

Saline County Regional Solid Waste Management District

Financial Statements, Required Supplementary
Information and Other Reports

September 30, 2015



Yoakum, Lovell & Co., PLC
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2015. 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 \$69,250 over the past year from \$4,335,107 to \$4,265,857.
- The District's total unrestricted cash and investments decreased \$101,217 over the past year from \$4,247,313 to \$4,146,096.

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, 2015. 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>2015</u>	<u>Restated 2014</u>
Current and Restricted Assets	\$ 4,598,931	\$ 4,668,006
Capital Assets, Net	156,137	136,920
Deferred Outflows of Resources	<u>48,534</u>	
Total Assets	<u>\$ 4,803,602</u>	<u>\$ 4,804,926</u>

Current Liabilities	\$ 312,634	\$ 290,577
Long-Term Liabilities	201,862	179,242
Deferred Inflows of Resources	<u>23,249</u>	<u> </u>
Total Liabilities	<u>537,745</u>	<u>469,819</u>
Net Position Invested in Capital Assets, Net of Related Debt	156,137	136,920
Unrestricted Net Position	<u>4,109,720</u>	<u>4,198,187</u>
Total Net Position	<u>4,265,857</u>	<u>4,335,107</u>
Total Liabilities and Net Position	<u>\$ 4,803,602</u>	<u>\$ 4,804,926</u>

As the above table indicates, total assets have decreased \$1,324 or less than 1% over the past year from \$4,804,926 to \$4,803,602. This decrease is primarily due to a negative cash flow during the year.

The total liabilities have increased \$67,926 or 14% over the past year from \$469,819 to \$537,745. This increase is primarily from an increase from implementing GASB 68 in the current year recognizing the deferred inflow of resources associated with the net pension liability.

**Condensed Statements of Revenues, Expenses
and Changes in Net Position**

	<u>2015</u>	<u>Restated 2014</u>
Operating Revenues		
Landfill – Royalty Income	\$ 450,000	\$ 450,000
Other Revenue	<u>174,443</u>	<u>207,975</u>
Total Operating Revenues	624,443	657,975
Gain (Loss) on Sale of Assets	(215)	
Loss on Disposal of Construction in Process Asset		(13,970)
Investment Return	<u>105,770</u>	<u>66,089</u>
Total Revenue	<u>729,998</u>	<u>710,094</u>
Operating Expenses		
Personnel	297,053	268,844
Operations	481,763	471,481
Depreciation	<u>20,432</u>	<u>25,372</u>
Total Operating Expenses	<u>799,248</u>	<u>765,697</u>
Changes in Net Position	(69,250)	(55,603)
Net Position at Beginning of Year	<u>4,335,107</u>	4,569,952
Implementation of GASB 68		<u>(179,242)</u>
Net Position at End of Year	<u>\$ 4,265,857</u>	<u>\$ 4,335,107</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 decreased \$33,532 or 5% over the past year from \$657,975 to \$624,443. The decrease is due to a decrease in recycling revenue during the year.

The District's operating expenses increased \$33,551 or 4% over the past year from \$765,697 to \$799,248. This increase is due to an increase in personnel expenses during the year.

Analysis of Capital Assets and Long-Term Debt

A summary of the District's capital assets and long-term debt balances are below:

	2015	2014
Capital Assets		
Non-Depreciable Assets		
Land	\$ 65,803	\$ 65,803
Depreciable Assets		
Buildings & Improvements	19,823	19,823
Equipment	233,024	219,954
Vehicles	71,020	61,746
Less: Accumulated Depreciation	(233,533)	(230,406)
Total Capital Assets, Net	\$ 156,137	\$ 136,920

The majority of the capital assets remaining are used in the recycling operations.

The only long-term debt of the District is the net pension liability. In the current year, the District implemented GASB 68. With this implementation, the District now records its proportionate share of the net pension liability, deferred inflows and outflows of the pension plan administered by APERS, a multi-employer defined benefit plan in which the District participates. The net pension liability increased \$22,620 or 13% over the past year from \$179,242 to \$201,862.



Yoakum, Lovell & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
Saline County Regional Solid
Waste Management District
Bauxite, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Saline County Regional Solid Waste Management District which comprise the balance sheet as of September 30, 2015, 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 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 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, 2015, 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-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 3 and pension schedules on pages 16 and 17 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures – Comparison of Actual to Budget is presented for purposes of additional analysis and is not a required part of the basic financial statements.

This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2016, 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.

Goakem, Revell & Co., P.C.
Certified Public Accountants

Benton, Arkansas
March 3, 2016

**Saline County Regional Solid Waste Management District
Balance Sheet
September 30, 2015**

Assets and Deferred Outflows of Resources

Current Assets	
Cash	\$ 1,844,268
Investments	2,301,828
Accrued Interest Receivable	13,021
Prepaid Expenses	439
Accounts Receivable - Other	150,000
Total Current Assets	<u>4,309,556</u>
Restricted Funds	<u>289,375</u>
Capital Assets, Net	<u>156,137</u>
Deferred Outflows of Resources	
Deferred Pension Outflows	<u>48,534</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,803,602</u>

Liabilities, Deferred Inflows of Resources, and Net Position

Current Liabilities	
Accounts Payable	\$ 17,344
Accrued Wages and Leave	5,915
Grant Advances	289,375
Total Current Liabilities	<u>312,634</u>
Long-Term Liabilities	
Net Pension Liability	<u>201,862</u>
Deferred Inflows of Resources	
Deferred Pension Inflows	<u>23,249</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	156,137
Unrestricted	4,109,720
Total Net Position	<u>4,265,857</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 4,803,602</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, 2015**

Operating Revenues	
Landfill - Royalty Income	\$ 450,000
Recycling Revenue	5,275
Grant Revenue	143,928
Coupon Program	15,567
Other Income	9,673
Total Operating Revenues	<u>624,443</u>
Operating Expenses	
Advertising	7,237
Contract Labor	7,413
Depreciation	20,432
Disposal Fees	44,387
Education	38,601
Employee Benefits	18,292
E-Waste	28,526
Fuel and Oil	6,188
Household Hazard Waste Program	32,088
Insurance	5,354
Interest	64
Office Expense	10,149
Other Expenses	6,746
Payroll Taxes	39,259
Pension Expense	27,142
Professional Fees	41,157
Recycling and Recycling Grant Expense	202,811
Rent	13,950
Repairs and Maintenance	10,341
Supplies	3,432
Travel, Conferences, & Meals	14,644
Utilities	8,675
Wages and Salaries	212,360
Total Operating Expenses	<u>799,248</u>
Operating Income (Loss)	<u>(174,805)</u>
Nonoperating Revenues (Expenses)	
Investment Return	105,770
Loss on Disposal of Asset	(215)
Total Nonoperating Revenues (Expenses)	<u>105,555</u>
Change in Net Position	(69,250)
Net Position at Beginning of Year (Restated)	<u>4,335,107</u>
Net Position at End of Year	<u>\$ 4,265,857</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, 2015**

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 480,515
Cash Received from Grants	173,144
Cash Paid for Employees	(305,005)
Cash Paid to Suppliers	(484,074)
Net Cash Used by Operating Activities	<u>(135,420)</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(39,964)
Net Cash Used by Capital and Related Financing Activities	<u>(39,964)</u>
Cash Flows from Investing Activities	
Interest Received	9,768
Purchase Of Investments	(172,550)
Change in Restricted Funds	(29,216)
Net Cash Used by Investing Activities	<u>(191,998)</u>
Net Decrease in Cash	(367,382)
Cash at Beginning of Year	<u>2,211,650</u>
Cash at End of Year	<u><u>\$ 1,844,268</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Income	\$ (174,805)
Items Not Requiring (Providing) Cash:	
Depreciation Expense	20,432
Net Change in Pension Liability	(2,665)
(Increase) Decrease In:	
Prepaid Expenses	(439)
Increase (Decrease) In:	
Accounts Payable	(1,872)
Accrued Liabilities	(5,287)
Grant Advances	29,216
Net Cash Used by Operating Activities	<u><u>\$ (135,420)</u></u>

The accompanying notes are an integral part of these financial statements.

Saline County Regional Solid Waste Management District
Notes to the 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 Note 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.
- 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.

Saline County Regional Solid Waste Management District
Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies (cont'd)

- G. **Net Position** – Under GASB 34, the District must report its net position as restricted, unrestricted, or invested in capital assets, net of related debt. As of September 30, 2015, the net position invested in capital assets, net of related debt was \$156,137. 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 e-waste & recycling expenses. The funds are held in a cash account and at September 30, 2015, had a balance of \$289,375.

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, 2015:

Cost	\$ 2,278,929
Unrealized Appreciation (Depreciation)	<u>22,899</u>
Fair Value	<u>\$ 2,301,828</u>

The following schedule summarizes investment return for the year ended September 30, 2015:

Interest Income	\$ 50,713
Trustee Fees	(2,747)
Change in Unrealized Gains (Losses) on Investments	<u>57,804</u>
Investment Return	<u>\$ 105,770</u>

Note 4: Capital Assets

The following is a summary of capital assets at September 30, 2015:

	<u>10/01/14</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/15</u>
Land	\$ 65,803	\$	\$	\$ 65,803
Buildings & Improvements	19,823			19,823
Equipment	219,954	15,430	2,360	233,024
Vehicles	<u>61,746</u>	<u>24,534</u>	<u>15,260</u>	<u>71,020</u>
Total Capital Assets	367,326	<u>\$ 39,964</u>	<u>\$ 17,620</u>	389,670
Less: Accumulated Depreciation	<u>230,406</u>			<u>233,533</u>
Net Capital Assets	<u>\$ 136,920</u>			<u>\$ 156,137</u>

Saline County Regional Solid Waste Management District
Notes to the Financial Statements

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, 2015:

E-Waste and recycling grants from ADEQ:

Balance at Beginning of Year	\$ 260,159
Funds Received	
ACT 1313 Funds	102,909
SAL 01-15EW (E-Waste Grant)	20,000
SAL 02-15EW (E-Waste Grant)	10,000
SAL 03-15EW (E-Waste Grant)	20,235
SAL 04-15EW (E-Waste Grant)	20,000
Funds Disbursed	<u>(143,928)</u>
Balance at End of Year	<u>\$ 289,375</u>

Note 6: Retirement Plan

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings. The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3 year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005),

**Saline County Regional Solid Waste Management District
Notes to the Financial Statements**

Note 6: Retirement Plan (cont'd)

- or at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of living adjustment of 3% of the current benefit is added each year.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 14.88% of compensation for the fiscal year ended June 30, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability of \$1,841,733,376 was measured as of June 30, 2015, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

At September 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources as of June 30, 2015, related to pensions from the following sources:

**Saline County Regional Solid Waste Management District
Notes to the Financial Statements**

Note 6: Retirement Plan (cont'd)

	Deffered Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 13,234
Changes of assumptions	29,790	
Net Difference between projected and actual earnings on pension plan investments		10,015
Changes in proportion and differences between employer contributions and share of contributions	11,496	
Contributions subsequent to measurement date	7,248	
	\$ 48,534	\$ 23,249

Contributions made subsequent to the measurement date will be reversed in fiscal year ending September 30, 2016, and will not be amortized in the schedule below. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Water Department's financial statements as follows:

Years ended September 30:

2016	\$	1,598
2017		1,598
2018		1,598
2019		1,598
2020		148

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	25 years (13 years for District Judges New Plan/Paid Off Old Plan and 20 Years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation

**Saline County Regional Solid Waste Management District
Notes to the Financial Statements**

**Note 6: Retirement Plan (cont'd)
Actuarial Assumptions (cont'd)**

Salary Increases:	3.25% to 9.85% including inflation (3.25% to 6.96% including inflation for District Judges)
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in APERS' target asset allocation as of June 30, 2015 are summarized in the table below:

<u>Asset Class</u>	<u>Current Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	16%	0.83%
Total	<u>100%</u>	

Discount Rate

A single discount rate of 7.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.5%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

Saline County Regional Solid Waste Management District
Notes to the Financial Statements

Note 6: Retirement Plan (cont'd)

Sensitivity of Discount Rate

1% Lower 6.50%	Discount Rate 7.50%	1% Higher 8.50%
\$ 332,518	\$ 201,862	\$ 93,201

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:

2016	\$ 3,500
Total	<u>\$ 3,500</u>

Note 8: Related Party

During the year ended September 30, 2015, a company owned by a board member's spouse was paid \$5,627 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 \$2,001 for the year ended September 30, 2015, for maintenance to the District's vehicles. This business relationship existed prior to the executive director being hired by the District.

Note 9: Restatement of Financial Statements

During the year ended September 30, 2015, the District adopted GASB Statement Number 68. GASB 68 requires employers in a cost-sharing plan to record its proportionate share of the plan's net pension liability, along with the associated deferred inflows and outflows. See Note 6 for more detailed information. The effect of this implementation was to add \$179,242 to net pension liability, and a corresponding reduction of unrestricted net position as of September 30, 2014.

Note 10: Subsequent Event

Subsequent events were evaluated through March 3, 2016, which is the date the financial statements were available to be issued.

**Saline County Regional Solid Waste Management District
Schedule of the District's Proportionate
Share of the Net Pension Liability
September 30, 2015**

District's Proportion of the Net Pension Liability	<u>2015*</u> 0.01%
District's Proportionate Share of the Net Pension Liability	\$ 201,862
District's Covered - Employee Payroll	\$ 202,821
District's Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	99.53%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	80.39%

*Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2015, therefore only one year is shown.

Saline County Regional Solid Waste Management District
Schedule of Contributions
September 30, 2015

Contractually Required Contribution	\$ <u>29,806</u>
Contributions in Relation to the Contractually Required Contribution	<u>(29,806)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>
District's Covered-Employee Payroll	\$ 202,821
Contributions as a Percentage of Covered-Employee Payroll	14.70%

*Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2015, therefore only one year is shown.

Saline County Regional Solid Waste Management District
 Schedule of Expenditures - Comparison of Actual to Budget
 September 30, 2015

2014-2015 OPERATIONS DETAIL REPORT

<u>DISTRICT OPERATIONS</u>	<u>YTD</u>	<u>Budget</u>	<u>(O)/U</u>
OVERHEAD			
APERS	\$ 39,947.34	\$ 18,000.00	\$ (21,947.34)
INSURANCE	\$ 41,369.57	\$ 36,000.00	\$ (5,369.57)
RENT	\$ 13,950.00	\$ 13,200.00	\$ (750.00)
SALARY/WAGES	\$ 152,624.79	\$ 204,000.00	\$ 51,375.21
TAXES	\$ 67,398.02	\$ 58,800.00	\$ (8,598.02)
UTILITIES	\$ 8,333.15	\$ 8,400.00	\$ 66.85
EXPENSE			
CONTINUING EDUCATION/TRAINING	\$ 2,743.80	\$ 6,000.00	\$ 3,256.20
MEALS AND ENTERTAINMENT	\$ 2,613.49	\$ 2,400.00	\$ (213.49)
OFFICE EXPENSES	\$ 21,858.91	\$ 21,600.00	\$ (258.91)
PROFESSIONAL DUES	\$ 1,475.00	\$ 1,200.00	\$ (275.00)
PROFESSIONAL FEES	\$ 46,295.65	\$ 33,600.00	\$ (12,695.65)
TRAVEL	\$ 6,011.06	\$ 3,600.00	\$ (2,411.06)
VEHICLE EXPENSE	\$ 38,845.45	\$ 18,000.00	\$ (20,845.45)
OPERATIONS			
ADVERTISING	\$ 7,687.37	\$ 18,000.00	\$ 10,312.63
1333 GRANT - ADVERTISING	\$ -	\$ -	\$ -
E-WASTE GRANT - ADVERTISING	\$ -	\$ -	\$ -
EDUCATION	\$ 10,687.67	\$ 48,000.00	\$ 37,312.33
GRANT - EDUCATION	\$ -	\$ -	\$ -
E-WASTE GRANT - EDUCATION	\$ -	\$ -	\$ -
HHW	\$ 21,213.95	\$ 30,000.00	\$ 8,786.05
MISC.	\$ 2,938.07	\$ -	\$ (2,938.07)
GRANT - MISC.	\$ -	\$ -	\$ -
E-WASTE GRANT - MISC.	\$ -	\$ -	\$ -
RECYCLE EXPENSE	\$ 145,331.27	\$ 78,750.00	\$ (66,581.27)
GRANT - RECYCLE EXPENSE	\$ -	\$ -	\$ -
E-WASTE GRANT - RECYCLING EXPENSE	\$ -	\$ -	\$ -
CONTRACT LABOR	\$ 7,318.88	\$ 1,200.00	\$ (6,118.88)
GRANT - CONTRACT LABOR	\$ -	\$ -	\$ -
E-WASTE GRANT - CONTRACT LABOR	\$ -	\$ -	\$ -
WASTE DISPOSAL	\$ 39,448.13	\$ 16,200.00	\$ (23,248.13)
GRANT - WASTE DISPOSAL	\$ -	\$ -	\$ -
WASTE TRANSPORT	\$ 786.72	\$ 18,900.00	\$ 18,113.28
GRANT - WASTE TRANSPORT	\$ -	\$ -	\$ -
DISTRICT OPERATION TOTAL	\$ 678,878.29	\$ 635,850.00	\$ (43,028.29)



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, 2015, 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 March 3, 2016.

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.

Yoakum, Lovell & Co., PRC
Certified Public Accountants

Benton, Arkansas
March 3, 2016

