

**BENTON COUNTY REGIONAL SOLID
WASTE MANAGEMENT DISTRICT
Bentonville, Arkansas
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2023
and
INDEPENDENT AUDITOR'S REPORT**

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2023**

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**To the Board of Directors
Benton County Regional Solid Waste Management District
Bentonville, Arkansas**

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Benton Country Regional Solid Waste Management District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Benton Country Regional Solid Waste Management District as of December 31, 2023, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Benton Country Regional Solid Waste Management District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Matter Giving Rise to the Qualified Opinion

Management has not changed its method of accounting for pensions during the year ended December 31, 2023, by not adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that the method of accounting be changed for GASB Statement No. 68. The amount by which this departure would affect the assets, net position, and revenues of the Benton Country Regional Solid Waste District has not been determined.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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**Benton County Regional Solid Waste Management District
Bentonville, Arkansas**

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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including 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 Benton Country Regional Solid Waste Management District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Benton Country Regional Solid Waste Management District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 and 19 be presented to supplement the 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 the 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 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 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 the District's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.
Little Rock, Arkansas
October 21, 2024

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2023

ASSETS

CURRENT ASSETS

| | | |
|---------------------------|----|-----------|
| Cash and cash equivalents | \$ | 1,300,266 |
| Accounts receivable | | 591,239 |
| Total Current Assets | | 1,891,505 |

CAPITAL ASSETS

| | | |
|--------------------------------|--|-------------|
| Capital assets | | 1,681,470 |
| Less: accumulated depreciation | | (1,109,051) |
| Net Fixed Assets | | 572,419 |

| | | |
|---------------------|----|-----------|
| TOTAL ASSETS | \$ | 2,463,924 |
|---------------------|----|-----------|

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

| | | |
|---------------------------|----|---------|
| Accounts payable | \$ | 533,473 |
| Sales tax payable | | 604 |
| Total Current Liabilities | | 534,077 |

DEFERRED INFLOWS OF RESOURCES

| | | |
|------------------------|--|---------|
| Deferred grant revenue | | 297,283 |
|------------------------|--|---------|

NONCURRENT LIABILITIES

| | | |
|------------------------------|--|--------|
| Accrued compensated absences | | 13,552 |
|------------------------------|--|--------|

| | | |
|--------------------------|--|---------|
| TOTAL LIABILITIES | | 844,912 |
|--------------------------|--|---------|

NET POSITION

| | | |
|----------------------------------|--|-----------|
| Net investment in capital assets | | 572,419 |
| Restricted | | 211,385 |
| Unrestricted | | 835,208 |
| TOTAL NET POSITION | | 1,619,012 |

| | | |
|---|----|-----------|
| TOTAL LIABILITIES AND NET POSITION | \$ | 2,463,924 |
|---|----|-----------|

The accompanying notes are an integral part of these statements.

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023**

| | |
|---|---------------------|
| PROGRAM REVENUES | |
| Waste assessment fees | \$ 212,732 |
| Grants received | 997,849 |
| Local contributions | 278,564 |
| Recovered assessments | 203,666 |
| Service fees | 244,115 |
| Other income | 108,918 |
| Total Program Revenues | <u>2,045,844</u> |
| PROGRAM EXPENSES | |
| Contractual services | 4,859 |
| Education | 11,784 |
| Grant expenditures | 140,771 |
| Administrative expenses | 1,654,509 |
| Depreciation | 72,542 |
| Total Program Expenses | <u>1,884,465</u> |
| EXCESS REVENUES OVER EXPENSES | 161,379 |
| NET POSITION - BEGINNING OF YEAR | <u>1,457,633</u> |
| NET POSITION - END OF YEAR | <u>\$ 1,619,012</u> |

The accompanying notes are an integral part of these statements.

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

OPERATIONS

| | | |
|---|-----------|--------------------------------|
| Net Increase in Net Position | \$ | 161,379 |
| Adjustments Required to Net Cash Provided by Operations | | |
| Depreciation | | 72,542 |
| Net Increase in Assets | | |
| Accounts receivable | | <u>(247,128)</u> |
| Net Increase (Decrease) in Liabilities | | |
| Accounts payable | | 270,806 |
| Sales tax payable | | 168 |
| Salaries payable | | (5,289) |
| Other liabilities | | (20,466) |
| Deferred grant revenue | | <u>(26,866)</u> |
| Net increase in liabilities | | <u>218,353</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 152,979 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | | <u>1,147,287</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ | <u><u>1,300,266</u></u> |

The accompanying notes are an integral part of these statements.

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

| | <u>General Fund</u> | <u>Recycling Grant Fund</u> | <u>Waste Hauler Fund</u> | <u>CEEC Fund</u> | <u>Tire Fund</u> | <u>Special Programs Fund</u> | <u>Total</u> |
|---|-------------------------|---------------------------------|------------------------------|----------------------|----------------------|----------------------------------|---------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 478,143 | \$ 491,229 | \$ 10,366 | \$ 10,974 | \$ 217,111 | \$ 92,443 | \$ 1,300,266 |
| Accounts receivable | 427,218 | - | - | - | 160,636 | 3,385 | 591,239 |
| Total Assets | <u>\$ 905,361</u> | <u>\$ 491,229</u> | <u>\$ 10,366</u> | <u>\$ 10,974</u> | <u>\$ 377,747</u> | <u>\$ 95,828</u> | <u>\$ 1,891,505</u> |
| LIABILITIES AND FUND BALANCE | | | | | | | |
| LIABILITIES | | | | | | | |
| Accounts payable | \$ 17,654 | \$ 217,186 | \$ - | \$ - | \$ 237,820 | \$ 60,813 | \$ 533,473 |
| Other liabilities | 604 | - | - | - | - | - | 604 |
| Unearned revenue | - | 297,283 | - | - | - | - | 297,283 |
| Total Liabilities | <u>18,258</u> | <u>514,469</u> | <u>-</u> | <u>-</u> | <u>237,820</u> | <u>60,813</u> | <u>831,360</u> |
| FUND BALANCE | | | | | | | |
| Restricted, (deficit) | - | (23,240) | 10,366 | 10,974 | 139,927 | 35,015 | 173,042 |
| Unassigned | 887,103 | - | - | - | - | - | 887,103 |
| Total Fund Balance | <u>887,103</u> | <u>(23,240)</u> | <u>10,366</u> | <u>10,974</u> | <u>139,927</u> | <u>35,015</u> | <u>1,060,145</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 905,361</u> | <u>\$ 491,229</u> | <u>\$ 10,366</u> | <u>\$ 10,974</u> | <u>\$ 377,747</u> | <u>\$ 95,828</u> | <u>\$ 1,891,505</u> |

The accompanying notes are an integral part of these statements.

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

| | General Fund | Recycling Grant Fund | Waste Hauler Fund | CEEC Fund | Tire Fund | Special Programs Fund | Totals |
|---|-------------------|-------------------------|----------------------|------------------|-------------------|--------------------------|---------------------|
| REVENUES | | | | | | | |
| Waste assessment | \$ 212,732 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 212,732 |
| Grants received | - | 324,130 | - | - | 673,719 | - | 997,849 |
| Local contributions | - | - | - | - | - | 278,564 | 278,564 |
| Service fees | 224,434 | - | - | - | 19,680 | - | 244,114 |
| Recovered assessments | 203,666 | - | - | - | - | - | 203,666 |
| Miscellaneous income | 101,187 | 4,327 | 171 | 181 | 1,989 | 1,064 | 108,919 |
| Total Revenues | <u>742,019</u> | <u>328,457</u> | <u>171</u> | <u>181</u> | <u>695,388</u> | <u>279,628</u> | <u>2,045,844</u> |
| EXPENDITURES | | | | | | | |
| Contractual services | - | - | - | - | - | 4,859 | 4,859 |
| Education | 11,564 | - | - | - | - | 220 | 11,784 |
| Grants passed through | - | 140,771 | - | - | - | - | 140,771 |
| Administrative expenses | 621,580 | 33,674 | - | - | 813,792 | 242,919 | 1,711,965 |
| Total Expenditures | <u>633,144</u> | <u>174,445</u> | <u>-</u> | <u>-</u> | <u>813,792</u> | <u>247,998</u> | <u>1,869,379</u> |
| TOTAL EXPENDITURES | <u>633,144</u> | <u>174,445</u> | <u>-</u> | <u>-</u> | <u>813,792</u> | <u>247,998</u> | <u>1,869,379</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>108,875</u> | <u>154,012</u> | <u>171</u> | <u>181</u> | <u>(118,404)</u> | <u>31,630</u> | <u>176,465</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in (out) | (16,795) | (149,686) | - | - | 163,096 | 3,385 | - |
| Total Other Financing Sources (Uses) | <u>(16,795)</u> | <u>(149,686)</u> | <u>-</u> | <u>-</u> | <u>163,096</u> | <u>3,385</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 92,080 | 4,326 | 171 | 181 | 44,692 | 35,015 | 176,465 |
| FUND BALANCES, (DEFICIT) | | | | | | | |
| BEGINNING OF YEAR | <u>795,023</u> | <u>(27,566)</u> | <u>10,195</u> | <u>10,793</u> | <u>95,235</u> | <u>-</u> | <u>883,680</u> |
| FUND BALANCES, (DEFICIT) END OF YEAR | <u>\$ 887,103</u> | <u>\$ (23,240)</u> | <u>\$ 10,366</u> | <u>\$ 10,974</u> | <u>\$ 139,927</u> | <u>\$ 35,015</u> | <u>\$ 1,060,145</u> |

The accompanying notes are an integral part of these statements.

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
RECONCILIATION OF BALANCE SHEET-GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
For the Year Ended December 31, 2023**

| | | |
|---|----------|-----------|
| Fund Balances | \$ | 1,060,145 |
| <p>Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.</p> | | |
| | | 572,419 |
| <p>Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. Interest on long-term debt is not accrued in the governmental funds, but is recognized as an expenditure when paid. These liabilities consist of:</p> | | |
| Accrued compensated absences payable | (13,552) | (13,552) |
| Net Position of Governmental Activities | \$ | 1,619,012 |

The accompanying notes are an integral part of these statements.

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023**

| | | |
|---|-----------------|--------------------------|
| Net change in Fund Balances - total governmental funds | | \$ 176,465 |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> | | |
| <p>The net effect of various transactions involving an increase to long term and short term liabilities.</p> | | |
| | | 5,289 |
| <p>Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.</p> | | |
| Expenditures for capital assets | 52,167 | |
| Less current year depreciation | <u>(72,542)</u> | <u>(20,375)</u> |
| Change in Net Position | | \$ <u><u>161,379</u></u> |

The accompanying notes are an integral part of these statements.

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Benton County Regional Solid Waste Management District (The District) is a political subdivision of the State of Arkansas as authorized by Act 752 of the Central Assembly of 1991, known as the "Joint County and Municipal Solid Waste Disposal Act." The District was formally established and recognized in January 2005 and began operations in the same year. The mission of the district is the protection of public health and the state's environmental quality through the development and maintenance of a solid waste disposal program for Benton County, Arkansas.

Reporting Entity

The District includes all funds over which the District exercises financial accountability. Financial accountability is determined based on the District's ability to impose its will on operations, to select the governing authority, and on the District Board of Directors' potential to provide financial benefits or to impose financial burdens on the District.

Governmental Fund Types

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The District reports the following governmental funds:

General Fund - The general fund is used to account for all financial resources of the District except those that are required to be accounted for in another fund.

Recycling Grant Fund - The recycling grant fund is used to account for all designated recycling grant monies received for recycling programs.

Waste Hauler Fund – The waste hauler fund is used to account for funds held in trust to assist citizens when a waste hauler discontinues service which was prepaid by the customer.

CEEC Fund – The Community Environmental Education Center fund is used to account for grant monies received for environmental education programs.

Tire Fund - The tire fund is used to account for all financial resources of the waste tire disposal program.

Special Programs Fund – The special programs fund is used to account for all financial resources related to special programs.

Basis of Presentation and Accounting

The accompanying financial statements of the District conform to United States Generally Accepted Accounting Principles ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB") and other recognized authoritative sources.

Governmental entities prepare two types of financial statements. One is a government-wide financial statements, which consist of the Statement of Net Position and a Statement of Activities. The other is governmental fund financial statements, which consist of a Balance Sheet - Governmental Funds and a Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. The Statement of Net Assets and Balance Sheet - Governmental Funds, and the Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds display information about the reporting entity as a whole.

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

The 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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenses generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, reconciliations are presented after the governmental fund statements which briefly explain the adjustments necessary to reconcile the Balance Sheet - Governmental Funds to the Statement of Net Position, and to reconcile the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Income of the District is derived from the exercise of essential governmental functions and accrues to the District, a political subdivision of the State of Arkansas. It is, therefore, not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. The District had no cash equivalents at December 31, 2023.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The District had no prepaid items at December 31, 2023.

Accounts Receivable

Accounts receivable consists primarily of waste assessment, hauler fees, and tire program reimbursements. This District reviews its customer accounts on a periodic basis and records a reserve for specified amounts management fees may not be collected. Past due status is determined based upon contractual terms. Amounts will be written off at the point when collection attempts have been exhausted. Management uses significant judgment in establishing uncollectible amounts. In estimating uncollectible amounts, management considers factors such as overall economic conditions, historical customer performance and anticipated customer performance. While management believes the District's processes effectively address its exposure to doubtful accounts, changes in economic or specific customer conditions may require adjustment to the allowance recorded by the District. Management currently believes all accounts receivable to be collectible. Accordingly, no allowance for doubtful accounts has been made.

Capital Assets

The cost of additions and major replacements of retired units of property are capitalized. The District defines capital assets as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is included in operations. The cost of current repairs, maintenance, and minor replacements is charged to expense.

Depreciation is provided using the straight line method over the estimated useful lives of the assets which range from five to forty years.

Unearned Revenue

Unearned revenue consists of grant funds which have been received, but have not been expended.

Compensated Absences

The District has a policy whereby employees can accumulate unused personal time off (PTO). PTO can be accrued up to 32 days and will be paid upon termination or retirement. None of the liability for compensated absences is expected to be liquidated with expendable available financial resources. Accordingly, compensated absences are accrued as a liability only in the government-wide financial statements.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the related debt. Bonds payable are reported net of applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts are recognized when incurred and not deferred. The face amount of the debt issued, premiums and discounts received on debt issues, are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Date of Management's Review

Subsequent events have been evaluated through October 21, 2024, which is the date the financial statements were available to be issued.

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fund Balance

Fund balance is divided into two classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the governmental funds. The classifications are as follows:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the District to assess, levy, charge, or otherwise mandates payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the District can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted amounts are available.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Budget Comparison

The budget of the District is prepared only for revenues and expenditures of the General Fund and the Waste Tire Fund. The District does not include Depreciation in its calculation. Therefore the Statements of Revenues and Expenditures Comparison to Budget - General Fund and the Statements of Revenues and Expenditures Comparison to Budget - Waste Tire Fund are presented on the basis of accounting used in the Fund Financial Statements.

The District does not budget for special revenue funds since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the District's fiscal year, a comparison of budgetary information for the special revenue fund would not be meaningful and has not been presented in the accompanying financial statement.

Deferred Inflows and Outflows of Resources

In accordance with Governmental Accounting Standards Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, outflows of resources that represent the consumption of a government's net assets that is applicable to a future period are reported as deferred inflows in the statement of net position. Inflows of resources that report the acquisition of net assets that are applicable to a future reporting period are reported as deferred outflows of resources. At December 31, 2023, deferred inflows of resources, which are reported separately from liabilities, consisted of deferred grant revenue.

Leases

The District calculates operating leases using the implicit interest rate, or their incremental borrowing rate if the lease rate is not determinable. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 2 - RESTRICTED CASH

Restricted cash held for specific purposes are as follows:

| | | |
|---|----|----------------|
| Recycling Fund | \$ | 491,229 |
| Waste Hauler Trust Reserve | | 10,366 |
| Tire Fund | | 217,111 |
| Community Environmental Education Center Fund | | 10,974 |
| Special Programs Fund | | 92,443 |
| Total Restricted Cash | \$ | <u>822,123</u> |

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

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

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. Agencies and instrumentality bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision, therefore, which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by a bond executed by a surety company authorized to do business in the State of Arkansas. The District maintains separate bank accounts, as required by state statutes.

The District's cash consists of deposits with financial institutions. State statutes govern the District's investment policies. Permissible investments include direct obligation of the U.S. Government, certificates of deposit and savings accounts. The District's deposits are recorded at cost. The carrying amount of deposits and certificates of deposit are displayed on the statement of net assets as cash.

At December 31, 2023, none of the Districts deposits were exposed to custodial credit risk as uninsured or uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 was as follows:

| Description | Balance at December 31, 2022 | Additions | Disposals/ Transfers | Balance at December 31, 2023 |
|--------------------------|---------------------------------|--------------------|-------------------------|---------------------------------|
| Buildings | \$ 669,884 | \$ - | \$ - | \$ 669,884 |
| Equipment | 800,408 | 52,167 | - | 852,575 |
| Land | 12,000 | - | - | 12,000 |
| Vehicles | 147,011 | - | - | 147,011 |
| Total Capital Assets | 1,629,303 | 52,167 | - | 1,681,470 |
| Accumulated Depreciation | (1,036,509) | (72,542) | - | (1,109,051) |
| Net Capital Assets | \$ <u>592,794</u> | \$ <u>(20,375)</u> | \$ <u>-</u> | \$ <u>572,419</u> |

Depreciation expense was \$72,542 for the year ended December 31, 2023.

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The District continues to carry commercial insurance for all other risks of loss, including worker's compensation and employee health and accident insurance. Settled claims related to these items have not exceeded this commercial insurance in the year ended December 31, 2023.

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2023**

NOTE 6 - RETIREMENT PLAN

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employee System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.50% as of July 1, 2023. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll. The District's plan contributions for the year ended December 31, 2023 were \$41,231.

Requirements. GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which establishes standards for public pension plan obligations for participating employers. A cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its' proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. These financial statements do not include the disclosure related to this accounting principal.

NOTE 7 - CONCENTRATIONS

The District's business activities are with cities located in Benton County, Arkansas. Although the area's economy is diversified, all the accounts receivable and future revenue is associated with the above mentioned geographic region.

NOTE 8 – GRANT DETAIL

A detail of grant revenue is as follows:

| <u>Grant Type</u> | <u>Grantor</u> | <u>Funds Received</u> | <u>Deferred Revenue Adjustment</u> | <u>Net Grant Funds Used</u> |
|-------------------|----------------|---------------------------|--|---------------------------------|
| E Waste Grants | ADEQ | \$ - | \$ 48,946 | \$ 48,946 |
| Recycling Grants | ADEQ | 297,263 | (22,079) | 275,184 |
| Tire Grants | ADEQ | 673,719 | - | 673,719 |
| | | <u>\$ 970,982</u> | <u>\$ 26,867</u> | <u>\$ 997,849</u> |

NOTE 9 – RECOVERED ASSESSMENTS

In July 2020, a lawsuit was filed by Eco-Vista, LLC against the District, disputing the District's rule that had established a \$1.49 per ton service fee on all waste generated in the District. During the length of the lawsuit, July 2020 through November 2021, the fees collected by Eco-Vista on waste generated in Benton County were held by Washington County court as interpleader funds. During 2023, the full amount of \$203,666 in service fees were released back to the District, and are recorded in the following line item on the statement of activities: Recovered Assessments.



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**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 of
Benton County Regional Solid Waste Management District
Bentonville, 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 Benton County Regional Solid Waste Management District, (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements and have issued our report thereon dated October 21, 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) 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 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 in a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item number 2023-001 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

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District's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Berry & Associates". The signature is written in black ink and is positioned above the printed name of the firm.

Berry & Associates, P.A.
Little Rock, Arkansas
October 21, 2024

BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2023

2023-001 Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping and those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

Condition: Presently the same individual who is responsible for customer billing and adjustment, receives customer payments, and posts payments to subsidiary accounts receivable ledger. In addition, only limited oversight is provided over this individual in the conduct of their daily functions. This finding was also noted in 2022.

Cause: The District's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to utility billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management of the District should consider a formal evaluation of their risks associated with this lack of duty segregation over utility cash and receivables. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight. For example, the District might consider soliciting the assistance of an independent volunteer to perform certain functions including to act as compensating procedures where applicable.

View of Responsible Officials: The District concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the District has made certain changes in procedures that will improve the overall lack of segregation of duties and has implemented compensating procedures as applicable.

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES AND EXPENDITURES COMPARISON
TO BUDGET - GENERAL FUND
For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Sale of recyclables | \$ 48,036 | \$ 48,036 | \$ - | \$ (48,036) |
| Waste assessment | 391,363 | 391,363 | 212,732 | (178,631) |
| Special waste fees | 68,585 | 68,585 | - | (68,585) |
| Hauler's license fees | 11,308 | 11,308 | - | (11,308) |
| Service fees | - | - | 224,434 | 224,434 |
| Miscellaneous income | 154,497 | 154,497 | 304,853 | 150,356 |
| Total Revenues | <u>673,789</u> | <u>673,789</u> | <u>742,019</u> | <u>68,230</u> |
| EXPENDITURES | | | | |
| Education | | - | 11,564 | (11,564) |
| Administrative expenses | 632,151 | 632,151 | 621,579 | 10,572 |
| Total Expenditures | <u>632,151</u> | <u>632,151</u> | <u>633,143</u> | <u>(992)</u> |
| TOTAL EXPENDITURES | <u>632,151</u> | <u>632,151</u> | <u>633,143</u> | <u>(992)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | 41,638 | 41,638 | 108,876 | 67,238 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (16,795) | (16,795) |
| NET CHANGE IN FUND BALANCES | <u>\$ 41,638</u> | <u>\$ 41,638</u> | <u>\$ 92,081</u> | <u>\$ 50,443</u> |

**BENTON COUNTY REGIONAL SOLID WASTE MANAGEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES AND EXPENDITURES COMPARISON
TO BUDGET - TIRE FUND
For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|------------------|-------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Grants received | \$ 673,719 | \$ 673,719 | \$ 673,719 | \$ - |
| Service fees | 19,773 | 19,773 | 19,680 | (93) |
| Miscellaneous income | 1,628 | 1,628 | 1,989 | 361 |
| Total Revenues | <u>695,120</u> | <u>695,120</u> | <u>695,388</u> | <u>268</u> |
| EXPENDITURES | | | | |
| Contractual services | 657,352 | 657,352 | - | 657,352 |
| Administrative expenses | 150,518 | 150,518 | 813,792 | (663,274) |
| Total Expenditures | <u>807,870</u> | <u>807,870</u> | <u>813,792</u> | <u>(5,922)</u> |
| TOTAL EXPENDITURES | <u>807,870</u> | <u>807,870</u> | <u>813,792</u> | <u>(5,922)</u> |
| REVENUES OVER (UNDER) EXPENDITURES | (112,750) | (112,750) | (118,404) | (5,654) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 163,096 | 163,096 |
| NET CHANGE IN FUND BALANCES | <u>\$ (112,750)</u> | <u>\$ (112,750)</u> | <u>\$ 44,692</u> | <u>\$ 157,442</u> |