHICH ARE INCLUDED IN THE REFUND. THE EMPLOYER CONTRIBUTION RATES FOR ALL DIVISIONS, EXCEPT THE NON-STATE DIVISION, ARE SET BY THE ARKANSAS LEGISLATURE; THE NON-STATE DIVISION EMPLOYERS CONTRIBUTION RATE IS 10% FOR THE FIRST FISCAL YEAR OF MEMBERSHIP AND IS, THEREAFTER, DETERMINED BY AN INDEPENDENT ACTUARY.



SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS

NOTE 9: RETIREMENT PLAN (CONT'D)

EMPLOYEE CONTRIBUTIONS MADE TO THE PLAN WERE \$17,247, \$18,420, AND \$14,327 FOR THE YEARS ENDING SEPTEMBER 30, 2010, 2009 AND 2008, RESPECTIVELY. EMPLOYER CONTRIBUTIONS FOR THE YEARS ENDING SEPTEMBER 30, 2010, 2009, AND 2008 WERE \$63,101, \$68,319, AND \$72,722, RESPECTIVELY.

NOTE 10: SUBSEQUENT EVENT

SUBSEQUENT TO THE DATE OF THE FINANCIAL STATEMENTS, THE DISTRICT AGREED TO SELL THE LANDFILL, BUILDINGS AND VARIOUS PIECES OF EQUIPMENT ASSOCIATED WITH THE LANDFILL FOR \$7,750,000. THE BUYER WILL ASSUME RESPONSIBILITY OF THE CLOSURE/POST-CLOSURE LIABILITY. THE BUYER WILL ALSO PAY A ROYALTY BASED ON THE AMOUNT OF TONS TAKEN INTO THE LANDFILL. THIS ROYALTY IS GUARANTEED TO BE \$450,000 FOR THE FIRST FIVE YEARS SUBSEQUENT TO THE SALE. THE DISTRICT WILL RETAIN ALL CASH, RECEIVABLES, AND VARIOUS ADMINISTRATIVE EQUIPMENT. THE DISTRICT WILL CONTINUE TO MANAGE THE COLLECTION OF WASTE IN SALINE COUNTY, OVERSEE RECYCLING, AND PROVIDE EDUCATION FOR RECYCLING AND WASTE DISPOSAL.

WITH THE SALE OF THE LANDFILL, THE LABOR UNION FILED SUIT FOR BREACH OF CONTRACT. THE BUYER HAS AGREED TO PAY ALL LEGAL FEES ASSOCIATED WITH THE LAWSUIT AND WILL PAY DAMAGES, IF ANY, FROM THE RESULT OF THE LAWSUIT.

AS OF THE DATE OF THE AUDIT REPORT, THE SALE HAD NOT GONE THROUGH THE CLOSING PROCESS.

SUBSEQUENT EVENTS WERE EVALUATED THROUGH JANUARY 12, 2011, WHICH IS THE DATE THE FINANCIAL STATEMENTS WERE AVAILABLE TO BE ISSUED.

# Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

BOARD OF DIRECTORS  
SALINE COUNTY REGIONAL SOLID  
WASTE MANAGEMENT DISTRICT  
BENTON, ARKANSAS

WE HAVE AUDITED THE FINANCIAL STATEMENTS OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT (AN INDEPENDENT GOVERNMENTAL UNIT) AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2010, AND HAVE ISSUED OUR REPORT THEREON DATED JANUARY 12, 2011. WE CONDUCTED OUR AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES AND THE STANDARDS APPLICABLE TO FINANCIAL AUDITS CONTAINED IN GOVERNMENT AUDITING STANDARDS, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

IN PLANNING AND PERFORMING OUR AUDIT, WE CONSIDERED SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S INTERNAL CONTROL OVER FINANCIAL REPORTING AS A BASIS FOR DESIGNING OUR AUDITING PROCEDURES FOR THE PURPOSE OF EXPRESSING OUR OPINION ON THE FINANCIAL STATEMENTS, BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S INTERNAL CONTROL OVER FINANCIAL REPORTING. ACCORDINGLY, WE DO NOT EXPRESS AN OPINION ON THE EFFECTIVENESS OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S INTERNAL CONTROL OVER FINANCIAL REPORTING.

A DEFICIENCY IN INTERNAL CONTROL EXISTS WHEN THE DESIGN OR OPERATION OF A CONTROL DOES NOT ALLOW MANAGEMENT OR EMPLOYEES, IN THE NORMAL COURSE OF PERFORMING THEIR ASSIGNED FUNCTIONS, TO PREVENT, OR DETECT AND CORRECT MISSTATEMENTS ON A TIMELY BASIS. A MATERIAL WEAKNESS IS A DEFICIENCY, OR A COMBINATION OF DEFICIENCIES, IN INTERNAL CONTROL SUCH THAT THERE IS A REASONABLE POSSIBILITY THAT A MATERIAL MISSTATEMENT OF THE ENTITY'S FINANCIAL STATEMENTS WILL NOT BE PREVENTED, OR DETECTED AND CORRECTED ON A TIMELY BASIS.

OUR CONSIDERATION OF INTERNAL CONTROL OVER FINANCIAL REPORTING WAS FOR THE LIMITED PURPOSE DESCRIBED IN THE FIRST PARAGRAPH OF THIS SECTION AND WAS NOT DESIGNED TO IDENTIFY ALL DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING THAT MIGHT BE DEFICIENCIES, SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES. WE DID NOT IDENTIFY ANY DEFICIENCIES IN INTERNAL CONTROL OVER FINANCIAL REPORTING THAT WE CONSIDER TO BE MATERIAL WEAKNESSES, AS DEFINED ABOVE.

COMPLIANCE AND OTHER MATTERS

AS PART OF OBTAINING REASONABLE ASSURANCE ABOUT WHETHER SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT, WE PERFORMED TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS AND GRANT AGREEMENTS, NONCOMPLIANCE WITH WHICH COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE DETERMINATION OF FINANCIAL STATEMENT AMOUNTS. HOWEVER, PROVIDING AN OPINION ON COMPLIANCE WITH THOSE PROVISIONS WAS NOT AN OBJECTIVE OF OUR AUDIT AND, ACCORDINGLY, WE DO NOT EXPRESS SUCH AN OPINION. THE RESULTS OF OUR TESTS DISCLOSED NO INSTANCES OF NONCOMPLIANCE OR OTHER MATTERS THAT ARE REQUIRED TO BE REPORTED UNDER GOVERNMENT AUDITING STANDARDS.

THIS REPORT IS INTENDED FOR THE INFORMATION OF MANAGEMENT, THE BONDHOLDERS AND THE ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

*Zooker, Lovell & Co. PLC*  
CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS  
JANUARY 12, 2011