

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

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Years Ended June 30, 2012 and 2011

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SCHULTZ, WOOD & RAPP, P.C.
CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS
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INDEPENDENT AUDITOR'S REPORT

November 28, 2012

South Central Solid Waste Management District
Executive Board and District Council
Eunice, MO 65468

Dear Members of the Board and Council:

We have audited the accompanying basic financial statements, as listed in the table of contents, of the South Central Solid Waste Management District as of and for the years ended June 30, 2012 and 2011. Those financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on those financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide a reasonable basis for our opinions.

As described in Note 1, these basic financial statements were prepared on the modified cash basis and cash basis of accounting, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the financial position of the South Central Solid Waste Management District at June 30, 2012 and 2011, and the results of its operations for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2012, on our consideration of the South Central Solid Waste Management District's internal control over financial reporting and 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.

Schultz, Wood & Rapp, P.C.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Management's Discussion and Analysis

June 30, 2012 and 2011

The Management's Discussion and Analysis (MD&A) of the South Central Solid Waste Management District (the District) provides an overview and analysis of the District's financial activities for the fiscal years ended June 30, 2012 and 2011. The intent of the MD&A is to look at the District's financial performance as a whole. Readers should also review the financial statements found in the Financial Section starting on page 8, and the notes thereto to enhance their understanding of the District's financial performance.

The MD&A is an element of Required Supplementary Information specified in Governmental Accounting Standards Board (GASB) Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in 1999. Certain comparative information between the current year (2011-2012) (FY2012) and the prior year (2010-2011) (FY2011) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the fiscal years ended June 30, 2012 and 2011 include the following:

The government-wide net assets decreased by \$31,003 at June 30, 2012 as compared to an increase of \$12,420 at June 30, 2011. The governmental funds ending fund balances decreased by \$30,806 at June 30, 2012 as compared to an increase of \$13,956 at June 30, 2011. The differences between the government-wide net assets increases/decreases and the governmental funds increases/decreases reflect the differences in the modified cash basis of accounting and the cash basis of accounting and are reconciled on page 13. The significant differences are capitalization and depreciation of fixed assets.

Program revenues made up 97.7% and 98.5% of the total revenues for the years ended June 30, 2012 and 2011, respectively, with general revenues making up the balance. These program revenues covered 86.6% and 102.7%, of the program expenditures for 2012 and 2011, respectively.

Using the Basic Financial Statements

The District's basic financial statements consist of a series of financial statements and the associated notes to those statements. The statements are organized so the reader can understand the operations of the District as a whole, i.e., an entire operating entity. The "Basic Financial Statements" section, includes government-wide financial statements, fund financial statements and notes to financial statements.

The government-wide financial statements, consisting of the Government-Wide Statement of Net Assets and the Government-Wide Statement of Activities, provide highly consolidated financial information and render a government-wide perspective of the District's financial condition. They present an aggregate view of the District's finances. These statements seek to answer the question, "How did the District do financially during the 2011-2012 fiscal year?" In short, is the District better or worse financially this year than the prior year? These statements include assets and liabilities using the modified cash basis of accounting. This basis of accounting reflects revenues and expenses when received or paid, except for certain capital assets which are reflected as assets and are depreciated.

By showing the change in net assets for the years, the reader may ascertain whether the District's financial condition has improved or deteriorated. The changes which are discussed in the MD&A may be financial or non-financial in nature. Non-financial factors which may have an impact on the District's financial condition include increases in or erosion of the facilities, maintenance, and condition or other external factors.

To provide more in-depth reporting of the District's financial position and changes in financial position, fund basis financial information is presented in the "Fund Financial Statements" section beginning on page 10. These funds are required to be established by state law and/or by bond covenants. These fund financial statements help the reader to determine whether there are more or fewer financial resources that can be spent in the near future for District programs. The District only uses one fund, the General Fund.

Fund financial statements also provide more in-depth data on the District's General Fund. This fund is considered a "major fund" under GASB Statement No. 34. The relationship between governmental activities reported in the government-wide financial statements and the governmental fund reported in the fund financial statements is reconciled in the financial statements on pages 11 and 13.

Government-Wide Financial Analysis

Net assets of the District reflect the excess of assets over liabilities. Net assets of the District at June 30 consist of the following:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 150,479	181,285
Capital assets	329	526
Total assets	<u>150,808</u>	<u>181,811</u>
Net assets:		
Invested in capital assets	329	526
Restricted	134,889	174,028
Unrestricted	<u>15,590</u>	<u>7,257</u>
Total net assets	<u>\$ 150,808</u>	<u>181,811</u>

Net assets at June 30, 2012 and 2011 reflect a decrease of \$31,003 and an increase of \$12,420, respectively, from the prior year balances. Key elements of these changes consist of the following:

	<u>2012</u>	<u>2011</u>
Revenues:		
Program revenues:		
Charges for services	\$ -	-
Operating grants and contributions	236,898	299,125
Capital grants and contributions	-	-
General revenues:		
Investment earnings	458	1,196
Other	5,109	3,229
	<u>242,465</u>	<u>303,550</u>
Total revenues		
Expenses:		
Grant expenses	169,771	194,988
Payroll and payroll taxes	54,400	49,643
Benefits	20,400	20,503
Office expense	1,409	1,467
Executive board	6,152	5,559
Dues and subscriptions	328	443
Travel	14,808	10,997
Utilities	1,203	1,194
Office space and storage	4,800	4,800
Depreciation	197	1,536
	<u>273,468</u>	<u>291,130</u>
Total expenses		
Change in net assets	(31,003)	12,420
Net assets, beginning of year	<u>181,811</u>	<u>169,391</u>
Net assets, end of year	<u>\$ 150,808</u>	<u>181,811</u>

As reflected above the expenses of the District's government-wide activities for the years ended June 30, 2012 and 2011 are not all borne by the District. Of these amounts \$236,898 and \$299,125, respectively, were paid through the state grant from the Missouri Department of Natural Resources.

The table below shows the total cost of programs and the net cost of these programs (after deducting charges for services and grant revenue) of the various categories of expenses for the years ended June 30, 2012 and 2011. The "net cost" presentation allows the District to determine the remaining cost of the various categories which were paid from other general revenues, and allows them the opportunity to assess the cost of each of these functions in comparison to the perceived benefits received.

	2012		2011	
	Total Expense of Program	Net Expense (Revenue) of Program	Total Expense of Program	Net Expense (Revenue) of Program
Grant expenses	\$ 169,771	(67,127)	194,988	(104,137)
Payroll and payroll taxes	54,400	54,400	49,643	49,643
Benefits	20,400	20,400	20,503	20,503
Office expense	1,409	1,409	1,467	1,467
Executive board	6,152	6,152	5,559	5,559
Dues and subscriptions	328	328	443	443
Travel	14,808	14,808	10,997	10,997
Utilities	1,203	1,203	1,194	1,194
Office space and storage	4,800	4,800	4,800	4,800
Depreciation	197	197	1,536	1,536
Total	<u>\$ 273,468</u>	<u>36,570</u>	<u>291,130</u>	<u>(7,995)</u>

Governmental Fund Financial Analysis

The District uses the fund to control and manage money for particular purposes. The fund basis financial statements allow the District to demonstrate its stewardship over and accountability for resources provided by grantors and other entities. These statements also allow the reader to obtain more insight into the financial workings of the District, and assess further the District's financial health.

The District completed the fiscal year ended June 30, 2012 with a fund balance for governmental funds (as presented in the balance sheet on page 10) of \$150,479 as compared to a fund balance of \$181,285 as of July 1, 2011, a decrease of \$30,806.

The major source of revenue for operations consist of grants from the Missouri Department of Natural Resources totaling \$236,898 and \$299,125 in 2012 and 2011, respectively.

	2012	2011
<u>Revenue</u>		
Grant revenue	\$ 236,898	299,125
Interest income	458	1,196
Other	5,109	3,229
Total revenues	<u>\$ 242,465</u>	<u>303,550</u>
<u>Expenditures</u>		
Grant expenses	\$ 169,771	194,988
Administration and support	103,500	94,606
Total expenditures	<u>\$ 273,271</u>	<u>289,594</u>

Capital Assets

At June 30, 2012, the District had \$329 (net of accumulated depreciation) invested in capital assets, which consisted of furniture, vehicles and equipment.

During 2012 and 2011, the District did not have any capital asset additions. There were no disposals of assets in 2012 and 2011. Depreciation expense amounted to \$197 and \$1,536 for 2012 and 2011, respectively.

Additional information on the District's capital assets can be found in Note 3 on page 17 of this report.

Contacting the District's Financial Management

While this Management's Discussion & Analysis is designed to provide a general overview of the financial condition and operations of the District, citizens groups, investors or creditors may want further details. To obtain such details, please contact District Coordinator Lynda Roehl at the District administration offices, 5436 Hwy 17, Eunice, MO 65468.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Government-Wide Statements of Net Assets

(Modified cash basis)

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash	\$ 150,479	181,285
Capital assets, net of accumulated depreciation	329	526
Total assets	<u>150,808</u>	<u>181,811</u>
<u>Net Assets</u>		
Invested in capital assets	329	526
Restricted for grants	134,889	174,028
Unrestricted	15,590	7,257
Total net assets	<u>\$ 150,808</u>	<u>181,811</u>

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

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Government-Wide Statements of Activities

(Modified cash basis)

Years Ended June 30, 2012 and 2011

Functions/Programs	2012			2011		
	Expenses	Program Revenues		Net	Net	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	(Expense) Revenue and Changes in Net Assets	(Expense) Revenue and Changes in Net Assets
Governmental Activities						
Solid Waste Management:						
Grant expenses	\$(169,771)	-	236,898	-	67,127	104,137
Payroll and payroll taxes	(54,400)	-	-	-	(54,400)	(49,643)
Benefits	(20,400)	-	-	-	(20,400)	(20,503)
Office expense	(1,409)	-	-	-	(1,409)	(1,467)
Executive board	(6,152)	-	-	-	(6,152)	(5,559)
Dues and subscriptions	(328)	-	-	-	(328)	(443)
Travel	(14,808)	-	-	-	(14,808)	(10,997)
Utilities	(1,203)	-	-	-	(1,203)	(1,194)
Office space and storage	(4,800)	-	-	-	(4,800)	(4,800)
Depreciation	(197)	-	-	-	(197)	(1,536)
Total Solid Waste Management	\$(273,468)	-	236,898	-	(36,570)	7,995
General Revenues						
					458	1,196
					5,109	3,229
					5,567	4,425
Change in Net Assets						
					(31,003)	12,420
Net Assets, beginning of year						
					181,811	169,391
Net Assets, end of year						
					\$ 150,808	181,811

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

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Balance Sheets - Governmental Fund

(Cash basis)

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Cash	\$ 150,479	181,285
	<u>\$ 150,479</u>	<u>181,285</u>
<u>Liabilities and Equity</u>		
Liabilities	<u>\$ -</u>	<u>-</u>
Fund Equity:		
Restricted for grant purposes	134,889	174,028
Unassigned	<u>15,590</u>	<u>7,257</u>
Total Fund Balance	<u>150,479</u>	<u>181,285</u>
	<u>\$ 150,479</u>	<u>181,285</u>

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

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
 Reconciliations of the Balance Sheets - Governmental Fund
 to the Government-Wide Statements of Net Assets
 June 30, 2012 and 2011

	2012	2011
Amounts reported for governmental activities in the statement of net assets are different due to the following:		
Total fund balance - Governmental Fund	\$ 150,479	181,285
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
	329	526
Total net assets - Government-Wide Statement of Net	\$ 150,808	181,811

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

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
 Statements of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund
 (Cash basis)
 Years Ended June 30, 2012 and 2011

	2012	2011
Revenues:		
Grant income	\$ 236,898	299,125
Miscellaneous	5,109	3,229
Interest income	458	1,196
Total Revenues Collected	242,465	303,550
Expenditures:		
Grant expenses	169,771	194,988
Payroll and payroll taxes	54,400	49,643
Benefits	20,400	20,503
Office expense	1,409	1,467
Executive board	6,152	5,559
Dues and subscriptions	328	443
Travel	14,808	10,997
Utilities	1,203	1,194
Office space and storage	4,800	4,800
Total Expenditures Paid	273,271	289,594
Revenues over (under) expenditures	(30,806)	13,956
Fund balance, beginning of year	181,285	167,329
Fund balance, end of year	\$ 150,479	181,285

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

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
 Reconciliations of the Statements of Revenues, Expenditures and Changes in Fund
 Balance - Governmental Fund to the Government-Wide Statements of Activities
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Net change in fund balance - Governmental Fund	\$ (30,806)	13,956
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense.		
Depreciation expense	<u>(197)</u>	<u>(1,536)</u>
Change in net assets - Government-Wide Statement of Activities	<u>\$ (31,003)</u>	<u>12,420</u>

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

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements

June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies

A. Principles Used to Determine 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.

The District reporting entity includes the District's governing board and all related organizations for which the District exercises oversight responsibility.

The District has developed criteria to determine whether outside agencies with activities which benefit the citizens of the District should be included within its financial reporting entity. The criteria include, but are not limited to, whether the District exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships. Based upon the application of these criteria, there were no component units included in the District's reporting entity.

B. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the nonfiduciary financial activities of the District. These statements report those activities of the District that are governmental (i.e. generally supported by intergovernmental revenues).

The statement of net assets presents the financial position of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities and the remaining revenues that are not directly associated with specific programs. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions (including related investment earnings) that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues.

Fund Financial Statements - The District maintains fund accounting in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at a more detailed level. The focus of governmental fund financial statements is on major funds.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements (continued)

June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (continued)

Governmental Funds - Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they are used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District maintains only one fund, the General Fund, which accounts for the general activities of the District.

C. Basis of Accounting/Measurement Focus

The Government-Wide financial statements of the District have been prepared on the modified cash basis of accounting, which is a comprehensive basis other than accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles.

The measurement focus establishes the basis of accounting. The basis of accounting determines when transactions are recorded in the financial records and reported in the financial statements. Differences in the modified cash basis and the cash basis of accounting arise in the recording of capital assets and the recognition of depreciation. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and the governmental fund financial statements.

The government-wide financial statements are prepared using the flow of current financial resources measurement focus and the modified cash basis of accounting. Revenues are recorded when received and expenses are recorded when paid, except that capital assets are recorded as assets and are depreciated.

The governmental fund financial statements are prepared using a flow of current financial resources measurement focus and the cash basis of accounting. Revenues are recognized when received and expenditures are recorded when paid. Proceeds from issuance of long-term debt, if any, are recognized when received and payment of long-term debt principal is reported as an expenditure when paid. Capital asset purchases are recorded as expenditures and depreciation is not recognized.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include grants, entitlements and donations. Revenues from grants, entitlements and donations are recognized when received.

D. Cash

Cash resources consist of a checking account and a certificate of deposit which is managed by the District Coordinator. These assets are carried at cost, which approximates market.

E. Other Revenues

The District mainly operated under grants received from the State of Missouri Department of Natural Resources. State grant aid is reported as revenue when the grant monies are received. Unrestricted aid, interest income and miscellaneous revenues are reported as revenue in the fiscal year the cash is received.

F. Subsequent Events

Subsequent events have been evaluated through November 28, 2012, which is the audit report date.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements (continued)

June 30, 2012 and 2011

Note 1: Summary of Significant Accounting Policies (continued)

G. Capital Assets

In the government-wide financial statements, capital assets are recorded at cost and updated for additions and retirements during the year. Donated assets are recorded at their estimated fair value as of the date received. Capital assets are depreciated over their useful lives of 5 to 40 years, using the straight-line method.

All capital assets purchased through state grants by subgrantees are excluded from the basic financial statements. The District files UCC-1 forms to perfect its security interest for all assets with purchase cost in excess of \$5,000 purchased by subgrantees. The security interest period runs for a period of four years with the secured value decreasing at the rate of 25% per year until the period is up, when the security interest is relinquished on the part of the state. The capital asset then belongs to the subgrantee.

H. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaid) or that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision making authority. Formal action by the Board to committed funds must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in the category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue

Note 2: Cash and Investments

The District maintains a cash and temporary cash investment pool that is available for use by the general fund. This is displayed on the Governmental Fund balance sheet as "Cash". Interest income received is recorded in the general fund.

Deposits - All deposits with financial institutions must be collateralized in an amount at least equal to uninsured deposits.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Notes to Financial Statements (continued)

June 30, 2012 and 2011

Note 2: Cash and Investments (continued)

Investments - The District may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than five years from the date of purchase, (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law, (3) bankers' acceptances, and (4) commercial paper.

The District has not invested in any securities at June 30, 2012. At June 30, 2012, the District had bank balances of \$150,479. The bank balances were covered by federal depository insurance.

Note 3: Capital Assets and Accumulated Depreciation

A summary of changes in capital assets for the years ended June 30, 2011 and 2012 follows:

	Furniture, Vehicles and Equipment		
	Cost	Accumulated Depreciation	Net Capital Assets
Balance at July 1, 2010	\$ 40,479	38,417	2,062
Capital asset additions	-	-	-
Capital asset disposals	-	-	-
Depreciation expense	-	1,536	(1,536)
Balance at June 30, 2011	40,479	39,953	526
Capital asset additions	-	-	-
Capital asset disposals	-	-	-
Depreciation expense	-	197	(197)
Balance at June 30, 2012	\$ 40,479	40,150	329

Note 4: Employee Benefits

The District contributes to an Individual Retirement Account and a Health Savings Account on behalf of the District Coordinator in addition to her salary. Contributions for 2012 and 2011 were \$20,400 and \$20,503, respectively.

Note 5: Related Party Transactions

The District purchases services from the District Coordinator and her husband, operating as Backwoods Services (Backwoods). Backwoods serves as a bill payer in which it hires workers and pays the bills for the projects and presents the District detailed invoices each month for each project. The District then reimburses Backwoods for expenses paid on behalf of the District. The District also pays the District Coordinator \$400 per month for office space and rent.

During 2012 and 2011, the District reimbursed Backwoods \$35,726 and \$42,432, respectively, for expenses paid on the District's behalf, including office space and rent.

OTHER SUPPLEMENTARY INFORMATION

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
Schedule of Receipts and Expenditures of State Awards
Year Ended June 30, 2012

Project Number	Subgrant Period	Subgrantee/Project Name	Original Award Amount Received	Current Program Income Earned	Current District Match Received	Prior Period Expenditures	Current Period Expenditures and Adjustments	Current Grant Funds Transfer	Unspent Funds
2008-14	08/2008 to 08/2009	Ozark County	\$ 15,000	-	-	(14,229)	(771)	-	-
2008-17	08/2008 to 08/2009	City of Gainesville	24,000	-	-	(23,298)	(702)	-	-
2009-03	01/2009 to 01/2010	Household hazardous waste collections	30,000	-	-	(29,931)	(69)	-	-
2009-09	05/2009 to 05/2010	Shannon County	11,800	-	-	(10,917)	(883)	-	-
2009-10	05/2009 to 05/2010	OCRA	25,000	-	-	(24,315)	(685)	-	-
2010-02	11/2009 to 11/2010	Technical assistance	50,000	-	-	(49,480)	(520)	-	-
2010-06	11/2009 to 11/2010	Illegal dumping	24,154	-	-	(24,089)	(65)	-	-
2010-09	08/2009 to 08/2010	City of Mountain View	15,000	-	-	(14,745)	(255)	-	-
2010-11	09/2010 to 09/2011	Shannon County	11,800	400	-	(6,178)	(6,022)	-	-
2011-01	01/2011 to 01/2012	District operations	76,997	-	-	(39,534)	(37,463)	-	-
2011-02	01/2011 to 01/2012	Technical assistance	42,500	-	-	(26,578)	(15,922)	-	-
2011-03	12/2010 to 12/2011	Household hazardous waste collections	29,496	-	-	(17,315)	(12,007)	(174)	-
2011-04	12/2010 to 12/2011	Electronics collections	27,543	-	-	(12,191)	(6,555)	(8,797)	-
2011-05	12/2010 to 12/2011	Waste tire collections	23,776	-	-	(13,619)	(5,478)	(4,679)	-
2011-06	12/2010 to 12/2011	Illegal dumping	22,712	-	-	(7,947)	(9,493)	(5,272)	-
2011-07	07/2010 to 07/2011	OCRA	15,600	-	-	(10,440)	(5,160)	-	-
2011-09	08/2010 to 08/2011	Texas County	17,500	-	-	(10,844)	(6,656)	-	-
2011-10	05/2010 to 05/2011	Ozark County	15,600	-	-	-	(15,600)	-	-
2011-11	07/2011 to 07/2012	OCRA	15,600	-	-	-	(12,000)	-	3,600
2011-12	05/2011 to 05/2012	Do Co, Inc.	15,600	-	-	-	(14,190)	-	1,410
2012-01	01/2012 to 01/2013	District operations	78,000	-	-	-	(43,534)	-	34,466
2012-02	01/2012 to 01/2013	Technical assistance	38,100	400	-	-	(25,613)	-	12,887
2012-03	01/2012 to 01/2013	Household hazardous waste collections	29,826	-	-	-	(17,853)	174	12,147
2012-04	01/2012 to 01/2013	Electronics collections	11,203	350	-	-	(14,700)	8,797	5,650
2012-05	01/2012 to 01/2013	Waste tire collections	15,321	-	-	-	(8,876)	4,679	11,124
2012-06	01/2012 to 01/2013	Illegal dumping	14,728	-	-	-	(7,164)	5,272	12,836
2012-07	01/2012 to 01/2013	Shannon County	11,800	-	-	-	(3,606)	-	8,194
2012-08	01/2012 to 01/2013	Texas County	12,960	-	-	-	(5,345)	-	7,615
2012-09	06/2012 to 06/2013	Ozark County	14,560	-	-	-	-	-	14,560
2012-10	06/2012 to 06/2013	Do Co, Inc.	10,400	-	-	-	-	-	10,400
			<u>\$ 746,576</u>	<u>1,150</u>	<u>-</u>	<u>(335,650)</u>	<u>(277,187)</u>	<u>-</u>	<u>134,889</u>

Note 1: Unobligated Amount by Source

The total unobligated funds as designated by the Executive Board are \$15,590 for the year ended June 30, 2012. The source of these funds is interest income from the District's checking account and certificates of deposit.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
Schedule of Capital Assets Held by Subgrantees
Year Ended June 30, 2012

<u>Asset</u>	<u>Cost</u>	<u>Project Number</u>	<u>Location</u>
Trailer	500	2008-02	Do Co. Inc., Ava
Used forklift	2,500	2008-02	Ozark Green in Birch Tree
Truck bed trailer	250	2008-02	Do Co, Inc
Glass Pulverizer, large	28,059	2008-09	City of West Plains
Glass Pulverizer, large	25,941	2008-09	City of West Plains
Paper shredder	8,000	2008-10	Oregon County Sheltered Workshop
Baler	11,580	2008-10	Oregon County Sheltered Workshop
Glass Pulverizer, small	15,000	2008-12	Do Co. Inc., Douglas County
Ver-Tech HD Baler	9,472	2008-15	Texas County Food Pantry
York Forklift	5,528	2008-15	Texas County Food Pantry
Meshed in trailer	1,200	2008-16	Texas County Recycling
Brush chipper	23,000	2008-17	City of Gainesville
4x4 floor scale	2,165	2009-02	Ozark Green in Birch Tree
Chevy Pick up	22,852	2009-08	OCRA - City of Thayer
Cram-a-lot baler	14,370	2010-09	City of Mountain View
Trailer	2,320	2010-08	Texas County Recycling

Do Co Inc. - Douglas County Sheltered Workshop Incorporated
OCRA - Oregon County Recycling Association



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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**

November 28, 2012

South Central Solid Waste Management District
Executive Board and District Council
Eunice, MO 65468

Dear Members of the Board and Council:

We have audited the basic financial statements of the South Central Solid Waste Management District, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. Those basic financial statements were prepared on the modified cash basis and cash basis of accounting, which are comprehensive bases of accounting other than accounting principles generally accepted in the United States of America. 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 South Central Solid Waste Management District's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the South Central Solid Waste Management District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the South Central Solid Waste Management District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the South Central Solid Waste Management District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following to be a material weakness:

Finding 12-1: Significant Deficiency Identified as a Material Weakness - Lack of Segregation of Duties

In any system of internal accounting control, one primary goal is adequate segregation of duties. The District's bookkeeper is basically responsible for all areas of the accounting cycles; therefore, an adequate segregation of duties and responsibilities is not present to ensure that internal accounting controls can be achieved.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the South Central Solid Waste Management District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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*.

South Central Solid Waste Management District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit South Central Solid Waste Management District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board and Council, management, the Missouri Department of Natural Resources, and other audit agencies and is not intended to be, and should not be, used by anyone other than those specified parties.

Schultz, Wood & Rapp, P.C.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Internal control over financial reporting:		
Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No
Control deficiency(ies) identified not considered to be significant deficiencies?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u> Yes	<u> X </u> No
Control deficiency(ies) identified not considered to be significant deficiencies?	<u> </u> Yes	<u> X </u> None Reported
Type of auditor's report issued on compliance for major programs:	<u> N/A </u>	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u> N/A </u>	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
N/A	

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 300,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> Yes <u> X </u> No

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2012

Section II - Financial Statement Findings

The material weakness noted is as follows:

12-1: Lack of Segregation of Duties (Repeat)

In any system of internal accounting control, one primary goal is adequate segregation of duties. The District's bookkeeper is basically responsible for all areas of the accounting cycle; therefore, an adequate segregation of duties and responsibilities is not present to ensure that adequate internal accounting controls can be achieved.

The size and budget constraints of the District limit the application of adequate segregation of duties. These areas should be reviewed periodically and consideration given to improving the segregation of duties.

Section III - Federal Award Findings and Questioned Costs

Agency/Program/CFDA #	Finding/Noncompliance	Questioned Costs
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N/A

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

There were no federal findings or questioned costs in the prior years' audit reports to be resolved.

SOUTH CENTRAL SOLID WASTE MANAGEMENT DISTRICT
Corrective Action Plan
Year Ended June 30, 2012

Contact Person: Lynda Roehl, District Coordinator

Finding: 12-1

Corrective Action Planned: None. At this time the size of the District is such that it is not feasible to have enough employees to provide for an adequate segregation of duties.



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**INDEPENDENT AUDITOR'S COMMUNICATION
WITH THOSE CHARGED WITH GOVERNANCE**

November 28, 2012

South Central Solid Waste Management District
Executive Board and District Council
Eunice, MO 65468

Dear Members of the Board and Council:

We have audited the financial statements of the South Central Solid Waste Management District as of and for the year ended June 30, 2012, and have issued our report thereon dated November 28, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to the District dated November 5, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated November 5, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the District's cash basis and modified cash basis of accrual. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the South Central Solid Waste District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the South Central Solid Waste Management District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates, if any, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No known or likely misstatements were identified during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 28, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the Board and Council and management of the South Central Solid Waste Management District and is not intended to be and should not be used by anyone other than these specified parties.

Schultz, Wood & Rapp, P.C.



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November 28, 2012

South Central Solid Waste Management District
Executive Board and District Council
Eunice, MO 65468

Dear Members of the Board and Council:

In planning and performing our audit of the financial statements of the governmental activities of the South Central Solid Waste Management District as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered South Central Solid Waste Management District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Central Solid Waste Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of the South Central Solid Waste Management District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in South Central Solid Waste Management District's internal control to be a material weakness:

Finding: Lack of Segregation of Duties

In any system of internal accounting control, one primary goal is adequate segregation of duties. The District's bookkeeping position is basically responsible for all areas of the accounting cycles therefore, an adequate segregation of duties and responsibilities is not present to ensure adequate internal accounting controls.

Criteria: The auditee should provide an internal control environment that allows for the adequate segregation of duties in all significant accounting applications.

Effect: Failure to have adequate segregation of duties in all significant accounting applications can cause material errors and misstatements to go undetected and be included in the District's financial statements.

Cause: Due to the small size and budget constraints of this governmental entity, the District employs only one bookkeeper.

Finding 12-1: Recommendation: We understand that the size and budget constraints of the District limit the application of adequate segregation of duties. However, we recommend that these areas be reviewed periodically and considerations given to improving the segregation of accounting duties. The Board and Council must continue to monitor and oversee financial reporting and accounting to compensate for the inherent weaknesses that lack of segregation of duties in the accounting environment creates.

This communication is intended solely for the information and use of management, the Board and Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We will be happy to discuss these comments further at your convenience.

Sincerely,

Schultz, Jacob & Rapp, P.C.