

**SOUTHWEST CENTRAL REGIONAL
SOLID WASTE MANAGEMENT DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

12/31/2021

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
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Independent Auditor's Report

Board of Directors
Southwest Central Regional Solid Waste Management District
Hot Springs, Arkansas

Report on the Audit of the Financial Statements

Opinions

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, 2021, 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 the governmental and business-type activities of Southwest Central Regional Solid Waste Management District as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in 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 and 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 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 judgement made by the reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

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 information on pages 5 through 8 and 26 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 September 20, 2022, 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.

Alexander Thompson Arnold, PLLC

Hot Springs, Arkansas
September 20, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2021

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, 2021. This discussion and analysis review the significant financial balances of the District as well as capital asset activity.

Financial Highlights

The District's assets of \$1,402,933 exceed its liabilities of \$808,643 by \$594,290. This is the District's net position balance. This is an increase from the prior year of \$88,227 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 \$87,703, which is \$332,293 in original capital asset value less \$244,590 in recorded depreciation,
2. Unassigned net position of \$506,587 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 21 covers all of the financial balances and activity of the District for the year ended December 31, 2021. 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 two operating divisions of the District: Management, Administration and Planning and Recycling Program.
2. Additional Information – The final areas of the report, on pages 22 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 the year ended December 31, 2021, the District's net position increased \$ 88,227; a summary of 2021 with comparison to 2020 is as follows:

| | December 31, | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| Current and restricted assets | \$ 1,315,230 | \$ 1,369,724 |
| Capital assets (net of depreciation) | 87,703 | 101,940 |
| Total assets | \$ 1,402,933 | \$ 1,471,664 |
| Current liability and deferred inflows of resources | \$ 808,643 | \$ 965,601 |
| Total liabilities | \$ 808,643 | \$ 965,601 |

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2021

| | December 31, | |
|----------------------------|--------------------------|--------------------------|
| | 2021 | 2020 |
| Net position: | | |
| Invested in capital assets | \$ 87,703 | \$ 101,940 |
| Unrestricted | <u>506,587</u> | <u>404,123</u> |
| Total net position | <u>\$ 594,290</u> | <u>\$ 506,063</u> |

For 2021 and 2020, the District's change in Net Position is summarized as follows:

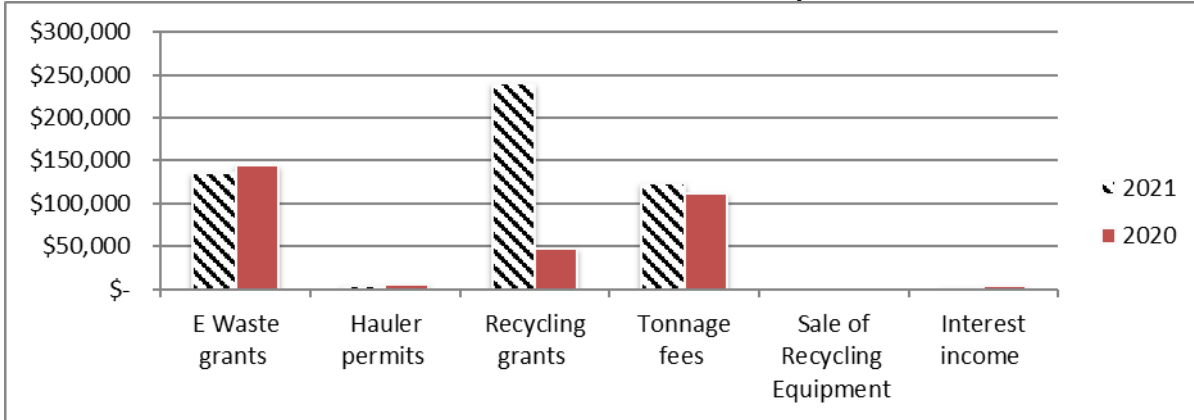
| | For the Year Ended December 31, | | | |
|-----------------------------|---------------------------------|----------------------|-------------------|----------------------|
| | 2021 | Percent of Totals | 2020 | Percent of Totals |
| Revenues: | | | | |
| E Waste grants | \$ 136,227 | 27.0% | \$ 144,367 | 46.5% |
| Hauler permits | 3,025 | 0.6% | 4,675 | 1.5% |
| Recycling grants | 240,531 | 47.7% | 47,136 | 15.2% |
| Tonnage fees | 123,212 | 24.4% | 111,130 | 35.8% |
| Sale of recycling equipment | 0 | 0.0% | 0 | 0.0% |
| Interest income | 1,235 | 0.2% | 3,357 | 1.1% |
| Total revenues | <u>504,230</u> | 100.0% | <u>310,665</u> | 100.0% |
| Operating expenses: | | | | |
| Administration | 46,804 | 11.3% | 53,818 | 20.7% |
| Annual recycling events | 202,333 | 48.6% | 106,122 | 40.8% |
| Other | 709 | 0.2% | 1,181 | 0.5% |
| Professional fees | 15,919 | 3.8% | 11,128 | 4.3% |
| Recycling and ewaste | 150,238 | 36.1% | 87,966 | 33.8% |
| Total operating expenses | <u>416,003</u> | 100.0% | <u>260,215</u> | 100.0% |
| Net change in net position | 88,227 | | 50,450 | |
| Beginning net position | <u>506,063</u> | | <u>455,613</u> | |
| Ending net position | <u>\$ 594,290</u> | | <u>\$ 506,063</u> | |

SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

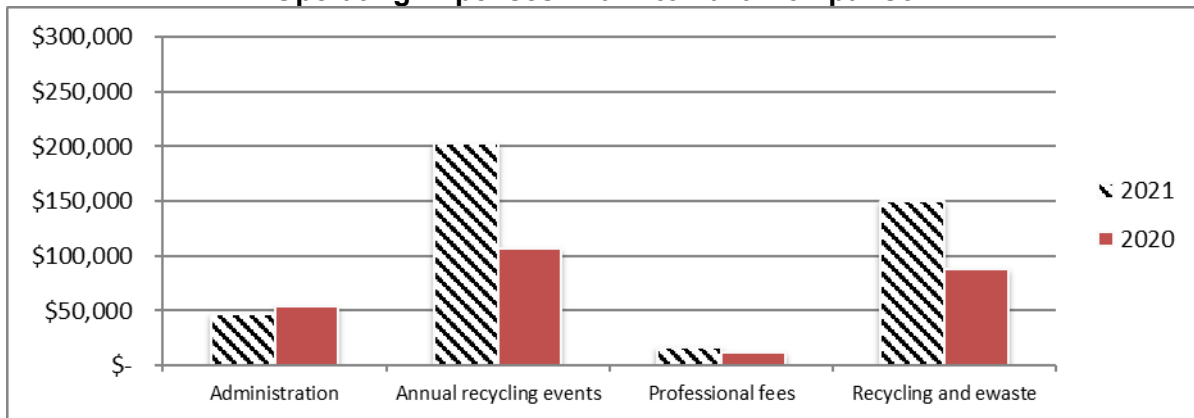
December 31, 2021

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

Total Revenues –2021 to 2020 Comparison



Operating Expenses –2021 to 2020 Comparison



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

The District segregates its operations into two 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.
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.

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2021

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 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.

BASIC FINANCIAL STATEMENTS

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE
MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2021**

| | <u>Governmental Activities</u> | <u>Business-type Activites</u> | <u>Total</u> |
|--|------------------------------------|------------------------------------|-------------------|
| Assets | | | |
| Cash and equivalents | \$ 823,928 | \$ 460,341 | \$ 1,284,269 |
| Receivables | | 30,961 | 30,961 |
| Capital assets | | | |
| Buildings, net of depreciation | 39,744 | | 39,744 |
| Equipment, net of depreciation | 47,959 | | 47,959 |
| Total capital assets | <u>87,703</u> | <u>-</u> | <u>87,703</u> |
| Total assets | <u>911,631</u> | <u>491,302</u> | <u>1,402,933</u> |
| Liabilities | | | |
| Accounts payable and accrued expenses | <u>91,441</u> | <u>1,532</u> | <u>92,973</u> |
| Total liabilities | <u>91,441</u> | <u>1,532</u> | <u>92,973</u> |
| Deferred inflow of resources | | | |
| Unearned grant revenue | 713,520 | | 713,520 |
| Unearned hauler revenue | | 2,150 | 2,150 |
| Total deferred inflow of resources | <u>713,520</u> | <u>2,150</u> | <u>715,670</u> |
| Net position | | | |
| Invested in capital assets, net of related debt | 87,703 | | 87,703 |
| Unassigned | 18,967 | 487,620 | 506,587 |
| Total net position | <u>\$ 106,670</u> | <u>\$ 487,620</u> | <u>\$ 594,290</u> |

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

SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

| Functions/Programs | Expenses | Program Revenue | | | Net (Expense) Revenue and Changes in Net Position Primary Government | | |
|---|--------------------------|--------------------------|------------------------------------|----------------------------------|---|--------------------------|--------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| Recycling program | \$ 399,375 | \$ - | \$ 376,758 | \$ - | \$ (22,617) | \$ - | \$ (22,617) |
| Total governmental activities | <u>399,375</u> | <u>-</u> | <u>376,758</u> | <u>-</u> | <u>(22,617)</u> | <u>-</u> | <u>(22,617)</u> |
| Business-type activities | | | | | | | |
| Solid waste management, administrative and planning | 16,628 | 126,237 | - | - | - | 109,609 | 109,609 |
| Total business-type activities | <u>16,628</u> | <u>126,237</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>109,609</u> | <u>109,609</u> |
| Total primary government | <u>\$ 416,003</u> | <u>\$ 126,237</u> | <u>\$ 376,758</u> | <u>\$ -</u> | <u>(22,617)</u> | <u>109,609</u> | <u>86,992</u> |
| General revenues | | | | | | | |
| Unrestricted investment earnings | | | | | - | 358 | 358 |
| Restricted investment earnings | | | | | 877 | | 877 |
| Total general revenues, special items, and transfers | | | | | <u>877</u> | <u>358</u> | <u>1,235</u> |
| Change in net position | | | | | <u>(21,740)</u> | <u>109,967</u> | <u>88,227</u> |
| Net position - beginning | | | | | 128,410 | 377,653 | 506,063 |
| Net position - ending | | | | | <u>\$ 106,670</u> | <u>\$ 487,620</u> | <u>\$ 594,290</u> |

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

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE
MANAGEMENT DISTRICT
Balance Sheet
Governmental Funds
December 31, 2021**

| | Recycling Program | Total Governmental Funds |
|--|------------------------------|---|
| Assets | | |
| Cash and cash equivalents | \$ 823,928 | \$ 823,928 |
| Due from members | - | - |
| Total assets | 823,928 | 823,928 |
| Liabilities and fund balances | | |
| Liabilities | | |
| Accounts payable | 91,441 | 91,441 |
| Unearned grant revenue | 713,520 | 713,520 |
| Total liabilities | 804,961 | 804,961 |
| Fund balances | 18,967 | 18,967 |
| Total liabilities and fund balances | \$ 823,928 | \$ 823,928 |
| Fund balances - governmental funds | | \$ 18,967 |
| 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. | | 87,703 |
| Net position of governmental activities in the statement of net position | | \$ 106,670 |

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

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE
MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
AND CHANGES IN FUND BALANCES**

Governmental Funds

For the Year Ended For the Year Ended December 31, 2021

| | Recycling Program | Total Governmental Funds |
|--|------------------------------|---|
| Revenues | | |
| Grant revenue | \$ 376,758 | \$ 376,758 |
| Investment earnings | 877 | 877 |
| Total revenues | 377,635 | 377,635 |
| Expenditures | | |
| Administrative contract fees | 46,804 | 46,804 |
| Supplies and services | 1,503 | 1,503 |
| Education and public awareness | 9,000 | 9,000 |
| Recycling events | 327,831 | 327,831 |
| Total expenditures | 385,138 | 385,138 |
| Excess (deficiency) of revenues over expenditures | (7,503) | (7,503) |
| Change in fund balance | (7,503) | (7,503) |
| Fund balance - beginning | 26,470 | 26,470 |
| Fund balance - ending | \$ 18,967 | \$ 18,967 |
| Net change in fund balances - total governmental funds: | | \$ (7,503) |
| 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 | | (14,237) |
| Change in net position of governmental activities | | \$ (21,740) |

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

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE
MANAGEMENT DISTRICT
STATEMENT OF NET POSITION**
Proprietary Fund
December 31, 2021

Solid Waste Management, Administrative and Planning

Assets

Current assets

| | |
|-----------------------------|------------|
| Cash and cash equivalents | \$ 460,341 |
| Accounts receivable, net | 30,961 |
| Total current assets | 491,302 |
| Total assets | 491,302 |

Liabilities

Current liabilities

| | |
|----------------------------------|-------|
| Accounts payable | 1,532 |
| Deferred revenue | 2,150 |
| Total current liabilities | 3,682 |
| Total liabilities | 3,682 |

Net Position

| | |
|---------------------------|-------------------|
| Unassigned | 487,620 |
| Total net position | \$ 487,620 |

The accompanying notes are an integral part of these 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, 2021

Solid Waste Management, Administrative and Planning

Revenues

| | |
|---------------------------------|----------------|
| Tonnage fees | \$ 123,212 |
| Hauler permits | 3,025 |
| Total operating revenues | <u>126,237</u> |

Operating expenses

| | |
|---------------------------------|----------------|
| Advertising - legal | 709 |
| Audit fees | 6,815 |
| Legal fees | 9,104 |
| Total operating expenses | <u>16,628</u> |
| Operating income | <u>109,609</u> |

Non-operating revenues (expenses)

| | |
|---|--------------------------|
| Interest and investment revenue | 358 |
| Total non-operating revenue (expenses) | <u>358</u> |
| Change in net position | <u>109,967</u> |
| Total net position - beginning | 377,653 |
| Total net position - ending | <u><u>\$ 487,620</u></u> |

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

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE
MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS**
Proprietary Fund
For the Year Ended December 31, 2021

Solid Waste Management, Administrative and Planning

| | |
|--|-------------------|
| Cash flows from operating activities | |
| Cash received from fees | \$ 113,180 |
| Cash paid to suppliers | (16,351) |
| Net cash provided by operating activities | 96,829 |
| Cash flows from investing activities | |
| Interest income | 358 |
| Net cash provided by investing activities | 358 |
| Net increase in cash and cash equivalents | 97,187 |
| Cash and cash equivalents - beginning | 363,154 |
| Cash and cash equivalents - ending | \$ 460,341 |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 109,609 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Changes in assets and liabilities | |
| Receivables (net) | (13,382) |
| Accounts payable | 277 |
| Deferred Revenue | 325 |
| Net cash provided by operating activities | \$ 96,829 |

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

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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'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.

B. 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.

C. 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 FINANCIAL STATEMENTS

December 31, 2021

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.

D. Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

E. Receivables

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

F. 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

SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

recorded at historical cost or estimated historical cost if purchased or constructed. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation. 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.

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.

G. 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.

H. 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 represent unearned income.

I. 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.

J. 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.

K. Subsequent Events

The District has evaluated all subsequent events through the date the financial statements were available to be issued. In preparing these financial statements, the District has evaluated events and transactions for potential recognition or disclosure through September 20, 2022, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At December 31, 2021, deposits at Bank of the Ozarks were \$1,288,171. The deposits were fully covered by Federal Depository Insurance or under Bank of the Ozarks pledged securities.

SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021, was as follows:

| <u>Description</u> | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------------|--------------------|---------------------------|
| Depreciable capital assets: | | | | |
| Equipment | \$ 282,293 | \$ - | \$ - | \$ 282,293 |
| Leasehold improvements | 50,000 | - | - | 50,000 |
| Total depreciable capital assets | <u>332,293</u> | <u>-</u> | <u>-</u> | <u>332,293</u> |
| Less accumulated depreciation: | | | | |
| Accumulated depreciation | <u>(230,353)</u> | <u>(14,237)</u> | <u>-</u> | <u>(244,590)</u> |
| Total capital assets being depreciated, net | <u>\$ 101,940</u> | <u>\$ (14,237)</u> | <u>\$ -</u> | <u>\$ 87,703</u> |

Current depreciation expense of \$14,237 is charged to the Governmental fund for the Recycling program.

NOTE 4 - 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 5 - 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 ended December 31, 2021, was \$46,804.

**SOUTHWEST CENTRAL REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS**

December 31, 2021

NOTE 6 - DEFERRED INFLOW OF RESOURCES

During the year ended December 31, 2021, the District had the following grant activity from grants funded through the Arkansas Department of Environmental Quality:

| | E-Waste Grants | Recycling Grants |
|---|---------------------------|-----------------------------|
| Unearned grant revenue - beginning balance | \$ 321,766 | \$ 553,081 |
| Grants received: | | |
| Recycling center grant SWC00-21 | | 208,608 |
| Ewaste SWC02-21EW | - | |
| | - | 208,608 |
| Subtotals | 321,766 | 761,689 |
| Grant expenditures: | | |
| Recycling center grants: | | |
| SWC00-18 | | (175,250) |
| SWC00-19 | | (65,281) |
| Allocation correction | 9,530 | (9,530) |
| E-Waste grants: | | |
| SWC02-18EW | (129,404) | |
| SWC02-19EW | | |
| Subtotals | (119,874) | (250,061) |
| Unearned grant revenue - ending balance | \$ 201,892 | \$ 511,628 |

SUPPLEMENTARY INFORMATION SECTION

**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, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Grant revenue | \$ 322,684 | \$ 322,684 | \$ 376,758 | \$ 54,074 |
| Other revenue | | | 877 | 877 |
| Total revenues | <u>322,684</u> | <u>322,684</u> | <u>377,635</u> | <u>54,951</u> |
| Expenditures | | | | |
| Administrative contract fees | 48,402 | 48,402 | 46,804 | 1,598 |
| Supplies and services | - | - | 1,503 | (1,503) |
| Education and public awareness | 9,000 | 9,000 | 9,000 | - |
| Labor costs | - | - | | - |
| Recycling events | 125,000 | 125,000 | 327,831 | (202,831) |
| Total Expenditures | <u>182,402</u> | <u>182,402</u> | <u>385,138</u> | <u>(202,736)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 140,282</u> | <u>\$ 140,282</u> | <u>\$ (7,503)</u> | <u>\$ (147,785)</u> |

The accompanying notes are an integral part of these financial statements

INTERNAL CONTROL AND COMPLIANCE SECTION



INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the 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 12/31/2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2022.

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) 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.

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 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.

Alexander Thompson Arnold, PLLC

Hot Springs, Arkansas
September 20, 2022