

Northeast Arkansas Regional Solid Waste
Management District

Audited Financial Statements
And Supplementary Information

For the Years Ended December 31, 2023 and 2022

Thomas, Speight & Noble
CERTIFIED PUBLIC ACCOUNTANTS

1120 Windover Road
Jonesboro, AR 72401
(870) 932-5858

Northeast Arkansas Regional Solid Waste Management District

Audited Financial Statements
And Supplementary Information
For the Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Northeast Arkansas Regional Solid Waste Management District
Paragould, AR

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Northeast Arkansas Regional Solid Waste Management District as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the 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 Northeast Arkansas Regional Solid Waste Management District as of December 31, 2023 and 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 Northeast Arkansas 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 basis for our audit opinions.

Responsibilities of Management 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.

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 Northeast Arkansas 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 control. 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.

1120 Windover Rd
PO Box 17167
Jonesboro, AR 72403
870-932-5858
Fax 870-932-2030

420 West Walnut
PO Box 205
Blytheville, AR 72315
870-762-5831
Fax 870-762-5833

1400 West Keiser
PO Box 644
Osceola, AR 72370
870-563-2638
Fax 870-563-3794

915 Townsend Drive
PO Box 700
Pocahontas, AR 72455
870-892-2575
Fax 870-892-2576

501 Ward Avenue
PO Box 1154
Caruthersville, MO 63830
573-333-4225
Fax 573-333-4443

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 Northeast Arkansas 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 Northeast Arkansas 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules 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. Management has chosen to omit the management's discussion and analysis. The pension schedules are presented on pages 16 and 17. 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 opinions on the financial statements that collectively comprise Northeast Arkansas Regional Solid Waste Management District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America as of the years ended December 31, 2023 and 2022. In our opinion, the information is fairly stated, in all material respects, in relation to the basic 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 July 25, 2024, on our consideration of Northeast Arkansas Regional Solid Waste Management District's internal control over financial reporting and on our tests of compliance with 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 or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Jonesboro, Arkansas
July 25, 2024

Northeast Arkansas Regional Solid Waste Management District
Statements of Net Position
December 31, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 693,125	\$ 698,629
Accounts receivable	238,070	285,974
Fuel & oil inventory - at cost	3,000	3,000
Total current assets	934,195	987,603
NON-CURRENT ASSETS		
Cash and investments - restricted	8,459,563	8,448,539
Capital assets		
Capital assets, net of accumulated depreciation	4,507,014	3,819,582
Total non-current assets	12,966,577	12,268,121
TOTAL ASSETS	13,900,772	13,255,724
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension outflows	343,538	310,478
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$14,244,310	\$13,566,202
<u>LIABILITIES AND NET POSITION</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 122,985	\$ 88,291
Accrued compensation	55,557	34,883
Payroll taxes payable	1,785	3,695
Current portion of long-term debt	94,124	91,140
Total current liabilities	274,451	218,009
LONG TERM LIABILITIES		
Estimated liability for landfill closure & post closure care	9,645,478	8,831,099
Long-term debt, net of current portion	6,884	100,855
Net pension liability	917,741	788,715
Total long term liabilities	10,570,103	9,720,669
TOTAL LIABILITIES	10,844,554	9,938,678
DEFERRED INFLOWS OF RESOURCES		
Deferred pension inflows	20,552	53,575
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	10,865,106	9,992,253
NET POSITION		
Net investment in capital assets	4,406,006	3,627,588
Restricted	6,110,726	5,716,159
Unrestricted	(7,137,529)	(5,769,799)
Total net position	3,379,204	3,573,949
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$14,244,310	\$13,566,202

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

Northeast Arkansas Regional Solid Waste Management District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUES		
Landfill tipping fees & hauling	\$ 3,773,957	\$ 3,748,858
Recycling sales	21,054	25,342
Truck licensing decals	11,205	8,509
Grant Revenue	127,217	119,374
Miscellaneous income	38,609	31,284
Total operating revenue	3,972,042	3,933,367
OPERATING EXPENSES		
Advertising & printing	11,160	10,988
Auditing & accounting	12,625	11,820
Depreciation	595,552	581,562
Disposal fees	239,772	230,492
Dues & subscriptions	2,264	1,100
Engineering fees	143,641	140,796
Equipment lease	370,159	363,684
Erosion control	6,014	6,136
Fuel & oil	310,354	225,143
Insurance - employee health	69,050	67,935
Insurance - other	154,805	147,854
Landfill closure & post closure care costs	814,379	629,682
Legal & other fees	14,080	10,215
Maintenance	557,413	485,891
Office supplies & postage	17,386	15,571
Payroll taxes	58,460	56,314
Permits & licences	9,989	1,075
Retirement plan	170,510	74,620
Supplies	76,165	44,852
Salaries	752,570	693,303
Telephone	-	392
Training & education	3,918	3,799
Travel & conferences	8,418	6,371
Uniforms & shoes	13,804	11,716
Utilities	25,141	24,454
Total operating expenses	4,437,629	3,845,765
OPERATING INCOME (LOSS)	(465,587)	87,602
NON-OPERATING REVENUES (EXPENSES)		
Investment income/(expense)	255,890	(167,588)
Interest expense	(5,048)	(8,250)
Gain/(Loss) on sale of assets	20,000	-
Non-operating revenues/(expenses)	270,842	(175,838)
CHANGE IN NET POSITION	(194,745)	(88,237)
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED		8,451,466
RESTATEMENT ADJUSTMENT		(4,789,281)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	3,573,949	3,662,185
NET POSITION, END OF YEAR	\$ 3,379,204	\$ 3,573,949

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

Northeast Arkansas Regional Solid Waste Management District
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash receipts from customers and grants	\$ 4,019,948	\$ 3,929,788
Cash payments to suppliers for goods and services	(2,177,492)	(1,954,579)
Cash payments to employees	(733,806)	(696,834)
Net cash provided by (used in) operating activities	1,108,650	1,278,375
Cash flows from capital and related financing activities:		
Principal payments on long-term debt	(90,986)	(124,525)
Interest payments on long-term debt	(5,048)	(8,250)
Proceeds on sale of assets	20,000	-
Decrease (Increase) in restricted fund assets	(11,025)	(1,754,910)
Purchases of capital assets	(1,282,984)	(128,535)
Net cash provided by (used in) financing activities	(1,370,043)	(2,016,220)
Cash flows from investing activities:		
Investment income	294,267	(143,966)
Investment expense	(38,378)	(23,622)
Net cash provided by (used in) investing activities	255,889	(167,588)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS - UNRESTRICTED	(5,504)	(905,433)
CASH AND CASH EQUIVALENTS - UNRESTRICTED - BEGINNING OF YEAR	698,629	1,604,062
CASH AND CASH EQUIVALENTS - UNRESTRICTED - END OF YEAR	\$ 693,125	\$ 698,629
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (465,587)	\$ 87,602
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	595,552	581,562
Net change in pension liability	62,944	(26,465)
(Increase)/Decrease In:		
Accounts receivable	47,904	(3,581)
Increase/(Decrease) In:		
Accounts payable	34,693	13,104
Accrued compensation	20,674	(4,545)
Payroll taxes payable	(1,910)	1,014
Estimated liability for landfill closure & post closure care	814,380	629,684
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 1,108,650	\$ 1,278,375

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

Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

Organization

The Northeast Arkansas Regional Solid Waste Management District (the District) received approval from the Arkansas Department of Environmental Quality (the “ADEQ”) by Minute 93-11, issued January 15, 1993 to form its own regional solid waste management district under Title 8, Chapter 6 of the Arkansas Code Annotated consisting of Clay, Greene, and Lawrence counties. Randolph county was added to the District pursuant to ADEQ’s Minute Order No. 97-21, issued April 18, 1997. The street address for the District is 1810 Greene, 890 Road, Paragould, Arkansas, and its mailing address is P.O. Box 753, Paragould, Arkansas 72451.

The governing body of the District (the “Board”) is comprised of the county judges of the participating counties and the mayors of the participating cities. All terms of the current members (a) that are mayors expire on December 31, 2023 and (b) that are county judges expire on December 31, 2023. Members will cease to serve on the Board when their terms as mayor or County Judge expire.

Basis of Presentation and Accounting

The accounts of Northeast Arkansas Regional Solid Waste Management District are organized and operated on a fund basis. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise Northeast Arkansas Regional Solid Waste Management District’s assets, liabilities, net position, revenues, expenses and deferred outflows and inflows of resources. Enterprise funds account for the activities (i) that are financed with debt that is secured solely by a pledge of net revenues from fees and charges of the activity; (ii) that are required by laws or regulations that the activity’s costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded. Enterprise Funds use the accrual basis of accounting to record the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, revenues are recorded when earned and expenses are recorded when incurred. Net position is segregated into invested in capital assets, restricted, and unrestricted components.

Use of Estimates

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the District considers all unrestricted cash and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Restricted Cash & Cash Equivalents

Certain proceeds of the District’s revenue, as well as certain resources set aside for landfill closure and post closure requirements and emergency (depreciation) reserves are classified as restricted cash on the statements of net position, because they are maintained in separate bank accounts and their use is limited by state and federal laws and applicable debt agreements.

Net Pension Liability

During the year ended December 31, 2015, the District adopted GASB Statement Number 68 (GASB 68) which improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB 68 states that for cost-sharing pension plans, a liability should be recognized for the employer’s proportionate share of the collective net pension liability, measured as of a date (measurement date) no earlier than the end of the employer’s prior fiscal year, consistently applied from period to period.

Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then. The District has one item that qualifies for reporting in this category. In regard to the deferred outflow of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 7 for additional information.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Department has one item that qualifies for reporting in this category. In regard to the deferred inflows of resources related to pension liabilities, these amounts were created as a result of the implementation of GASB 68. See Note 7 for additional information.

Pensions

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (“APERS”) and additions to or deductions from the APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accounts Receivable

The District uses the direct write-off method for accounting for bad debt, thus an allowance for doubtful accounts is not presented and accounts receivable is stated at net realizable value on the statements of net position. The use of this method is not materially different from the values reported under the allowance method.

Income Taxes

The District is exempt from federal income taxes under various provisions of the Internal Revenue Code.

Advertising

The District expenses advertising costs as incurred. Advertising and publication expense totaled \$11,160 and \$10,988 for the years ended December 31, 2023 and 2022.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the non-operating section of the statements of revenues, expenses, and changes in net position. The cost of current repairs, maintenance, and minor replacements is charged to expense when incurred.

Depreciation of capital assets is charged as an expense against operations. Depreciation rates have been applied on a straight-line basis, with estimated useful lives as follows:

Buildings	15-31 1/2 Years
Equipment & Vehicles	5-10 Years
Office Equipment	3-5 Years
Landfill Improvements	2-5 Years

Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Net Position

Net position comprises the various net earnings from operating income, non-operating revenues and expenses, and capital contributions. Net position is classified in the following three components:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted net position available, it is the District’s policy to apply those expenses to restricted net position to the extent such are available and then to unrestricted net position.

Unrestricted – This component of net position consists of net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the District’s large number of customers.

NOTE 2: CLOSURE & POST-CLOSURE CARE COSTS

State and federal laws and regulations require that the Northeast Arkansas Regional Solid Waste Management District place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition for these landfill closure and post closure care costs is based on the estimated life of the landfill (40.3 years). The estimated liability for landfill closure and post closure care costs has a balance of \$9,645,478 as of December 31, 2023 which is based on 69.66% usage (filled) of the landfill. It is estimated that an additional \$4,181,102 will be recognized as closure and post closure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2035). The estimated total current cost of the landfill closure and post closure care (\$13,826,580) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2023.

However, the actual cost of closure and post closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The NEA Regional Solid Waste Management District is required by state and federal laws and regulations to make annual contributions to finance closure and post-closure care. The District is in compliance with these requirements, and at December 31, 2023, investments of \$6,110,726 (market value) are held for these purposes. These investments are held by a financial institution and are presented on the District’s statement of net position as part of the restricted cash and investments category. It is anticipated that future inflation costs will be financed in part from earnings on investments held by the financial institution. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in post-closure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 3: CASH AND INVESTMENTS

A. Cash and investments

Cash and investments are presented on the accompanying statements of net position as of December 31 as follows:

	2023	2022
Cash and cash equivalents	\$ 693,125	\$ 698,629
Restricted cash and investments	8,459,563	8,448,539
 Total cash and investments	 \$ 9,152,688	 \$ 9,147,168

B. Deposits

Deposits in financial institutions are financial instruments that could potentially subject the District to a risk of accounting loss to the extent of the uninsured/uncollateralized portion of those deposits. At December 31, 2023 and 2022, the District had \$1,055,428 and \$2,180,790 respectively in deposit balances with \$250,000 of FDIC insurance and secured by pledged securities. At December 31, 2023, none of the carrying balance was uninsured/uncollateralized.

C. Restricted Cash Deposits and Investments

ADEQ ordinances and debt agreements mandate certain cash funds be set aside emergency (depreciation) reserves and landfill closure and post closure reserves. At December 31, 2023 and 2022, restricted cash and investments was as follows:

	2023	2022
Capital Improvement	\$ 691,148	\$ 1,145,430
Future Construction Fund	1,966,548	1,635,704
Closure Fund	2,532,252	2,341,745
Depreciation Fund	759,171	868,833
Post Closure Fund	1,305,624	1,256,827
Revenue Fund	1,204,820	1,200,000
Total	\$ 8,459,563	\$ 8,448,539

D. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset as described below:

- Level 1 - Quoted prices (unadjusted) for identical assets in active markets
- Level 2 - Other than quoted prices that are observable for an asset.
- Level 3 - Unobservable inputs for an asset.

The District has the following investments at level 1 fair value measurements as of December 31, 2023 and 2022.

	2023	2022
Bonds	\$ 310,110	\$ 146,560
Mutual Funds	2,989,873	3,003,296
US Treasury Bonds	1,076,152	1,978,716
Brokerage CD	3,028,000	470,000
Total	\$ 7,404,135	\$ 5,598,572

**Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022**

NOTE 4: LONG-TERM DEBT

	2023	2022
Note Payable - Centennial Bank, 3.18%, \$442,902; principal and interest payable monthly beginning February 24, 2020; matures January 24, 2025	\$ 101,008	\$ 191,995
	\$ 101,008	\$ 191,995

Maturities and analysis of long-term debt changes to the District's long-term debt are as follows:

	2023	2022
Total long-term debt at beginning of year	\$ 191,995	\$ 316,520
Note payable retirements	(90,987)	(124,525)
Total long-term debt at the end of the year, net	101,008	191,995
Less current portion	(94,124)	(91,140)
Non-current portion	\$ 6,884	\$ 100,855

Maturities of long-term debt at December 31, 2023 are as follows:

	Principal	Interest	Total
2024	94,124	1,910	96,034
2025	6,884	1,140	8,024
	\$ 101,008	\$ 3,050	\$ 104,058

Interest expense was \$5,048 and \$8,250 for the years ended December 31, 2023 and 2022 respectively.

Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 5: OPERATING LEASES

The District has four operating leases from Caterpillar that expired during 2023 for the following equipment: Mini Excavator, Dozer, Skid Steer, and Dirt Dozer. The leases are for 36 months each, with the Mini Excavator beginning on February 28, 2020 with monthly payments of \$1,421; the Dozer beginning on March 30, 2020 with monthly payments of \$9,108; the Skid Steer beginning on February 28, 2020 with monthly payments of \$865; and the Dirt Dozer beginning on October 1, 2020 with monthly payments of \$4,755. When these leases expire, it is expected that the equipment will be returned and new, similar equipment will be leased under similar terms. The District has two new leases during 2023 for the following equipment: Compactor and Dozer D7. The Compactor is for 48 months beginning on November 1, 2023, with monthly payments of \$18,426. The Dozer D7 is for 60 months beginning on October 3, 2023, with monthly payments of \$9,757. The lease expense associated with the operating leases was \$145,567 and \$309,824 for the years ended December 31, 2023 and 2022 respectively. The future lease payments required under the operating leases as of December 31, 2023 are as follows:

2024	\$	338,199
2025		338,199
2026		338,199
2027		301,347
2028		87,816
Total		\$ 1,403,760

NOTE 6: CAPITAL ASSETS

A summary of changes in property, plant, and equipment for the years ended December 31, 2022 and 2021 are as follows:

	<u>Balance</u> <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2023</u>
Capital assets not being depreciated:				
Land	\$ 1,479,663	\$ 5,900	\$ -	\$ 1,485,563
Total capital assets not being depreciated	1,479,663	5,900	-	1,485,563
Other capital assets				
Office furniture & fixtures	37,371	10,830	-	48,201
Office buildings & shop supplies	702,628	-	-	702,628
Equipment & tools	4,108,920	1,266,254	(175,000)	5,200,174
Landfill construction	8,017,327	-	-	8,017,327
Total other assets at historical cost	12,866,246	1,277,084	(175,000)	13,968,330
Less accumulated depreciation for:				
Office furniture & fixtures	(35,792)	(2,775)	-	(38,567)
Office buildings & shop supplies	(185,556)	(24,679)	-	(210,235)
Equipment & tools	(3,694,136)	(328,500)	175,000	(3,847,636)
Landfill construction	(6,610,843)	(239,598)	-	(6,850,441)
Total accumulated depreciation	(10,526,327)	(595,552)	175,000	(10,946,879)
Total capital assets, being depreciated, net	2,339,919	681,532	-	3,021,451
Total capital assets, net	\$ 3,819,582	\$ 687,432	\$ -	\$ 4,507,014

Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022

NOTE 6: CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>12/31/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2022</u>
Capital assets not being depreciated:				
Land	\$ 1,479,663	\$ -	\$ -	\$ 1,479,663
Total capital assets not being depreciated	<u>1,479,663</u>	<u>-</u>	<u>-</u>	<u>1,479,663</u>
Other capital assets				
Office furniture & fixtures	37,371	-	-	37,371
Office buildings & shop supplies	574,090	128,538	-	702,628
Equipment & tools	4,108,920	-	-	4,108,920
Landfill construction	8,017,327	-	-	8,017,327
Total other assets at historical cost	<u>12,737,708</u>	<u>128,538</u>	<u>-</u>	<u>12,866,246</u>
Less accumulated depreciation for:				
Office furniture & fixtures	(34,576)	(1,216)	-	(35,792)
Office buildings & shop supplies	(159,645)	(25,911)	-	(185,556)
Equipment & tools	(3,438,777)	(255,359)	-	(3,694,136)
Landfill construction	(6,311,766)	(299,077)	-	(6,610,843)
Total accumulated depreciation	<u>(9,944,764)</u>	<u>(581,563)</u>	<u>-</u>	<u>(10,526,327)</u>
Total capital assets, being depreciated, net	<u>2,792,944</u>	<u>(453,025)</u>	<u>-</u>	<u>2,339,919</u>
Total capital assets, net	<u>\$ 4,272,607</u>	<u>\$ (453,025)</u>	<u>\$ -</u>	<u>\$ 3,819,582</u>

NOTE 7: PUBLIC EMPLOYEES RETIREMENT SYSTEM

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, multi-employer, defined benefit plan which covers all state employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this plan, college and university employees, and certain non-teaching school employees. Benefits are also provided for governors, General Assembly members, state and county constitutional officers, and quasi-judicial members. 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%

**Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022**

NOTE 7: PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Benefits provided (continued)

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

- at age 65 with 5 years of service,
- at any age with 28 years of 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 at age 55 or at any age with 25 years of service. The plan also provides for disability and survivor benefits.

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 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

At December 31, 2023, the District had 36 eligible and 36 active participants. The District's contributions for the years ended December 31, 2023 and 2022 were \$107,568 and \$103,413, respectively.

APERS Fiduciary Net Position

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

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

The collective Net Pension Liability of \$2,914,186,543 was measured at June 30, 2023, and that 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 December 31, 2023, the District reported deferred outflows of resources and deferred inflows of resources as of June 30, 2023, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 51,805	\$ (5,042)
Changes in assumptions	43,145	-
Net differences between projected and actual earnings on pension pension plan investments	114,226	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	80,341	(15,510)
Contributions subsequent measurement date	54,021	-
	\$ 343,538	\$ (20,552)

**Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022**

NOTE 7: PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Contributions made subsequent to the measurement date will be reversed in fiscal year ending December 31, 2023, 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 District's financial statements as follows:

2024	\$ 71,342
2025	57,092
2026	148,240
2027	<u>(7,709)</u>
	<u>\$ 268,965</u>

Actuarial Assumptions

The total pension liability in the June 30, 2023 actuarial was determined using the following actuarial assumptions applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Discount rate	7.00%
Inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return*	7.00%
Mortality rate table	RP-2006 HealthyAnnuitant benefit weighted generational mortality tables, adjusted for fully generational mortality improvements using Scale MP-2017, multiplied by 135% for males and 125% for females

*Net investment and administrative expenses

All other actuarial assumptions used in the June 30, 2023 valuation are based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2013, and were applied to all prior periods included in the measurement.

Investment Rate of Return

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 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 current asset allocation and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021-2030 were based on capital market assumptions provided by plan's investment consultant. For each major class included in the plan's target asset allocation as of June 30, 2023, these best estimates were summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.22%
International equity	24.00%	6.69%
Real assets	16.00%	4.81%
Absolute return	5.00%	3.05%
Domestic fixed	18.00%	0.57%
	<u>100.00%</u>	

**Northeast Arkansas Regional Solid Waste Management District
Notes to Financial Statements
December 31, 2023 and 2022**

NOTE 7: PUBLIC EMPLOYEES RETIREMENT SYSTEM (Continued)

Discount Rate

A single discount rate of 7.00% 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 7.00%. 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 7.00%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
\$ 1,462,797	\$ 917,741	\$ 468,667

NOTE 8: COMPENSATED ABSENCES

Vested or accumulated vacation, sick leave, and compensatory time are recorded as an expense and liability as the benefits accrue to employees and are included as part of accrued compensation on the statements of net position.

NOTE 9: RISK MANAGEMENT AND LITIGATION

The District is exposed to various risks of loss to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

NOTE 10: RESTATEMENT ADJUSTMENT

A restatement adjustment of \$(4,789,281) was posted as of January 1, 2022 to correct the estimated liability for landfill closure & post closure care reported in previous years.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 25, 2024, the date on which the financial statements were available to be issued.

**Northeast Arkansas Solid Waste Regional Management District
Schedule of Proportionate Share of the Net Pension Liability
December 31, 2023**

	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.03%	0.03%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%
Proportionate share of the net pension liability	\$ 917,741	\$ 788,715	\$ 190,251	\$ 777,407	\$ 710,171	\$ 642,642	\$ 758,734	\$ 761,513
Covered-employee payroll	\$ 702,139	\$ 675,020	\$ 511,766	\$ 530,782	\$ 549,332	\$ 556,559	\$ 542,747	\$ 538,552
Proportionate share of the net pension liability as percentage of covered-employee payroll	130.71%	116.84%	37.18%	146.46%	129.28%	115.47%	139.80%	141.40%
Plan's fiduciary net position	\$ 10,295,304,391	\$ 9,733,838,631	\$ 11,185,453,706	\$ 8,769,010,690	\$ 8,833,327,659	\$ 8,602,752,132	\$ 8,028,796,790	\$ 7,370,758,150
Plan's fiduciary net position as a percentage of the total pension liability	79%	79%	94%	81%	82%	80%	76%	70%

**Northeast Arkansas Solid Waste Regional Management District
Schedule of Contributions
December 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 107,568	\$ 78,403	\$ 78,403	\$ 81,316	\$ 84,158	\$ 80,701	\$ 78,698	\$ 80,434
Contributions in relation to the contractually required contributions	<u>\$ 107,568</u>	<u>\$ 103,413</u>	<u>\$ 80,382</u>	<u>\$ 80,573</u>	<u>\$ 84,158</u>	<u>\$ 80,328</u>	<u>\$ 79,181</u>	<u>\$ 78,266</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 25,010</u>	<u>\$ 1,979</u>	<u>\$ (743)</u>	<u>\$ 0</u>	<u>\$ (373)</u>	<u>\$ 483</u>	<u>\$ (2,168)</u>
District's covered-employee payroll	\$ 702,139	\$ 511,766	\$ 511,766	\$ 530,782	\$ 549,332	\$ 556,559	\$ 542,747	\$ 538,552
Contributions as a percentage of covered-employee payroll	15.32%	20.21%	15.71%	15.18%	15.32%	14.43%	14.59%	14.53%

Northeast Arkansas Regional Solid Waste Management District

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended December 31, 2023

	Landfill	Recycling Center	Total
Operating revenue			
Landfill tipping fees & hauling	\$ 3,773,957	\$ -	\$ 3,773,957
Recycling sales	-	21,054	21,054
Truck licensing decals	11,205	-	11,205
Grant revenue	-	127,217	127,217
Miscellaneous	38,609	-	38,609
Total operating revenue	3,823,771	148,271	3,972,042
Operating expenses			
Advertising & printing	4,746	6,414	11,160
Auditing & accounting	12,625	-	12,625
Depreciation	595,552	-	595,552
Disposal fees	239,772	-	239,772
Dues & subscriptions	1,314	950	2,264
Engineering fees	143,641	-	143,641
Equipment lease	370,159	-	370,159
Erosion control	6,014	-	6,014
Fuel & oil	310,354	-	310,354
Insurance - employees health	69,050	-	69,050
Insurance - other	154,805	-	154,805
Landfill closure & post closure care costs	814,379	-	814,379
Legal & other professional fees	14,080	-	14,080
Maintenance	516,149	41,264	557,413
Office supplies & postage	17,386	-	17,386
Payroll taxes	58,460	-	58,460
Permits & licenses	9,989	-	9,989
Retirement plan	170,510	-	170,510
Supplies	70,192	5,973	76,165
Salaries	725,070	27,500	752,570
Training & Education	3,918	-	3,918
Travel & conferences	8,418	-	8,418
Uniforms & shoes	13,804	-	13,804
Utilities	23,656	1,485	25,141
Total operating expenses	4,354,043	83,586	4,437,629
Operating income (loss)	(530,272)	64,685	(465,587)
Non-operating revenues (expenses)			
Investment income (expense)	255,336	554	255,890
Interest expense	(5,048)	-	(5,048)
Gain/(Loss) on sale of assets	20,000	-	20,000
Non-operating revenues (expenses)	270,288	554	270,842
Increase in net assets	(259,984)	65,239	(194,745)
Net assets			
Beginning of year	1,663,548	1,910,401	3,573,949
Ending of year	\$ 1,403,564	\$1,975,640	\$ 3,379,204

Northeast Arkansas Regional Solid Waste Management District
Schedule of Cash Receipts and Disbursements - Restricted Funds
For the Year Ended December 31, 2023

	Depreciation Fund	Capital Improvement Fund	Future Construction Fund	Closure Fund	Post Closure Fund	Revenue Fund
Cash & cash equivalents, January 1, 2023	\$ 868,833	\$ 1,145,430	\$ 1,635,704	\$ 2,341,745	\$ 1,256,827	\$ 1,200,000
Interest income	32,503	29,545	31,737	98,442	47,069	5,405
Transfers from O&M account	360,000	720,000	300,000	96,000	-	-
Transfers from Capital Improvement account	-	(25)	-	-	-	-
Paying agent fees/bank charges	(257)	(196)	(893)	(17,886)	(9,813)	(585)
Property legal fees	-	(4,860)	-	-	-	-
Advertising	-	(2,673)	-	-	-	-
Note payments	-	(90,986)	-	-	-	-
Interest payments	-	(5,048)	-	-	-	-
Proceeds from sale of equipment	-	20,000	-	-	-	-
Other income	-	10,197	-	-	-	-
Equipment lease payments	(195,199)	(175,000)	-	-	-	-
Purchase of equipment	(306,709)	(955,236)	-	-	-	-
Unrealized gains and losses	-	-	-	14,642	12,104	-
Realized gains and losses	-	-	-	(691)	(563)	-
Cash & cash equivalents, December 31, 2023	<u>\$ 759,171</u>	<u>\$ 691,148</u>	<u>\$ 1,966,548</u>	<u>\$ 2,532,252</u>	<u>\$ 1,305,624</u>	<u>\$ 1,204,820</u>



INDEPENDENT AUDITOR'S 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 Board of Directors
Northeast Arkansas Regional Solid Waste Management District
Paragould, 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 Northeast Arkansas Regional Solid Waste Management District as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Northeast Arkansas Regional Solid Waste Management District's basic financial statements and have issued our report thereon dated July 25, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northeast Arkansas 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 Northeast Arkansas Regional Solid Waste Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Arkansas 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 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 have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Arkansas 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*.

Northeast Arkansas Regional Solid Waste Management District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Northeast Arkansas Regional Solid Waste Management District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Northeast Arkansas Regional Solid Waste Management 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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas, Speight & Noble, CPAs

Thomas, Speight & Noble, CPAs
Jonesboro, Arkansas
July 25, 2024

**Northeast Arkansas Regional Solid Waste Management District
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2023**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Any material weakness(es) identified?

x Yes No

Any significant deficiency(ies) identified?

 Yes x No

Any noncompliance material to financial statements noted?

 Yes x No

Section II - Financial Statement Findings

Finding: 2023-001

Material Weakness - Internal Control over Financial Reporting

Segregation of duties

Condition: Northeast Arkansas Regional Solid Waste Management District does not have enough employees for the appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the financial reporting process. Adequate segregation of duties is an essential part of an effective internal control structure.

Effect: Inadequate segregation of duties reduces the Northeast Arkansas Regional Solid Waste Management District's internal control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: Northeast Arkansas Regional Solid Waste Management District's management should review all transactions, accounting records, and reconciliations in order to compensate for the limited number of employees. Such a review should be performed at least monthly and documented.

Views of responsible officials and planned corrective actions: Additional employees for the purpose of improving internal controls would not be cost-beneficial. Currently, all employees are supervised by management, and financial records and reports are reviewed monthly.