

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

Department of Natural Resources
and
South Central Solid Waste Management District
Executive Board and District Council

We have audited the accompanying financial statements of the governmental activities of the South Central Solid Waste Management District (the "District"), as of and for the year ended June 30, 2006, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the South Central Solid Waste Management District prepares its financial statements on the basis of modified cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the South Central Solid Waste Management District as of June 30, 2006, and the respective changes in modified cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2006 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

MEMBER

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**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
INDEPENDENT AUDITORS' REPORT (CONTINUED)**

The accompanying management's discussion and analysis and supplemental information on pages 3 through 7 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the South Central Solid Waste Management District's basic financial statements. The schedule of subgrant expenditure by grant number and the schedule of capital assets held by subgrantees are presented as supplemental information on pages 22 - 24 for the purposes of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole on the basis of accounting described in Note 1.

Casey and Company, L.L.C.

Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri
October 5, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Our discussion and analysis of the South Central Solid Waste Management District (SCSWMD)'s (the "District") financial performance provides an overview of the SCSWMD's financial activities for the year ended June 30, 2006, within the limitations of the District's modified cash basis of accounting. Please read in conjunction with the District's financial statements that begin on page 8.

FINANCIAL HIGHLIGHTS

- The District's net assets totaled \$112,803 on June 30, 2006.
- The District's funding comes from the Solid Waste Management Fund (the Fund) through the Missouri Department of Natural Resources. Tipping fees from landfills in the state are deposited into this fund. The current tip fee is \$2.11/Ton. A formula for annually dividing the Fund between the 20 districts of the state and Department of Natural Resources is set through legislation. A district's allotment is dependant on the location of a landfill (s) within the district, the activity of the landfill (s) within the district and the population of the district.
- The SCSWMD was awarded \$358,705 in local district grant funds for FY 2006.
- The District used 31% of the funds for administration of the District and to provide technical assistance to the cities and counties of the District.
- The remaining 69% of the grant funds were used for projects of the cities and counties of the District.
- District expenditures totaled \$322,621 during the fiscal year.
- A certificate of deposit is held by the District. The value on June 30, 2006 was \$11,891.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements: The Statement of Net Assets and the Statement of Activities (pages 9 – 10) provide information about the activities of the District and present a longer term view of the District's finances.

Fund Financial Statement: The fund financial statement (page 11) reports the District's operations in more detail than the government-wide statements by providing information about the District's General Fund. For government activities, this statement tells how the services were financed in the short term as well as what remains for future spending.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The fund financial statement is in the left column with adjustments in the middle column and the government-wide financial statement presented in the right column.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statement and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements are on pages 12 – 19 of this report.

Required Supplementary Information: The Management's Discussion and Analysis represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The District has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

REPORTING ON THE SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

The District has only one primary fund for its activities. The fund is categorized as the General Fund to facilitate accounting for each activity. The District's financial position is shown in the Statement of Net Assets. The District's financial position and its ability to carry on operations in the future effectively and efficiently are strong.

The Statement of Net Assets and the Statement of Activities together report the District's net assets and the changes in them that occurred in fiscal year 2006. The District's net assets are the difference between assets and liabilities and are one way to measure the District's financial position, and whether the District's financial position is improving or deteriorating. Since this is the first year for the implementation of GASB 34, comparative information from preceding years cannot be presented in this report.

Total Net Assets

Cash and cash equivalents represent the amount of monies held in the two bank accounts while investments consist of the certificate of deposit held by the district. Capital assets of \$16,854 consist of two vehicles that are titled and owned by the District. The newest vehicle, a 2006 Chevrolet truck, is used for the Shannon County Recycling Program. The older truck is used by the Oregon County Recycling Program. The District has no long term debt. The District holds security liens on the capital assets owned by the subgrantee cities and counties. These assets are not presented as net assets of the district. Liabilities of the District represent the amount of grant funds remaining at the end of the fiscal year that are obligated to be spent on certain projects for subgrantees.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

Statement of Net Assets

Assets:	
Cash and cash equivalents	\$ 202,745
Investments	11,891
Capital assets, net of accumulated depreciation	<u>16,854</u>
Total Assets	<u>\$ 231,490</u>
Liabilities:	
Deferred grant revenues	<u>\$ 118,687</u>
Net Assets:	
Invested in capital assets	16,854
Unrestricted	<u>95,949</u>
Total Net Assets	<u><u>\$ 112,803</u></u>

Statement of Activities

Cash basis revenues increased from fiscal year 2005 by over \$80,000. Expenditures increased in FY 2006 and were mainly for subgrantee projects with some for administration and technical assistance. There was a decrease in the change in net assets of \$80,791 from June 30, 2005 to June 30, 2006.

Statement of Activities

Expenditures:	
Solid waste services	\$ <u>322,621</u>
Total Expenditures	<u>\$ 322,621</u>
Program revenues:	
Intergovernmental	\$ 240,018
Charges for services	<u>178</u>
Total program revenues	<u>240,196</u>
Net program expense	<u>\$ 82,425</u>
General revenues:	
Interest income	\$ 1,573
Other	<u>61</u>
Total general revenues	<u>\$ 1,634</u>
Change in net assets	\$ (80,791)
Fund balance/net assets:	
Beginning of the year	<u>\$ 193,594</u>
End of the year	<u><u>\$ 112,803</u></u>

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2006**

GOVERNMENTAL ACTIVITIES

Program Revenues

The District has approximately 24 different grants for providing services to the District. These grants consist of Administration, Technical Assistance and subgrants. Grants operate on a reimbursable basis. Revenues received from the Solid Waste Management Fund are distributed by the District through a competitive granting procedure. The only additional revenue was generated by bag sales and fuel reimbursement from the Shannon County Recycling Program. The District does not receive any other local revenue.

Revenues not awarded in a grant cycle carry over into the next grant cycle. Presently, the District accepts grant applications on a quarterly basis.

Expenditures by Program Activities

The District has set goals for achieving waste reduction, recycling, handling of banned waste, hazardous waste, and dealing with illegal dumping of waste and tires. The thrust of the grant program is to meet these goals. Our major programs are: Household Hazardous Waste Collections, Illegal Dumping, Waste Tire Amnesty, Appliance and Computer Collection, and School Chemical Cleanouts. The District supports recycling efforts of our subgrantees. During the year ended June 30, 2006, the District had expenditures totaling \$234,746 on behalf of various subgrantees for recycling programs. The major programs noted the following expenditures for the year:

Household Hazardous Waste	\$17,462
Illegal Dumping	\$ 2,914
Waste Tire Collections	\$20,935
Appliance and Computer Collection	\$22,245
School Chemical Cleanouts	\$ 8,030

Other major expenditures consisted of \$73,601 for vehicles and \$15,000 for a building to aid in recycling projects.

CONTACT FOR FINANCIAL MANAGEMENT QUESTIONS

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Coordinator at 5436 Hwy 17, Eunice, MO 65468, or by phone at (417) 932-5345.

BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
MODIFIED CASH BASIS
JUNE 30, 2006**

	General Fund	Adjustments (Note 1.G.)	Statement of Net Assets
ASSETS:			
Cash and cash equivalents	\$ 202,745	\$ -	\$ 202,745
Investments	11,891	-	11,891
Capital assets, net of accumulated depreciation	-	16,854	16,854
Total Assets	<u>\$ 214,636</u>	<u>\$ 16,854</u>	<u>\$ 231,490</u>
LIABILITIES:			
Deferred grant revenue	\$ 118,687	-	\$ 118,687
FUND BALANCE/NET ASSETS:			
Fund Balance			
Unreserved	\$ 95,949	\$ (95,949)	\$ -
Total Liabilities and Fund Balance	<u>\$ 214,636</u>	<u>\$ (95,949)</u>	<u>\$ 118,687</u>
Net Assets:			
Invested in capital assets, net of related debt		\$ 16,854	\$ 16,854
Unrestricted		95,949	95,949
Total Net Assets		<u>\$ 112,803</u>	<u>\$ 112,803</u>

See accompanying notes to the basic financial statements.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Adjustments (Note 1.G.)	Statement of Activities
Expenditures:			
Solid waste services	\$ 321,417	\$ 1,204	\$ 322,621
Capital outlay	18,058	(18,058)	-
Total expenditures	<u>\$ 339,475</u>	<u>\$ (16,854)</u>	<u>\$ 322,621</u>
Program revenues:			
Intergovernmental	\$ 358,705	\$ (118,687)	\$ 240,018
Charges for services	178	-	178
Total program revenues	<u>\$ 358,883</u>	<u>\$ (118,687)</u>	<u>\$ 240,196</u>
Net program expense			<u>\$ (82,425)</u>
General revenues:			
Interest income	\$ 1,573	\$ -	\$ 1,573
Other	61	-	61
Total general revenues	<u>\$ 1,634</u>	<u>\$ -</u>	<u>\$ 1,634</u>
Excess (deficiency) of revenues over expenditures	\$ 21,042	\$ (21,042)	\$ -
Change in net assets		(80,791)	(80,791)
Fund balance/net assets:			
Beginning of the year	\$ 193,594	\$ -	\$ 193,594
End of the year	<u>\$ 214,636</u>	<u>\$ (101,833)</u>	<u>\$ 112,803</u>

See accompanying notes to the basic financial statements.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Adjustments (Note 1.G.)	Statement of Activities
Revenues:			
Intergovernmental	\$ 358,705	\$ (118,687)	\$ 240,018
Charges for services	178	-	178
Interest income	1,573	-	1,573
Other	61	-	61
Total revenues	<u>\$ 360,517</u>	<u>\$ (118,687)</u>	<u>\$ 241,830</u>
Expenditures:			
District Administration:			
Salaries	\$ 33,910	\$ -	\$ 33,910
Fringe benefits	12,600	-	12,600
Travel	22,443	-	22,443
Equipment	6,860	-	6,860
Supplies	4,637	-	4,637
Contractual	3,656	-	3,656
Office expenses	10,156	-	10,156
Insurance	2,872	-	2,872
Dues and subscriptions	6,306	-	6,306
Repairs	1,289	-	1,289
Subgrant expenditures	234,746	(18,058)	216,688
Depreciation	-	1,204	1,204
Total expenditures	<u>\$ 339,475</u>	<u>\$ (16,854)</u>	<u>\$ 322,621</u>
Excess (deficiency) of revenues over expenditures	21,042	(101,833)	(80,791)
Fund balance/net assets:			
Beginning of the year	\$ 193,594	\$ -	\$ 193,594
End of the year	<u>\$ 214,636</u>	<u>\$ (101,833)</u>	<u>\$ 112,803</u>

See accompanying notes to the basic financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

As discussed further in Note 1.C., these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity

The accompanying financial statements present the activity of the South Central Solid Waste Management District (the "District"). The District is established under statutory or administrative authority, and its operation is under the control of the Executive Board and District Council under the oversight of the State of Missouri Department of Natural Resources.

B. Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues; however the District does not receive any taxes but mainly operates under grants received from the State of Missouri Department of Natural Resources.

The General Fund is the primary and only fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the Statement of Net Assets and the Statement of Activities, the governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting as defined below.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The District implemented a new financial reporting model, as required by the provisions of GASB Statements No. 34 and No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Section 260.325.10 of Missouri State Law as of June 30, 2006.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

C. Measurement Focus and Basis of Accounting (continued)

In the Statement of Net Assets and Statement of Activities, the financial statement activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets, revenues, and expenditures when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the financial statements would use the modified accrual basis of accounting for the fund financial statements and the accrual basis for the government-wide financial statements.

D. Assets, Liabilities, and Equity

Cash and Cash Equivalents

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. The District held two demand interest-bearing checking accounts.

Investments

Investments classified in the financial statements consist of a certificate of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

Capital Assets

The District's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether they are reported in the government-wide or fund financial statements. All capital assets are used in governmental operations and represent those assets owned by the District. Capital assets purchased through state grants by subgrantees are not included in the basic financial statements. The district must file a UCC-1 form to perfect its security interest for all assets in excess of \$5,000 purchased by subgrantees. The security interest period runs for a period of four years that will decrease at the rate of 25% per year until the period is up and then the security interest is relinquished on the part of the state. The capital asset then belongs to the subgrantee.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

D. Assets, Liabilities, and Equity (continued)

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions owned by the District are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets owned by the District. The estimated useful life used on the District's vehicles is 5 years.

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. The District has no restricted net assets and no debt.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." The District has no restricted net assets.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Revenues and Expenditures

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the District are reported as program revenues. The District has only one program:

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

E. Revenues and Expenditures (continued)

Solid Waste Services: Program revenues are intergovernmental revenues from the State of Missouri for solid waste services and charges for services for the sale of recycling bags.

All other governmental revenues are reported as general.

F. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation). Actual results could differ from those estimates and assumptions.

G. Adjustments

Adjustments to the General Fund on the Statement of Net Assets:

- Capital assets net of accumulated depreciation of \$16,854.

Adjustments to the General Fund on the Statement of Activities:

- Depreciation expense of \$1,204.
- Capital outlay expenditures of \$18,058 capitalized in capital assets.
- State grants received in advance deferred and obligated for the subsequent year projects totaling \$118,687.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the District is subject to various federal, state, and local laws and contractual regulations.

Insured and Collateralized Deposits

In accordance with state law, all uninsured deposits of municipal and state funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2006, the District's deposits were entirely insured and collateralized.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2006**

NOTE 3: CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

The table presented below is designed to disclose the level of custodial credit risk assumed by the South Central Solid Waste Management District based upon how its deposits were insured or secured with collateral at June 30, 2006. The categories of custodial credit risk are defined as follows:

- Category 1- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the District or by its agent in its name.
- Category 2- Uninsured by collateralized with securities held by the pledging Financial institution's trust department or agent in the District's name.
- Category 3- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the District's name; or properly collateralized with no written and approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Bank deposits	\$ 215,011	\$ 215,011	-	-	
Investments	11,891	11,891			
Total Deposits	\$ 226,902	\$ 226,902	-	-	\$ 214,636

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 202,745
Investments	11,891
	<u>\$ 214,636</u>

Investments and Custodial Credit Risk

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that is either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

NOTE 3: CASH AND INVESTMENTS (continued)

- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended June 30, 2006 the District's investments consisted solely of a certificate of deposit whose original maturity term exceeds three months. At June 30, 2006 the carrying value and fair value of the certificate of deposit totaled \$11,891. The certificate was invested for a period of six months with a maturity date of October 28, 2006 and with an interest rate of 3.675%. For purposes of custodial credit risk, the certificate of deposit is included in the preceding deposits risk analysis.

NOTE 4: CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the year ended June 30, 2006, is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Vehicles	\$ 20,721	\$ 18,058	\$ -	\$ 38,779
Total	\$ 20,721	\$ 18,058	\$ -	\$ 38,779
Less accumulated depreciation for:				
Vehicles	\$ 20,721	\$ 1,204	\$ -	\$ 21,925
Total accumulated depreciation	\$ 20,721	\$ 1,204	\$ -	\$ 21,925
Capital assets, net	\$ -	\$ 16,854	\$ -	\$ 16,854

Depreciation expense for governmental activities of \$1,204 was charged to Solid Waste Services in the Statement of Activities.

NOTE 5: PARTICIPATION IN PUBLIC ENTITY RISK POOLS

Missouri Public Entity Risk Management Fund

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. MOPERM (Missouri Public Entity Risk Management) is a public entity risk pool currently operating as a common risk management and insurance program. The District does not pay premiums to purchase insurance policies but pays an assessment to be a member of the self-sustaining risk sharing group. Part of the assessment is used to purchase excess insurance for the group as a whole.

The pooling agreement requires the pool to be self-sustaining. District management believes that it is not possible to estimate the range of contingent losses to be borne by the District.

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2006**

NOTE 6: RETIREMENT PLAN

The District contributes to an individual retirement account and a Health Savings Account on behalf of the District Coordinator in addition to her salary.

NOTE 7: RELATED ORGANIZATION

The District has a contract with Backwoods Services L.L.C. to provide services to the District for grant projects. The company has been in business since 1984 and also provides real estate sales, construction, and general contracting services. The owners of the business are the District Coordinator and her husband who also performs work for the District and receives an hourly wage and expense reimbursements approved by the Executive Board. Backwoods Services serves as a bill payer in which it hires workers and pays the bills for the projects and gives the District detailed invoices each month for each project. The District then reimburses Backwoods for expenses paid on behalf of the District.

During the year ended June 30, 2006, the District reimbursed Backwoods a total of \$90,006 for expenses paid on the District's behalf.

CASEY AND COMPANY OF COLUMBIA, L.L.C.



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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

Department of Natural Resources
and
South Central Solid Waste Management District
Executive Board and District Council

We have audited the financial statements of the governmental activities of the South Central Solid Waste Management District (the "District"), as of and for the year ended June 30, 2006, which comprise the District's basic financial statements and have issued our report thereon dated October 5, 2006. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

MEMBER

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Missouri
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**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
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 (CONTINUED)**

We noted certain matters that we reported to management of the South Central Solid Waste Management District in a separate independent report on applying agreed-upon procedures dated October 5, 2006.

Casey and Company, L.L.C.

Casey and Company, L.L.C.
Certified Public Accountants
Columbia, Missouri
October 5, 2006

SUPPLEMENTAL INFORMATION

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF SUBGRANT EXPENDITURES BY GRANT NUMBER
YEAR ENDED JUNE 30, 2006**

<u>Grant Number</u>	<u>Grant Description</u>		<u>Expenditures</u>
2004-005	Illegal dumping	\$	2,914
2005-012	Household Hazardous Waste Collections		838
2005-013	Illegal dumping-Identification and clean up		13,253
2005-014	Waste Tire Amnesty		4,377
2005-015	Electronic Collections		6,888
2005-016	School lab clean ups		8,030
2005-017	Roll off dumpsters		14,769
2005-018	Newer recycling vehicle-West Plains		17,000
2005-019	Storage shed-Oregon County		15,000
2005-020	Fence and repairs - Ozark County		1,100
2005-021	Employee, fuel, etc.-Shannon County		4,996
2005-022	Employee - Douglas County Inc.		13,265
2005-023	Recycling bins - Cabool		-
2006-3	Household Hazardous Waste Collections		16,624
2006-4	Waste Tire Amnesty		16,558
2006-5	Electronic Collections		15,357
2006-6	School Chemical cleanouts		-
2006-7	Shannon County recycling		18,211
2006-8	Truck - City of Mountain View		30,000
2006-9	Dump bed - West Plains		8,543
2006-10	Douglas County - Employee and building		15,690
2006-11	Equipment - Tribble recycling		11,333
			11,333
Total		\$	234,746

**SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF CAPITAL ASSETS HELD BY SUBGRANTEES
AS OF JUNE 30, 2006**

ASSET	COST	PROJECT	LOCATION
Baler	\$ 8,550	2003-013	City of Mountain View
Baler	8,550	2003-013	City of Mountain View
Truck	15,000	2003-016	OCRA - City of Thayer
Shredder	1,227	2004-003	City of West Plains
Baler	9,000	2004-007	OCRA - City of Thayer
Forklift	11,000	2004-007	OCRA - City of Thayer
Forklift	17,187	2004-009	City of West Plains-MRF
Big flat bed trailer	1,700	2005-009	Do Co, Inc., Douglas County
Mitsubishi truck	1,400	2005-009	Do Co, Inc., Douglas County
Bobcat truck	630	2005-009	OCRA - City of Thayer
Alley Cat	1,000	2005-009	City of Houston, SCCC
Shredder	1,227	2005-009	City of Alton
Four roll-off containers	14,769	2005-017	S&S Recycling-City of Mountain Grove
Truck	17,000	2005-018	City of West Plains
Storage shed	15,000	2005-019	OCRA - City of Thayer
Garage doors	2,100	2005-020	Ozark County Recycling Center
Two home-made trailers	1,550	2006-2	Do Co, Inc., Douglas County
Horse trailer	3,200	2006-2	Hodgson Mill-Ozark County
Recycling truck	30,000	2006-8	City of Mountain View
Recycling truck bed	30,000	2006-9	City of West Plains
Storage shed	14,850	2006-10	Do Co, Inc., Douglas County
Recycling equipment	11,333	2006-11	Tribble
Two gooseneck trailers	9,026	2006-12	OCRA Center-City of Thayer

Do Co Inc.=Douglas County Sheltered Workshop Incorporated

OCRA=Oregon County Recycling Association

SCCC=South Central Correctional Center

MRF=Materials Recovery Facility