

**SOUTHWEST CENTRAL REGIONAL  
SOLID WASTE MANAGEMENT DISTRICT  
Hot Springs, Arkansas  
December 31, 2020**

# Southwest Central Regional Solid Waste Management District

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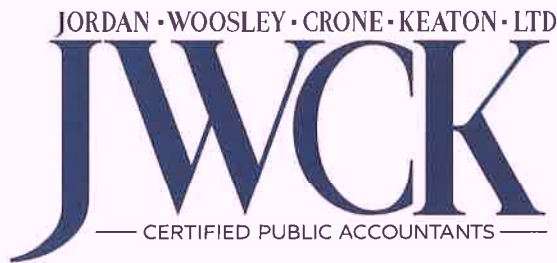
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#### Partners

Gary D. Welch, CPA, CVA  
Courtney W. Moore, CPA, CFE, CGMA  
Christina B. Ellis, CPA

#### Principals

Dennis C. Fason, CPA  
Jimmy M. Pate, CPA  
Phyllis A. Trent, CPA

#### Founding Partners

Joe L. Woosley, CPA  
(1932–Present)  
Harry C. Keaton, CPA  
(1920–2005)  
Clarence W. Jordan, CPA  
(1930–2009)  
Glen W. Crone, Jr., CPA  
(1936–2016)

## Independent Auditors Report

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Board of Directors  
Southwest Central Regional Solid Waste Management District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the business-type activities of Southwest Central Regional Solid Waste Management District (District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP); 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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126 Hobson Ave.  
Hot Springs, AR 71901

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (3) unmodified audit opinions on the business type activities, governmental – recycling program and proprietary fund and (2) qualified opinions on the governmental activities and the government fund – waste tire program.

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Unmodified
Government Fund – Waste Tire Program	Qualified
Government Fund – Recycling Program	Unmodified
Proprietary Fund	Unmodified

**Basis for Qualified Opinion**

For the period ended December 31, 2020, the financial statements of Waste Tire Program (Program) have not been audited, and we were not engaged to audit the Program's financial statements as part of our audit of the District's basic financial statements. The Program's financial activities are included in the District's basic financial statements and represent 14.2 percent, zero percent and 46.6 percent of the assets, net position and revenues, respectively, of the District's total activities.

**Qualified Opinion**

In our opinion, except for the possible effects of the matter discussed in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the Waste Tire Program of Southwest Central Regional Solid Waste Management District, as of December 31, 2020, and the changes in financial position thereof for the year then ended in accordance with U.S. GAAP.

**Unmodified Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Recycling Program and business-type activities of Southwest Central Regional Solid Waste Management District as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. GAAP.

**Other Matters - Required Supplementary Information**

U.S. GAAP require that the management's discussion and analysis and budgetary comparison information on pages five through eight and 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2020, on our consideration of Southwest Central Regional Solid Waste Management District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Southwest Central Regional Solid Waste Management District's internal control over financial reporting and compliance.

*JWCK, Ltd.*

Hot Springs, Arkansas

August 31, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report for the Southwest Central Regional Solid Waste Management District (District) is management's narrative discussion and analysis of the financial overview of the District for the year ended December 31, 2020. This discussion and analysis reviews the significant financial balances of the District as well as capital asset activity.

### Financial Highlights

The District's assets of \$1,715,177 exceed its liabilities of \$1,209,114 by \$506,063. This is the District's net position balance. This is an increase from the prior year of \$50,451 as a result of the net increase (revenue over expenses) for the year.

Total net position of the District consists of the following categories:

1. Invested in capital assets of \$101,940, which is \$332,293 in original capital asset value less \$230,353 in recorded depreciation,
2. Unassigned net position of \$404,123 that represents the available net position to continue the operations of the District.

### Overview and Using This Annual Report

The District's annual report consists of two, basic sections of financial information:

1. Financial Statements and Notes to the financial statements – This section on pages 10 through 22 covers all of the financial balances and activity of the District for the year ended December 31, 2020. The notes to the financial statements provide additional information related to these financial statements, other significant transactions and events. Also, in this section are additional details on the three operating divisions of the District: Management, Administration and Planning, Waste Tire Program and Recycling Program.
2. Additional Information – The final areas of the report, on pages 24 through 26, provide budget information on the Recycling Program and a report on internal control and compliance.

### Financial Analysis of the District as a Whole

During 2020, the District's net position increased 50,451; a summary of 2020 with comparison to 2019 is as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Current and restricted assets	\$ 1,613,237	\$ 1,394,585
Capital assets (net of depreciation)	<u>101,940</u>	<u>129,669</u>
Total Assets	\$ 1,715,177	\$ 1,524,254
Current liability and deferred inflows of resources	<u>\$ 1,209,114</u>	<u>\$ 1,068,643</u>
Total Liabilities	\$ 1,209,114	\$ 1,068,643

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

	December 31,	
	2020	2019
Net Position:		
Invested in capital assets	\$ 101,940	\$ 129,669
Unrestricted	<u>404,123</u>	<u>325,942</u>
Total Net Position	<u>\$ 506,063</u>	<u>\$ 455,610</u>

For 2020 and 2019, the District's change in Net Position is summarized as follows:

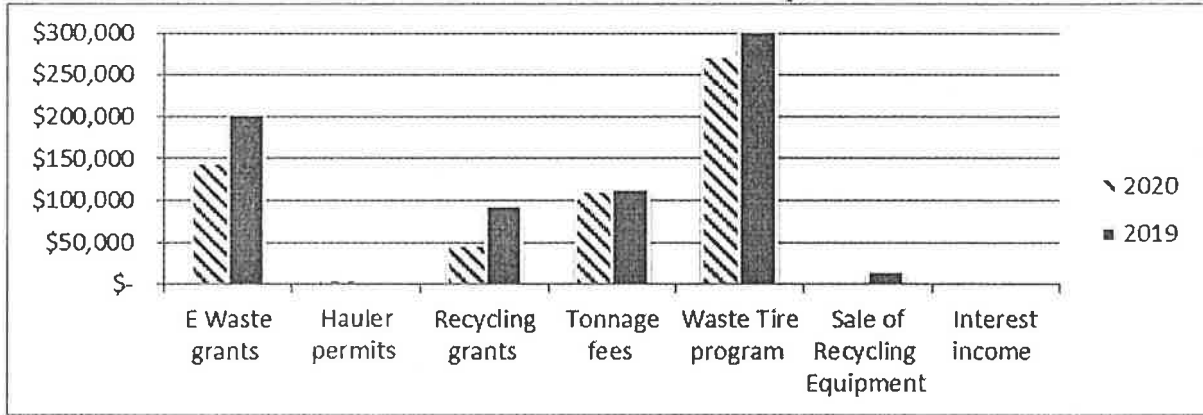
	For the Year Ended December 31,			
	2020	Percent of Totals	2019	Percent of Totals
Revenues:				
E Waste grants	144,367	24.8%	203,390	26.8%
Hauler permits	4,675	0.8%	3,872	0.5%
Recycling grants	47,136	8.1%	94,105	12.4%
Tonnage fees	111,133	19.1%	114,250	15.0%
Waste Tire program	271,163	46.6%	323,812	42.6%
Sale of Recycling Equipment	0	0.0%	16,073	2.1%
Interest income	3,357	0.6%	4,067	0.5%
Total Revenues	<u>581,831</u>	<u>100.0%</u>	<u>759,569</u>	<u>100.0%</u>
Operating Expenses:				
Administration	53,818	10.1%	58,183	8.6%
Annual recycling events	106,122	20.0%	130,859	19.4%
Other	1,181	0.2%	1,393	0.2%
Professional fees	11,128	2.1%	14,675	2.2%
Recycling and ewaste	87,964	16.6%	139,460	20.7%
Utilities	0	0.0%	6,045	0.9%
Waste Tire program	271,163	51.0%	323,812	48.0%
Total Operating Expenses	<u>531,376</u>	<u>100.0%</u>	<u>674,427</u>	<u>100.0%</u>
Net Change in Net Position	50,455		85,142	
Beginning Net Position	<u>455,613</u>		<u>370,471</u>	
Ending Net Position	<u>\$ 506,068</u>		<u>\$ 455,613</u>	



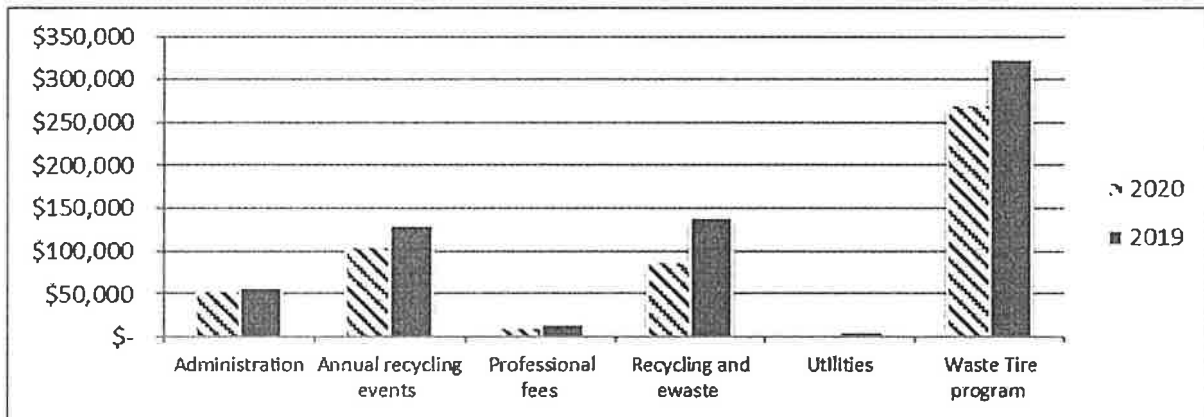
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(continued)**

The following graphics presentation of selected data will aid in the analysis of the District's operations:

**Total Revenues – 2020 to 2019 Comparison**



**Operating Expenses – 2020 to 2019 Comparison**



The District has three, primary operating divisions related to providing services and facilities to the waste management industry. An analysis of these three divisions follows:

The District segregates its operations into three divisions that are briefly described as follows:

1. Solid Waste Management, Administrative and Planning – This is the basic operating fund of the District that collects the tonnage fees and hauler fees from waste hauled in the District. The revenue is then used to pay for the primary functions of the District; administrative costs for the District and support other divisions that are not structured to be financially self-supporting.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(continued)**

2. Recycling Program – The District receives both recycling and electronic waste grants and holds events and provides grants to support recycling within the district. The following activities are part of the recycling program: household hazardous waste, Spring Fling, education of students, disposal of electronic waste and specific grants for promotion of recycling.
3. Waste Tire Program – The District collects fees from consumers to take waste tires and disburses money to pay administrative costs and waste tire contractors. The Pulaski County Solid Waste Management District administers this program.

**Description of Currently Known Facts**

**Revenue and Expense Analysis**

1. The District experiences fluctuations in revenue and expenses mostly due to the timing of expenditures related to grant revenues.
2. The Waste Tire Program has a positive fund balance; however there is a receivable from the Waste Tire District members to this District due to other members negative fund balance.
3. The District focuses on programs that encourage and support recycling in the member counties.

**Contacting the District's Financial Management**

This financial report is designed to provide a general overview to citizens and other interested parties of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or would like to request additional information, contact the District's Finance Department at 1000 Central Avenue, Hot Springs National Park, Arkansas 71901.

## FINANCIAL STATEMENTS

# Southwest Central Regional Solid Waste Management District

## Statement of Net Position

December 31, 2020

	Governmental Activities	Business-type Activites	Total
<b>Assets</b>			
Cash and equivalents	\$ 1,169,284	\$ 363,154	\$ 1,532,438
Receivables		17,579	17,579
Due from other governmental agencies	63,220		63,220
Capital Assets:			
Buildings, net of depreciation	50,000		50,000
Equipment and furniture, net of depreciation	282,293		282,293
Less: accumulated depreciation	(230,352)		(230,352)
<b>Total capital assets</b>	<b>101,940</b>		<b>101,941</b>
<b>Total assets</b>	<b>1,334,444</b>	<b>380,733</b>	<b>1,715,178</b>
<b>Liabilities</b>			
Accounts payable and accrued expenses	87,674	1,255	88,929
<b>Total liabilities</b>	<b>87,674</b>	<b>1,255</b>	<b>88,929</b>
<b>Deferred Inflow of Resources</b>			
Unearned grant revenue	1,118,360		1,118,360
Unearned hauler revenue		1,825	1,825
<b>Total deferred inflow of resources</b>	<b>1,118,360</b>	<b>1,825</b>	<b>1,120,185</b>
<b>Net Position</b>			
Invested in capital assets, net of related debt	101,940		101,940
Unassigned	26,470	377,653	404,123
<b>Total net position</b>	<b>\$ 128,410</b>	<b>\$ 377,653</b>	<b>\$ 506,063</b>

See independent auditors report and notes to the financial statements.

## Southwest Central Regional Solid Waste Management District

Statement of Activities

For the Year Ended December 31, 2020

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental Activities							
Waste Tire Program	\$ 271,163	\$ -	\$ 271,056	\$	(107)	\$	(107)
Recycling Program	247,904		191,503		(56,401)		(56,401)
<b>Total governmental activities</b>	<b>519,067</b>	<b>-</b>	<b>462,559</b>		<b>(56,508)</b>	<b>-</b>	<b>(56,508)</b>
<b>Business-type activities</b>							
Solid Waste Management,							
Administrative and Planning	12,312	115,808				103,496	103,496
<b>Total business-type activities</b>	<b>12,312</b>	<b>115,808</b>			<b>(56,508)</b>	<b>103,496</b>	<b>103,496</b>
<b>Total primary government</b>	<b>531,379</b>	<b>115,808</b>	<b>462,559</b>		<b>(56,508)</b>	<b>103,496</b>	<b>46,988</b>
<b>General revenues:</b>							
Unrestricted investment earnings					107	873	980
Restricted investment earnings					2,484		2,484
<b>Total general revenues, special items, and transfers</b>					<b>2,591</b>	<b>873</b>	<b>3,464</b>
<b>Change in net position</b>					<b>(53,917)</b>	<b>104,369</b>	<b>50,452</b>
Net position - beginning					182,327	273,284	455,611
<b>Net position - ending</b>				<b>\$</b>	<b>128,410</b>	<b>\$ 377,653</b>	<b>\$ 506,063</b>

See independent auditors report and notes to the financial statements.

**Southwest Central Regional Solid Waste Management District**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2020**

	Waste Tire Program	Recycling Program	Total Governmental Funds
<b>Assets</b>			
Cash and cash equivalents	\$ 180,293	\$ 988,991	\$ 1,169,284
Due from members	63,220	-	63,220
<b>Total assets</b>	<b>243,513</b>	<b>988,991</b>	<b>1,232,504</b>
<b>Liabilities and Net Position</b>			
Liabilities:			
Accounts payable	-	87,674	87,674
Unearned grant revenue	243,513	874,847	1,118,360
<b>Total liabilities</b>	<b>243,513</b>	<b>962,521</b>	<b>1,206,034</b>
Fund balances	-	26,470	26,470
<b>Total liabilities and fund balances</b>	<b>243,513</b>	<b>\$ 988,991</b>	<b>\$ 1,232,504</b>
Fund balances - governmental funds			26,470
Amounts reported for governmental activities in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			<u>101,940</u>
Net Position of Governmental Activities in the Statement of Net Position			<u>\$ 128,410</u>

See independent auditors report and notes to the financial statements.

**Southwest Central Regional Solid Waste Management District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2020**

	Waste Tire Program	Recycling Program	Total Governmental Funds
<b>Revenues</b>			
Grant revenue	\$ 251,346	\$ 191,503	\$ 442,849
Lease income	15,900	-	15,900
Waste tire fees	3,810	-	3,810
Investment earnings	107	2,484	2,591
<b>Total revenues</b>	<b>271,163</b>	<b>193,987</b>	<b>465,150</b>
<b>Expenditures</b>			
Administrative contract fees	43,205	53,818	97,023
Supplies and services	-	5,656	5,656
Education and public awareness	-	9,000	9,000
Labor costs	-	-	-
Recycling events	-	151,701	151,701
Utilities	-	-	-
Waste tire contractor fees	227,857	-	227,857
Miscellaneous	101	-	101
Capital Outlay	-	-	-
<b>Total expenditures</b>	<b>271,163</b>	<b>220,175</b>	<b>491,338</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>(26,188)</b>	<b>(26,188)</b>
<b>Change in fund balance</b>		<b>(26,188)</b>	<b>(26,188)</b>
Fund balance - beginning		52,658	52,658
<b>Fund balance - ending</b>		<b>\$ 26,470</b>	<b>\$ 26,470</b>

Net change in fund balances - total governmental funds: \$ (26,188)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Depreciation expense	(27,730)
Change in net position of governmental activities	<u>\$ (53,918)</u>

See independent auditors report and notes to the financial statements.

**Southwest Central Regional Solid Waste Management District**  
**Statement of Net Position**  
**Proprietary Fund**  
**December 31, 2020**

<b>Solid Waste Management, Administrative and Planning</b>	
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 363,154
Accounts receivable, net	17,579
<b>Total current assets</b>	<b>380,733</b>
<b>Total assets</b>	<b>380,733</b>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	1,255
Deferred revenue	1,825
<b>Total current liabilities</b>	<b>3,080</b>
<b>Net Position</b>	
Unassigned	377,653
<b>Total net position</b>	<b>\$ 377,653</b>

See independent auditors report and notes to the financial statements.



**Southwest Central Regional Solid Waste Management District**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended December 31, 2020**

<b>Solid Waste Management, Administrative and Planning</b>	
<b>Revenues</b>	
Tonnage fees	111,133
Hauler permits	4,675
<b>Total operating revenues</b>	<b>115,808</b>
<b>Operating Expenses</b>	
Advertising - legal	1,184
Audit fees	6,000
Legal fees	5,128
<b>Total operating expenses</b>	<b>12,312</b>
<b>Operating income</b>	<b>103,496</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest and investment revenue	873
<b>Total non-operating revenue (expenses)</b>	<b>873</b>
<b>Change in net position</b>	<b>104,369</b>
Total net position - beginning	273,284
<b>Total net position - ending</b>	<b>\$ 377,653</b>

See independent auditors report and notes to the financial statements.

**Southwest Central Regional Solid Waste Management District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended December 31, 2020**

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**Solid Waste Management, Administrative and Planning**

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<b>Cash Flows from Operating Activities</b>	
Cash received from fees	108,236
Cash paid to suppliers	(12,664)
<b>Net cash provided by operating activities</b>	<b>95,572</b>
<b>Cash Flows from Investing Activities</b>	
Interest income	873
<b>Net cash provided by investing activities</b>	<b>873</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>96,445</b>
Cash in Bank - beginning	266,709
<b>Cash in Bank - ending</b>	<b>\$ 363,154</b>

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See independent auditors report and notes to the financial statements.

# Southwest Central Regional Solid Waste Management District

## Notes to the Financial Statements

December 31, 2020

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### NOTE 1: Summary of Significant Accounting Policies

**The Governmental Reporting Entity** Pursuant to Act 752 of the Acts of Arkansas of 1991, the Southwest Central Regional Solid Waste Management District and board were organized to protect the public health and environmental quality for its service area by establishing a regional solid waste management system in the Arkansas counties of Clark, Garland and Hot Spring. The District is authorized to own, acquire, construct, reconstruct, extend, equip, improve, operate, maintain, sell, lease, contract concerning, or otherwise deal in facilities of any nature necessary or desirable for the control, collection, removal, reduction, disposal, treatment or other handling of solid waste. The District, with board approval, is authorized to use any available funds and revenues for the accomplishment of projects and may issue bonds for the purpose of paying project costs and accomplishing projects, either alone or together with other available funds and revenues. The District is part of an Inter-Waste District Program that is administered by the Pulaski County Solid Waste Management District. The District's board of directors is composed in accordance with the requirements of Act 752 of 1991. The board is composed of representatives of the counties in the District and representatives of all first class cities, of all cities with a population over 2,000 and of the largest city of each county in the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**Government-wide and Fund Financial Statements** The government-wide financial statements (i.e., the statement of Net Position and statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity.

Separate financial statements are provided for governmental funds and proprietary funds.

**Measurement Focus, Basis of Accounting and Basis of Presentation** The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the primary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

# Southwest Central Regional Solid Waste Management District

## Notes to the Financial Statements (continued)

December 31, 2020

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### NOTE 1: Summary of Significant Accounting Policies (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered available when they are collectible in the current period or soon enough thereafter to pay liability of the current period. For this purpose, the District considers revenues available if they are collected in 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Permits and investment income associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the District.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

As a rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. 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 permits and tonnage fees. Operating expenses for the enterprise funds include the cost of services administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**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. Actual results could differ from those estimates.

**Receivables** Any amounts currently due from various city, commercial and county trucks for tonnage fees.

**Capital Assets and Depreciation** Capital assets are valued at acquisition cost. New additions and improvements that extend the lives of existing assets are capitalized at cost. The District defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair-market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

See independent auditors report.

# Southwest Central Regional Solid Waste Management District

Notes to the Financial Statements (continued)

December 31, 2020

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## NOTE 1: Summary of Significant Accounting Policies (continued) -

Depreciation is computed on the straight-line method based on the estimated useful lives of related assets; estimated asset lives range from 7 to 39 years.

**Cash and Cash Equivalents** For purposes of the combined statement of cash flows, the District considers cash demand accounts and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Unearned Revenue** Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The District is awarded grant funds and they are received in a lump sum. Therefore, the unearned revenues are grant funds received and not yet spent. Hauler permits are sold for each calendar year, and those sold in advance are unearned income.

**Risk Management** The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District or its contracted agencies carries commercial insurance.

**Use of Restricted Revenues** When an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available, it is generally the policy of the District to first consider restricted amounts to be reduced by recycling center and administration payroll expense. When a proposed expenditure is made with specified balances identified as the source of the funding, that specific fund balance is used. Interest earned on the grant funds held in the bank accounts of the District is also a restricted income and must be used towards recycling program expenses.

**Subsequent Events** The District did not have any subsequent events through August 31, 2021, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2020 except as noted in Note 8.

**NOTE 2: Unaudited Financial Statements** We did not audit the financial statements of the Waste Tire Program (Program), and we were not engaged to audit the Program's financial statements as a part of our audit of the District's financial statements. However, the Program's financial statements are audited annually as of June 30. In 2005, the Program changed its year-end from December 31 to June 30; therefore, the Program's year-end does not correspond to the District's year-end. The Program's activity meets the criteria for inclusion in the District's financial statements.

**NOTE 3: Deposits with Financial Institutions** At December 31, 2020, deposits at Bank of the Ozarks were \$1,356,998. This total is exclusive of funds held by the Waste Tire Program's grant coordinator, Inter-District Waste Tire Program. The deposits were fully covered by Federal Depository Insurance or under Bank of the Ozarks pledged securities. Deposits of \$180,293 held by the Waste Tire Program were fully insured and/or collateralized.

See independent auditors report.

## Southwest Central Regional Solid Waste Management District

Notes to the Financial Statements (continued)

December 31, 2020

**NOTE 4: Capital Assets** Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Capital Outlay	Disposal	Current Depreciation	Ending Balance
Equipment	\$ 282,293	\$		\$	\$ 282,293
Leasehold improvements	50,000				50,000
Total capital assets being depreciated	332,293				332,293
Accumulated depreciation	(202,624)			(27,729)	(230,353)
Net Capital Assets	\$ 129,669	\$	\$	\$ (27,729)	\$ 101,940

**NOTE 5: Stewardship, Compliance and Accountability** Budgetary Information - Each recycling grant has a legally adopted budget that is submitted with the grant application and approved by the Board of Directors. The budget is used as a revenue and expenditure control feature in the District's management and accountability systems. The legal level of control is the fund level. The Board of Directors may make transfers of appropriations with the approval of the Arkansas Department of Environmental Quality.

**NOTE 6: Deferred Inflow of Resources** During the year ended December 31, 2020, the District had the following grant activity from grants funded through the Arkansas Department of Environmental Quality:

	E-Waste Grants	Recycling Grants	Waste Tire Abatement Grant
<b>Unearned Grant Revenue - Beginning Balance</b>	\$ 411,826	\$ 396,079	\$ 234,366
<b>Grants received:</b>			
Recycling Center grant SWC00-19		204,138	
Ewaste SWC02-19EW	54,306		
Waste Tire Abatement Grant (includes all receipts)			271,163
Subtotals	466,132	600,217	505,529
<b>Grant expenditures:</b>			
<b>Recycling Center grants:</b>			
SWC00-18		(15,385)	
SWC00-19		(31,751)	
<b>E-Waste grants:</b>			
SWC02-17EW	(139,831)		
SWC02-18EW			
SWC02-19EW	(4,536)		
Waste Tire Abatement Grant (includes all expenses)			262,016
<b>Unearned Grant Revenue - Ending Balance</b>	\$ 321,765	\$ 553,081	\$ 243,513

See independent auditors report.

# Southwest Central Regional Solid Waste Management District

Notes to the Financial Statements (continued)

December 31, 2020

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**NOTE 7: Leased Administration Contract Fees** Since July 15, 1998, the District has had an agreement with West Central Arkansas Planning and Development District, Inc. for administrator fees for various programs related to solid waste management as required by law in the three-county area of the District. The agreement states that the administrator fees will be reimbursed for direct charges for salaries and supplies related to services performed for the grantee and indirect costs as determined by the administrator's cost allocation plan. Total administration contract fees for the year was \$53,818.

**NOTE 8: Subsequent Event** On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

**REQUIRED SUPPLEMENTAL INFORMATION**

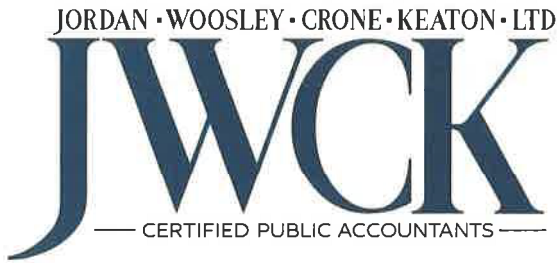
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**Southwest Central Regional Solid Waste Management District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Recycling Program**  
**For the year ended December 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Grant revenue	\$ 195,914	\$ 195,914	\$ 191,503	\$ (4,411)
Other revenue			2,484	2,484
<b>Total revenues</b>	<b>195,914</b>	<b>195,914</b>	<b>193,987</b>	<b>(1,927)</b>
<b>Expenditures</b>				
Administrative contract fees	39,183	39,183	53,818	(14,635)
Supplies and services	-	-	5,656	(5,656)
Education and public awareness	9,000	9,000	9,000	-
Labor costs	-	-	-	-
Recycling events	104,000	104,000	151,701	(47,701)
<b>Total Expenditures</b>	<b>152,183</b>	<b>152,183</b>	<b>220,175</b>	<b>(67,992)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ 43,731</b>	<b>\$ 43,731</b>	<b>\$ (26,188)</b>	<b>\$ (69,919)</b>

See independent auditors report and notes to the financial statements



**Partners**

Gary D. Welch, CPA, CVA  
Courtney W. Moore, CPA, CFE, CGMA  
Christina B. Ellis, CPA

**Principals**

Dennis C. Fason, CPA  
Jimmy M. Pate, CPA  
Phyllis A. Trent, CPA

**Founding Partners**

Joe L. Woosley, CPA  
(1932-Present)  
Harry C. Keaton, CPA  
(1920-2005)  
Clarence W. Jordan, CPA  
(1930-2009)  
Glen W. Crone, Jr., CPA  
(1936-2016)

**Independent Auditors Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

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Board of Directors  
Southwest Central Regional Solid Waste Management District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of Southwest Central Regional Solid Waste Management District (District), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 31, 2021.

We did not audit the financial statements of the Waste Tire Program, and we were not engaged to audit the Waste Tire Program's financial statements as part of our audit of the District's financial statements.

**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) 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 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 District'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 may exist that have not been identified.

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126 Hobson Ave.  
Hot Springs, AR 71901

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District'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.



Hot Springs, Arkansas

August 31, 2021