

**WHITE RIVER REGIONAL SOLID WASTE
MANAGEMENT DISTRICT**

**Independent Auditor's Report
and Financial Statements**

June 30, 2022

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ARKANSAS LEGISLATIVE AUDIT

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

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Welch, Couch & Company, PA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
White River Regional Solid Waste Management District
Batesville, Arkansas

Report on the Audit Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities of White River Regional Solid Waste Management District (the District) as of June 30, 2022, and the related notes to the financial statements, which collectively comprise of 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 activities, of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 and budgetary comparison information on page 25 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

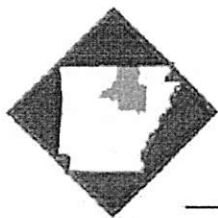
statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, 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.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
November 4, 2022



White River Regional Solid Waste Management District

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WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT BATESVILLE, ARKANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the White River Regional Solid Waste Management District's financial performance provides an overview of the District's financial activities for the fiscal years ended June 30, 2022 and 2021. Readers should consider the information presented here in conjunction with the District's financial statements beginning on page 10.

FINANCIAL HIGHLIGHTS

- Total assets of the District exceeded total liabilities as of June 30, 2022 and 2021 by \$1,994,433 and \$1,837,258, respectively. The District had a balance of \$1,398,774 and \$1,115,718, respectively, in unrestricted net position. The unrestricted net position of the District's governmental activities may be used to meet the government's on-going obligations.
- The District's net position increased by \$157,175 and \$246,229 in 2022 and 2021, respectively.
- As of the close of 2022 and 2021, the District's governmental fund reported an ending fund balance of \$1,920,400 and \$1,715,019, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the White River Regional Solid Waste Management District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves that will enhance the reader's understanding of the financial condition of White River Regional Solid Waste Management District.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the District's financial status as a whole.

The statement of net position presents information on all of the District's assets and deferred outflows of resources minus liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide statement of activities distinguishes functions of the District that are principally supported by waste tire management, recycling, equipment usage and landfill host fees.

The government-wide financial statements can be found on pages 10 and 11 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources which have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are classified under the category of governmental funds.

GOVERNMENTAL FUNDS

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the special revenue fund.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

BUDGET HIGHLIGHTS

Actual revenues on a budget basis exceeded budget estimates by \$215,854 and actual expenditures on a budget basis were more than budget estimates by \$220,959 resulting in a decrease in budget basis revenues over expenditures of (\$5,105) as compared to the budget of \$0 change.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 24 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplementary information.

The required supplementary information and supplementary information can be found on pages 25 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Governmental Activities		
<u>Net Position</u>		
	<u>2022</u>	<u>2021</u>
Current assets	\$ 2,756,468	\$ 2,712,813
Restricted assets	420,293	507,958
Capital assets, net	175,366	213,582
Other noncurrent assets	146,375	139,164
Total assets	\$ 3,498,502	\$ 3,573,517
Current liabilities	\$ 1,256,361	\$ 1,499,752
Other noncurrent liabilities	247,708	236,507
Total liabilities	1,504,069	1,736,259
Net investment in capital assets	175,366	213,582
Restricted - expendable	420,293	507,958
Unrestricted	1,398,774	1,115,718
Total net position	1,994,433	1,837,258
Total liabilities and net position	\$ 3,498,502	\$ 3,573,517

Net position may serve over time as an indicator of a government's financial position. The District's total assets exceeded total liabilities by \$1,994,433 as of June 30, 2022. The District had a previous balance in net position of \$1,837,258 as of June 30, 2021. A major portion of the District's net position is its investment in cash and cash equivalents and net capital assets (e.g., land, buildings, equipment, and vehicles).

Net position is also subject to external restrictions on how they may be used. As of June 30, 2022 and 2021, the District had \$420,293 and \$507,958, respectively, of restricted net position which is limited by state or municipal laws or grant or contractual agreements as to the use of these funds. Unrestricted net position which may be used to meet ongoing obligations of the District had a balance of \$1,398,774 and \$1,115,718, as of June 30, 2022 and 2021, respectively.

A schedule of changes in net position is shown below.

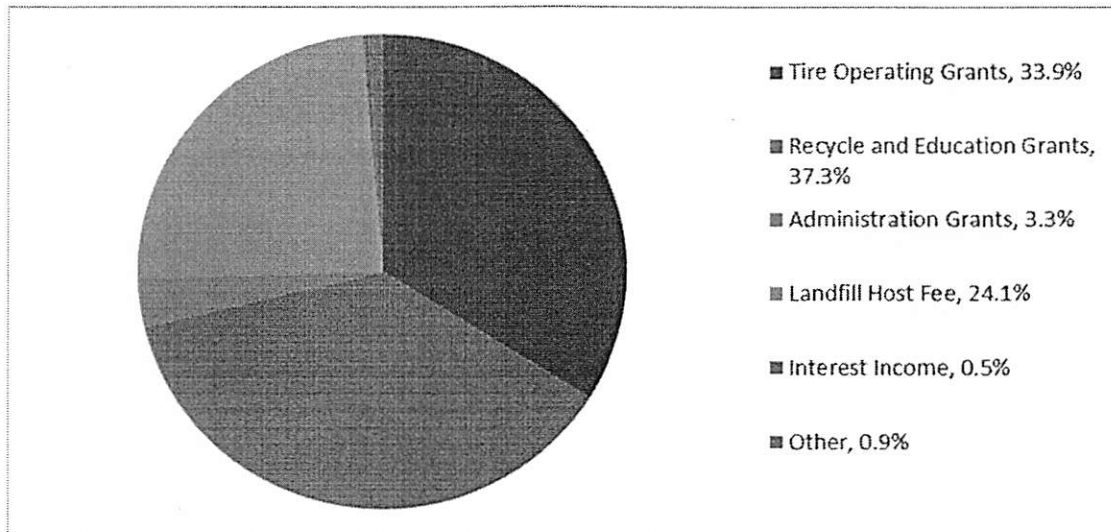
Governmental Activities		
<u>Changes in Net Position</u>		
	<u>2022</u>	<u>2021</u>
Revenues		
Program revenues:		
Operating grants and contributions	\$ 1,160,788	\$ 1,161,292
General revenues:		
Landfill host fee	375,397	343,471
Interest income	7,079	10,700
Other Income	-	100
Gain on sale of assets	14,388	-
Total revenues	<u>1,557,652</u>	<u>1,515,563</u>
Expenses		
Solid waste tire program	772,164	761,601
Recycling and education grants	573,928	456,185
Administration grants	51,000	51,000
General expenses	3,385	548
Total expenses	<u>1,400,477</u>	<u>1,269,334</u>
Change in net position	157,175	246,229
Net position - beginning	<u>1,837,258</u>	<u>1,591,029</u>
Net position - ending	<u><u>\$ 1,994,433</u></u>	<u><u>\$ 1,837,258</u></u>

GOVERNMENTAL ACTIVITIES

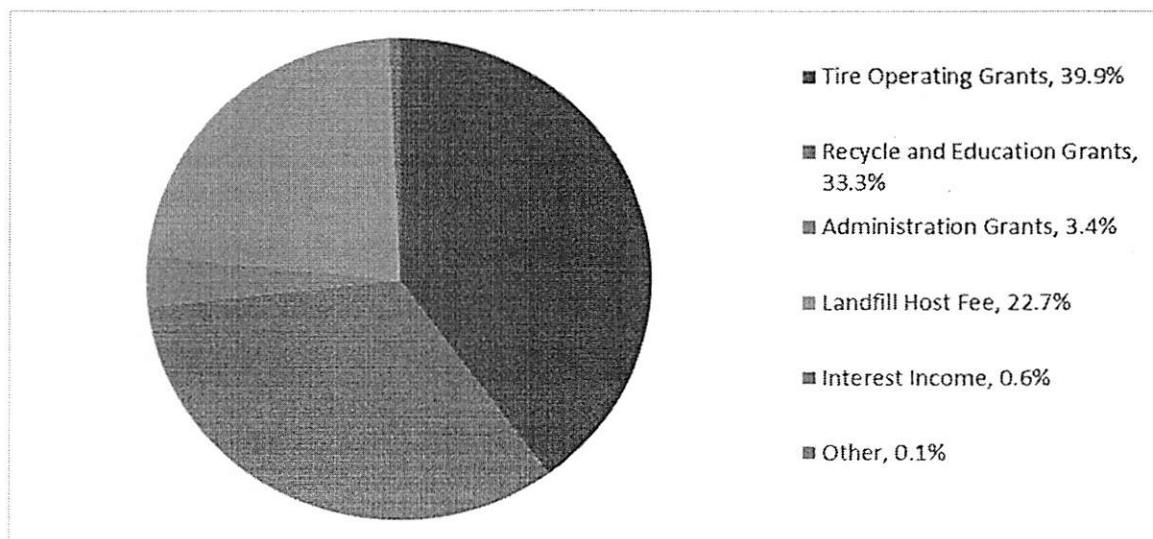
Governmental activities increased net position by \$205,381 and \$272,407, in 2022 and 2021, respectively. A chart of revenues by source for governmental activities is presented as follows.

Revenues by Source – Governmental Activities

2022



2021



As graphically portrayed, the District is heavily reliant on the Solid Waste Tire Program and recycle and education grants to support governmental operations. The tire program provided 33.9% and 39.9% of the District's total governmental revenues for the years ended June 30, 2022 and 2021, respectively. The recycle and education grants provided 37.3% and 33.3% of the District's total governmental revenues for the years ended June 30, 2022 and 2021, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

GOVERNMENTAL FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's near term financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of June 30, 2022 and 2021, the District's only governmental fund, the special revenue fund, reported an ending fund position of \$1,920,400 and \$1,715,019, respectively.

CAPITAL ASSETS

The District's investment in capital assets (net of accumulated depreciation) for governmental activities, as of June 30, 2022 and 2021, amounts to \$175,366 and \$213,582, respectively. This investment in capital assets includes landfill contract, buildings, vehicles, and equipment.

Governmental Activities		
Capital Assets, Net of Accumulated Depreciation		
	<u>2022</u>	<u>2021</u>
Buildings	\$ 105,521	\$ 105,521
Equipment	801,427	798,427
Vehicles	145,288	145,288
Landfill contract	94,834	94,834
Less accumulated depreciation and amortization	<u>(971,704)</u>	<u>(930,488)</u>
Net capital assets	<u>\$ 175,366</u>	<u>\$ 213,582</u>

Additional information on the District's capital assets can be found in Note 3 on page 21 of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide our customers and investors and creditors with a general overview of the District's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the White River Regional Solid Waste Management District, 4441 Harrison St, Batesville, Arkansas 72501.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Statement of Net Position

June 30, 2022

Assets

Current assets

Cash and cash equivalents - Notes 1 and 4	\$ 2,730,496
Accounts receivable - Note 2	1,500
Prepaid insurance	18,713
Prepaid payroll Tax	287
Prepaid utility deposit	5,472
Total current assets	2,756,468

Restricted assets

Cash and cash equivalents - Notes 1 and 4	307,409
Accounts receivable - Note 2	112,884
Total restricted assets	420,293

Capital assets, net

Building and equipment, net of accumulated depreciation - Notes 1 and 3	175,366
Total capital assets, net	175,366

Other noncurrent assets

Post closure financial assurance - Note 7	146,375
Total noncurrent assets	146,375

Total assets

\$ 3,498,502

Liabilities and Net Position

Current liabilities

Accounts payable	\$ 29,874
Accounts payable - WRPDD - Note 5	19,358
Accrued payroll expenses	11,716
Deferred revenue - Note 6	1,195,413
Total current liabilities	1,256,361

Other noncurrent liabilities

Post closure costs payable - Note 7	247,708
Total noncurrent liabilities	247,708

Total liabilities

1,504,069

Net position

Net investment in capital assets	175,366
Restricted - expendable	420,293
Unrestricted	1,398,774
Total net position	1,994,433

Total liabilities and net position

\$ 3,498,502

The notes to financial statements are an integral part of this statement.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Statement of Activities

For the Year Ended June 30, 2022

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net Revenue (Expense) and Changes in Net Position Total</u>
Governmental activities:			
Solid waste tire program	\$ 772,164	\$ 528,565	\$ (243,599)
Recycling and education grants	573,928	581,223	7,295
Administration grants	51,000	51,000	-
Total governmental activities	\$ 1,397,092	\$ 1,160,788	(236,304)
 General revenues:			
Landfill host fee			375,397
Interest income			7,079
Gain on sale of assets			14,388
Total general revenues			396,864
 General expenses:			
Professional fees			3,385
Total general expenses			3,385
 Change in net position			157,175
 Net position, beginning of year			1,837,258
 Net position, ending of year			\$ 1,994,433

The notes to financial statements are an integral part of this statement.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Balance Sheet – Governmental Fund

June 30, 2022

	<u>Special Revenue Fund</u>
<u>Assets</u>	
Current assets	
Cash and cash equivalents - Notes 1 and 4	\$ 2,730,496
Accounts receivable - Note 2	1,500
Prepaid insurance	18,713
Prepaid payroll Tax	287
Prepaid utility deposit	5,472
Total current assets	<u>2,756,468</u>
Restricted assets	
Cash and cash equivalents - Notes 1 and 4	307,409
Accounts receivable - Note 2	112,884
Total restricted assets	<u>420,293</u>
Total assets	<u>\$ 3,176,761</u>
<u>Liabilities and Fund Balance</u>	
Current liabilities	
Accounts payable	\$ 29,874
Accounts payable - WRPDD - Note 5	19,358
Accrued payroll expenses	11,716
Deferred revenue - Note 6	1,195,413
Total current liabilities	<u>1,256,361</u>
Total liabilities	<u>1,256,361</u>
Fund balance	
Restricted	420,293
Unassigned	1,500,107
Total fund balance	<u>1,920,400</u>
Total liabilities and fund balance	<u>\$ 3,176,761</u>

The notes to financial statements are an integral part of this statement.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT
Reconciliation of the Balance Sheet of Governmental Fund
to the Statement of Net Position
June 30, 2022

Total fund balance - total governmental fund	\$ 1,920,400
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Amounts reported for governmental activities in
the statement of net position are different because:

Post closure financial assurance is not available to pay for current period expenditures and, therefore, are not reported in the governmental fund balance sheet.	146,375
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Capital assets of \$1,147,070, net of accumulated depreciation of \$(971,704) are not financial resources and therefore, are not reported in the funds. See Note 3 for additional detail.	175,366
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Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental fund balance sheet:	
Post closure costs payable	(247,708)

Net position of governmental activities	<u>\$ 1,994,433</u>
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The notes to financial statements are an integral part of this statement.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

**Statement of Revenues, Expenditures and
Changes in Fund Balance – Governmental Fund
For the Year Ended June 30, 2022**

	<u>Special Revenue Fund</u>
Revenues	
Per capita tire tax collection grant	\$ 528,565
Recycling and education grants	581,223
Administration grants	51,000
Landfill host fee	375,397
Interest income	5,869
Other Income	14,388
Total revenues	<u>1,556,442</u>
Expenditures	
Solid Waste Tire Program:	
Contract services	71,909
Landfill dirt	67,935
Landfill rent	36,000
Shop rent	25,000
Equipment insurance	74,547
Fees and permits	5,326
Repair and maintenance	132,691
Utilities	36,587
Professional fees	2,825
Supplies	6,333
Other expenses	5,176
Recycling and education grants	569,819
Administration grants	51,000
Salaries	230,810
Payroll taxes	17,129
Fringe benefits	7,478
Repair and maintenance	4,108
Professional fees	3,328
Other expenses	60
Capital outlay	3,000
Total expenditures	<u>1,351,061</u>
Excess of revenues over expenditures	205,381
Fund balance, beginning of year	1,715,019
Fund balance, end of year	<u>\$ 1,920,400</u>

The notes to financial statements are an integral part of this statement.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
For the Year Ended June 30, 2022

Net change in fund balance - total governmental fund	\$ 205,381
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$(41,216) exceeded capital outlay of \$3,000 in the current period.

(38,216)

The net effect of various transactions involving post closure assurance and liability is to decrease net position.

(11,200)

Interest income not available as current financial resources but earned or noncurrent assets and reported on the change in net position

1,210

Change in net position of governmental activities

\$ 157,175

The notes to financial statements are an integral part of this statement.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies

A) Reporting Entity

The White River Regional Solid Waste Management District (the District) is a special District formed by Act 870 of the Arkansas Legislature in 1989 and renamed with expanded powers by Act 752 in 1991. The District consists of ten counties in north central Arkansas and was formed to oversee and regulate solid waste disposal in the ten-county area.

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the District are described below.

In evaluating how to define the District for financial reporting purposes, the District applied the criteria set forth in GAAP. Based upon the application of these criteria, no potential component units were noted.

B) Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole. These statements include all the financial activities of the District.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the District's services; and (2) operating grants and contributions which finance annual operating activities including restricted investment income. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are designed to present financial information of the District at a more detailed level. The focus of governmental fund financial statements is on major funds.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

D) Assets, Liabilities and Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term certificates of deposit with original maturities of three months or less.

Legal or contractual provisions for deposits and investments:

a. Governmental Fund

State law generally requires that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and/or time deposits. Public funds may also be invested in direct obligations of the United States of America and obligations which the principal and interest are fully guaranteed by the United States of America.

2. Accounts Receivable

Accounts Receivable reported in current assets represent amounts due to the District for hosting fees as of June 30, 2022.

3. Prepaid Insurance and Payroll Taxes

Certain payments to vendors for insurance and payroll taxes reflect costs applicable to future accounting periods and are recorded as prepaid insurance and payroll taxes.

4. Restricted Assets

Restricted assets consist of cash and cash equivalents and accounts receivable from Arkansas Department of Environmental Quality that are set aside for use in the solid waste tire program.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

D) Assets, Liabilities and Equity (Cont.)

5. Capital Assets, Depreciation and Amortization

The District's capital assets with an acquisition cost of more than \$500 and with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	10-25
Equipment	5-7
Vehicles	5
Landfill contract	10

6. Post Closure Financial Assurance

Post closure financial assurance consist of two certificate of deposits that are held for post closure cost of the waste tire landfill. See note 7 for further detail.

7. Accounts Payable

Accounts payable represents various trade accounts which are generally payable within thirty (30) days.

8. Accrued Payroll Expenses

Accrued payroll expenses are comprised of accrued wages and other payroll related expenses.

9. Deferred Revenue

Deferred revenue represents grant funds unexpended at year end and available for expenditures in subsequent years.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

10. Post closure costs payable

Post closure costs payable encompass estimated cost for placing a final cover on the landfill in addition to maintenance and monitoring for two years after closure.

D) Assets, Liabilities and Equity (Cont.)

11. Cost of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets. None of the District's interest costs were capitalized during 2022.

12. Net Position/Fund Balance

Government-wide statements

Net position of the District is classified in four components as follows:

- *Net position invested in capital assets, net of related debt* - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- *Restricted expendable net position* - Noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the District, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- *Restricted nonexpendable net position* - Noncapital assets that are required to be maintained in perpetuity as specified by parties external to the District, such as permanent endowments.
- *Unrestricted net position* – Remaining assets less remaining liabilities that do not meet the definition of invested in capital assets, net of related debt, restricted expendable, or restricted nonexpendable.

Fund statements

The following fund balance classifications described the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable fund balance* – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 1 – Summary of Significant Accounting Policies (Cont.)

- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, higher levels of government), through constitutional provisions, or by enabling legislation;

12. Net Position/Fund Balance (Cont.)

- *Committed fund balance* – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- *Assigned fund balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- *Unassigned fund balance* – amounts that are available for any purpose; positive amounts are reported only in the general fund.

E) Restricted Resources

When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

F) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Accounts Receivable

Accounts receivable consists of \$1,500 from various tire vendors for hosting fees. Restricted accounts receivable consists of per capita tire tax collections payable to the District by the Arkansas Department of Environmental Quality (ADEQ) for the second quarter of the calendar year 2022, in the amount of \$112,884. On August 15, 2022, the District was notified by ADEQ that due to reduced availability of funding the second quarter payment would be reduced to 68.0316% of the District's original request. As such the June 30, 2022 receivable as listed above represents the amount paid by ADEQ. Accounts receivable is stated at the amount management expects to collect and is typically collected in full during the month following the District's year end. As such, no allowance for doubtful accounts is recorded.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT
Notes to Financial Statements

June 30, 2022

Note 3 – Capital Assets

The following is a summary of changes in capital assets and the related accumulated depreciation and amortization for governmental activities of the District for the year ended June 30, 2022:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Retirement</u>	<u>Balance</u> <u>June 30, 2021</u>
Building	\$ 105,521	\$ -	\$ -	\$ 105,521
Equipment	798,427	3,000	-	801,427
Vehicles	145,288	-	-	145,288
Landfill contract	94,834	-	-	94,834
Totals at historical costs	<u>1,144,070</u>	<u>3,000</u>	<u>-</u>	<u>1,147,070</u>
Less accumulated depreciation and amortization for:				
Building	(28,897)	(3,932)	-	(32,829)
Equipment	(738,716)	(14,491)	-	(753,207)
Vehicles	(68,041)	(22,793)	-	(90,834)
Landfill contract	(94,834)	-	-	(94,834)
Total accumulated depreciation and amortization	<u>(930,488)</u>	<u>(41,216)</u>	<u>-</u>	<u>(971,704)</u>
Capital assets, net	<u>\$ 213,582</u>	<u>\$ (38,216)</u>	<u>\$ -</u>	<u>\$ 175,366</u>

Depreciation of capital assets is provided over the estimated useful lives of five to twenty-five years on a straight-line basis and was charged as a direct expense to the Solid Waste Tire Program on the statement of activities. The District entered into a contract on September 9, 2002, with an individual owning a landfill located at Bald Knob. The District agreed to pay the owner's indebtedness on the landfill in exchange for the right to use the landfill for an unspecified duration. The individual is also being paid \$3,000 per month rental on the landfill. The payoff of the indebtedness was amortized over a ten-year period.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 4 – Concentrations

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities of the State of Arkansas; bonds of any city, county, school district or special district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Custodial credit risk is the risk that in the event of a bank failure, an entity'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.

At year end, the District's carrying amount of deposits was \$3,139,380 and the bank balance was \$3,188,552. Of this amount, \$601,375 was covered by federal depository insurance, and \$2,587,177 was collateralized by Pledged Securities.

Due to higher cash flows at certain times during the year, the District's risks for uninsured and uncollateralized deposits and investments could be higher or lower than at year-end.

Investment income for cash equivalents is comprised of the following for the year ended June 30, 2022:

	<u>Amount</u>
Income	
Interest income	\$ <u>7,079</u>

Interest rate risk investments – the District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk – the District does not currently maintain a written investment policy regarding credit risk limits.

Concentration of credit risk investments – the District currently does not have a stated investment policy that outlines the limit on the amount the District may invest in any one issuer.

Approximately 74.5% of the funding for the District's activities is from governmental grants. Accordingly, the District is economically dependent on governmental funding for its continued operation.

Note 5 – Related Party Matters

The Corporation shares several common members on its Board of Directors with the Board of White River Planning and Development District, Inc and White River Regional Services Center, Inc. Also, certain employees provide services to each organization.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 5 – Related Party Matters (Cont.)

The following is a summary of transactions and balances with related parties for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
White River Regional Services Center, Inc.		
Building rent expense	\$ 25,000	\$ 25,000
White River Planning and Development District, Inc.		
Accounts receivable	\$ -	\$ 263,528
Accounts payable	19,358	19,491
Contract Services expense	19,358	29,946
Grant pass-through	131,000	131,000

Note 6 – Deferred Revenue

Advances from state awarding agencies before year end for which the related expenses have not been incurred are recorded as deferred revenue. At June 30, 2022, the District had deferred revenues under the following programs:

	<u>Amount</u>
Electronic Waste Grant	\$ 607,670
Recycling Grant	<u>587,743</u>
Total deferred revenue	<u>\$ 1,195,413</u>

Note 7 – Closure and Post-Closure Care Costs

State and federal laws and regulations require the District to place a final cover on its Bald Knob Landfill site when it stops accepting waste, and to perform certain maintenance and monitoring functions at the site for two years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$247,708 reported as landfill closure and post-closure care liability at June 30, 2022, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2022

Note 7 – Closure and Post-Closure Care Costs (Cont.)

The District will recognize the remaining cost of closure and post-closure care as the site is closed. These amounts are based on what it would cost to perform all closure and post-closure care in 2022. The District expects to close the landfill in the year 2023. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The District is required by state and federal laws and regulations to have financial assurance in place to finance closure and post-closure care. The District has chosen to set aside two certificates of deposit in order to meet this obligation.

The District is in compliance with the financial assurance requirements, and, at June 30, 2022, certificates of deposit for \$101,374 were being held for these purposes. These are reported as restricted assets on the balance sheet. If interest earnings are inadequate or additional post-closure care requirements are determined to be needed (due to changes in technology or applicable laws or regulations, for example) the District will set aside a new certificate of deposit out of the operating account in order to cover any additional costs. The District also has an open letter of credit with First Community Bank in the amount of \$166,000.

Note 8 – Liquidity and Availability of Financial Assets

The District's working capital and cash flows have variations during the year attributable to the cash receipts from donors and grantors. The following reflects the District's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date, because of donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn down upon, if the District's Board approves that action.

	<u>2022</u>
Cash and cash equivalents	\$ 2,730,496
Accounts receivable	1,500
Deferred revenue	<u>(1,198,413)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$ 1,533,583</u>

Note 9 – Subsequent Events

Management has evaluated subsequent events through November 4, 2022, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT
Statement of Revenues and Expenditures Budget and Actual- Governmental Fund
For the Year Ended June 30, 2022

	<u>Budget</u>	<u>Actual GAAP Basis</u>	<u>Adjustments Budget Basis</u>	<u>Actual Budget Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:					
Tire Program	\$ 575,000	\$ 528,565	\$ 65,340	\$ 593,905	\$ 18,905
Recycle & E-Waste	366,000	632,223	(263,528)	368,695	2,695
Landfill Host Fee	105,000	375,397	(400)	374,997	269,997
Interest Income	-	5,869	-	5,869	5,869
Other Income	96,000	-	-	-	(96,000)
Gain on sale of assets	-	14,388	-	14,388	14,388
Total Revenues	<u>1,142,000</u>	<u>1,556,442</u>	<u>(198,588)</u>	<u>1,357,854</u>	<u>215,854</u>
Expenditures:					
Solid Waste Tire Program	776,000	719,746	1,325	721,071	54,929
Specfic Recycle & E-Waste Projects	235,000	580,315	10,573	590,888	(355,888)
Recycle & E-Waste Admin Services	131,000	51,000	-	51,000	80,000
Total Expenditures	<u>1,142,000</u>	<u>1,351,061</u>	<u>11,898</u>	<u>1,362,959</u>	<u>(220,959)</u>
Excess (Deficit) of Revenues over Expenditures	<u>\$ -</u>	<u>\$ 205,381</u>	<u>\$ (210,486)</u>	<u>\$ (5,105)</u>	<u>\$ (5,105)</u>

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Schedule of Expenditures of State Awards

For the Year Ended June 30, 2022

<u>Grantor/Program Title</u>	<u>Program Award Amount</u>	<u>Deferred Revenue 6/30/2021</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Reclass</u>	<u>Deferred Revenue 6/30/2022</u>
Arkansas Department of Environmental Quality:						
2021 Electronic Waste Grant	\$ 99,616	\$ 89,161	\$ -	\$ (36,501)	\$ -	\$ 52,660.00
2020 Electronic Waste Grant	258,209	180,631	-	(67,712)	-	112,919
2019 Electronic Waste Grant	258,209	185,507	-	(38,227)	-	147,280
2018 Electronic Waste Grant	258,209	140,308	-	(1,125)	-	139,183
2017 Electronic Waste Grant	258,209	62,912	-	(13,074)	-	49,838
2016 Electronic Waste Grant	162,319	76,041	-	(9,729)	-	66,312
2015 Electronic Waste Grant	258,208	43,082	-	(3,604)	-	39,478
Recycling Grant - 21/23	251,662	-	251,662	(7,972)	47,688	291,378
Recycling Grant - 20/21	243,463	219,619	-	(172,725)	-	46,894
Recycling Grant - 19/20	223,277	110,693	-	(44,579)	-	66,114
Recycling Grant - 18/19	344,169	232,580	-	(46,474)	(47,688)	138,418
Recycling Grant - 17/18	316,737	75,790	-	(41,426)	-	34,364
Recycling Grant - 16/17	248,713	5,488	-	(860)	-	4,628
Recycling Grant - 15/16	242,229	28,714	-	(22,767)	-	5,947
Recycling Grant - 14/15	232,756	173	-	(173)	-	-
		<u>\$ 1,450,699</u>	<u>\$ 251,662</u>	<u>\$ (506,948)</u>	<u>\$ -</u>	<u>\$ 1,195,413</u>

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Schedule of Subrecipients of State Awards

For the Year Ended June 30, 2022

<u>Grantor/Program Title</u>	<u>Subrecipient</u>	<u>Program Award Amount</u>
Arkansas Department of Environmental Quality:		
WRI-18-22D Administration	White River Planning and Development District	\$ 51,000
WRI-18-22D Waste Reduction Education	White River Planning and Development District	40,000
WRI-19-22D Recycling Education	White River Planning and Development District	<u>40,000</u>
Recycling and Education Grants		<u>\$ 131,000</u>



Welch, Couch & Company, PA

Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA
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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 Commissioners of
White River Regional Solid Waste Management District
Batesville, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of White River Regional Solid Waste Management District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 4, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered White River Regional Solid Waste Management District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of White River Regional Solid Waste Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and management responses as

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items # 2022-01 and # 2022-02 that we consider to be significant deficiencies in internal control over financial reporting

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether White River Regional Solid Waste Management District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and management responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Welch, Couch & Company, PA
Certified Public Accountants

Batesville, Arkansas
November 4, 2022

WHITE RIVER REGIONAL SOLID WASTE MANAGEMENT DISTRICT

Schedule of Findings and Management Responses

For the Year Ended June 30, 2022

2022-01 Segregation of Duties

Condition: The District has a limited number of personnel, effectively precluding an adequate segregation of duties relating to the billing, collection, recording, coding and classification of transactions that affect the general ledger.

Criteria: Internal controls should be in place to eliminate the simultaneous functions of authorization, physical custody of assets and recording of transactions.

Cause: Small number of people responsible for the financial transactions of the District.

Effect: Inadequate segregation of duties could allow errors or irregularities in the accounting records to go undetected for extended periods of time.

Recommendation: When possible, such activities should be split between employees with reconciliations and other key accounting data verified by management.

Management Response: White River Regional Solid Waste Management District has a limited number of accounting personnel available to perform its accounting and reporting responsibilities. We will continue to segregate internal control functions to the greatest extent possible. However, it is not feasible from a cost/benefit standpoint to hire additional personnel in order to obtain greater segregation of duties.

2022-02 Material Adjustment

Condition: In the process of performing our audit, we noted that deferred revenue required adjustments to fairly state the balance.

Criteria: Complete and accurate accounting records and related supporting documentation should be maintained. In addition, a timely account reconciliation and financial statement close process of deferred revenue should be implemented.

Cause: It is our belief the problem is due to unnecessary accounting entries and lack of timely reconciliations.

Effect: As such accounting processes were not efficient and effective in reporting deferred revenue which could cause material misstatements and unreconciled accounts.

Recommendation: Timely and accurate financial statements are critical in aiding management in making decisions to effectively manage the organization. It is our recommendation that management reconcile deferred revenue on a monthly basis based on appropriate documentation. In order to provide more accurate and timely financial reporting we highly encourage management to implement a more rigorous review process.

Management Response: White River Regional Solid Waste Management District will implement a reconciliation of deferred revenue beginning with fiscal year 2023 to ensure accurate financial reporting.