

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT



NASHVILLE, ARKANSAS

DECEMBER 31, 2022

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NASHVILLE, ARKANSAS

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DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
Upper Southwest Regional Solid Waste Management District
Nashville, Arkansas

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Upper Southwest Regional Solid Waste Management District (“District”) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise Upper Southwest Regional Solid Waste Management District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Upper Southwest Regional Solid Waste Management District as of December 31, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Southwest Regional Solid Waste Management District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a clear basis for our audit opinion.

Prior Period Financial Statements

The consolidated financial statements of Upper Southwest Regional Solid Waste Management District as of December 31, 2021 were audited by other auditors whose report dated December 29, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Southwest Regional Solid Waste Management District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Upper Southwest Regional Solid Waste Management District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Southwest Regional Solid Waste Management District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the budgetary comparison information and management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information for cost-sharing plans (page 24) be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Operating Expenses on page 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2023, on our consideration of Upper Southwest Regional Solid Waste Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Upper Southwest Regional Solid Waste Management District's 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 Upper Southwest Regional Solid Waste Management District's internal control over financial reporting and compliance.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas
August 24, 2023

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	2022	2021
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 2,356,028	\$ 1,878,892
Certificates of Deposit	953,683	681,374
Accounts Receivable - Trade (Net of Allowance of \$15,462)	699,398	552,800
Tire Accountability Program Receivable	195,443	199,742
TOTAL CURRENT ASSETS	4,204,552	3,312,808
RESTRICTED ASSETS:		
Restricted Cash and Cash Equivalents	947,415	961,070
NONCURRENT CASH AND INVESTMENTS:		
Cash Held for Closure / Post Closure	2,862,596	2,694,302
Investments Held for Debt Services	389,456	409,051
	3,252,052	3,103,353
Less Amount Required to Meet Current Obligations	(376,166)	(377,023)
TOTAL NONCURRENT CASH AND INVESTMENTS	2,875,886	2,726,330
CAPITAL ASSETS, NET	6,556,293	7,098,014
TOTAL ASSETS	14,584,146	14,098,222
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Outflows of Resources Related to Pension	418,032	100,479
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 15,002,178	\$ 14,198,701

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

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

	2022	2021
CURRENT LIABILITIES:		
Accounts Payable	\$ 154,460	\$ 157,115
Accrued Expenses and Other Payables	183,189	40,778
Note Payable - CertainTeed	-	283,798
Current Portion of Long-Term Debt	325,000	316,000
TOTAL CURRENT LIABILITIES	662,649	797,691
 CLOSURE/POST CLOSURE	 4,447,421	 4,064,146
LONG-TERM LIABILITIES:		
Long-Term Debt	1,406,000	1,731,000
Net Pension Liability	1,265,354	342,482
TOTAL LONG-TERM LIABILITIES	2,671,354	2,073,482
 TOTAL LIABILITIES	 7,781,424	 6,935,319
DEFERRED INFLOWS OF RESOURCES:		
Deferred Inflows of Resources Related to Pension	53,987	686,307
Recycling & E-Waste Grants	591,598	584,047
TOTAL DEFERRED INFLOWS OF RESOURCES	645,585	1,270,354
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 8,427,009	 8,205,673
NET POSITION:		
Invested in Capital Assets, Net of Related Debt	4,825,293	5,051,014
Restricted:		
Debt Service	389,456	409,051
Closure/Post Closure Costs	2,862,596	2,694,302
Unrestricted	(1,502,176)	(2,161,339)
TOTAL NET POSITION	6,575,169	5,993,028
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 \$ 15,002,178	 \$ 14,198,701

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

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

	Landfill	Waste Tire	2022	2021
OPERATING REVENUE:				
Fees Earned	\$ 4,041,240	\$ 128,299	\$ 4,169,539	\$ 3,745,169
Recyclable Material Sales	5,190	-	5,190	10,314
Recycling & E-Waste Grants	95,867	-	95,867	128,451
Tire Accountability Program	-	809,727	809,727	820,491
TOTAL OPERATING REVENUE	4,142,297	938,026	5,080,323	4,704,425
 OPERATING EXPENSES (Schedule I)	 3,792,426	 777,759	 4,570,185	 3,784,496
 OPERATING INCOME	 \$ 349,871	 \$ 160,267	 510,138	 919,929
 OTHER INCOME (EXPENSES):				
State Recycling & E-Waste Grants			100,000	6,490
Investment Income			19,003	14,491
Interest Expense			(65,175)	(70,652)
Investment Expense			(2,200)	(2,721)
Gain (Loss) on Disposal of Assets			20,375	(64,858)
TOTAL OTHER INCOME (EXPENSES)			72,003	(117,250)
 CHANGE IN NET POSITION			 582,141	 802,679
 NET POSITION AT BEGINNING OF YEAR			 5,993,028	 5,275,164
 PRIOR PERIOD ADJUSTMENT			 -	 (84,815)
 NET POSITION AT END OF YEAR			 \$ 6,575,169	 \$ 5,993,028

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

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 4,028,131	\$ 3,654,095
Cash Received - Tire Accountability Program	814,026	769,221
Grants Received - Recycling & E-Waste	95,867	195,875
Grants Expended - Recycling & W-Waste	(95,867)	(134,941)
Cash Paid - Suppliers	(1,932,980)	(1,513,453)
Cash Paid - Employees and Benefits	(1,247,419)	(1,304,880)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,661,758	1,665,917
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payment to Closure/Post Closure Trustee	(157,497)	(134,878)
NET CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	(157,497)	(134,878)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of Capital Assets	(248,617)	(869,646)
Proceeds from Recycling Grant	100,000	-
Proceeds Received from Disposal of Capital Assets	20,375	16,950
Principal Paid on Long-Term Debt	(599,798)	(306,000)
Interest Paid on Long-Term Debt	(65,175)	(70,652)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(793,215)	(1,229,348)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Investments	24,635	5,085
Purchase of Certificate of Deposit	(270,000)	-
Investment Expenses	(2,200)	(2,721)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(247,565)	2,364
NET INCREASE IN CASH AND RESTRICTED CASH	463,481	304,055
CASH AND RESTRICTED CASH - BEGINNING OF YEAR	2,839,962	2,535,907
CASH AND RESTRICTED CASH - END OF YEAR	\$ 3,303,443	\$ 2,839,962

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

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

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Reconciliation of operating income to net cash provided by operating activities:

	2022	2021
OPERATING INCOME	\$ 510,138	\$ 919,929
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	790,338	836,974
Pension Related Adjustment	(27,001)	(182,655)
Change in Assets and Liabilities:		
Accounts Receivable	(146,598)	(99,858)
Grants Receivable	4,299	(51,270)
Prepaid Expenses	-	1,295
Accounts Payable	(2,655)	(12,601)
Accrued Liabilities	142,411	5,507
Deferred Revenue	7,551	67,504
Closure/Post Closure Liability	383,275	181,092
TOTAL ADJUSTMENTS	1,151,620	745,988
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,661,758	\$ 1,665,917
SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Note Payable - CertainTeed	\$ -	\$ 283,798

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

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 1. Summary of Significant Accounting Policies:

The Upper Southwest Regional Solid Waste Management District (“District”) was incorporated in 1990 under the provisions of the State of Arkansas and operates under the guidelines of Section 5 of Arkansas Act 752 of 1991. The District was formed to operate a regional solid waste landfill and commenced operations in 1994. The District’s Board of Directors consist of the county judges and the mayors of the county seats for the area it covers. The nine counties are Howard, Sevier, Little River, Pike, Polk, Hempstead, Nevada, Montgomery, and Lafayette.

The financial statements of the District have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Operating revenues and expenses include exchange transactions. Investment income and interest of capital assets-related debt are included in nonoperating revenues and expenses. The District first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

The District prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB) pursuant to GASB Statement No. 62.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

The District considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted entirely of money market accounts held by the trust departments of financial institutions.

Accounts receivable consist of fees billed to customers for waste disposal based on the weight of the waste disposed. An allowance for uncollectible customer accounts receivable is established based on management’s experience with collection history. Accounts receivable are recorded net of estimated uncollectible amounts.

Investments in certificate of deposits are carried at amortized cost and are included in current assets on the balance sheet.

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption. Settled claims have not exceeded coverage in any of the three preceding years and there has been no significant reduction in coverage in fiscal years 2022 or 2021.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1. Summary of Significant Accounting Policies: (Continued)

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the District:

Plant in Service	22 - 23 years
Buildings	15 - 39 years
Machinery and Equipment	5 - 20 years

It is the District's policy to capitalize all asset purchases \$500 or greater.

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowing used to finance the purchase or construction of those assets. Restricted are noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Unrestricted are remaining assets less the remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

The District is a political subdivision of the State of Arkansas and is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

In accordance with GASB 65, loan costs are expensed when incurred. GASB 65 required the removal of loan costs in a prior period. Therefore, the District has made an adjustment to reduce net position and the asset Bond Issuance Costs by \$84,815 as of January 1, 2021.

In addition to assets, the balance sheet has a separate section for deferred outflows of resources which represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the balance sheet has a separate section for deferred inflows of resources which represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District recognizes deferred inflows of resources related to recycling and E-waste grants and pensions.

Management has evaluated subsequent events through August 24, 2023, the date the financial statements were available for issuance.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2. Capital Assets:

Capital assets activity consists of the following in 2022:

	12/31/2021	Increases	Decreases	12/31/2022
Land	\$ 566,032	\$ -	\$ -	\$ 566,032
Building	1,603,172	-	-	1,603,172
Plant in Service	7,003,803	18,167	-	7,021,970
Machinery and Equipment	8,706,975	230,450	(27,900)	8,909,525
	<u>17,879,982</u>	<u>248,617</u>	<u>(27,900)</u>	<u>18,100,699</u>
Less Accumulated Depreciation:				
Building	(787,824)	(38,765)	-	(826,589)
Plant in Service	(4,668,249)	(165,170)	-	(4,833,419)
Machinery and Equipment	(5,325,895)	(586,403)	27,900	(5,884,398)
	<u>(10,781,968)</u>	<u>(790,338)</u>	<u>27,900</u>	<u>(11,544,406)</u>
NET	<u>\$ 7,098,014</u>	<u>\$ (541,721)</u>	<u>\$ -</u>	<u>\$ 6,556,293</u>

Capital assets activity consists of the following in 2021:

	12/31/2020	Increases	Decreases	12/31/2021
Land	\$ 252,234	\$ 313,798	\$ -	\$ 566,032
Building	1,574,716	28,456	-	1,603,172
Plant in Service	7,003,803	-	-	7,003,803
Machinery and Equipment	8,227,321	871,190	(391,536)	8,706,975
	<u>17,058,074</u>	<u>1,213,444</u>	<u>(391,536)</u>	<u>17,879,982</u>
Less Accumulated Depreciation:				
Building	(749,594)	(38,230)	-	(787,824)
Plant in Service	(4,500,467)	(167,782)	-	(4,668,249)
Machinery and Equipment	(4,944,010)	(630,862)	248,977	(5,325,895)
	<u>(10,194,071)</u>	<u>(836,874)</u>	<u>248,977</u>	<u>(10,781,968)</u>
NET	<u>\$ 6,864,003</u>	<u>\$ 376,570</u>	<u>\$ (142,559)</u>	<u>\$ 7,098,014</u>

Note 3. Deposits and Investments:

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance, bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas, bonds of any city, county, school district or special road district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3. Deposits and Investments: (Continued)

At December 31, 2022 and 2021 all of the bank balances were fully insured and/or collateralized and were not exposed to custodial credit risk.

The District had the following investments stated here at fair value:

Type	12/31/2022 Fair Value	12/31/2021 Fair Value
FDIC - Insured Sweep Program	\$ 389,456	\$ 409,081

Interest Rate Risk: The funds are presented above as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk: Credit risk is the risk that the issuer or other counter party to an investment will not fulfill its obligations.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investment or collateral securities that are in possession of an outside party.

The District's investment policy does not specifically address credit risk or custodial credit risk.

The FDIC-Insured Sweep Program allows cash balances to be 'swept' to participating FDIC-insured banks where they are eligible for insurance protection by the FDIC.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. At December 31, 2022 and 2021, the District's investment in the FDIC-Insured Sweep Program of \$389,456 and \$409,081, respectively, constituted 100% of its total investments.

The carrying value of deposits and investments shown above are properly collateralized and are included in the balance sheet as follows:

	12/31/2022	12/31/2021
Deposits	\$ 6,743,556	\$ 5,838,584
Investments	389,456	409,081
Total Carrying Value	\$ 7,133,012	\$ 6,247,665

Note 4. Debt Obligations:

An agreement was entered into on November 30, 2021 with Certain Teed Gypsum Manufacturing, Inc. to purchase 221 acres of land adjacent to the District's property. A down payment was made upon execution of the agreement with the remaining \$283,798 to be paid upon closing. Closing, and full payment of balance on agreement, occurred January 27, 2022.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4. Debt Obligations: (Continued)

The following is a summary of long-term transactions for the years ended December 31:

Bonds Payable - Revenue Bonds Balance at 1/1/2021	\$2,353,000
Additions	-
Deductions	<u>(306,000)</u>
Bonds Payable - Revenue Bonds Balance at 12/31/2021	2,047,000
Additions	-
Deductions	<u>(316,000)</u>
Bonds Payable - Revenue Bonds Balance at 12/31/2022	<u><u>\$1,731,000</u></u>

In December 2011, the District issued \$4,655,000 in 2011 revenue bonds for the purpose of refunding the 1993 revenue bonds, acquiring land for expansion purposes and acquiring, constructing and equipping improvements to the solid waste disposal and collection facilities. The bonds consist of \$4,655,000 in serial bonds, bearing interest from 1.2% to 5.25% and were to mature in December 2036.

In April 2017, the District issued \$3,353,000 in 2017 revenue bonds for the purpose of refunding the 2011 revenue bonds. The bonds interest rate is 3.1% and will mature in December 2027. The District has pledged its revenues as security for the payment of the principal and interest on these bonds.

These bonds require semi-annual payments of principal and interest at June 1 and December 1. The restrictive covenants include the creation of a bond fund and a debt service fund. At December 31, 2022 and 2021, these funds contained adequate amounts to meet the requirements of the debt covenants. Another restrictive covenant is that the District's remaining permitted capacity should not be exhausted prior to final maturity of the bonds, and if so, the District covenants and agrees that it will initiate and pursue diligently the regulatory process to obtain a final permit for expansion of the Facility in a timely manner so as not to allow the Facility's capacity to be exhausted while bonds remain outstanding. The bonds mature in 2027.

On March 17, 2015 the District closed on the purchase of additional land adjacent to the current permitted area in order to expand the overall life of the landfill by an estimated 20 years. The additional permitted area was approved by ADEQ in May 2019.

In November 2021, the District acquired an additional 221 acres of land for future expansion of the landfill.

The 2021 engineering report estimate a remaining life of approximately 13.4 years for Class 1 landfill and 12.4 years for the Class 4 landfill.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4. Debt Obligations: (Continued)

The debt service requirements for bonds payable as of December 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 325,000	\$ 51,166	\$ 376,166
2024	335,000	41,013	376,013
2025	346,000	30,535	376,535
2026	357,000	19,731	376,731
2027	368,000	8,572	376,572
Thereafter	-	-	-
Total	\$ 1,731,000	\$ 151,017	\$ 1,882,017

The District also has a \$300,000 line of credit. No amounts were drawn on it as of December 31, 2022 or December 31, 2021.

Note 5. Deferred Inflows of Resources – Recycling and E-Waste Grants:

Grant revenue is recognized as income in the year it was expended. Recycling grants activity for the years ended December 31, 2022 and 2021 was as follows:

Recycling & E-Waste Grant Revenue at 1/1/2021	\$ 523,112
Recycling Grants Received during 2021	195,875
Recycling & E-Waste Grant Funds Expended during 2021	(134,940)
Recycling & E-Waste Grant Revenue at 12/31/2021	584,047
Recycling Grants Received during 2022	195,867
Recycling & E-Waste Grant Funds Expended during 2022	(188,316)
Recycling & E-Waste Grant Revenue at 12/31/2022	\$ 591,598

Note 6. Arkansas Public Employees Retirement System:

Implementation of GASB 68 – Restatement of Prior Year Ending Net Position

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which became effective for fiscal years beginning after June 15, 2014. The Statement establishes standards for public pension plan obligations for participating employers.

Under the new statement, a cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6. Arkansas Public Employees Retirement System: (Continued)

Plan Description

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 ("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.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for the APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Funding Policy: The District contributes an actuarially determined amount to the plan, which was 15.32% of annual covered payroll for the year ended 6/30/22. The rate remained unchanged for the fiscal year beginning 7/1/22. Contributions made by the District were \$153,184 and \$141,495 for the years ended December 31, 2022 and 2021, respectively.

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 07/01/2005	2.07%
Contributory, on or after 07/01/2005, but prior to 07/01/2007	2.03%
Contributory on or after 07/01/2007	2.00%
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), 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 or at any age with 25 years of service.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6. Arkansas Public Employees Retirement System: (Continued)

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 adjusting 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. 24-2-703(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022. The contribution rate was unchanged for the fiscal year beginning July 1, 2022.

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 was measured as of June 30, 2022, 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.

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Wage inflation rate	3.25%
Salary Increases	3.25 – 9.85%

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6. Arkansas Public Employees Retirement System: (Continued)

Investment Rate of Return 7.15% (net of investment and administrative expenses)

Mortality Table RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate rates 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 the District's target asset allocation as of June 30, 2022 are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	100%	

Discount Rate

A single discount rate of 7.15% 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 7.15%. 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.

At December 31, 2022 and 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6. Arkansas Public Employees Retirement System: (Continued)

Discount Rate (Continued)

	2022	2021
Deferred Outflows of Resources:		
Differences between expected and actual experience	\$ 30,373	\$ 7,838
Changes in proportion and differences between employer contributions and proportionate share of contribution	39,571	14,386
Changes in assumptions	-	-
Utility contributions subsequent to measurement date	81,160	78,255
Net difference between projected and actual earnings on pension plan investments	266,928	-
Deferred Inflows of Resources:		
Differences between expected and actual experience	(15,277)	(21,965)
Changes in proportion and differences between employer contributions and proportionate share of contribution	(38,710)	(60,771)
Changes in assumptions	-	(2,399)
Utility contributions subsequent to measurement date	-	-
Net difference between projected and actual earnings on pension plan investments	-	(601,172)
Totals	\$ 364,045	\$ (585,828)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Differences in Experience	Changes in Assumptions	Differences in Earnings	Changes in Contribution Proportion	Net Reduction in Pension Expense
2023	\$ 3,289	\$ -	\$ 53,386	\$ 188	\$ 56,863
2024	3,289	-	53,386	188	56,863
2025	3,289	-	53,386	188	56,863
2026	3,289	-	53,385	188	56,862
2027	1,940	-	53,385	109	55,434
	\$ 15,096	\$ -	\$ 266,928	\$ 861	\$ 282,885

Note 7. Related Party Transactions:

The District provides services to substantially all of the counties and cities who judges and mayors serve on the District's board of directors. These counties, and cities paid approximately \$1,895,047 and \$1,514,006 in tipping fees to the District in 2022 and 2021, respectively, and these counties and cities owed approximately \$133,478 and \$122,572 to the District at December 31, 2022 and 2021, respectively.

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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Note 8. Closure and Post-Closure Costs:

The District is required to place a final cover on its landfill when closed, and perform certain maintenance and monitoring functions at the landfill site for 30 years subsequent to closure. An expense provision and related liability are being recognized based on the future closure and post-closure costs that will be incurred near or after the date that the landfill is no longer able to accept waste. The recognition of these closure and post-closure costs is based on the amount of the landfill used during that year. The estimated total current cost of the landfill closure and post-closure care is computed by an independent engineering firm.

Since the District operates both a Class 1 and Class 4 landfill, the costs have been computed separately. The estimated total current closure and post-closure costs at December 31, 2022, for the Class 1 and Class 4 landfills are approximately \$4,034,261 and \$413,160 respectively. The liability reflected on the balance sheet is based on an engineering report that reflects the Class 1 and Class 4 landfills as approximately 58% and 88% complete, respectively. The engineering report estimates a remaining life of approximately 16.2 years for the Class 1 landfill and 11 years for the Class 4 landfill. Actual costs at the projected date of the landfill completion may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The engineering reports for closure and post-closure costs are based on the current cost at December 31, 2021. The estimated total current closure and post-closure costs at December 31, 2021 for the Class 1 and Class 4 landfills were approximately \$3,676,571 and \$387,575 respectively.

Federal and State regulations as well as the 2017 Revenue Bond Indenture require the District to make annual contributions to the Trustee of the Landfill Closure and Post-Closure Care Trust Agreement. These deposits are to be held in trust to satisfy the future obligation of closure and post-closure costs.

In July 2019, the District closed the closure account with Arvest Bank as Trustee and transferred the closure/post-closure fund to a certificate of deposit at Diamond Bank. The general release of Trustee and appointment of Successor Trustee was approved by ADEQ Executive Director on July 25, 2019 and the certificate of deposit was assigned to ADEQ at that time. At December 31, 2022 \$2,862,596 was in this fund and at December 31, 2021, \$2,694,302.

Note 9. Significant Estimates and Concentrations:

The current economic environment presents governmental entities with unprecedented circumstances and challenges, which in some cases could result in large declines in certain assets, constraints on liquidity and difficulty obtaining financing or bonding. The financial statements have been prepared using value and information currently available to the District. Current economic and financial market conditions could adversely affect results of operations in future periods. In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change in the near term and could negatively impact the District's ability to meet debt covenants or maintain sufficient liquidity.

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*

To the City Council
Upper Southwest Regional Solid Waste Management District

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 Upper Southwest Regional Solid Waste Management District as of and for the year ended December 31, 2022, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Southwest 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Upper Southwest Regional Solid Waste Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Southwest Regional Solid Waste Management District' 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-1, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Upper Southwest Regional Solid Waste Management District's financial statements are free of material misstatement, we performed tests of its

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compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-1.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 an entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner, Rodgers, Manning & Plyler, PLLC

Arkadelphia, Arkansas

August 24, 2023

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

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Summary of Auditor's Results

The auditor's report expresses an unqualified opinion on the financial statements of Upper Southwest Regional Solid Waste Management District ("District").

Finding:

2022-1 Criteria or Specific Requirement: Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: Federal payroll tax payments were not made as required for an extended period of time during 2022. Payroll reports for the 2nd, 3rd and 4th quarters of 2022 were not filed timely.

Effect: The District was not in compliance with federal laws for depositing and reporting payroll taxes. They have been assessed a substantial amount of interest/penalties which have been accrued in the financial statements.

Cause: Procedures were not in place to ensure and confirm timely filing of payroll reports and review of bank statements/reconciliations to ensure timely and complete payment of payroll tax liabilities.

Recommendation: Management should review monthly bank reconciliations and investigate any outstanding items that are out of the ordinary. Management should review payroll reports and confirm that they are filed timely.

View of Responsible Officials and Planned Corrective Action: Management no longer uses QuickBooks for processing payroll tax payments. They process all federal payroll tax payments using the Electronic Federal Tax Payment System (EFTPS). Management has also changed outside accounting firms. Management will review bank reconciliations monthly.

SUPPLEMENTARY INFORMATION

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF OPERATING EXPENSES
FOR YEARS ENDED DECEMBER 31, 2022 AND 2021

SCHEDULE I

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	<u>Landfill</u>	<u>Waste Tire</u>	<u>2022</u>	<u>2021</u>
OPERATING EXPENSES:				
Salaries and Wages	\$ 820,139	\$ 224,147	\$ 1,044,286	\$ 950,765
Employee Benefits and Payroll Taxes	269,746	75,798	345,544	179,416
State Tipping Fees	281,693	-	281,693	261,763
Bank Charges	2	-	2	138
Closure/Post Closure	383,275	-	383,275	181,092
Contractual Services	8,672	20,702	29,374	36,119
Depreciation/Amortization	653,147	137,191	790,338	836,974
Leachate	100,407	-	100,407	147,120
Repairs/Maintenance/Fuel/Supplies	886,989	273,239	1,160,228	828,045
Grant Expense	95,867	-	95,867	71,135
Waste Tire Disposal	-	-	-	32,136
Insurance - Property	48,784	10,499	59,283	53,197
Utilities	37,763	25,468	63,231	51,637
Compliance and Enforcement	650	225	875	68,676
Fees and Dues	15,071	2,400	17,471	31,307
Fines and Penalties	31,320	-	31,320	1,206
Office Expense	12,427	694	13,121	10,810
Advertising	1,208	-	1,208	1,823
Aministrative Travel	1,436	-	1,436	1,403
Legal and Professional Fees	143,830	7,396	151,226	39,734
TOTAL OPERATING EXPENSES	<u>\$ 3,792,426</u>	<u>\$ 777,759</u>	<u>\$ 4,570,185</u>	<u>\$ 3,784,496</u>

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

UPPER SOUTHWEST REGIONAL
SOLID WASTE MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
FOR COST-SHARING PLANS
FOR THE YEAR ENDED DECEMBER 31, 2022

SCHEDULE II

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Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
System's proportion of the net pension liability (asset) per APERS	0.0456784%	0.0445457%	0.0471956%	0.0480838%	0.0457277%	0.0449552%	0.0456784%
System's proportionate share of the net pension liability - per APERS	\$ 1,265,354	\$ 342,482	\$ 1,351,486	\$ 1,160,035	\$ 1,008,724	\$ 1,161,704	\$ 1,092,329
System's covered-employee payroll	\$ 999,896	\$ 889,530	\$ 920,868	\$ 920,150	\$ 856,529	\$ 810,228	\$ 827,614
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.55%	38.50%	146.76%	126.07%	117.77%	143.38%	131.99%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

Schedule of Required Contributions Last Fiscal Year

Contractually required contribution	\$ 153,184	\$ 136,276	\$ 141,077	\$ 140,967	\$ 126,338	\$ 117,483	\$ 120,004
Contributions in relation to the contractually required contribution	(153,184)	(136,276)	(141,077)	(140,967)	(126,338)	(117,483)	(120,004)
Contribution deficiency (excess)	-	-	-	-	-	-	-
System's covered-employee payroll	\$ 999,896	\$ 889,530	\$ 920,868	\$ 920,150	\$ 856,529	\$ 810,228	\$ 827,614
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%

See Independent Auditors' Report.