

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

REGION F WEST CENTRAL MISSOURI
SOLID WASTE
MANAGEMENT DISTRICT
CONCORDIA, MISSOURI

FOR THE PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2007

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REGION F
WEST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT
CONCORDIA, MISSOURI

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REGION F WEST CENTRAL MISSOURI SOLID WASTE
MANAGEMENT DISTRICT

History and Organization

Missouri's 20 solid waste management districts were created to foster regional cooperation among cities and counties in addressing solid waste management issues. The main function of a district is to develop a solid waste management plan with an emphasis on diverting waste from landfills and to assist with implementation of the solid waste management plan. Plans should include provisions for a range of solid waste activities: waste reduction programs; opportunities for material reuse; recycling collection and processing services; compost facilities and other yard waste collection options; education in schools and for the general public; management alternatives for items banned from Missouri landfills and household hazardous waste; and prevention or remediation of illegal dumps. To help achieve their goals, districts administer grants to public and private entities within their region, made possible with monies from the Solid Waste Management Fund through the Missouri Department of Natural Resources (MDNR).

The Region F West Central Missouri Solid Waste Management District (Region F SWMD or the District) was formed pursuant to RSMo, 260.305 and was officially recognized by the MDNR on August 30, 1991. The District is comprised of the following counties: Johnson, Lafayette, Morgan, Pettis and Saline of Missouri, and comprised of the following cities within those counties: Concordia, Higginsville, Holden, Knob Noster, LaMonte, Leeton, Lexington, Marshall, Odessa, Sedalia, Slater, Stover, Sweet Springs, Versailles, Warrensburg, Waverly, Wellington, Windsor and Whiteman Air Force Base. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a five county region to meet the goals set out in RSMo, Chapter 260. The District will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture and disposal. The District also intends to promote local problem solving and autonomy in solid waste management systems.

The District had an administrative contract with the Prairie Rose Resource Conservation and Development, Inc. (RC&D) during the two year audit period ending June 30, 2007. Since November 1, 2007, Region F's administrative contract has been with the Pioneer Trails Regional Planning Commission. Region F's management structure is comprised of an Executive Board consisting of 11 members. Officers of the Executive Board include the Chairman, Vice Chairman, Secretary and Treasurer. District bylaws require all officers of the Executive Board to be elected annually.

Executive Board members as of the end of the audit period at June 30, 2007, are listed below. All board members are still officers or members as of June 2, 2008.

Executive Board Members:

- Rod Lindemann, Secretary/Treasurer - Pettis County Commission
- Harland Mieser, Chairman – Lafayette County Commission
- Becky Plattner – Saline County Commission
- Scott Sader – Johnson County Commission
- Sonney Ernest – Morgan County Commission
- Barbara Carroll – Cities of Johnson County
- Jerry Hopkins – Cities of Lafayette County
- Pat Martinez – Whiteman Air Force Base
- Terry Silvey – Cities of Morgan County
- Bob Wasson – Cities of Pettis County
- Ronald Duvall, Vice Chairman - Cities of Saline County

McBRIDE, LOCK & ASSOCIATES

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

Missouri Department of Natural Resources
and
Region F West Central Missouri Solid Waste Management District
Concordia, Missouri

We have performed the procedures enumerated below, which were agreed to by the Missouri Department of Natural Resources (MDNR), solely to assist you in evaluating the effectiveness of the Region F West Central Missouri Solid Waste Management District's compliance with state law, regulations, and policies, for the period July 1, 2005 through June 30, 2007. Management is responsible for the District's internal control over compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and the *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures, as set forth in the MDNR Solid Waste Management District *Agreed-Upon Procedures Engagement*, and findings are as follows:

1. **History and Organization.** We reviewed the history and organization of the District for compliance with the Revised Statutes of Missouri (RSMo). This included review of the:
 - District organization;
 - Executive Board structure, Council structure, terms and functions, including if the District was organized under an alternative management structure;
 - Policies and procedures for monitoring members of the Executive Board and Council; and
 - District by-laws.

Findings: See Finding Nos. 10, 17, and 19.

2. **Minutes of Meetings.** We reviewed all minutes of the Executive Board meetings for the engagement period and selected six meetings and completed Attachment 1 *The Missouri Sunshine Law Compliance Checklist* to determine if meetings are documented as required. The District Council did not meet during the audit period.

Findings: See Finding No. 1.

3. **Follow-up to Prior Audits.** We determined what actions the Executive Board and their administrative contractor have taken to correct the findings, including the status and corrective action.

Findings: See Finding Nos. 10, 11, 13, 14, 15, and 16.

4. **Follow-up to Missouri State Auditor's Office Report.** We performed follow-up review on the Missouri State Auditor's Office Report on the Solid Waste Management Program, released in February 2006 (Report No. 2006-10). Specifically, the following procedures were performed:
- We reviewed the correspondence and Audit Resolution Plan between MDNR and the District;
 - We scanned the accounting records and reviewed invoice and payment documentation for any unnecessary or inappropriate expenditures; and
 - We reviewed capital assets in conjunction with procedures on internal controls regarding purchasing of assets with grant funds. This included the physical inventory and insurance requirements.

Findings: See Finding Nos. 13 and 15.

5. **Internal Controls.** We completed Attachment 2 *Internal Control Questionnaire* which identifies strengths and weaknesses of the internal controls.

Findings: See Finding Nos. 2, 4, 11 and 12.

6. **Cash.** We obtained a listing of all bank account names and numbers of the District and performed the following:
- Verified the bank reconciliation process;
 - Confirmed with MDNR advanced funds for deposit;
 - Evaluated control, custody and signing of check stock;
 - Analyzed 10 payroll checks;
 - Reviewed local funds;
 - Reconciled year-end cash balances by type, state, local, etc., to amounts reported to MDNR;
 - Verified the allocation and use of interest income; and
 - Reviewed the District's cash management practices.

Findings: See Finding Nos. 2, 9, and 11.

7. **Administrative/Management Services.** We determined that the District contracts out administrative/management services, and:
- Determined that contract terms are written and properly approved;
 - Reviewed the contract for propriety and reasonableness; and
 - Reviewed invoices and supporting documentation to determine that payments for services are appropriate, properly approved, and in compliance with the contract terms.

Findings: See Finding No. 8.

8. **General and Special Terms and Conditions.** We documented the District's compliance with general and special terms and conditions of the financial assistance agreement with MDNR for the following requirements:

- Non-Discrimination;
- Environmental Laws and Eligibility;
- Hatch Act and Restrictions on Lobbying;
- Program Income;
- Equipment Management;
- Prior Approval for Publications;
- Audit Requirements;
- Recycled Paper; and
- Contracting with Small and Minority Firms.

Findings: See Finding Nos. 3 and 15.

9. **District Administrative Grant.** We reviewed the expenditures of carryover from FY 2004 district administrative grant funds for proper close-out of the grant. (These funds were discontinued in FY 2005.)

Findings: None.

10. **District Grants.** We obtained a schedule of District grants from the MDNR and completed the *Guidance Document for Solid Waste Management District Grants*. This included the review, evaluation and testing for the:

- Proposal Procurement Process;
- Proposal Review and Evaluation; and
- Awarded Projects.
 - Region F, Education/Information – 2005208
 - Region F, Illegal Dumping Awareness – 2005209
 - Morgan County, Environmental Enforcement – 2005210
 - Lafayette County Enterprises, Inc., Waste Reduction – 2005216
 - Region F, Recycling Truck/Trailer Purchase – 2005218
 - Johnson County Sheltered Workshop, Fork Lift – F2006-11
 - Whiteman AFB, Concrete/Asphalt Grinding – F2006-14
 - Region F, Education Projects – F2006-16
 - Region F, Collection Events – F2006-17
 - Region F, Education/Information – F2006-18

Findings: See Finding Nos. 5, 6, 7, 12, 16, 18 and 20.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the District's internal control over compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Department of Natural Resources of the State of Missouri and the Region F West Central Missouri Solid Waste Management District and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

McBride, Lock & Associates

McBride, Lock & Associates
Certified Public Accountants

June 2, 2008

**REGION F
WEST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT
CONCORDIA, MISSOURI**

Schedule of Findings and Questioned Costs
For the Two Fiscal Years Ended June 30, 2007

1. Failure To Comply With Sunshine Law

Condition – The following was noted in reviewing Executive Board minutes during the audit period:

- a. Notice of meeting was not given (6 out of 6 occurrences).
- b. Notice of meeting did not indicate whether meeting was open or closed to the public (6 of 6 occurrences).
- c. Location of the meeting was not indicated in the minutes (6 out of 6 occurrences).
- d. Members absent were not listed (6 out of 6 occurrences).
- e. Votes cast as to yea or nay were not listed (6 out of 6 occurrences).

In addition, minutes for the period July through December 2005 could not be located.

Criteria – RSMo Chapter 610 (commonly referred to as the Missouri Sunshine Law) requires the above mentioned items be documented in the minutes for each Executive Board meeting.

Effect – The District failed to comply with RSMo Chapter 610. The minutes are the official report made of the transactions or proceedings of the Executive Board and are a permanent record; thus, they should be complete and accurate.

Cause – The District was not fully aware of the criteria requirements.

Recommendation – We recommend that the District be required to immediately adopt all required forms of documentation as stipulated by the Missouri Sunshine Law.

District Response – The District stated, “Concur and adopt. Notice of meetings, and minute approval has been accomplished since Pioneer Trails Regional Planning Commission became the district’s administrative contractor.”

2. Bank Reconciliations Not Performed and Actual Cash on Hand Unknown

Condition – Bank statements were not reconciled to records during the audit period and were not independently reviewed by the Executive Board to ensure propriety of transactions.

Criteria – The General Terms and Conditions for state grants, I.E.3. state, “Effective control and accountability must be maintained for all recipient cash, real and personal property, and other assets. Recipients must adequately safeguard all such property and must assure that it is used solely for authorized purposes.”

Effect – There is increased risk that an error or omission that might occur would go undetected resulting in an increased exposure for potential loss of resources. For example, outstanding checks which had become stale were not identified and actual cash on-hand was not known.

Cause – The District apparently did not realize the necessity of performing monthly bank reconciliations and having the Board review and approve such reconciliations.

Recommendation – We recommend that the District implement procedures to ensure that bank reconciliations are performed monthly and that the Board review and approve such reconciliations.

District Response – The District stated, “Concur and adopt. Bank reconciliations have been accomplished since Pioneer Trails Regional Planning Commission became the district’s administrative contractor.”

3. **Annual District Financial Audit Not Submitted Timely**

Condition – The required 2006 financial audit for the District was not submitted timely to MDNR within 120 days from the end of the District’s fiscal year. (MDNR – SWMP did not accept the audit as it was not approved by the Board.)

Criteria – RSMo Section 260.325.10 and MDNR Special Terms and Conditions state, “The District board shall arrange for independent financial audits of the records and accounts of its operations by a certified public accountant or a firm of certified public accountants. Districts receiving two hundred thousand dollars or more of financial assistance shall have annual independent financial audits...” MDNR Special Terms and Conditions also state, “The District will provide MDNR a copy of the entire audit report issued by a certified public accountant or a firm of certified public accountants within 120 days of the close of the District’s fiscal year.”

Effect – The District failed to comply with the above requirements. As a result, there is less assurance that financial reports fairly present the financial position and results of operations of the District.

Cause – The District was apparently unaware an annual audit was required for Districts receiving two hundred thousand dollars or more. The required audit for 2006 was completed as part of a two year audit for the period ending June 30, 2007.

Recommendation – We recommend the District arrange for the completion of an annual financial audit and ensure that the audit report is completed and submitted to MDNR prior to the deadline.

District Response – The District stated, “Concur. 2006 financial audit was submitted to the Executive Board June 17, 2008. Annual financial audit will be accomplished December of each year for the prior FY ending June 30th.”

4. **Accounting Records Not Maintained**

Questioned Costs: \$149,017.22

Condition – Accounting records were not maintained to properly account for District receipts and expenditures. Source documentation for receipts and expenditures was frequently missing. The reconciliation of the District's cash balance at June 30, 2007 resulted in an unidentified balance of \$149,017.22.

Criteria – 10 CSR 80-9.050(4)(B) states “An executive board receiving funds from the Solid Waste Management Fund for district grants shall themselves maintain, and require recipients of financial assistance to maintain, an accounting system according to that accurately reflects all fiscal transactions, incorporates appropriate controls and safeguards...” Section I.E.3. of the MDNR General Terms and Conditions states “Effective control and accountability must be maintained for all subgrantee cash, real and personal property, and other assets.”

Effect – In the absence of an adequate accounting system, internal controls over assets have been compromised. The risk that an error or omission that might occur and go undetected is significantly increased resulting in an exposure to potential loss of resources. The District was unable to identify the source of all cash in the bank.

Cause – This condition was the apparent result of the absence of adequate oversight by the District Board.

Recommendation – We recommend the District establish and maintain an accounting system that includes detailed records and supporting documentation of all receipts and expenditures and related financial reports as required by 10 CSR 80-9.050(7)(B). Additionally, the District should resolve questioned costs of \$149,017.22 with the MDNR.

District Response – The District stated “Concur and adopt. Accounting records are now being maintained to properly account for receipts and expenditures since Pioneer Trails Regional Planning Commission became the District's administrative contractor.”

5. **Incomplete Documentation of Grant Evaluation Process**

Condition – Documentation of project proposal evaluations was not retained. Although each Executive Board member completed an evaluation sheet for each project proposal, the sheets were not retained.

Criteria – 10 CSR 80-9.050(2)(C)3 states “The executive board shall evaluate each proposal that is determined to be eligible and complete.” Complete documentation of the evaluation processes is needed to verify compliance with this requirement.

Effect – Documentation is not available to verify that the Executive Board properly reviewed and evaluated proposals submitted to the District.

Cause – The District was apparently unaware of the need to retain the evaluation sheets.

Recommendation – We recommend the District implement written procedures for document retention including the review, ranking and approval of project proposals.

District Response – The District stated “Concur and adopt. Grant evaluation forms are being retained along with proper documentation for compliance with evaluation requirements since Pioneer Trails Regional Planning Commission became the district’s administrative contractor.”

6. **Quarterly Reports Missing, Not Signed and Dated**

Condition – Quarterly reports submitted by the District were not always signed or dated. Use of typed names and dates is insufficient to verify compliance with required timeframes for reporting. In addition, the quarterly reports were filed in various places and many reports could not be located. Most quarterly reports for the period ending June 30, 2007 were not found.

Criteria- 10 CSR 80-9.050(3)(B)1 states, “The District shall submit to the Department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress: A. The details of progress, including...”

Additionally, MDNR Guidance Document for Solid Waste Management District Grants states, “Quarterly status reports shall be submitted to the department’s SWMP for activities that occur during each calendar year quarter thirty days following the reporting period.”

Effect – The District was not always meeting reporting requirements as reports have not been filed, signed and dated appropriately. The authenticity of the report cannot be verified when typed names and dates are used.

Cause – The District’s failure to properly complete quarterly reports was apparently the result of administrative oversight.

Recommendation – We recommend that the District implement procedures to ensure that quarterly reports are timely prepared, properly signed and dated, and submitted to MDNR within required timeframes.

District Response – The District stated “Concur and adopt. Quarterly reports/filing procedures have been corrected since Pioneer Trails Regional Planning Commission became the district’s administrative contractor.”

7. **Expenditures After Project Expiration**

Questioned Costs: \$13,584

Condition – Expenditures of \$6,296 were incurred after project expiration for project 2005208 and \$7,288 was incurred after project expiration for project F2006-18. Costs incurred after expiration of the project agreement are not eligible for reimbursement. Accordingly, costs of \$13,584 are questioned as to their allowability. It was also noted that bills were not always timely paid. For example, \$14,399 was paid under project 2005210 nine months after project expiration.

Criteria - MDNR General Terms and Conditions, I.P. states, "Allowability of costs shall be determined in accordance with cost principles contained in OMB Circular No. A-87 for state and local governments..." This Circular requires costs to be determined in accordance with generally accepted accounting principles which would preclude claiming costs incurred after a grant has expired. Additionally, 10 CSR 80-9.050(1)(E)3 states that costs incurred after the project end are ineligible.

Effect - The District is at risk for disallowance of grant funds reimbursed to projects which incurred expenditures subsequent to the expiration of the financial assistance agreement.

Cause - The District was apparently unaware that the projects had expired at the time expenditures were made. Late payment of bills appears to be the result of inadequate monitoring of projects.

Recommendation - We recommend that the District resolve questioned costs of \$13,584 with MDNR and establish procedures to ensure the timely reimbursement of project expenses in advance of project expiration.

District Response - The District stated "Concur and adopt. Grantee expenditures on an expired grant will no longer be allowed per Board policy. Pioneer Trails Regional Planning Commission will monitor grant project progress to avoid this issue."

8. **Lack of Administrative Contract**

Questioned Costs: \$39,529

Condition - Administrative costs were paid to the Prairie Rose Resource Conservation & Development (RC&D) organization without an administrative contract and without a grant authorization from MDNR. Payments of \$9,685 and \$29,844 were paid to the Prairie Rose RC&D for fiscal years 2006 and 2007 respectively. Costs incurred without a grant agreement or contract are not allowable. Accordingly, costs of \$39,529 are questioned as to their allowability.

Criteria - 10 CSR 80-9.050(4)(B) states, "Accounting records must be supported by source documentation such as cancelled checks, paid bills, payrolls, time and attendance records, contract and agreement award documents." Good business practices require a written signed contract between the District and the RC&D be on file to document the contract terms.

Effect - The District is at risk to reimburse MDNR for any improperly expended funds.

Cause - The District apparently presumed that continuing the arrangement with the Prairie Rose RC&D was acceptable irrespective of the fact that administrative funds had not been requested or approved by MDNR. The District was able to use available cash that had not been accounted for or reported to MDNR to continue the arrangement with the RC&D.

Recommendation - We recommend the District implement procedures to ensure that administrative expenses are properly supported by an appropriately bid contract and that expenses are correctly budgeted and approved by MDNR. Additionally, the District should resolve questioned costs of \$39,529 with MDNR.

District Response – The District stated “Concur and adopt. Pioneer Trails Regional Planning Commission once becoming the District’s administrative contractor has submitted District operations grants for both board and DNR review and approval.”

9. **Failure to Provide Surety Bonding**

Condition – Employees and Board members with fiduciary responsibilities such as the receipt or disbursement of District funds were not covered by a surety bond.

Criteria – MDNR General Terms and Conditions for grants I.E.3. states, “Effective control and accountability must be maintained for all subgrantee cash, real and personal property, and other assets. Subgrantees must adequately safeguard all such property...”

Effect – The District is not adequately safeguarding assets by not obtaining surety bonds.

Cause – The lack of surety bonding appears to be the result of administrative oversight.

Recommendation – We recommend the District cover all employees and Board members involved with the receipt and disbursement of District funds and property with surety bond coverage.

District Response – The District stated, “Concur and adopt. The board is expected to have fidelity surety bonds for the Executive Board, i.e. Chairperson, Vice Chairperson, Secretary Treasurer, Pioneer Trails Executive Director and Pioneer Trails Fiscal Officer in the respective amounts of \$1,000,000, \$1,000,000, \$1,000,000, \$1,000,000 and \$500,000 by July 28, 2008.”

10. **Management Structure Not Compliant With State Statutes**

Condition – The District’s management structure is not compliant with state statutes or the District’s bylaws.

The District has not adopted an alternative management structure. State statutes provide that executive boards will consist of seven persons. However, the District’s Executive Board is comprised of eleven persons. State statutes also require each district to establish a solid waste management council and prescribe the duties of the council. However, the District Council has not met in five years and is no longer functioning.

In addition, the bylaws, which have not been updated since 1993, conflict with the management structure used. District bylaws provide for a council consisting of two county commissioners from each member county and a representative from each city with a population of 500 or above. As noted above, the Council no longer exists.

Criteria – Section 260.300.3 RSMo states, “Counties may, for the purpose of managing districts, cooperate as provided in sections 260.300 to 260.345 or formulate an alternative management structure agreed to by each county in the district. A solid waste management district, regardless of how formed shall be governed by an executive board and comply with the provisions of sections 260.200 to 260.345.” Section 260.315.1 RSMo states, “There is hereby established a solid waste management council for each solid waste management district, except for those districts which formulate an alternative management structure pursuant to section 260.300.”

Section 260.315.4 RSMo states, "The council shall... (2) Select seven persons to serve on the executive board, at least a majority of who shall be selected from members of the council. The council shall establish the terms of office for members of the executive board."

Effect – The District is not in compliance with Missouri statutory requirements regarding its management structure. Compliance with state law is a condition of the grant award. Non-compliance places the District at risk for future awards.

Cause – The District indicated that it was their assumption that an alternative management structure was adopted even though no documentation was available to support adoption of an alternative management structure.

Recommendation – We recommend the District either adopt an alternative management structure or operate its management structure as prescribed in its bylaws and state statutes. The District should ensure its bylaws are in agreement with the management structure.

District Response – The District stated, "Concur and adopt. The board will seek the 'alternative' management structure, correcting the bylaws as needed and conducting officers' election in August/September timeframe. Pioneer Trails Regional Planning Commission as the district's administrative contractor will assist."

11. Unreported Interest Income

Condition – Cumulative interest income was not reported on the Quarterly Project Financial Summary reports for fiscal year 2006 or 2007. Prior years' interest earned and still on hand was not reported and could not be determined by the District. The reports reflected only amounts earned during the current fiscal year.

Criteria – Interest income earned on state grants is considered state funds and the expenditure of interest income must be done pursuant to a state grant approved by the MDNR. The Department's Special Terms and Conditions state, "Expenditure of income earned from interest on district grant agreement funds must be in compliance with 10 CSR 80-9.050 Solid Waste Management Fund (SWMF) – District Grants." 10 CSR 80-9.050(1)(C)1 states, "Grant monies made available by this rule shall be allocated by the district for projects contained within the district's approved solid waste management plan. These funds will be used for solid waste management projects as approved by the department."

Effect – The absence of tracking and proper reporting of interest income would preclude compliance with state regulations and MDNR Special Terms and Conditions as noted above. Also, administrative expenditures as noted in Finding No. 8 may have included interest income which would be a violation of the referenced state regulation.

Cause – It is unclear as to why the District did not track or report cumulative interest income on the Quarterly Project Financial Summary reports. The individual that prepared the reports is no longer with the District and the Board was apparently unaware of the need to track and report cumulative interest earned.

Recommendation – We recommend the District maintain accounting records that track all sources of income including interest income received by the District and report interest income

as required by MDNR. Interest income when obligated for district grants should be identified in the grant application for approval by MDNR.

District Response – The District stated, “Concur and adopt. Accounting records are now being maintained to properly account for cumulative interest income since Pioneer Trails Regional Planning Commission became the district’s administrative contractor.”

12. Inaccurate Quarterly Financial Summary Reports

Condition - Quarterly Project Financial Summary reports for the periods ending June 30, 2006 and 2007 were not prepared accurately and did not reconcile to total cash held by the District. Actual expenditures were more or less than amounts reported on over 50% of the projects. The reconciliation of the District’s cash balance at June 30, 2007 resulted in an unidentified balance of \$149,017.22. Also see Finding No. 4.

Criteria – Section I.E. of the MDNR General Terms and Conditions requires that financial management systems of subgrantees meet certain standards. Section I.E.1. states, “Accurate, current, and complete disclosure of financial results must be made in accordance with the financial reporting requirements of the subgrant.” The Special Terms and Conditions for District grants state, “Any funds awarded to a district which are not expended (or encumbered) for the purpose for which the funds were awarded, will be repaid by the district to the MDNR...” The Special Terms and Conditions also state, “Any district failing to provide timely and accurate quarterly reports will not be eligible to receive any further funding, and may be required to repay any and all disbursements of the SWMD.”

Effect – The District is at risk to reimburse MDNR for any improperly expended funds and is also at risk for future funding allocations.

Cause – The District was not maintaining adequate grant project tracking records or adequate accounting records and was apparently unaware of proper procedures for completing the Quarterly Project Financial Summary reports.

Recommendation – We recommend that the District implement procedures to ensure that quarterly reports are prepared accurately. We also recommend the District prepare a revised financial report as of June 30, 2007 that accurately reflects subgrant awards and disbursements and reconcile remaining cash balances to the total cash held by the District.

District Response – The District stated “Concur and adopt. Grant accounting records are now being maintained to properly account for the quarterly financial summary reports since Pioneer Trails Regional Planning Commission became the district’s administrative contractor.”

13. Failure to Withhold 15 % Retainage

Condition – The District did not withhold fifteen percent (15%) of the award until approval of the recipient’s final report. No retainage was withheld from payments for any of the ten projects reviewed.

Criteria – 10 CSR 80-9.050(4)(C) states, “The executive board shall retain fifteen percent (15%) of the funds from the recipient until the board gives approval to the recipient’s final report and the final accounting of project expenditures.”

Effect – Subgrantees were reimbursed 100% of their expenditures prior to submitting a final report, a violation of state regulations.

Cause – The District did not establish or implement procedures to comply with the retainage requirement.

Recommendation – We recommend that the District implement procedures to ensure that the District retains 15% of subgrant funds until Board approval of the final report and the accounting of project expenditures.

District Response – The District stated, “Concur and adopt. 15% withheld on payments to subgrantees is board policy. Pioneer Trails Regional Planning Commission will monitor grant payments to withhold the 15% retainage until final report.”

14. No Stated Waste Diversion Goals

Condition – The Quarterly Status Reports for the ten projects reviewed all indicated that there were no stated diversion goals. Only one of the ten projects included weight or volume information for waste diverted. This pattern indicates that little or no effort was made to establish diversion goals or report waste diversion on projects.

Criteria – 10 CSR 80-9.050(3)(B)1 states “The District shall submit to the department, at the end of each state fiscal year quarter, a report which contains the following for each project in progress: ...A. The details of progress, including the volume or weight in tons of waste diverted for each type of recovered material utilized in the project, if appropriate.”

Effect – The District is not in compliance with state regulations for reporting to MDNR the weight or volume of waste diverted for each project.

Cause – The District did not establish diversion goals.

Recommendation – We recommend the District establish diversion goals for each project and obtain and report weight or volume of waste diverted.

District Response – The District stated, “Concur and adopt. Both initial diversion tonnage estimates as well as quarterly and final diversion tonnages reporting is board policy. Pioneer Trails Regional Planning Commission will monitor grant process to ensure this reporting.”

15. Fixed Assets Inventory Management Inadequate

Questioned Costs: \$16,829

Condition – The following conditions were noted regarding equipment management: (1) The District did not maintain an inventory of equipment purchased with subgrantee funds, (2) the

District did not require subgrantees to submit annual statements certifying that equipment was being used for project activities, and (3) the District did not obtain proof of insurance from the subgrantees to ensure adequate coverage for fixed assets purchased or constructed with SWMD monies.

Criteria – The MDNR General Terms and Conditions, Section I. H, which is incorporated into District subgrants states, “Subgrantee must maintain property records that include a description of the equipment, a serial number or other identification number...”. The General Terms and Conditions also state, “A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.”

Regarding annual certification statements, MDNR Special Terms and Conditions state “Use of Equipment. Sub-grantee hereby agrees that any equipment purchased pursuant to this agreement shall be used for the performance of services under this agreement during the terms of this agreement, and for three years thereafter. Sub-grantee shall annually submit a statement as provided by the District certifying that the use(s) of said equipment is for project activities. Use(s) of said equipment for activities not related to the performance of services of this agreement must be reported in quarterly reports required by this agreement.”

Regarding proof of insurance, the MDNR Special Terms and Conditions require that the recipient procure and maintain insurance of all equipment, buildings, and site improvements purchased or constructed with SWMD monies.

Effect – The District is unaware that equipment funded by the SWMD is not being used for the intended purpose and is subject to risk of an uninsured loss. In this regard, it was noted that equipment purchased by a subgrantee in March 2006, costing \$16,829, had not been used at the time of our site visit in April 2008. Accordingly, costs of \$16,829 are questioned for non-utilization.

Cause – These conditions apparently resulted from the absence of administrative oversight on the part of the District.

Recommendation – We recommend (1) the District maintain property inventory records of all subgrantee equipment as described in the General Terms and Conditions and that a physical inventory be completed at least once every two years, (2) the District require a written annual statement from subgrantees stating that equipment, buildings, and site improvements purchased with District funds are used solely for the intended purpose, (3) the District obtain insurance coverage documentation from subgrantees for all equipment and other fixed assets purchased or constructed with SWMD monies, and (4) resolve questioned cost of \$16,829 for unutilized equipment with MDNR.

District Response – The District stated, “Concur and adopt. Annual certification on equipment usage is board policy. Pioneer Trails Regional Planning Commission will monitor equipment inventory to ensure this reporting. Equipment on-site grantee inspections will be conducted quarterly.”

16. Matching Funds Not Monitored

Condition -- The District did not monitor matching funds committed to projects per the subgrantee project application. Project files contained no evidence that the subgrantee met match commitments.

Criteria -- The District Grant Financial Assistance Agreement (FAA), which is entered into under authority of and subject to pertinent legislation, regulations, and policies applicable to RSMo. Sections 260.200 through 260.355, may include match requirements as part of the FAA budget. Even though the Solid Waste Management Program application guidelines do not require a subgrantee match, a match must be provided if included as part of the subgrantee's project application.

Effect -- Subgrantee compliance with provisions of the FAA regarding match commitments is not assured.

Cause -- The District encourages subgrantees to include match in their project applications but has not developed procedures to monitor such match commitments.

Recommendation -- We recommend that the District implement procedures to monitor matching expenditures and ensure that match requirements are met in accordance with the FAA.

District Response -- The District stated, "Concur and adopt. Matching funds is not a state requirement. However, the Region F Board encourages a 'match'. Pioneer Trails Regional Planning Commission will monitor these 'matching funds' if offered and ensure the grant evaluation reflect this encouragement."

17. Conflict of Interest

Condition -- The wife of the District's Executive Board Chairman served in the position of education coordinator for the District's administrative contractor, Prairie Rose RC&D. The District entered into one or more financial assistance agreements each year with Prairie Rose RC&D for education/information projects. The Board Chairman also served on the Prairie Rose RC&D board during the audit period. The District's Executive Board Chairman actively participated in the review and evaluation of project proposals submitted by Prairie Rose RC&D for education/information projects and signed District Grant Financial Assistance Agreements on behalf of the District. These agreements bear the appearance of being less than arms length transactions. The result is the appearance of a potential conflict of interest in the award of the education/information project agreements.

Criteria -- 10 CSR 80-9.050(1)(C)4 states "District grant funds will not be awarded for a project whose applicant is directly involved in the evaluation and ranking of that particular project." MDNR General Terms and Conditions, I.Q. states, "No party to this subgrant shall participate in any decision related to such subgrant which could result in a real or apparent conflict of interest, including any decision which would affect their personal or pecuniary interest, directly or indirectly."

Effect – Participation of a District Board member in the award of subgrantee funds that directly benefit the board member's spouse gives the appearance of a conflict of interest which is in violation of the District grant rules and MDNR General Terms and Conditions.

Cause – The District indicated that the Board member's participation in the subgrant selection and award process in this instance was an administrative oversight.

Recommendation – We recommend that the District closely adhere to their recently adopted (April 2008) revised conflict of interest policy that ensures the avoidance of a real or implied conflict of interest.

District Response – The District stated, "Concur. Region F board has adopted a strict conflict of interest policy, further the employee in question has retired as of 27 June 2008."

18. Printed Materials Do Not Include MDNR as Funding Source

Condition –The District does not print a statement naming MDNR as a funding source on all publications.

Criteria – MDNR Special Terms and Conditions state: "Grantees and subgrantees receiving grant funding from the Solid Waste Management Fund shall identify the Missouri Department of Natural Resources as a funding source on all publications and other printed materials which are intended for distribution. Identification shall include the Department's logo with the full Department name."

Effect – Printed materials were distributed by the District which failed to credit MDNR for funding.

Cause – This was an administrative oversight by the District.

Recommendation – We recommend that the District implement procedures to ensure that all printed materials distributed by the District or any subgrantee of the District properly credit MDNR for funding and identify the Department and its logo.

District Response – The District responded, "Concur and adopt. Proper logos and verbiage are being purchased. Pioneer Trails Regional Planning Commission will monitor this activity."

19. Executive Board Lack of Involvement and Inadequate Oversight of Administrative Contractor

Condition –The Executive Board did not always discharge responsibilities as prescribed in the bylaws. The following exceptions were noted in this regard:

- The bylaws require the Chairperson, Vice Chairperson, Secretary and Treasurer be elected annually from its members. There have been no elections for these offices during the audit period.
- The bylaws require the Secretary to keep the minutes. However, the Secretary was not able to locate a copy of any minutes during the audit period. The Executive Board minutes were later located by the former District Planner.

- The Secretary is also the designated custodian of District records. However, the Secretary was unaware that the administrative contractor failed to maintain accounting records.
- The Board has failed to adopt formal policies. For example, a formal conflict of interest policy as recommended in an audit completed in 1999 had not been adopted.
- Many of the findings presented in this report are the result of insufficient Board oversight and review of activities performed by the administrative contractor.

Criteria – RSMo. Sections 260.315 and 260.320 define the powers and duties of Solid Waste Management District (SWMD) councils and executive boards. The bylaws of the Region F SWMD incorporate the requirements of these statutes. The Executive Board acts as a local governing body for the District and assumes responsibility for the overall management of District operations.

Effect – District goals and objectives may not be attained without adequate Executive Board involvement.

Cause – The District Executive Board did not take reasonable care to ensure compliance with District bylaws and state laws and regulations.

Recommendation – We recommend that the District Executive Board exhibit due diligence to ensure the District operates in accordance with its bylaws and take a more active role to ensure the efficiency and effectiveness of District operations.

District Response – The District responded, “Adopt and concur. The board activity and involvement has increased greatly since Pioneer Trails Regional Planning Commission has become the district’s administrative contractor. Board structure, bylaws and election of officer sub-committees have been formed. Board elections are expected in the August/September timeframe. Pioneer Trails Regional Planning Commission as the district’s administrative contractor will assist.”

20. Lack of Project Monitoring and Documentation

Condition –The District does not regularly perform site visits to the various projects and does not document those site visits that are performed. One subgrantee stated during our site visit that no representative from Region F SWMD had visited his facility within the past five years.

Criteria – The Special Terms and Conditions for District Grants state, “Districts are responsible for ensuring proper use of the funds.” Good business practices require that periodic site visits to subgrantee facilities be made to ensure proper use of funds and that such site visits be properly documented.

Effect – The District is not assured that project grant funds are used properly without conducting and documenting site visits.

Cause – The District had not implemented procedures for conducting periodic visits to subgrantee facilities.

Recommendation – We recommend the District implement procedures to ensure that periodic site visits are made and properly documented.

District Response – The District responded, “Adopt and concur. Pioneer Trails Regional Planning Commission will monitor all grant projects on a quarterly basis reporting findings to the Board.”

REGION F
WEST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT
CONCORDIA, MISSOURI

Schedule of Prior Audit Findings
For the Fiscal Years Ended June 30, 1992, 1993, 1994, 1995, 1996 and 1997

The prior audit was conducted by an audit firm contracted by the MDNR for fiscal years 1992 through 1997. Of the 9 audit findings, 5 were implemented by the District and 4 were not implemented or partially implemented.

1. FINDING – Inadequate Match Documentation

Condition – The District could not support the one-third match for the District's \$20,000 annual administrative grants.

Current Status – The requirement for match was removed by MDNR. However, the District continued to budget for match but failed to document the match commitment budgeted. See Finding No. 16.

2. FINDING – Reports Lack Information for Evaluation – District Grants

Condition – Quarterly and final project reports for the District grants did not contain any information on the volume of waste disposal abatement.

Current Status – Not implemented. See Finding No. 14.

3. FINDING – Composition of the Executive Board

Condition – The Executive Board is comprised of eleven members. However, RSMo Section 260.315.4 (2) states that the Council shall select seven persons to serve on the executive board.

Current Status – Not implemented. See Finding No. 10.

4. FINDING – MBE/WBE Utilization

Condition – The District's current practices do not include a formal policy to encourage utilization of minority, women and small disadvantaged businesses when procuring goods and services.

Current Status – Compliance with MBE/WBE is now included in all sub-grant awards. Consider this finding resolved.

5. **FINDING – Conflict of Interest**

Condition – The District had not developed a formal conflict of interest policy to ensure compliance with MDNR General Terms and Conditions.

Current Status – A conflict of interest policy was submitted to MDNR on April 5, 2000. In addition, a revised policy was adopted in April 2008. Although written policies were adopted, the current audit disclosed an instance of a potential conflict of interest. See Finding No. 17.

6. **FINDING – Interest Income Not Reported**

Condition – The District did not report their interest income and the program did not deduct the interest income from outlays.

Current Status – The District reported only interest earned during the current reporting period to MDNR. Accumulated interest was not reported. See Finding No. 11.

7. **FINDING – Unprotected Cash Balance**

Condition – Cash balances averaged over \$100,000 for the audit period. Only FDIC coverage of \$100,000 protected the cash leaving amounts over \$100,000 unprotected.

Current Status – The District's bank is now pledging securities to fully collateralize cash balances over \$100,000. Consider this finding resolved.

8. **FINDING – Commingling of Funds**

Condition – All funds were deposited into one interest bearing account with interest earned transferred to an administrative account. Because of these procedures, it is not possible to determine the amount of interest earned on district grant funds or the administrative grant funds.

Current Status – The District no longer has an administrative account. Interest earned is accumulated in an interest bearing account. Consider this finding resolved. However, accumulated interest is not tracked. See Finding No. 11.

9. **FINDING – Subgrants Not On Reimbursement Basis**

Condition – Individual administrative project costs and project balances could not be determined because administrative project funds were commingled.

Current Status – The District maintained separate accounts for all projects during the period and did not receive administrative grant funding. Consider the finding resolved.

REGION F
WEST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT
CONCORDIA, MISSOURI

Schedule of Prior Missouri State Auditor's Office Audit Findings
For the Fiscal Years Ending June 30, 2005, 2004 and 2003

1. FINDING – District Subgrantee Procedures

Condition – Region F did not always comply with 10 CSR 80-9.050(4)(C) which requires the Executive Board to retain 15% of the funds from the recipient until the Board gives approval to the recipient's final report and the final accounting of the project expenditures.

Current Status – Region F has taken no apparent action to implement the State Auditor's recommendation in this area. See Finding No. 13.

2. FINDING – District Capital Assets

Condition – The District did not maintain an inventory of capital assets purchased with grant funds and has not performed a physical inventory of capital assets.

Current Status – The District has not maintained an inventory of capital assets purchased with grant monies and has not performed a physical inventory of capital assets. See Finding No. 15.

3. FINDING – District Capital Assets

Condition – The District did not obtain proof of insurance from subgrantees as required by the MDNR Special Terms and Conditions.

Current Status – The District has not required proof of insurance coverage on assets purchased by subgrantees. See Finding No. 15.

Region F West Central Missouri Solid Waste Management District
 Status of Subgrantee Awards and Administrative Expenditures
 June 30, 2007

Subgrant No.	Purpose	Awards Obligated	Carried Forward	Total	Expenditures 2006 & 2007	Prior Year Expenditures (Note 1)	Carried Forward FY2006	Unexp Funds
2003183	* Education/Information	\$ 6,527.40	\$ -	\$ 6,527.40	\$ 6,527.40	\$ -	\$ -	\$ -
2003184	Saline County Environmental Enforcement	11,688.00	10,000.00	21,688.00	5,888.48	15,799.52	-	-
2003189	** City of Warrenburg Recycling	23,820.00	6,180.00	30,000.00	-	27,224.24	2,775.76	-
2003190	** City of Lexington Recycling Program	18,830.00	-	18,830.00	-	15,015.00	3,815.00	-
2003191	** Lexington R-V School District Paper Recycling	4,685.00	-	4,685.00	2,000.00	1,800.00	885.00	-
2003197	** Basj's Recycling Collection	12,480.00	-	12,480.00	-	12,094.00	386.00	-
2004145	** Lafayette County Enterprises HHW Collection	21,405.86	3,294.14	24,700.00	21,553.72	-	3,146.27	-
2004146	Johnson County Sheltered Workshop	14,897.94	5,192.06	20,000.00	3,000.00	17,000.00	-	-
2004147	* City of Marshall HHW	-	2,856.00	2,856.00	2,856.00	-	-	-
2004148	** Pettis County Environmental Enforcement	22,745.00	215.00	22,960.00	1,569.39	21,330.00	60.61	-
2004149	** Education/Information Specialist	29,390.00	-	29,390.00	15,403.21	12,788.19	1,198.60	-
2004150	Active Education Closes the Loop in Concordia	958.00	-	958.00	-	-	-	958.00
2004151	City of Lexington Recycling	7,050.00	-	7,050.00	5,000.00	-	-	2,050.00
2004152	** Oil and Antifreeze Recycling	18,599.00	-	18,599.00	-	10,483.13	115.87	-
2004153	** Purchase Can Densor and Sorter	18,350.00	-	18,350.00	-	14,650.00	3,900.00	-
2004154	Lafayette County Enterprises Recycling	19,108.00	-	19,108.00	-	-	-	19,108.00
2004165	** Basj's Recycling	16,831.00	-	16,831.00	2,865.00	10,285.00	3,701.00	-
2004166	** Lafayette County Enterprises Recycling	13,437.00	-	13,437.00	4,077.13	8,741.44	618.43	-
2005204	Morgan Co Household Hazardous Waste Coll.	13,523.00	6,400.00	19,923.00	12,600.16	-	-	7,322.84
2005205	Pettis Co Household Hazardous Waste Coll.	10,371.15	9,128.85	19,500.00	18,837.76	-	-	662.24
2005206	Lafayette Co Household Hazardous Waste	21,473.79	2,404.21	23,880.00	23,880.00	-	-	-
2005207	Johnson Co Household Hazardous Waste	12,821.48	7,178.52	20,000.00	18,657.50	-	-	1,342.50
2005208	Education/Information	30,183.50	1,380.50	31,564.00	31,392.96	-	-	171.04
2005209	Illegal Dumping Awareness Program	4,600.00	-	4,600.00	4,347.63	-	-	252.37
2005210	Morgan Co Environmental Enforcement	16,030.94	798.06	16,829.00	14,934.00	-	-	1,895.00
2005211	Whitman Glass Crusher	18,565.00	19,108.00	37,673.00	37,673.00	-	-	-
2005212	Whitman Residential Recycling	15,000.00	-	15,000.00	15,000.00	-	-	-
2005213	Saline County Recycling	14,963.28	1,536.72	16,500.00	16,500.00	-	-	-
2005214	Johnson Co Sheltered Workshop Recycling	6,186.68	2,813.32	9,000.00	9,000.00	-	-	-
2005215	Johnson Co Sheltered Workshop Recycling II	9,443.48	41.52	9,485.00	9,485.00	-	-	-
2005216	Lafayette County Enterprises	11,087.52	3,871.48	14,959.00	14,959.00	-	-	-
2005217	Dyn's Auto & Diesel Repair	9,010.00	40.00	9,050.00	9,050.00	-	-	-
2005218	Region F Truck/Trailer Purchase	25,905.18	-	25,905.18	-	-	-	25,905.18
F2006-01	Saline County Used Oil Burner	7,633.00	-	7,633.00	7,633.00	-	-	-
F2006-02	Lafayette County E-Waste	5,960.00	3,815.00	9,775.00	9,063.59	-	-	711.41
F2006-03	Lafayette County Enterprises	10,462.00	3,900.00	14,362.00	8,137.78	-	-	6,224.22
F2006-04	Lafayette County Enterprises	17,249.00	3,701.00	20,950.00	20,950.00	-	-	-
F2006-05	Johnson County Sheltered Workshop	3,889.95	0.05	3,890.00	3,775.00	-	-	115.00
F2006-06	Johnson County Sheltered Workshop Containers	10,549.99	3,710.01	14,260.00	12,121.00	-	-	2,139.00
F2006-07	Johnson Co. Sheltered Workshop Cargo Trailer	224.24	2,775.76	3,000.00	3,000.00	-	-	-
F2006-08	Johnson County Sheltered Workshop Baler	12,705.00	885.00	13,590.00	13,500.00	-	-	90.00
F2006-09	Johnson County Sheltered Workshop Shredder	1,614.00	386.00	2,000.00	2,000.00	-	-	-
F2006-10	Johnson County Sheltered Workshop Scales	1,284.39	60.61	1,345.00	1,316.25	-	-	28.75
F2006-11	Johnson County Sheltered Workshop Forklift	17,702.73	3,146.27	20,849.00	20,849.00	-	-	4.00
F2006-12	Johnson County Sheltered Workshop Trucks	969.13	115.87	1,085.00	875.89	-	-	209.11
F2006-13	Whitman E-Waste	3,801.40	1,198.60	5,000.00	1,172.00	-	-	3,828.00
F2006-14	Whitman Asphalt Concrete Crusher	39,381.57	618.43	40,000.00	40,000.00	-	-	-
F2006-15	City of Lexington Baler	13,948.00	-	13,948.00	13,948.00	-	-	-
F2006-16	Region F Education/Information	25,000.00	-	25,000.00	4,859.65	-	-	20,140.35
F2006-17	Region F Household Hazardous Waste Coll.	170,000.00	-	170,000.00	21,785.28	-	-	148,214.72
F2006-18	Frankie Rose RC&D Education/Information	47,761.00	-	47,761.00	18,961.83	-	-	28,799.17
F2006-19	City of Sedalia Tub Grinder	89,000.00	-	89,000.00	-	-	-	89,000.00
F2006-20	Recycling Center Flat Bed Truck	16,000.00	-	16,000.00	14,750.00	-	-	1,250.00
	Subtotal	967,034.60	106,750.98	1,073,785.58	525,791.60	167,018.52	20,602.54	360,380.92
	Administration (Note 3)				39,529.44			
	Total Expenditures 2006 & 2007				565,321.04			
	Unobligated Interest							8,815.31
	Unidentified / Unobligated Region F Funds (Note 2)							149,017.22
	Total District Cash Per Audit							517,413.45

Note 1: Prior year expenditures are as reported on the Quarterly Project Financial Summary report less expenditures during the audit period.
 Note 2: This amount represents the difference between cash per bank and identifiable unexp cash per project accounting records. See Finding Nos 4 and 12.
 Note 3: This amount represents administrative costs paid to the Frankie Rose RC&D without a grant authorization from MDNR. See Finding No. 8.
 * Project was not included on Quarterly Project Financial Summary reports for FY2006 or FY2007.
 ** Unexp funds for these 2003 and 2004 projects were carried forward (added) to 2006 projects.

Region F West Central Missouri Solid Waste Management District SCHEDULE V
Cash Balance
June 30, 2007

Cash (Checking)	(\$15,519.69)
Cash (Money Market Account)	<u>532,933.14</u>
Total Account Balances	<u><u>\$517,413.45</u></u>

Region F West Central Missouri Solid Waste Management District SCHEDULE VI
 Schedule of State Funding
 Years Ended June 30, 2006 and June 30, 2007

<u>Received</u>	<u>Total Amount</u>	<u>Type</u>
<u>Year Ended June 30, 2006</u>		
December 2, 2005	<u>\$219,167.00</u>	District Grant
Total From MDNR in FY 2006	<u><u>\$219,167.00</u></u>	
 <u>Year Ended June 30, 2007</u>		
September 3, 2006	\$33,672.00	District Grant
August 24, 2006	7,633.00	District Grant
September 12, 2006	106,070.40	District Grant
October 4, 2006	<u>347,761.00</u>	District Grant
Total From MDNR in FY 2007	<u><u>\$495,136.40</u></u>	