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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 YEAR ENDING SEPTEMBER 30, 2012. 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 ASSETS INCREASED \$83,152 OVER THE PAST YEAR FROM \$4,711,249 TO \$4,794,401.
- THE DISTRICT'S TOTAL UNRESTRICTED CASH AND INVESTMENTS INCREASED \$2,539,940 OVER THE PAST YEAR FROM \$1,927,153 TO \$4,467,093.

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 SHEET INCLUDES INFORMATION ON THE DISTRICT'S ASSETS AND LIABILITIES AND PROVIDES INFORMATION ABOUT THE NATURE AND AMOUNTS OF INVESTMENTS IN RESOURCES (ASSETS) AND THE OBLIGATIONS TO DISTRICT CREDITORS (LIABILITIES). THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS IDENTIFIES THE DISTRICT'S REVENUES AND EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2012. THIS STATEMENT PROVIDES INFORMATION ON THE DISTRICT'S OPERATIONS OVER THE PAST YEAR 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 STATEMENT 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 STATEMENT OF CASH FLOWS, THE READER CAN OBTAIN INFORMATION ON THE SOURCE AND USE OF CASH AND THE CHANGE IN THE CASH BALANCE FOR THE LAST YEAR.

FINANCIAL ANALYSIS OF THE DISTRICT

THE BALANCE SHEET AND STATEMENT 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 SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS ARE PRESENTED BELOW.

CONDENSED BALANCE SHEETS

	<u>2012</u>	<u>2011</u>
CURRENT AND OTHER ASSETS	\$ 4,738,723	\$ 4,737,096
CAPITAL ASSETS, NET	<u>193,161</u>	<u>76,845</u>
TOTAL ASSETS	<u>\$ 4,931,884</u>	<u>\$ 4,813,941</u>

CURRENT LIABILITIES	\$ 137,483	\$ 102,692
TOTAL LIABILITIES	<u>137,483</u>	<u>102,692</u>
NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED NET ASSETS	193,161	76,845
TOTAL NET ASSETS	<u>4,601,240</u>	<u>4,634,404</u>
TOTAL LIABILITIES AND NET ASSETS	<u>4,794,401</u>	<u>4,711,249</u>
	<u>\$ 4,931,884</u>	<u>\$ 4,813,941</u>

AS THE ABOVE TABLE INDICATES, TOTAL ASSETS HAVE INCREASED \$117,943 OR 2% OVER THE PAST YEAR FROM \$4,813,941 TO \$4,931,884. THIS INCREASE IS PRIMARILY DUE TO A POSITIVE CASH FLOW DURING THE YEAR.

THE TOTAL LIABILITIES HAVE INCREASED \$34,791 OR 34% OVER THE PAST YEAR FROM \$102,692 TO \$137,483. THIS INCREASE IS PRIMARILY FROM AN INCREASE IN GRANT ADVANCES.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	2012	2011
OPERATING REVENUES		
LANDFILL REVENUE, NET	\$	\$ 913,094
LANDFILL - ROYALTY INCOME	450,000	262,500
OTHER REVENUE	<u>173,262</u>	<u>126,814</u>
TOTAL OPERATING REVENUES	623,262	1,302,408
GAIN (LOSS) ON SALE OF ASSETS	(521)	4,255,635
INVESTMENT RETURN	<u>68,314</u>	<u>50,110</u>
TOTAL REVENUE	<u>691,055</u>	<u>5,608,153</u>
OPERATING EXPENSES		
PERSONNEL	217,383	536,611
OPERATIONS	357,915	503,195
DEPRECIATION	<u>32,605</u>	<u>187,451</u>
TOTAL OPERATING EXPENSES	607,903	1,227,257
INTEREST		<u>139,150</u>
TOTAL EXPENSES	<u>607,903</u>	<u>1,366,407</u>
CHANGE IN NET ASSETS	<u>83,152</u>	<u>4,241,746</u>
NET ASSETS AT BEGINNING OF YEAR	<u>4,711,249</u>	<u>469,503</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,794,401</u>	<u>\$ 4,711,249</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 INCREASED OVER THE PAST YEAR.

THE DISTRICT'S OPERATING REVENUE DECREASED \$679,146 OR 52% OVER THE PAST YEAR FROM \$1,302,408 TO \$623,262. THE DECREASE IS DUE TO THE LANDFILL BEING OPERATED FOR APPROXIMATELY FIVE MONTHS BY THE DISTRICT IN THE PRIOR YEAR AND NOT BEING OPERATED AT ALL BY THE DISTRICT IN THE CURRENT YEAR.

CORRESPONDINGLY, THE DISTRICT'S OPERATING EXPENSES DECREASED \$619,354 OR 50% OVER THE PAST YEAR FROM \$1,227,257 TO \$607,903.

ANALYSIS OF CAPITAL ASSETS AND LONG-TERM DEBT

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

CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
NON-DEPRECIABLE ASSETS		
LAND	\$ 65,803	\$
CONSTRUCTION-IN-PROCESS	13,970	
DEPRECIABLE ASSETS		
BUILDINGS & IMPROVEMENTS	18,423	10,011
EQUIPMENT	203,201	194,053
VEHICLES	61,746	31,064
LESS: ACCUMULATED DEPRECIATION	<u>(169,982)</u>	<u>(158,283)</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 193,161</u>	<u>\$ 76,845</u>

THE MAJORITY OF THE CAPITAL ASSETS REMAINING AFTER THE SELL OF THE LANDFILL ARE ASSETS USED IN THE RECYCLING OPERATIONS.

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 SHEET OF THE SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT (AN INDEPENDENT GOVERNMENTAL UNIT) AS OF SEPTEMBER 30, 2012, AND THE RELATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS AND CASH FLOWS FOR THE YEAR 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 AUDIT.

WE CONDUCTED OUR AUDIT 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 AUDIT PROVIDES 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, 2012, AND THE RESULTS OF ITS OPERATIONS AND ITS CASH FLOWS FOR THE YEAR THEN ENDED IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES REQUIRE THAT THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON PAGES 1 THROUGH 3 BE PRESENTED TO SUPPLEMENT THE BASIC FINANCIAL STATEMENTS. SUCH INFORMATION, ALTHOUGH NOT A PART OF THE BASIC FINANCIAL STATEMENTS, IS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD, WHO CONSIDERS IT TO BE AN ESSENTIAL PART OF FINANCIAL REPORTING FOR PLACING THE BASIC FINANCIAL STATEMENTS IN AN APPROPRIATE OPERATIONAL, ECONOMIC, OR HISTORICAL CONTEXT. WE HAVE APPLIED CERTAIN LIMITED PROCEDURES TO THE REQUIRED SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES, WHICH CONSISTED OF INQUIRIES OF MANAGEMENT ABOUT THE METHODS OF PREPARING THE INFORMATION AND COMPARING THE INFORMATION FOR CONSISTENCY WITH MANAGEMENT'S RESPONSES TO OUR INQUIRIES, THE BASIC FINANCIAL STATEMENTS, AND OTHER KNOWLEDGE WE OBTAINED DURING OUR AUDIT OF THE BASIC FINANCIAL STATEMENTS. WE DO NOT EXPRESS AN OPINION OR PROVIDE ANY ASSURANCE ON THE INFORMATION BECAUSE THE LIMITED PROCEDURES DO NOT PROVIDE US WITH SUFFICIENT EVIDENCE TO EXPRESS AN OPINION OR PROVIDE ANY ASSURANCE.

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, WE HAVE ALSO ISSUED A REPORT DATED JANUARY 14, 2013, 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 GRANT AGREEMENTS AND OTHER MATTERS. THE PURPOSE OF THAT REPORT IS TO DESCRIBE THE SCOPE OF OUR TESTING OF INTERNAL CONTROL OVER FINANCIAL

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REPORTING AND COMPLIANCE AND THE RESULTS OF THAT TESTING, AND NOT TO PROVIDE AN OPINION ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING OR ON COMPLIANCE. THAT REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND SHOULD BE CONSIDERED IN ASSESSING THE RESULTS OF OUR AUDIT.

BENTON, ARKANSAS
JANUARY 14, 2013

Hoakun, Lovell & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
BALANCE SHEET
SEPTEMBER 30, 2012

ASSETS

CURRENT ASSETS	
CASH	\$2,401,872
INVESTMENTS	2,065,221
ACCRUED INTEREST RECEIVABLE	13,411
ACCOUNTS RECEIVABLE - OTHER	150,000
TOTAL CURRENT ASSETS	4,630,504
RESTRICTED FUNDS	108,219
CAPITAL ASSETS, NET	193,161
TOTAL ASSETS	\$4,931,884

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ 24,317
ACCRUED WAGES AND LEAVE	4,947
GRANT ADVANCES	108,219
TOTAL CURRENT LIABILITIES	137,483
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	193,161
UNRESTRICTED	4,601,240
TOTAL NET ASSETS	4,794,401
TOTAL LIABILITIES AND NET ASSETS	\$4,931,884

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

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

OPERATING REVENUES	
LANDFILL - ROYALTY INCOME	450,000
RECYCLING REVENUE	31,674
RECYCLING GRANT REVENUE	126,643
OTHER INCOME	14,945
TOTAL OPERATING REVENUES	<u>623,262</u>
OPERATING EXPENSES	
WAGES AND SALARIES	133,275
PAYROLL TAXES	10,765
EMPLOYEE BENEFITS	54,039
RETIREMENT	19,304
FUEL AND OIL	2,241
REPAIRS AND MAINTENANCE	5,623
UTILITIES	9,292
PROFESSIONAL FEES	116,005
RENT	3,862
OFFICE EXPENSE	18,770
INSURANCE	13,110
DISPOSAL FEES	8,929
E-WASTE	564
RECYCLING AND RECYLCING GRANT EXPENSE	160,022
SUPPLIES	3,467
CONTRACT LABOR	15,129
OTHER EXPENSES	901
DEPRECIATION	32,605
TOTAL OPERATING EXPENSES	<u>607,903</u>
OPERATING INCOME (LOSS)	<u>15,359</u>
NONOPERATING REVENUES (EXPENSES)	
INVESTMENT RETURN	68,314
GAIN (LOSS) ON SALE OF ASSETS	(521)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>67,793</u>
CHANGE IN NET ASSETS	83,152
NET ASSETS AT BEGINNING OF YEAR	<u>4,711,249</u>
NET ASSETS AT END OF YEAR	<u><u>\$4,794,401</u></u>

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

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
CASH RECEIVED FROM CUSTOMERS	\$ 463,914
CASH RECEIVED FROM GRANTS	159,632
CASH PAID FOR EMPLOYEES	(224,766)
CASH PAID TO SUPPLIERS	(348,730)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>50,050</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PROCEEDS FROM THE SALE OF EQUIPMENT	2,156
PURCHASES OF CAPITAL ASSETS	(151,944)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(149,788)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
INTEREST RECEIVED	41,087
PURCHASE OF INVESTMENTS	(2,051,059)
CHANGE IN RESTRICTED FUNDS	2,584,429
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>574,457</u>
NET INCREASE IN CASH	474,719
CASH AT BEGINNING OF YEAR	<u>1,927,153</u>
CASH AT END OF YEAR	<u>\$ 2,401,872</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
OPERATING INCOME	\$ 15,359
ITEMS NOT REQUIRING (PROVIDING) CASH:	
DEPRECIATION EXPENSE	32,605
(INCREASE) DECREASE IN:	
ACCOUNTS RECEIVABLE - CUSTOMERS	4,795
ACCOUNTS RECEIVABLE - OTHER	(37,500)
INCREASE (DECREASE) IN:	
ACCOUNTS PAYABLE	9,185
ACCRUED LIABILITIES	(7,383)
GRANT ADVANCES	32,989
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 50,050</u>

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 PROTECTION OF THE PUBLIC HEALTH AND THE STATE'S ENVIRONMENTAL QUALITY THROUGH THE DEVELOPMENT AND MAINTENANCE OF A SOLID WASTE PLAN FOR THE PEOPLE OF SALINE COUNTY. OPERATING INCOME INCLUDES REVENUES AND EXPENSES RELATED TO THE CONTINUING OPERATIONS OF THE DISTRICT, INCLUDING RECYCLING. PRINCIPAL OPERATING REVENUES ARE ROYALTIES FROM THE LANDFILL AND REVENUES FROM RECYCLING. 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 78TH 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 3). 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. 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:

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.

- F. GRANT ADVANCES - FUNDS RECEIVED FOR THE RECYCLING GRANT ARE DEFERRED AND RECOGNIZED OVER THE PERIOD TO WHICH THE RECYCLING EXPENSES ARE INCURRED.
- G. 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, 2012 THE NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT WAS \$193,161. THE REMAINING NET ASSETS ARE REPORTED AS UNRESTRICTED.
- H. 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 ARE GRANT FUNDS RECEIVED FROM THE ARKANSAS DEPARTMENT OF ENVIRONMENTAL QUALITY, WHICH HAVE BEEN RESTRICTED FOR THE PAYMENT OF RECYCLING EXPENSES. THE FUNDS ARE HELD IN A CASH ACCOUNT AND AT SEPTEMBER 30, 2012, HAD A BALANCE OF \$108,219.

NOTE 3: INVESTMENTS

THE DISTRICT'S INVESTMENTS CONSISTED OF GOVERNMENT BONDS, WHOSE AVERAGE TIME TO MATURITY IS 2.7 YEARS. THE INVESTMENT POLICY OF THE DISTRICT IS TO INVEST IN PUBLICLY-TRADED FIXED INCOME SECURITIES AND CASH EQUIVALENTS. A MAXIMUM OF 25% OF THE PORTFOLIO MAY BE INVESTED IN CORPORATE BONDS OR COMMERCIAL PAPER. 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, 2012:

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS - (CONT'D)

COST	\$ 2,007,034
UNREALIZED APPRECIATION (DEPRECIATION)	<u>58,187</u>
FAIR VALUE	<u>\$ 2,065,221</u>

THE FOLLOWING SCHEDULE SUMMARIZES INVESTMENT RETURN FOR THE YEAR ENDED SEPTEMBER 30, 2012:

INTEREST INCOME	\$ 51,174
TRUSTEE FEES	(12,898)
CHANGE IN UNREALIZED GAINS (LOSSES) ON INVESTMENTS	<u>30,038</u>
INVESTMENT RETURN	<u>\$ 68,314</u>

NOTE 4: CAPITAL ASSETS

THE FOLLOWING IS A SUMMARY OF CAPITAL ASSETS AT SEPTEMBER 30, 2012:

	10/01/11	INCREASES	DECREASES	9/30/12
LAND	\$	\$ 65,803	\$	\$ 65,803
CONSTRUCTION IN PROCESS		13,970		13,970
BUILDINGS & IMPROVEMENTS	10,011	8,412		18,423
EQUIPMENT	194,053	33,078	23,930	203,201
VEHICLES	<u>31,064</u>	<u>30,682</u>		<u>61,746</u>
TOTAL CAPITAL ASSETS	235,128	<u>\$ 151,945</u>	<u>\$ 23,930</u>	363,143
LESS: ACCUMULATED DEPRECIATION	<u>158,283</u>			<u>169,982</u>
NET CAPITAL ASSETS	<u>\$ 76,845</u>			<u>\$ 193,161</u>

NOTE 5: GRANT ADVANCES

THE FOLLOWING IS A SUMMARY OF THE CHANGE IN DEFERRED GRANT REVENUE (AS DISCUSSED IN NOTE 1) FOR THE YEAR ENDING SEPTEMBER 30, 2012:

RECYCLING GRANTS FROM ADEQ:

BALANCE AT BEGINNING OF YEAR	\$ 75,230
FUNDS RECEIVED	
SAL 00-11	1,000
SAL 01-11	5,000
SAL 02-11	67,015
SAL 03-11	10,000
SAL 50-11	9,900
SAL 51-11	2,156
SAL 01-12EW (E-WASTE GRANT)	10,000
SAL 02-12EW (E-WASTE GRANT)	10,000
SAL 03-12EW (E-WASTE GRANT)	20,000
SAL 04-12EW (E-WASTE GRANT)	10,000
SAL 05-12EW (E-WASTE GRANT)	20,235
FUNDS DISBURSED	<u>(132,317)</u>
BALANCE AT END OF YEAR	<u>\$ 108,219</u>

TWO GRANTS, SAL 50-11 AND 51-11, WERE FUNDED BY THE DISTRICT TO REPLACE TWO ASSETS THAT WERE PREVIOUSLY PURCHASED WITH GRANT MONEY AND WERE SUBSEQUENTLY DISPOSED.

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 6: 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 6: RETIREMENT PLAN (CONT'D)

EMPLOYEE CONTRIBUTIONS MADE TO THE PLAN WERE \$7,084, \$9,241, AND \$17,247 FOR THE YEARS ENDING SEPTEMBER 30, 2012, 2011 AND 2010, RESPECTIVELY. EMPLOYER CONTRIBUTIONS FOR THE YEARS ENDING SEPTEMBER 30, 2012, 2011, AND 2010 WERE \$19,304, \$48,682, AND \$63,101, RESPECTIVELY.

NOTE 7: COMMITMENTS

DURING THE YEAR ENDED SEPTEMBER 30, 2011, THE DISTRICT ENTERED INTO AN AGREEMENT TO LEASE OFFICE SPACE. THE TERMS OF THE LEASE ARE \$350 PER MONTH, ENDING IN JULY, 2016. THE FOLLOWING ARE THE FUTURE MINIMUM LEASE PAYMENTS FOR THE YEAR ENDING SEPTEMBER 30:

2013	\$ 4,200
2014	4,200
2015	4,200
2016	3,500
TOTAL	<u>\$ 16,100</u>

NOTE 8: SUBSEQUENT EVENT

SUBSEQUENT EVENTS WERE EVALUATED THROUGH JANUARY 14, 2013, 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, 2012, AND HAVE ISSUED OUR REPORT THEREON DATED JANUARY 14, 2013. 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

MANAGEMENT OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT IS RESPONSIBLE FOR ESTABLISHING AND MAINTAINING EFFECTIVE 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.

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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 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.

W. J. Lovell & Co. P.C.
CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS
JANUARY 14, 2013

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND OTHER REPORTS

SEPTEMBER 30, 2012

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