

***GOVERNMENT-WIDE FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(With Independent Auditor's Reports Thereon)***

Southwest Arkansas Regional Solid Waste Management District

For the Year Ended June 30, 2023

Southwest Arkansas Regional Solid Waste Management District

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

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of **Southwest Arkansas Regional Solid Waste Management District** (the District), as of and for the year ended June 30, 2023, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2023, and the respective changes in financial position 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 (U.S. GAAS) 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 the 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

The District's 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 the 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.

Auditor's 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 GAAS 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.

In performing an audit in accordance with U.S. GAAS 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 the 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 the 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 budgetary comparison schedules and notes to the schedules 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 U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and

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

Required Supplementary Information (Continued)

comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of governmental assistance – cash basis is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of governmental assistance – cash basis 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 U.S. GAAS. In our opinion, the schedule of governmental assistance – cash basis 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 February 1, 2024, on our consideration of the 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 the 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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
February 1, 2024

**Southwest Arkansas Regional Solid Waste Management District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2023**

The discussion and analysis of Southwest Arkansas Regional Solid Waste Management District's annual financial report provides a review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance understanding of the District's financial performance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and notes to those statements. The notes will explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The government-wide financial statements (GWFS) include the Statement of Net Position and Statement of Activities and provide information about the overall or district-wide activities including short-term and long-term information and overall financial status. The Statement of Net Position includes the District's assets and liabilities. The District's revenues and expenses are accounted for in the Statement of Activities.

Fund financial statements (FFS) provide the next level of detail and focus on individual parts of the District telling how services were financed in the short-term as well as what remains for future spending. The District reports one type of fund – governmental. Governmental fund statements tell how basic services like recycling were financed and what remains for future spending. A comparison can be made as to the amount of funds spent in each area.

The District is a special-purpose government engaged in a single governmental program. Under GASB No. 34, special-purpose governments are allowed to combine the GWFS with the FFS; a reconciliation between the financial statements is provided.

FINANCIAL ANALYSIS OF THE DISTRICT

Table 1: Assets, Liabilities and Net Position

STATEMENT OF NET POSITION				
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
Assets				
Cash	\$ 425,238	\$ 629,572	\$ (204,334)	-32.5%
Investments	317,022	313,703	3,319	1.1%
Accounts receivable	484	12,753	(12,269)	-96.2%
Capital assets, net	<u>125</u>	<u>3,562</u>	<u>(3,437)</u>	<u>-96.5%</u>
Total Assets	<u><u>\$ 742,869</u></u>	<u><u>\$ 959,590</u></u>	<u><u>\$ (216,721)</u></u>	<u><u>-22.6%</u></u>
LIABILITIES AND NET POSITION				
Liabilities				
Accounts payable	\$ 73,641	\$ 201,677	\$ (128,036)	-63.5%
Unearned revenue	<u>214,206</u>	<u>296,935</u>	<u>(82,729)</u>	<u>-27.9%</u>
Total Liabilities	<u>287,847</u>	<u>498,612</u>	<u>(210,765)</u>	<u>-42.3%</u>
Net Position				
Invested in capital assets	125	3,562	(3,437)	-96.5%
Restricted	79,597	158,197	(78,600)	-49.7%
Unrestricted	<u>375,300</u>	<u>299,219</u>	<u>76,081</u>	<u>25.4%</u>
Total Net Position	<u>455,022</u>	<u>460,978</u>	<u>(5,956)</u>	<u>-1.3%</u>
Total Liabilities and Net Position	<u><u>\$ 742,869</u></u>	<u><u>\$ 959,590</u></u>	<u><u>\$ (216,721)</u></u>	<u><u>-22.6%</u></u>

Southwest Arkansas Regional Solid Waste Management District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2023

STATEMENT OF NET POSITION

The Statement of Net Position presents a picture of the District as of June 30, 2023. This document reports the District's assets, liabilities and net position. The net position is calculated by subtracting the liabilities from the assets. The change in net position identifies whether the financial position of the District has improved or diminished. The District's net position decreased \$5,956 due to expenses exceeding revenues for the year.

Assets – The District's total assets decreased \$216,721 (22.6%) from \$959,590 at June 30, 2022 to \$742,869 at June 30, 2023. The District's assets consisted primarily of cash and investments. The District's capital assets decreased \$3,437 due to current depreciation expense.

Liabilities – The District's total liabilities decreased \$210,765 (42.3%) from \$498,612 at June 30, 2022 to \$287,847 at June 30, 2023. The liabilities consisted of accounts payable of \$73,641 and unearned revenues of \$214,206. The unearned revenues were comprised of recycling and ewaste grants that were received but not yet expended at June 30, 2023. Total liabilities at June 30, 2022 consisted of accounts payable of \$201,677 and unearned revenues of \$296,935.

Net Position – The District's net position decreased \$5,956 (1.3%) from \$460,978 in the prior year to \$455,022 at June 30, 2023. Net position invested in capital assets decreased \$3,437 (96.5%) while restricted net position decreased \$78,600 (49.7%) and unrestricted net position increased \$76,081 (25.4%).

Table 2: Statement of Activities

STATEMENT OF ACTIVITIES				
	<u>6/30/2023</u>	<u>6/30/2022</u>	<u>\$ Variance</u>	<u>% Variance</u>
Expenses				
Administration expense	\$ 85,000	\$ 85,000	\$ -	0.0%
Advertising expense	264	-	264	100%
Office expense	78	5,117	(5,039)	-98.5%
Depreciation expense	3,437	9,756	(6,319)	-64.8%
Repairs and maintenance	-	875	(875)	-100.0%
Professional fees	17,620	10,820	6,800	62.8%
Recycling grant expense	261,147	238,405	22,742	9.5%
Ewaste grant expense	34,420	87,433	(53,013)	-60.6%
Total Expenditures/Expenses	<u>401,966</u>	<u>437,406</u>	<u>(35,440)</u>	<u>-8.1%</u>
Revenues				
Other income	10,950	12,900	(1,950)	-15.1%
Recycling grant revenues	301,147	286,405	14,742	5.1%
Ewaste grant revenues	34,420	87,433	(53,013)	-60.6%
Total Program Revenues	<u>346,517</u>	<u>386,738</u>	<u>(40,221)</u>	<u>-10.4%</u>
Interest income	5,798	4,670	1,128	24.2%
License income	7,875	9,750	(1,875)	-19.2%
Per capita fees	35,820	35,823	(3)	0.0%
Total General Revenues	<u>49,493</u>	<u>50,243</u>	<u>(750)</u>	<u>-1.5%</u>
Excess of Revenues over Expenses	<u>(5,956)</u>	<u>(425)</u>	<u>(5,531)</u>	<u>1301.4%</u>
Net Position - Beginning	<u>460,978</u>	<u>461,403</u>	<u>(425)</u>	<u>-0.1%</u>
Net Position - Ending	<u>\$ 455,022</u>	<u>\$ 460,978</u>	<u>\$ (5,956)</u>	<u>-1.3%</u>

**Southwest Arkansas Regional Solid Waste Management District
Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2023**

OPERATING RESULTS AND CHANGES IN NET POSITION

The current year revenues and expenses are accounted for in the Statement of Activities. All of the District's activities are reported as governmental activities. Recycling and Ewaste grants constitute the major portion of revenue. This statement reports the changes in net position and helps to answer the question, "Is the District in better condition or worse condition as a result of the year's activities?"

The District's net position decreased by \$5,956 in the current year due to administrative and program expenses exceeding general and program revenue as a result of 2021 being the last year the District received Ewaste grant funding. Grant revenues are generally deferred until eligible expenses are incurred. General revenues offset administrative costs not covered by grant revenues.

The District accounts for its activities using two governmental funds, the General Fund and the Special Revenue Fund. The General Fund accounts for general revenues and administrative costs while the Special Revenue Fund accounts for grant revenues and expenses.

The General Fund's change in net position was \$6,197, which resulted from revenues of \$65,159 exceeding administrative costs of \$58,962. The majority of the General Fund's revenues were per capita fees received from the District's members. Administrative expenses are comprised of professional fees and other administrative costs. The change in net position represents an increase of \$864 (16.2%) from \$5,333 in the prior year. The increase is primarily attributable due to increased per capita fee revenue. The General Fund's primary assets are cash, investments and accounts receivable totaling \$303,986; liabilities included accounts payable of (\$686) at June 30, 2023.

The Special Revenue Fund had revenues of \$288,889 and expenditures of \$287,611 for a change in net position of \$1,278. The Special Revenue Fund's revenues were comprised of \$249,191 and \$34,420 of recycling and ewaste grants, respectively, and interest income of \$5,278. Expenses were comprised of \$209,191 and \$34,420 of recycling and ewaste expenses, respectively, and \$44,000 of grant administration costs. The change in net position of \$1,278 represents a decrease of \$13,976 from \$15,254 in the prior year. The Special Revenue Fund's primary assets are cash and investments of \$438,758; liabilities included accounts payable of \$1,121 and unearned revenue of \$266,162 at June 30, 2023.

SUMMARY AND ECONOMIC OUTLOOK

The District continues to navigate the programs set before it from a funding perspective. The District continues to be involved in the tire program by working the "Inter-District" between the District and Upper Southwest Waste Management District, coordinating tire pickups and renting tire boxes. This has helped recover some of the revenue lost when the tire law changed at the beginning of 2018.

Additionally, the District has received the last portion of Arkansas Department of Environmental Quality "Ewaste" grant funds for the management of electronic waste. The District anticipated this and saved a large portion of those funds for future Ewaste disposal costs.

Management still has a good portion of these funds remaining and anticipates enough to last 1.5 more years at the current rate. There are discussions of a "State-wide" electronic waste program, but a working program has not been implemented.

The Southwest Arkansas Regional Solid Waste Management District is fiscally sound and solvent due to the close watch over resources by the District's board and administrative agent. The Board meets approximately three times each year with good attendance and discussion.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and granting agencies with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Southwest Arkansas Regional Solid Waste Management District contracts with Southwest Arkansas Planning and Development District, Inc. for the administration of District functions. If you have questions about this report or need additional financial information, contact Southwest Arkansas Planning and Development District, Inc., P.O. Box 767, Magnolia, Arkansas, 71754 or telephone (870) 235-7516.

Blake Harrell
Manager

Southwest Arkansas Regional Solid Waste Management District
Statement of Net Position and Balance Sheet – Governmental Funds
June 30, 2023

	Balance Sheet - Governmental Funds			Statement of Net Position
	General Fund	Special Revenue Fund	Total Governmental Funds	Government- Wide
ASSETS				
Cash	\$ 203,502	\$ 221,736	\$ 425,238	\$ 425,238
Investments	100,000	217,022	317,022	317,022
Accounts receivable	484	-	484	484
Capital assets, net	-	-	-	125
Total Assets	\$ 303,986	\$ 438,758	\$ 742,744	\$ 742,869
LIABILITIES AND NET POSITION				
Liabilities				
Accounts payable	\$ (686)	\$ 1,121	\$ 435	\$ 73,641
Unearned revenue	-	266,162	266,162	214,206
Total Liabilities	(686)	267,283	266,597	287,847
Fund Balances/Net Position				
Invested in capital assets	-	-	-	125
Restricted	-	87,597	87,597	79,597
Unassigned	304,672	83,878	388,550	-
Unrestricted	-	-	-	375,300
Total Fund Balance/Net Position	304,672	171,475	476,147	455,022
Total Liabilities and Fund Balance/Net Position	\$ 303,986	\$ 438,758	\$ 742,744	\$ 742,869

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

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities

Total Governmental Fund Balances: \$ 476,147

Amounts reported for governmental activities in the statement of net position are different because:

The following assets are not financial resources and therefore are not reported in the governmental funds.

Capital assets 125

The governmental funds are reported using the modified accrual basis of accounting. Under this method, assets and liabilities are accrued when measurable and available. Liabilities of (\$21,250) were excluded from the governmental funds since they did not meet the criteria of being both measurable and available at June 30, 2023. (21,250)

Net Position of Governmental Activities \$ 455,022

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

Southwest Arkansas Regional Solid Waste Management District
Statement of Activities and Revenues, Expenditures and Changes in Fund Balance – Governmental Funds
For the Year Ended June 30, 2023

	Changes in Fund Balance - Governmental Funds			Statement of Activities
			Total	
	General Fund	Special Revenue Fund	Governmental Funds	Government-Wide
Expenditures/Expenses				
Administration expense	\$ 41,000	\$ 44,000	\$ 85,000	\$ 85,000
Advertising expense	264	-	264	264
Office expense	78	-	78	78
Depreciation expense	-	-	-	3,437
Professional fees	17,620	-	17,620	17,620
Recycling grant expense	-	209,191	209,191	261,147
Ewaste grant expense	-	34,420	34,420	34,420
Total Expenditures/Expenses	58,962	287,611	346,573	401,966
Program Revenues				
Other income	10,950	-	10,950	10,950
Recycling grants	-	249,191	249,191	301,147
Ewaste grants	-	34,420	34,420	34,420
Total Program Revenues	10,950	283,611	294,561	346,517
General Revenues				
Interest income	520	5,278	5,798	5,798
License income	7,875	-	7,875	7,875
Per capita fees	45,814	-	45,814	35,820
Total General Revenues	54,209	5,278	59,487	49,493
Excess of Revenues over Expenditures/Change in Net Position	6,197	1,278	7,475	(5,956)
Fund Balance/Net Position				
Beginning Balance	298,475	170,197	468,672	460,978
Ending Balance	\$ 304,672	\$ 171,475	\$ 476,147	\$ 455,022

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities**

**Net Change in Fund Balance - Statement of Revenues, Expenditures and Changes in Fund
Balance**

\$ 7,475

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation of (\$3,437) exceeded capital additions of \$0, net of disposals \$(0) in the current period. (3,437)

Governmental funds are reported using the modified accrual basis of accounting. Under this method, revenues and expenses are recognized when measurable and available. Revenues of \$9,994 were included in the governmental funds at June 30, 2023 since they did not meet the criteria of being both measurable and available at June 30, 2022. (9,994)

Change in Net Position - Statement of Activities

\$ (5,956)

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

Southwest Arkansas Regional Solid Waste Management District
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – The Southwest Arkansas Regional Solid Waste Management District (the “District”) is a special district formed by Act 870 of the Arkansas Legislature in 1989 and renamed with expanded powers by Act 752 in 1991. The District consists of six counties in Southwest Arkansas. The District oversees and regulates solid waste disposal in the six-county area. All of the District’s grants come from the Arkansas Department of Environmental Quality.

Reporting Entity – The accompanying financial statements present all of the activities of the District. Since it is a special purpose government that is legally separate and fiscally independent of other state or local governments, the District is considered a primary government. This District has no component units, and there are no other primary governments with which the District has a significant relationship.

Basis of Presentation – The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. All governmental activities and funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinion, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Measurement Focus/Basis of Accounting – Under GASB No. 34, governmental entities prepare two types of financial statements: 1) Government-Wide Financial Statements (“GWFS”); and 2) Fund Financial Statements (“FFS”). The District, however, is a special-purpose government engaged in a single governmental program. Such governments with a single governmental program are allowed to combine the GWFS and FFS. Accordingly, the District has elected to present its financial statements in this manner. These statements include all the financial activities of the District.

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities display information about the primary government (the District). These statements include the financial activities of the overall government and were prepared using the economic resources measurement focus and the accrual basis of accounting.

Program revenues included in the Statement of Activities are received from parties outside the District’s citizenry. As a whole, program revenues reduce the net cost of the function to be financed from the District’s general revenues. Such revenues include operating state grants restricted for specific purposes.

Fund Financial Statements – The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. FFS report detailed information about the District. The District has two governmental funds, a general fund and a special revenue fund, which account for all of the District’s general activities.

The General Fund accounts for all non-restricted funds and represents the primary operating fund of the District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

The Special Revenue fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes or designated by the District to be accounted for separately.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as needed. Per capita fees, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Southwest Arkansas Regional Solid Waste Management District
Notes to Financial Statements
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This approach differs from the manner in which the governmental activities of the GWFS are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the GWFS and the FFS.

Interfund Transactions – Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate, are subject to elimination upon consolidation and are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances”.

Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Receivables – Receivables include per capita fees due from cities and counties within the District. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. All receivables were considered collectible for the year ended June 30, 2023; accordingly, no allowance has been recorded in the financial statements.

Unearned revenues – Unearned revenues consist of restricted grant funds which have been received but have not been expended.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Capital assets consist of equipment costing \$1,000 or more, which has been depreciated using the straight-line method over a useful life of five to ten years.

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

At June 30, 2023, the District’s deposits consisted of demand and time deposit accounts. The Board of Directors has not formally adopted deposit and investment policies that limit the government’s allowable deposits or investments and address the specific types of risk to which the government is exposed. Certificates of deposit with maturities greater than 3 months are considered investments.

Custodial Credit Risk – State of Arkansas (the State) statutes require the District to maintain cash balances on deposit with financial institutions located within the State. There is risk that, in the event of a bank failure, these deposits may not be returned to the District. To mitigate this risk, it is generally the District’s policy to obtain collateral for all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance and that such collateral be held in the District’s name by an agent of the District. At June 30, 2023, all balances held in demand and time deposit accounts were secured by collateral held in the District’s name by the District’s agent.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies complying with state statutes. Funds may be invested in: (1) direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, (2) certificates of deposit at financial institutions when secured by acceptable collateral, (3) time deposit accounts at financial institutions, to the extent fully insured, (4) any bond, note or other indebtedness insured by U.S. government or those agencies insured and guaranteed by the federal government and (5) in equity securities, to a limited extent.

Southwest Arkansas Regional Solid Waste Management District
Notes to Financial Statements
June 30, 2023

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Property and Equipment	\$ 87,297	\$ -	\$ -	\$ 87,297
Less: Accumulated Depreciation	83,735	3,437	-	87,172
 Capital Assets, Net	 <u><u>\$ 3,562</u></u>			 <u><u>\$ 125</u></u>

NOTE 4 – FUND BALANCE

The District classifies fund balances for governmental funds as follows:

Nonspendable Fund Balance includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision-making authority (Board of Directors). These commitments can only be overturned by a like action.

Assigned includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess fund balances may be assigned by the Board of Directors for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Directors at any public meeting.

Unassigned includes residual positive fund balances within the General Fund, which have not been classified within the other above-mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the District's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the District's policy to use committed resources first, then assigned, and then unassigned as needed. The District does not have a formal minimum fund balance requirement.

The District accounts for special revenue sources that are restricted to expenditures for specified purposes in its Special Revenue Fund. The Special Revenue Fund receives grant funds which are restricted for specific purposes by the Arkansas Department of Environmental Quality.

Southwest Arkansas Regional Solid Waste Management District
Notes to Financial Statements
June 30, 2023

NOTE 4 – FUND BALANCE (Continued)

As of June 30, 2023, the District’s fund balances were composed of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Restricted - Recycling	\$ -	\$ 87,597	\$ 87,597
Unassigned	<u>304,672</u>	<u>83,878</u>	<u>388,550</u>
Total Fund Balances	<u>\$ 304,672</u>	<u>\$ 171,475</u>	<u>\$ 476,147</u>

NOTE 5 – RELATED PARTY MATTERS

The District’s board of directors shares several common members with the board of directors of Southwest Arkansas Planning and Development District, Inc. (“SWAPDD”). SWAPDD provides administration services to the District for \$85,000 annually. The District owed SWAPDD \$21,250 as of June 30, 2023 for administration services.

NOTE 6 – CONCENTRATIONS

Approximately 85% of the funding for the District’s programs is from governmental grants. Accordingly, the district is economically dependent on government funding for its continued operations.

Required Supplementary Information

Southwest Arkansas Regional Solid Waste Management District
Required Supplementary Information
Budgetary Comparison Schedule – General Fund and Special Revenue Fund
For the Year Ended June 30, 2023

	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
GENERAL FUND			
Revenues			
Per capita fees	\$ 35,822	\$ 45,814	\$ 9,992
Interest income	1,337	520	(817)
Other income	9,375	18,825	9,450
	<u>46,534</u>	<u>65,159</u>	<u>18,625</u>
Total Revenues			
	<u>46,534</u>	<u>65,159</u>	<u>18,625</u>
Expenditures			
Administration	32,100	41,000	(8,900)
Advertising	-	264	(264)
Office expense	9,670	78	9,592
Professional fees	10,000	17,620	(7,620)
	<u>51,770</u>	<u>58,962</u>	<u>(7,192)</u>
Total Expenses			
	<u>51,770</u>	<u>58,962</u>	<u>(7,192)</u>
Excess of Revenues over Expenditures	<u>\$ (5,236)</u>	<u>\$ 6,197</u>	<u>\$ 11,433</u>
SPECIAL REVENUE FUND			
Revenues			
Interest income	\$ 6,705	\$ 5,278	\$ (1,427)
Grant income - program administration	40,000	44,000	4,000
Grant income - programs	212,837	239,611	26,774
Other income	12,900	-	(12,900)
	<u>272,442</u>	<u>288,889</u>	<u>16,447</u>
Total Revenues			
	<u>272,442</u>	<u>288,889</u>	<u>16,447</u>
Expenditures			
Administration	52,900	44,000	8,900
E-Waste grant expense	-	34,420	(34,420)
Recycling grant expense	212,837	209,191	3,646
	<u>265,737</u>	<u>287,611</u>	<u>(21,874)</u>
Total Expenditures			
	<u>265,737</u>	<u>287,611</u>	<u>(21,874)</u>
Excess of Revenues over Expenditures	<u>\$ 6,705</u>	<u>\$ 1,278</u>	<u>\$ (5,427)</u>

Southwest Arkansas Regional Solid Waste Management District
Notes to Required Supplementary Information
Budgetary Comparison Schedule – General Fund and Special Revenue Fund
For the Year Ended June 30, 2023

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

Management prepares an annual operating budget for the General Fund and Special Revenue Fund. The budget reflects revenues expected to be received during the year and expenditures expected to be incurred. The board of directors adopts the budget annually.

The District prepares its annual operating budget on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). The *Budgetary Comparison Schedule – General Fund and Special Revenue Fund* presents the original budget amounts in comparison to the actual amount of revenues and expenditures for the current year. The District did not revise the original budget amounts during the year ended June 30, 2023.

Supplementary Information

Southwest Arkansas Regional Solid Waste Management District
Supplementary Information
Schedule of Governmental Assistance – Cash Basis
For the Year Ended June 30, 2023

Department	Program	CFDA Number	Governmental Assistance
Arkansas Department of Environmental Quality	Recycling Program	N/A	\$ 252,837
Total Governmental Assistance			<u><u>\$ 252,837</u></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 and Management
Southwest Arkansas Regional Solid Waste Management District
Magnolia, Arkansas

We have audited, 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, the financial statements of the governmental activities and each major fund of **Southwest Arkansas Regional Solid Waste Management District** (the District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
February 1, 2024