

Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT

FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY
INFORMATION AND OTHER REPORTS

SEPTEMBER 30, 2011

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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, 2011. THIS INFORMATION IS PRESENTED IN CONJUNCTION WITH THE AUDITED BASIC FINANCIAL STATEMENTS, WHICH FOLLOW THIS SECTION.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR

- THE DISTRICT SOLD THE LANDFILL AT A PRICE OF \$7,750,000 AND PAID OFF THE OUTSTANDING BONDS OF \$6,700,000.
- THE DISTRICT'S TOTAL NET ASSETS INCREASED BY \$4,241,746 OVER THE PAST YEAR FROM \$469,503 TO \$4,711,249.

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, 2011. 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>2011</u> | <u>2010</u> |
|--------------------------|---------------------|---------------------|
| CURRENT AND OTHER ASSETS | \$ 4,737,096 | \$ 3,817,734 |
| CAPITAL ASSETS, NET | 76,845 | 4,805,672 |
| TOTAL ASSETS | <u>\$ 4,813,941</u> | <u>\$ 8,623,406</u> |

| | | |
|---|---------------------|---------------------|
| CURRENT LIABILITIES | \$ 102,692 | \$ 564,669 |
| LONG-TERM AND OTHER LIABILITIES | | <u>7,589,234</u> |
| TOTAL LIABILITIES | <u>102,692</u> | <u>8,153,903</u> |
| NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 76,845 | |
| UNRESTRICTED NET ASSETS | <u>4,634,404</u> | <u>469,503</u> |
| TOTAL NET ASSETS | <u>4,711,249</u> | <u>469,503</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,813,941</u> | <u>\$ 8,623,406</u> |

AS THE ABOVE TABLE INDICATES, TOTAL ASSETS HAVE DECREASED \$3,809,465 OR 44% OVER THE PAST YEAR FROM \$8,623,406 TO \$4,813,941. THIS DECREASE IS PRIMARILY DUE TO SELLING THE LANDFILL.

THE TOTAL LIABILITIES HAVE DECREASED \$8,051,211 OR 99% OVER THE PAST YEAR FROM \$8,153,903 TO \$102,692. THIS DECREASE IS PRIMARILY FROM THE PAYOFF OF THE BONDS. CORRESPONDINGLY, THE NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT, HAS INCREASED TO \$76,845 DUE TO THE PAYOFF OF THE BONDS.

CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

| | <u>2011</u> | <u>2010</u> |
|---------------------------------|---------------------|-------------------|
| OPERATING REVENUES | | |
| LANDFILL REVENUE, NET | \$ 913,094 | \$ 2,602,833 |
| LANDFILL - ROYALTY INCOME | 262,500 | |
| OTHER REVENUE | <u>126,814</u> | <u>223,395</u> |
| TOTAL OPERATING REVENUES | 1,302,408 | 2,826,228 |
| GAIN (LOSS) ON SALE OF ASSETS | 4,255,635 | (2,952) |
| INVESTMENT RETURN | <u>50,110</u> | <u>31,512</u> |
| TOTAL REVENUE | <u>5,608,153</u> | <u>2,854,788</u> |
| OPERATING EXPENSES | | |
| PERSONNEL | 536,611 | 869,105 |
| LANDFILL OPERATIONS | 503,195 | 901,515 |
| DEPRECIATION | <u>187,451</u> | <u>530,055</u> |
| TOTAL OPERATING EXPENSES | 1,227,257 | 2,300,675 |
| INTEREST | <u>139,150</u> | <u>303,682</u> |
| TOTAL EXPENSES | <u>1,366,407</u> | <u>2,604,357</u> |
| CHANGE IN NET ASSETS | 4,241,746 | 250,431 |
| NET ASSETS AT BEGINNING OF YEAR | <u>469,503</u> | <u>219,072</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 4,711,249</u> | <u>\$ 469,503</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 SIGNIFICANTLY OVER THE PAST YEAR.

THE DISTRICT'S OPERATING REVENUE DECREASED \$1,523,820 OR 54% OVER THE PAST TWO YEARS FROM \$2,826,228 TO \$1,302,408. THE DECREASE IS DUE TO THE LANDFILL ONLY BEING OPERATED FOR APPROXIMATELY FIVE MONTHS BY THE DISTRICT.

CORRESPONDINGLY, THE DISTRICT'S OPERATING EXPENSES DECREASED \$1,073,418 OR 47% OVER THE PAST TWO YEARS FROM \$2,300,675 TO \$1,227,257.

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>2011</u> | <u>2010</u> |
|--------------------------------|------------------|---------------------|
| NON-DEPRECIABLE ASSETS | | |
| LAND | \$ | \$ 53,387 |
| DEPRECIABLE ASSETS | | |
| LAND IMPROVEMENTS | | 8,861,151 |
| BUILDINGS & IMPROVEMENTS | 10,011 | 1,910,923 |
| EQUIPMENT | 194,053 | 2,372,193 |
| VEHICLES | 31,064 | 76,357 |
| LESS: ACCUMULATED DEPRECIATION | <u>(158,283)</u> | <u>(8,468,339)</u> |
| TOTAL CAPITAL ASSETS, NET | <u>\$ 76,845</u> | <u>\$ 4,805,672</u> |

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

LONG-TERM DEBT

| | <u>2011</u> | <u>2010</u> |
|---------------|-------------|--------------|
| REVENUE BONDS | | \$ 6,700,000 |

THE BONDS WERE PAID IN FULL DURING THE YEAR ENDED SEPTEMBER 30, 2011. AS OF SEPTEMBER 30, 2011, THE DISTRICT DID NOT HAVE ANY LONG-TERM DEBT.

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, 2011, 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, 2011, 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.

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 30, 2012, 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* AND SHOULD BE CONSIDERED IN ASSESSING THE RESULTS OF OUR AUDIT.

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

BENTON, ARKANSAS
JANUARY 30, 2012

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(501) 778-0495 • (501) 847-2898 • FAX (501) 778-2967

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
BALANCE SHEET
SEPTEMBER 30, 2011

ASSETS

| | |
|---|---------------------------|
| CURRENT ASSETS | |
| CASH | \$1,927,153 |
| ACCOUNTS RECEIVABLE, LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS; 2011-\$30,902 | 4,795 |
| ACCOUNTS RECEIVABLE - OTHER | 112,500 |
| TOTAL CURRENT ASSETS | <u>2,044,448</u> |
| RESTRICTED FUNDS | <u>2,692,648</u> |
| CAPITAL ASSETS, NET | <u>76,845</u> |
| TOTAL ASSETS | <u><u>\$4,813,941</u></u> |

LIABILITIES AND NET ASSETS

| | |
|--|---------------------------|
| CURRENT LIABILITIES | |
| ACCOUNTS PAYABLE | \$ 15,132 |
| ACCRUED EXPENSES | 331 |
| ACCRUED WAGES AND LEAVE | 11,999 |
| GRANT ADVANCES | 75,230 |
| TOTAL CURRENT LIABILITIES | <u>102,692</u> |
| NET ASSETS | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 76,845 |
| UNRESTRICTED | 4,634,404 |
| TOTAL NET ASSETS | <u>4,711,249</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$4,813,941</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 ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

| | |
|--|--------------------|
| OPERATING REVENUES | |
| LANDFILL REVENUE, NET | \$ 913,094 |
| LANDFILL - ROYALTY INCOME | 262,500 |
| RECYCLING REVENUE | 63,092 |
| OTHER INCOME | 14,511 |
| RECYCLING GRANT | 49,211 |
| TOTAL OPERATING REVENUES | <u>1,302,408</u> |
| OPERATING EXPENSES | |
| WAGES AND SALARIES | 406,817 |
| PAYROLL TAXES | 39,787 |
| EMPLOYEE INSURANCE | 41,325 |
| RETIREMENT | 48,682 |
| FUEL AND OIL | 53,003 |
| REPAIRS AND MAINTENANCE | 135,598 |
| UTILITIES | 16,193 |
| PROFESSIONAL FEES | 106,700 |
| RENT | 1,591 |
| SUPPLIES AND OTHER | 86,890 |
| INSURANCE | 16,948 |
| WATER AND GAS TESTING | 32,603 |
| STORMWATER TREATMENT | 25,516 |
| RECYCLING | 28,153 |
| DEPRECIATION | 187,451 |
| TOTAL OPERATING EXPENSES | <u>1,227,257</u> |
| OPERATING INCOME (LOSS) | <u>75,151</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| INVESTMENT RETURN | 50,110 |
| INTEREST EXPENSE | (139,150) |
| GAIN (LOSS) ON SALE OF ASSETS | 4,255,635 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>4,166,595</u> |
| CHANGE IN NET ASSETS | 4,241,746 |
| NET ASSETS AT BEGINNING OF YEAR | <u>469,503</u> |
| NET ASSETS AT END OF YEAR | <u>\$4,711,249</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, 2011

| | |
|---|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| CASH RECEIVED FROM CUSTOMERS | \$ 1,481,433 |
| CASH RECEIVED FROM RECYCLING | 164,217 |
| CASH PAID FOR EMPLOYEES | (581,688) |
| CASH PAID TO SUPPLIERS | (636,394) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>427,568</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| PROCEEDS FROM THE SALE OF EQUIPMENT | 7,750,000 |
| PURCHASES OF CAPITAL ASSETS | (19,748) |
| INTEREST PAID | (217,569) |
| PAYMENTS ON LONG-TERM DEBT | (6,700,000) |
| NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>812,683</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| INTEREST RECEIVED | 52,873 |
| CHANGE IN RESTRICTED FUNDS | 284,335 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>337,208</u> |
| NET INCREASE IN CASH | 1,577,459 |
| CASH AT BEGINNING OF YEAR | <u>349,694</u> |
| CASH AT END OF YEAR | <u>\$ 1,927,153</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| OPERATING INCOME | \$ 75,151 |
| ITEMS NOT REQUIRING (PROVIDING) CASH: | |
| PROVISION FOR BAD DEBTS | 2,572 |
| DEPRECIATION EXPENSE | 187,451 |
| (INCREASE) DECREASE IN: | |
| ACCOUNTS RECEIVABLE - CUSTOMERS | 386,256 |
| ACCOUNTS RECEIVABLE - OTHER | (97,500) |
| INCREASE (DECREASE) IN: | |
| ACCOUNTS PAYABLE | (72,051) |
| ACCRUED LIABILITIES | (106,225) |
| GRANT ADVANCES | 51,914 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 427,568</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 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 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 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. 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, 2011 THE NET ASSETS INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT WAS \$76,845. 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 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, 2011:

| | |
|-------------------------------|---------------------|
| CLOSURE FUNDS - CASH | 297,678 |
| CLOSURE FUNDS - INVESTMENTS | 1,023,931 |
| CAPITAL IMPROVEMENT FUNDS | 1,240,809 |
| RECYCLING FUNDS | 126,294 |
| DISABILITY DISBURSEMENT FUNDS | 612 |
| ACCRUED INTEREST RECEIVABLE | <u>3,324</u> |
| TOTAL RESTRICTED FUNDS | <u>\$ 2,692,648</u> |

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 2: RESTRICTED FUNDS (CONT'D)

CLOSURE FUNDS - THESE FUNDS WERE RESTRICTED FOR PAYMENT OF THE DISTRICT'S COST OF CLOSING THE LANDFILL AND POST CLOSURE CARE OF THE LANDFILL. THE DISTRICT WAS REQUIRED TO MAKE DEPOSITS INTO THESE FUNDS PURSUANT TO THE CLOSURE TRUST AGREEMENT. IN THE SALE OF THE LANDFILL, THE PURCHASER ASSUMED ALL OF THE CLOSURE AND POST CLOSURE COSTS. IT IS THE INTENTION OF THE DISTRICT TO HAVE THESE FUNDS RELEASED AS UNRESTRICTED DUE TO THE DISTRICT NO LONGER HAVING THE LIABILITY OF CLOSURE AND POST CLOSURE COSTS.

CAPITAL IMPROVEMENT FUNDS - THESE FUNDS WERE RESTRICTED FOR THE PURPOSE OF FUNDING ADDITIONAL CELLS OF THE DISTRICT AND FOR MAJOR EQUIPMENT PURCHASES. THE DISTRICT WAS REQUIRED TO DEPOSIT AT LEAST \$150,000 INTO THIS ACCOUNT ANNUALLY UNTIL IT HAD ACCUMULATED A BALANCE OF \$1,500,000. DUE TO NO LONGER OWNING THE LANDFILL, IT IS THE DISTRICT'S INTENTION TO RECLASS THESE FUNDS AS UNRESTRICTED FUNDS.

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

DISABILITY DISBURSEMENT FUNDS - THESE FUNDS WERE RESTRICTED FOR THE PAYMENT OF MEDICAL EXPENSES FOR THREE EMPLOYEES WHO RETIRED BECAUSE OF DISABILITY. A SET AMOUNT WAS 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. AS OF SEPTEMBER 30, 2011, THE EMPLOYEES HAD BEEN PAID FOR THE AMOUNT THEY WERE OWED. IT IS THE DISTRICT'S INTENTION TO RECLASS THESE FUNDS TO UNRESTRICTED.

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, 2011:

| | |
|--|--------------------|
| COST | \$1,293,460 |
| UNREALIZED APPRECIATION (DEPRECIATION) | <u>28,149</u> |
| FAIR VALUE | <u>\$1,321,609</u> |

THE FOLLOWING SCHEDULE SUMMARIZES INVESTMENT RETURN FOR THE YEAR ENDED SEPTEMBER 30, 2011:

| | |
|---|------------------|
| INTEREST INCOME | \$ 49,517 |
| TRUSTEE FEES | (17,017) |
| CHANGE IN UNREALIZED GAINS (LOSSES) ON INVESTMENTS | <u>17,610</u> |
| INVESTMENT RETURN | <u>\$ 50,110</u> |

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 3: ALLOWANCE FOR DOUBTFUL ACCOUNTS

THE FOLLOWING IS A SUMMARY OF THE CHANGES IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR THE YEAR ENDING SEPTEMBER 30, 2011:

| | |
|--|------------------|
| BALANCE AT BEGINNING OF YEAR | \$ 30,473 |
| PROVISION CHARGED TO OPERATING REVENUE | 2,572 |
| AMOUNTS CHARGED OFF | <u>(2,143)</u> |
| BALANCE AT END OF YEAR | <u>\$ 30,902</u> |

NOTE 4: CAPITAL ASSETS

THE FOLLOWING IS A SUMMARY OF CAPITAL ASSETS AT SEPTEMBER 30, 2011:

| | <u>10/01/10</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>9/30/11</u> |
|--------------------------------|--------------------|------------------|---------------------|------------------|
| LAND | \$ 53,387 | \$ | \$ 53,387 | \$ |
| LAND IMPROVEMENTS | 8,861,151 | | 8,861,151 | |
| BUILDINGS & IMPROVEMENTS | 1,910,923 | 10,011 | 1,910,923 | 10,011 |
| EQUIPMENT | 2,372,193 | 9,737 | 2,187,877 | 194,053 |
| VEHICLES | <u>76,357</u> | | <u>45,293</u> | <u>31,064</u> |
| TOTAL CAPITAL ASSETS | 13,274,011 | <u>\$ 19,748</u> | <u>\$13,058,631</u> | 235,128 |
| LESS: ACCUMULATED DEPRECIATION | <u>8,468,339</u> | | | <u>158,283</u> |
| NET CAPITAL ASSETS | <u>\$4,805,672</u> | | | <u>\$ 76,845</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, 2011:

RECYCLING GRANTS FROM ADEQ:

| | |
|------------------------------|------------------|
| BALANCE AT BEGINNING OF YEAR | \$ 23,316 |
| FUNDS RECEIVED | 101,125 |
| FUNDS DISBURSED | <u>(49,211)</u> |
| BALANCE AT END OF YEAR | <u>\$ 75,230</u> |

NOTE 6: LONG-TERM DEBT

LONG-TERM DEBT CONSISTED OF THE FOLLOWING AT SEPTEMBER 30, 2011:

| | <u>BALANCE</u> <u>10/01/10</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u> | <u>BALANCE</u> <u>9/30/11</u> |
|---------------|-----------------------------------|------------------|-------------------|----------------------------------|
| REVENUE BONDS | \$6,700,000 | \$ | \$6,700,000 | \$ |

DURING THE YEAR ENDED SEPTEMBER 30, 2011, THE DISTRICT SOLD THE LANDFILL IT OPERATED. IN CONNECTION WITH THE SALE, THE REVENUE BONDS WERE PAID OFF. SEE NOTE 8 FOR MORE INFORMATION REGARDING THE SALE.

SALINE COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 7: 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 7: RETIREMENT PLAN (CONT'D)

EMPLOYEE CONTRIBUTIONS MADE TO THE PLAN WERE \$4,309, \$17,247, AND \$18,420 FOR THE YEARS ENDING SEPTEMBER 30, 2011, 2010 AND 2009, RESPECTIVELY. EMPLOYER CONTRIBUTIONS FOR THE YEARS ENDING SEPTEMBER 30, 2011, 2010, AND 2009 WERE \$48,682, \$63,101, AND \$68,319, RESPECTIVELY.

NOTE 8: DISCONTINUED OPERATIONS

DURING THE YEAR ENDED SEPTEMBER 30, 2011, THE DISTRICT SOLD THE LANDFILL IT OPERATED. THE REVENUE GENERATED FROM THE LANDFILL WAS \$913,094 FOR THE YEAR ENDED SEPTEMBER 30, 2011. AT THE TIME OF THE LANDFILL SALE, THE OPERATING LOSS WAS APPROXIMATELY \$91,000. THE DISTRICT SOLD THE LANDFILL AND VARIOUS EQUIPMENT ASSOCIATED WITH THE LANDFILL FOR \$7,750,000, WHICH RESULTED IN A GAIN ON SALE OF ASSETS FOR \$4,255,635. THE BUYER ASSUMED THE RESPONSIBILITY OF THE CLOSURE/POST-CLOSURE LIABILITY. THE BUYER WILL 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 RETAINED ALL CASH, RECEIVABLES, AND VARIOUS ADMINISTRATIVE AND RECYCLING EQUIPMENT. THE DISTRICT WILL CONTINUE TO MANAGE THE COLLECTION OF WASTE IN SALINE COUNTY, OVERSEE RECYCLING, AND PROVIDE EDUCATION FOR RECYCLING AND WASTE DISPOSAL.

NOTE 9: 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:

| | |
|-------|------------------|
| 2012 | \$ 4,200 |
| 2013 | 4,200 |
| 2014 | 4,200 |
| 2015 | 4,200 |
| 2016 | 3,500 |
| TOTAL | <u>\$ 20,300</u> |

NOTE 10: SUBSEQUENT EVENT

SUBSEQUENT EVENTS WERE EVALUATED THROUGH JANUARY 30, 2012, 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, 2011, AND HAVE ISSUED OUR REPORT THEREON DATED JANUARY 30, 2012. 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.

Upakum, Soveel & Co. P&C
CERTIFIED PUBLIC ACCOUNTANTS

BENTON, ARKANSAS
JANUARY 30, 2012