

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND OTHER REPORTS

SEPTEMBER 30, 2013

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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, 2013. 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 POSITION DECREASED \$224,449 OVER THE PAST YEAR FROM \$4,794,401 TO \$4,569,952.
- THE DISTRICT'S TOTAL UNRESTRICTED CASH AND INVESTMENTS DECREASED \$158,280 OVER THE PAST YEAR FROM \$4,467,093 TO \$4,308,813.

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 CHANGE IN NET POSITION IDENTIFIES THE DISTRICT'S REVENUES AND EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2013. 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 FROM THE PREVIOUS YEAR.

FINANCIAL ANALYSIS OF THE DISTRICT

THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION PROVIDE AN INDICATION OF THE DISTRICT'S FINANCIAL CONDITION. THE DISTRICT'S NET POSITION REFLECTS THE DIFFERENCE BETWEEN ASSETS AND LIABILITIES. AN INCREASE IN NET POSITION OVER TIME TYPICALLY INDICATES AN IMPROVEMENT IN FINANCIAL CONDITION. A SUMMARY OF THE DISTRICT'S BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION ARE PRESENTED BELOW.

CONDENSED BALANCE SHEETS

| | <u>2013</u> | <u>2012</u> |
|--------------------------|---------------------|---------------------|
| CURRENT AND OTHER ASSETS | \$ 4,684,551 | \$ 4,738,723 |
| CAPITAL ASSETS, NET | 169,509 | 193,161 |
| TOTAL ASSETS | <u>\$ 4,854,060</u> | <u>\$ 4,931,884</u> |

| | | |
|--|---------------------|---------------------|
| CURRENT LIABILITIES | \$ 284,108 | \$ 137,483 |
| TOTAL LIABILITIES | <u>284,108</u> | <u>137,483</u> |
| NET POSITION INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 169,509 | 193,161 |
| UNRESTRICTED NET POSITION | <u>4,400,443</u> | <u>4,601,240</u> |
| TOTAL NET POSITION | <u>4,569,952</u> | <u>4,794,401</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 4,854,060</u> | <u>\$ 4,931,884</u> |

AS THE ABOVE TABLE INDICATES, TOTAL ASSETS HAVE DECREASED \$77,824 OR 2% OVER THE PAST YEAR FROM \$4,931,884 TO \$4,854,060. THIS DECREASE IS PRIMARILY DUE TO A NEGATIVE CASH FLOW DURING THE YEAR.

THE TOTAL LIABILITIES HAVE INCREASED \$146,625 OR 107% OVER THE PAST YEAR FROM \$137,483 TO \$284,108. THIS INCREASE IS PRIMARILY FROM AN INCREASE IN GRANT ADVANCES.

CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

| | <u>2013</u> | <u>2012</u> |
|-----------------------------------|---------------------|---------------------|
| OPERATING REVENUES | | |
| LANDFILL - ROYALTY INCOME | \$ 450,000 | \$ 450,000 |
| OTHER REVENUE | <u>214,964</u> | <u>173,262</u> |
| TOTAL OPERATING REVENUES | 664,964 | 623,262 |
| GAIN (LOSS) ON SALE OF ASSETS | 2,519 | (521) |
| INVESTMENT RETURN | <u>(80,056)</u> | <u>68,314</u> |
| TOTAL REVENUE | <u>587,427</u> | <u>691,055</u> |
| OPERATING EXPENSES | | |
| PERSONNEL | 299,256 | 217,383 |
| OPERATIONS | 477,568 | 357,915 |
| DEPRECIATION | <u>35,052</u> | <u>32,605</u> |
| TOTAL OPERATING EXPENSES | <u>811,876</u> | <u>607,903</u> |
| CHANGES IN NET POSITION | (224,449) | 83,152 |
| NET POSITION AT BEGINNING OF YEAR | <u>4,794,401</u> | <u>4,711,249</u> |
| NET POSITION AT END OF YEAR | <u>\$ 4,569,952</u> | <u>\$ 4,794,401</u> |

THE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION IDENTIFY THE VARIOUS REVENUE AND EXPENSE ITEMS WHICH AFFECT THE CHANGE IN NET POSITION. AS THE TABLE ABOVE INDICATES, THE CHANGE IN NET POSITION DECREASED OVER THE PAST YEAR.

THE DISTRICT'S OPERATING REVENUE INCREASED \$41,702 OR 7% OVER THE PAST YEAR FROM \$623,262 TO \$664,964. THE INCREASE IS DUE TO AN INCREASE IN RECYCLING GRANT REVENUE DURING THE YEAR.

THE DISTRICT'S OPERATING EXPENSES INCREASED \$203,973 OR 34% OVER THE PAST YEAR FROM \$607,903 TO \$811,876. THERE WERE SEVERAL FACTORS CAUSING THIS INCREASE. ONE IS AN INCREASE IN GRANT EXPENDITURES DUE TO THE INCREASE IN GRANT RECEIPTS. ANOTHER FACTOR WAS THE DISTRICT HAD PLANNED TO IMPLEMENT CURB SIDE RECYCLING. TO GET READY FOR THIS, THE DISTRICT CHANGED THE WAY IT PROCESSED THE RECYCLING COLLECTION, WHICH RESULTED IN HIGHER EXPENSES. THE CURB SIDE RECYCLING WAS NOT IMPLEMENTED AND EXPENSES ARE EXPECTED TO DECREASE THE FOLLOWING YEAR.

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>2013</u> | <u>2012</u> |
|--------------------------------|-------------------|-------------------|
| NON-DEPRECIABLE ASSETS | | |
| LAND | \$ 65,803 | \$ 65,803 |
| CONSTRUCTION-IN-PROCESS | 13,970 | 13,970 |
| DEPRECIABLE ASSETS | | |
| BUILDINGS & IMPROVEMENTS | 19,823 | 18,423 |
| EQUIPMENT | 213,201 | 203,201 |
| VEHICLES | 61,746 | 61,746 |
| LESS: ACCUMULATED DEPRECIATION | <u>(205,034)</u> | <u>(169,982)</u> |
| TOTAL CAPITAL ASSETS, NET | <u>\$ 169,509</u> | <u>\$ 193,161</u> |

THE MAJORITY OF THE CAPITAL ASSETS REMAINING ARE 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 FINANCIAL STATEMENTS OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT WHICH COMPRISE THE BALANCE SHEET AS OF SEPTEMBER 30, 2013, AND THE RELATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION AND CASH FLOWS FOR THE YEAR THEN ENDED, AND RELATED NOTES.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THESE FINANCIAL STATEMENTS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA; THIS INCLUDES THE DESIGN, IMPLEMENTATION, AND MAINTENANCE OF INTERNAL CONTROL RELEVANT TO THE PREPARATION AND FAIR PRESENTATION OF FINANCIAL STATEMENTS THAT ARE FREE FROM MATERIAL MISSTATEMENT, WHETHER DUE TO FRAUD OR ERROR.

AUDITORS' RESPONSIBILITY

OUR RESPONSIBILITY IS TO EXPRESS AN OPINION ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDIT. WE CONDUCTED OUR AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE OF MATERIAL MISSTATEMENT.

AN AUDIT INVOLVES PERFORMING PROCEDURES TO OBTAIN AUDIT EVIDENCE ABOUT THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. THE PROCEDURES SELECTED DEPEND ON THE AUDITOR'S JUDGMENT, INCLUDING THE ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT OF THE FINANCIAL STATEMENTS, WHETHER DUE TO FRAUD OR ERROR. IN MAKING THOSE RISK ASSESSMENTS, THE AUDITOR CONSIDERS INTERNAL CONTROL RELEVANT TO THE ENTITY'S PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS IN ORDER TO DESIGN AUDIT PROCEDURES THAT ARE APPROPRIATE IN THE CIRCUMSTANCES, BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL. ACCORDINGLY, WE EXPRESS NO SUCH OPINION. AN AUDIT ALSO INCLUDES EVALUATING THE APPROPRIATENESS OF ACCOUNTING POLICIES USED AND THE REASONABLENESS OF SIGNIFICANT ACCOUNTING ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL PRESENTATION OF THE FINANCIAL STATEMENTS.

WE BELIEVE THAT THE AUDIT EVIDENCE WE HAVE OBTAINED IS SUFFICIENT AND APPROPRIATE TO PROVIDE A BASIS FOR OUR AUDIT OPINION.

OPINION

IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE FINANCIAL POSITION OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT AS OF SEPTEMBER 30, 2013, AND THE CHANGES IN ITS NET POSITION AND ITS CASH FLOWS FOR THE YEAR THEN ENDED IN CONFORMITY WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES.

OTHER-MATTER

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

IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, WE HAVE ALSO ISSUED A REPORT DATED JANUARY 8, 2014, 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 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* IN CONSIDERING SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE.

BENTON, ARKANSAS
JANUARY 8, 2014


CERTIFIED PUBLIC ACCOUNTANTS

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
BALANCE SHEET
SEPTEMBER 30, 2013

ASSETS

| | |
|-----------------------------|---------------------------|
| CURRENT ASSETS | |
| CASH | \$2,329,144 |
| INVESTMENTS | 1,979,669 |
| ACCRUED INTEREST RECEIVABLE | 10,637 |
| ACCOUNTS RECEIVABLE - OTHER | 150,000 |
| TOTAL CURRENT ASSETS | <u>4,469,450</u> |
| RESTRICTED FUNDS | <u>215,101</u> |
| CAPITAL ASSETS, NET | <u>169,509</u> |
| TOTAL ASSETS | <u><u>\$4,854,060</u></u> |

LIABILITIES AND NET POSITION

| | |
|--|---------------------------|
| CURRENT LIABILITIES | |
| ACCOUNTS PAYABLE | \$ 60,365 |
| ACCRUED WAGES AND LEAVE | 8,642 |
| GRANT ADVANCES | 215,101 |
| TOTAL CURRENT LIABILITIES | <u>284,108</u> |
| NET POSITION | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 169,509 |
| UNRESTRICTED | 4,400,443 |
| TOTAL NET POSITION | <u>4,569,952</u> |
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$4,854,060</u></u> |

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 POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013

| | |
|--|---------------------------|
| OPERATING REVENUES | |
| LANDFILL - ROYALTY INCOME | \$ 450,000 |
| RECYCLING REVENUE | 27,425 |
| RECYCLING GRANT REVENUE | 173,986 |
| OTHER INCOME | 13,553 |
| TOTAL OPERATING REVENUES | <u>664,964</u> |
| | |
| OPERATING EXPENSES | |
| WAGES AND SALARIES | 221,594 |
| PAYROLL TAXES | 14,807 |
| EMPLOYEE BENEFITS | 32,671 |
| RETIREMENT | 29,053 |
| FUEL AND OIL | 4,333 |
| REPAIRS AND MAINTENANCE | 1,986 |
| UTILITIES | 10,864 |
| PROFESSIONAL FEES | 31,501 |
| RENT | 4,200 |
| OFFICE EXPENSE | 20,905 |
| INSURANCE | 10,064 |
| DISPOSAL FEES | 13,424 |
| E-WASTE | 48,761 |
| RECYCLING AND RECYCLING GRANT EXPENSE | 221,826 |
| SUPPLIES | 568 |
| CONTRACT LABOR | 59,386 |
| HOUSEHOLD HAZARD WASTE PROGRAM | 41,633 |
| OTHER EXPENSES | 9,248 |
| DEPRECIATION | 35,052 |
| TOTAL OPERATING EXPENSES | <u>811,876</u> |
| | |
| OPERATING INCOME (LOSS) | <u>(146,912)</u> |
| | |
| NONOPERATING REVENUES (EXPENSES) | |
| INVESTMENT RETURN | (80,056) |
| GAIN (LOSS) ON SALE OF ASSETS | 2,519 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(77,537)</u> |
| | |
| CHANGE IN NET POSITION | (224,449) |
| | |
| NET POSITION AT BEGINNING OF YEAR | <u>4,794,401</u> |
| | |
| NET POSITION AT END OF YEAR | <u><u>\$4,569,952</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, 2013

| | |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| CASH RECEIVED FROM CUSTOMERS | \$ 490,978 |
| CASH RECEIVED FROM GRANTS | 280,868 |
| CASH PAID FOR EMPLOYEES | (295,561) |
| CASH PAID TO SUPPLIERS | (441,520) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>34,765</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| PURCHASES OF CAPITAL ASSETS | (11,400) |
| NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(11,400)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| INTEREST RECEIVED | 10,789 |
| CHANGE IN RESTRICTED FUNDS | (106,882) |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(96,093)</u> |
| NET DECREASE IN CASH | (72,728) |
| CASH AT BEGINNING OF YEAR | <u>2,401,872</u> |
| CASH AT END OF YEAR | <u><u>\$ 2,329,144</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| OPERATING INCOME | \$ (146,912) |
| ITEMS NOT REQUIRING (PROVIDING) CASH: | |
| DEPRECIATION EXPENSE | 35,052 |
| INCREASE (DECREASE) IN: | |
| ACCOUNTS PAYABLE | 36,048 |
| ACCRUED LIABILITIES | 3,695 |
| GRANT ADVANCES | 106,882 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u><u>\$ 34,765</u></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 AND THE MAYORS 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 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP). THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) IS RESPONSIBLE FOR ESTABLISHING GAAP FOR STATE AND LOCAL GOVERNMENTS THROUGH ITS PRONOUNCEMENTS (STATEMENTS AND INTERPRETATIONS).
- 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 DEPOSIT. 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 CHANGE IN NET POSITION.
- 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 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 TO BE 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 POSITION - UNDER GASB 34, THE DISTRICT MUST REPORT ITS NET POSITION AS EITHER RESTRICTED, UNRESTRICTED, OR INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT. AS OF SEPTEMBER 30, 2013, THE NET POSITION INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT WAS \$169,509. THE REMAINING NET POSITION IS 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 THAT HAVE BEEN RESTRICTED FOR THE PAYMENT OF RECYCLING EXPENSES. THE FUNDS ARE HELD IN A CASH ACCOUNT AND AT SEPTEMBER 30, 2013, HAD A BALANCE OF \$215,101.

NOTE 3: INVESTMENTS

THE DISTRICT'S INVESTMENTS CONSISTED OF GOVERNMENT BONDS, WHOSE AVERAGE TIME TO MATURITY IS 3 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, 2013:

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3: INVESTMENTS - (CONT'D)

| | |
|--|---------------------|
| COST | \$ 2,040,316 |
| UNREALIZED APPRECIATION (DEPRECIATION) | <u>(60,647)</u> |
| FAIR VALUE | <u>\$ 1,979,669</u> |

THE FOLLOWING SCHEDULE SUMMARIZES INVESTMENT RETURN FOR THE YEAR ENDED SEPTEMBER 30, 2013:

| | |
|---|--------------------|
| INTEREST INCOME | \$ 46,948 |
| TRUSTEE FEES | (8,170) |
| CHANGE IN UNREALIZED GAINS (LOSSES) ON INVESTMENTS | <u>(118,834)</u> |
| INVESTMENT RETURN | <u>\$ (80,056)</u> |

NOTE 4: CAPITAL ASSETS

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

| | 10/01/12 | INCREASES | DECREASES | 9/30/13 |
|-----------------------------------|-------------------|------------------|-----------|-------------------|
| LAND | \$ 65,803 | \$ | \$ | \$ 65,803 |
| CONSTRUCTION IN PROCESS | 13,970 | | | 13,970 |
| BUILDINGS & IMPROVEMENTS | 18,423 | 1,400 | | 19,823 |
| EQUIPMENT | 203,201 | 10,000 | | 213,201 |
| VEHICLES | <u>61,746</u> | | | <u>61,746</u> |
| TOTAL CAPITAL ASSETS | 363,143 | <u>\$ 11,400</u> | <u>\$</u> | 374,543 |
| LESS: ACCUMULATED DEPRECIATION | <u>169,982</u> | | | <u>205,034</u> |
| NET CAPITAL ASSETS | <u>\$ 193,161</u> | | | <u>\$ 169,509</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, 2013:

RECYCLING GRANTS FROM ADEQ:

| | |
|------------------------------|-------------------|
| BALANCE AT BEGINNING OF YEAR | \$ 108,219 |
| FUNDS RECEIVED | |
| SAL 00-12 | 14,047 |
| SAL 01-12 | 25,000 |
| SAL 02-12 | 20,000 |
| SAL 03-12 | 17,608 |
| SAL 04-12 | 35,000 |
| ACT 1313 FUNDS | 98,977 |
| SAL 01-13EW (E-WASTE GRANT) | 40,235 |
| SAL 02-13EW (E-WASTE GRANT) | 20,000 |
| SAL 03-13EW (E-WASTE GRANT) | 10,000 |
| FUNDS DISBURSED | <u>(173,985)</u> |
| BALANCE AT END OF YEAR | <u>\$ 215,101</u> |

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 \$10,020, \$7,084, AND \$9,241 FOR THE YEARS ENDING SEPTEMBER 30, 2013, 2012 AND 2011, RESPECTIVELY. EMPLOYER CONTRIBUTIONS FOR THE YEARS ENDING SEPTEMBER 30, 2013, 2012, AND 2011 WERE \$29,053, \$19,304, AND \$48,682, 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:

| | |
|-------|------------------|
| 2014 | \$ 4,200 |
| 2015 | 4,200 |
| 2016 | 3,500 |
| TOTAL | <u>\$ 11,900</u> |

NOTE 8: RELATED PARTY

DURING THE YEAR ENDED SEPTEMBER 30, 2013, A COMPANY OWNED BY A BOARD MEMBER'S SPOUSE WAS PAID \$10,591 FOR PROMOTIONAL MATERIALS. THIS WAS DONE THROUGH A BIDDING PROCESS AND THIS COMPANY HAD THE LOWEST BID.

A COMPANY OWNED BY THE EXECUTIVE DIRECTOR'S BROTHER WAS PAID \$619 FOR THE YEAR ENDED SEPTEMBER 30, 2013, FOR MAINTENANCE TO THE DISTRICT'S VEHICLES. THIS BUSINESS RELATIONSHIP EXISTED PRIOR TO THE EXECUTIVE DIRECTOR BEING HIRED BY THE DISTRICT.

NOTE 9: SUBSEQUENT EVENT

SUBSEQUENT EVENTS WERE EVALUATED THROUGH JANUARY 8, 2014, WHICH IS THE DATE THE FINANCIAL STATEMENTS WERE AVAILABLE TO BE ISSUED.

Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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, IN ACCORDANCE WITH THE 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, THE FINANCIAL STATEMENTS OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT (AN INDEPENDENT GOVERNMENTAL UNIT), WHICH COMPRISE THE BALANCE SHEET AS OF SEPTEMBER 30, 2013, AND THE RELATED STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION AND CASH FLOWS FOR THE YEAR THEN ENDED, AND THE RELATED NOTES TO THE FINANCIAL STATEMENTS, AND HAVE ISSUED OUR REPORT THEREON DATED JANUARY 8, 2014.

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 (INTERNAL CONTROL) TO DETERMINE THE AUDIT PROCEDURES THAT ARE APPROPRIATE IN THE CIRCUMSTANCES 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. ACCORDINGLY, WE DO NOT EXPRESS AN OPINION ON THE EFFECTIVENESS OF SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S INTERNAL CONTROL.

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. A *SIGNIFICANT DEFICIENCY* IS A DEFICIENCY, OR A COMBINATION OF DEFICIENCIES, IN INTERNAL CONTROL THAT IS LESS SEVERE THAN A MATERIAL WEAKNESS, YET IMPORTANT ENOUGH TO MERIT ATTENTION BY THOSE CHARGED WITH GOVERNANCE.

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 THAT MIGHT BE SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES. GIVEN THESE LIMITATIONS, WE DID NOT IDENTIFY ANY DEFICIENCIES IN INTERNAL CONTROL THAT WE CONSIDER TO BE

MATERIAL WEAKNESSES. HOWEVER, MATERIAL WEAKNESSES MAY EXIST THAT HAVE NOT BEEN IDENTIFIED.

COMPLIANCE AND OTHER MATTERS

AS PART OF OBTAINING REASONABLE ASSURANCE ABOUT WHETHER SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT'S FINANCIAL STATEMENTS ARE FREE FROM 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*.

PURPOSE OF THIS REPORT

THE PURPOSE OF THIS REPORT IS SOLELY TO DESCRIBE THE SCOPE OF OUR TESTING OF INTERNAL CONTROL AND COMPLIANCE AND THE RESULTS OF THAT TESTING, AND NOT TO PROVIDE AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL OR ON COMPLIANCE. THIS REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* IN CONSIDERING THE ENTITY'S INTERNAL CONTROL AND COMPLIANCE. ACCORDINGLY, THIS COMMUNICATION IS NOT SUITABLE FOR ANY OTHER PURPOSE.


CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS
JANUARY 8, 2014