

TABLE OF CONTENTS

| | |
|---|-------|
| <u>INDEPENDENT AUDITOR'S REPORT</u> | 1-2 |
| MANAGEMENT'S DISCUSSION & ANALYSIS--UNAUDITED | 3-7 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Assets—Modified Cash Basis | 8 |
| Statement of Activities—Modified Cash Basis | 9 |
| Balance Sheet—Governmental Funds—Modified Cash Basis | 10 |
| Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds—Modified Cash Basis | 11 |
| Notes to Basic Financial Statements | 12-19 |
| REQUIRED SUPPLEMENTAL INFORMATION | |
| Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund—Budget and Actual | 20 |
| Notes to Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund—Budget and Actual | 21 |
| FEDERAL COMPLIANCE SECTION | |
| 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 | 22-24 |
| OTHER SUPPLEMENTAL INFORMATION | |
| Schedule of Individual Grant Activity—Current Year Grants | 25 |
| Schedule of Special Revenue Fund Expenditures By Grant/Contract | 26 |

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JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

Member:
Missouri Society of
Certified Public Accountants
American Institute of
Certified Public Accountants
AICPA Private Companies Practice
Section (PCPS)

310 S. Elson Street
P.O. Box 1068
Kirksville, Missouri 63501
Telephone (660) 627-1259
Toll Free 800-397-3630
Fax (660) 627-1250
email johngillumcpa@yahoo.com

INDEPENDENT AUDITORS REPORT

Northeast Missouri Solid Waste
Management District—Region C
Memphis, MO 63555

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northeast Missouri Solid Waste Management District—Region C, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northeast Missouri Solid Waste Management District—Region C's management. Our responsibility is to express opinions 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 the 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 described in Note 1, Northeast Missouri Solid Waste Management District—Region C prepares the financial statements on the modified cash basis of accounting, 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, each major fund, and the aggregate remaining fund information, of Northeast Missouri Solid Waste Management District—Region C as of June 30, 2011, 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.

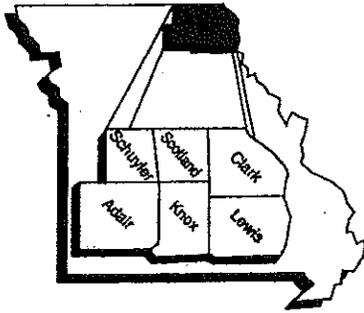
In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of the Northeast Missouri Solid Waste Management District—Region C's internal control over financial reporting and on our tests of its compliance with certain provisions of 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.

The modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 20 through 21, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Missouri Solid Waste Management District Region C's financial statements as a whole. The Schedule of Individual Grant Activity—Current Year Grants and Schedule of Special Revenue Fund Expenditures by Grant/Contract on pages 25 and 26 are not a required part of the financial statements. The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
December 22, 2011



REGION "C"
NORTHEAST MISSOURI
SOLID WASTE MANAGEMENT DISTRICT

326 E. Jefferson

Phone 660-465-7281

P.O. Box 248

Fax 660-465-7163

Memphis, Mo 63555

TDD 660-465-2442

Mark Campbell
Chairman

Mark Thompson
Vice-Chairman

Tom Glass
Treasurer

Terry Marble
Secretary

Management's Discussion and Analysis—Unaudited

As management of the Northeast Missouri Solid Waste Management District—Region C, we offer readers of the Northeast Missouri Solid Waste Management District—Region C's financial statements this narrative overview and analysis of the financial activities of the Northeast Missouri Solid Waste Management District—Region C for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here. All amounts, unless otherwise indicated, are expressed in whole dollars.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements—and Management's Discussion and Analysis for State and Local Governments* issued June 1999.

Financial Highlights

- The assets of the Northeast Missouri Solid Waste Management District—Region C exceeded its liabilities at the close of the most recent fiscal year by \$23,182 (*net assets*).
- The District's total net assets increased by \$2,346.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the Northeast Missouri Solid Waste Management District—Region C's basic financial statements. The Northeast Missouri Solid Waste Management District—Region C's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.



District-wide financial statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the Northeast Missouri Solid Waste Management District—Region C’s finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Northeast Missouri Solid Waste Management District—Region C’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Northeast Missouri Solid Waste Management District—Region C is improving or deteriorating.

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

Both of the district-wide financial statements distinguish functions of Northeast Missouri Solid Waste Management District—Region C that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of Northeast Missouri Solid Waste Management District—Region C include general and special revenue. Northeast Missouri Solid Waste Management District—Region C does not have any business-type activities.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Northeast Missouri Solid Waste Management District—Region C uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Northeast Missouri Solid Waste Management District—Region C are governmental funds.

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

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

Northeast Missouri Solid Waste Management District—Region C considers the general fund to be its significant or major governmental fund.

Northeast Missouri Solid Waste Management District—Region C adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Northeast Missouri Solid Waste Management District—Region C does not maintain any proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

District-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the district's financial position. In the case of Northeast Missouri Solid Waste Management District—Region C, assets exceeded liabilities by \$23,182 at the close of the most recent fiscal year.

All of the District's net assets are restricted, which means they may only be used for purposes as outlined by the funding source.

Northeast Missouri Solid Waste Management District—Region C's Net Assets

| | Governmental Activities | |
|--------------------------------------|-------------------------|------------------|
| | <u>2011</u> | <u>2010</u> |
| <u>ASSETS</u> | | |
| Restricted cash and cash equivalents | \$ <u>133,412</u> | \$ <u>92,695</u> |
| TOTAL ASSETS | 133,412 | 92,695 |
| <u>LIABILITIES</u> | | |
| Deferred revenue | <u>110,230</u> | <u>71,859</u> |
| TOTAL LIABILITIES | <u>101,230</u> | <u>71,859</u> |
| <u>NET ASSETS</u> | | |
| Restricted for: | | |
| Grant expenditures | <u>23,182</u> | <u>20,836</u> |
| TOTAL NET ASSETS | \$ <u>23,182</u> | \$ <u>20,836</u> |

Governmental activities. Governmental activities increased net assets by \$2,346, accounting for 100% of the total increase in the District's net assets.

Key elements of this increase are as follows:

| | Governmental Activities | |
|-----------------------------------|-------------------------|-------------------------|
| | <u>2011</u> | <u>2010</u> |
| <u>REVENUES</u> | | |
| Grant income | \$ 80,970 | \$ 91,029 |
| Interest income | <u>3,161</u> | <u>345</u> |
| TOTAL REVENUE | 84,131 | 91,374 |
| <u>EXPENSES:</u> | | |
| Special revenue | <u>80,970</u> | <u>91,029</u> |
| TOTAL EXPENSES | <u>80,970</u> | <u>91,029</u> |
| Increase (decrease) in net assets | 3,161 | 345 |
| Reallocation of Revenue | (815) | - |
| Net assets—beginning | <u>20,836</u> | <u>20,491</u> |
| Net assets—ending | <u>\$ 23,182</u> | <u>\$ 20,836</u> |

Economic Factors and Next Year's Budget

For the upcoming fiscal year ending June 30, 2012, the District's budget is consistent with this year.

Requests for Information

This financial report is designed to provide a general overview of the Northeast Missouri Solid Waste Management District—Region C's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Northeast Missouri Solid Waste Management District—Region C, PO Box 248, Memphis, MO 63555 or by telephone at (660) 465-7281 during regular business hours.

BASIC FINANCIAL STATEMENTS

Northeast Missouri Solid Waste Management District—Region C
Statement of Net Assets—Modified Cash Basis
June 30, 2011

| | Primary Government | |
|---|----------------------------|-------------------|
| | Governmental Activities | Total |
| <u>ASSETS</u> | | |
| Restricted cash and cash equivalents | \$ <u>133,412</u> | \$ <u>133,412</u> |
| TOTAL ASSETS | 133,412 | 133,412 |
| <u>LIABILITIES & NET ASSETS</u> | | |
| <u>LIABILITIES</u> | | |
| Deferred revenue | <u>110,230</u> | <u>110,230</u> |
| Total Liabilities | <u>110,230</u> | <u>110,230</u> |
| <u>NET ASSETS</u> | | |
| Restricted for: Grant expenditures | <u>23,182</u> | <u>23,182</u> |
| Total Net Assets | \$ <u>23,182</u> | \$ <u>23,182</u> |

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
Statement of Activities—Modified Cash Basis
For the Year Ended June 30, 2011

| | Program Revenues | | | | Net (Expenses) Revenue & Changes in Net Assets | |
|-------------------------------|-----------------------------------|----------------------------------|---------------------------------------|---------------------------------------|---|------------------|
| | Charges for <u>Expenses</u> | Op Grants/ <u>Services</u> | Capital Grants/ <u>Contrib.</u> | Capital Grants/ <u>Contrib.</u> | <u>Governmental Activities</u> | <u>Total</u> |
| <u>FUNCTIONS/PROGRAMS</u> | | | | | | |
| Primary Government | | | | | | |
| Governmental activities | | | | | | |
| Economic development | \$ 80,970 | \$ - | \$ 80,970 | \$ - | \$ - | \$ - |
| Total governmental activities | <u>80,970</u> | <u>-</u> | <u>80,970</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 80,970</u> | <u>\$ -</u> | <u>\$ 80,970</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> |
| <u>GENERAL REVENUES</u> | | | | | | |
| Investment earnings | | | | | <u>3,161</u> | <u>3,161</u> |
| Total general revenues | | | | | <u>3,161</u> | <u>3,161</u> |
| Change in net assets | | | | | 3,161 | 3,161 |
| Reallocation of Revenue | | | | | (815) | (815) |
| Net assets—Beginning | | | | | <u>20,836</u> | <u>20,836</u> |
| Net assets—Ending | | | | | <u>\$ 23,182</u> | <u>\$ 23,182</u> |

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
 Balance Sheet—Governmental Funds—Modified Cash Basis
 June 30, 2011

| | Governmental Activities | | |
|--|-------------------------|-----------------------|-------------------|
| | General | Other Governmental | Total |
| <u>ASSETS</u> | | | |
| Restricted cash & cash equivalents | \$ <u>23,182</u> | \$ <u>110,230</u> | \$ <u>133,412</u> |
| TOTAL ASSETS | \$ <u>23,182</u> | \$ <u>110,230</u> | \$ <u>133,412</u> |
| <u>LIABILITIES & FUND BALANCES</u> | | | |
| <u>LIABILITIES</u> | | | |
| Deferred revenue | \$ <u>-</u> | \$ <u>110,230</u> | \$ <u>110,230</u> |
| Total Liabilities | - | 110,230 | 110,230 |
| <u>FUND BALANCES</u> | | | |
| Restricted for: | | | |
| Grant expenditures | <u>23,182</u> | <u>-</u> | <u>23,182</u> |
| Total Fund Balances | <u>23,182</u> | <u>-</u> | <u>23,182</u> |
| TOTAL LIABILITIES & FUND BALANCES | \$ <u>23,182</u> | \$ <u>110,230</u> | \$ <u>133,412</u> |

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
Statement of Revenues, Expenditures & Changes in Fund Balances
Governmental Funds—Modified Cash Basis
For the Year Ended June 30, 2011

| | Governmental Activities | | |
|----------------------------|-------------------------|-----------------------|------------------|
| | General | Other Governmental | Total |
| <u>Revenues</u> | | | |
| Grant income | \$ - | \$ 80,970 | \$ 80,970 |
| Investment earnings | <u>3,161</u> | <u>-</u> | <u>3,161</u> |
| Total Revenues | 3,161 | 80,970 | 84,131 |
| <u>Expenditures</u> | | | |
| Salaries and benefits | - | 22,381 | 22,381 |
| Capital outlay | - | 19,351 | 19,351 |
| Program specific | - | 3,852 | 3,852 |
| Administrative | <u>-</u> | <u>35,386</u> | <u>35,386</u> |
| Total Expenditures | <u>-</u> | <u>80,970</u> | <u>80,970</u> |
| Net change in fund balance | 3,161 | - | 3,161 |
| Reallocation of revenue | (815) | - | (815) |
| Fund Balance--Beginning | <u>20,836</u> | <u>-</u> | <u>20,836</u> |
| Fund Balance--Ending | <u>\$ 23,182</u> | <u>\$ -</u> | <u>\$ 23,182</u> |

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

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. In the government-wide financial statements and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Reporting Entity

The Northeast Missouri Solid Waste Management District—Region C was formed February 18, 1992 pursuant to Section 260.305, RSMO and consists of Clark, Knox, Lewis, Schuyler and Scotland Counties. Adair County became a member subsequent to original formation. Its purpose is to encourage regional, city and county cooperation in proper solid waste management. Districts develop programs to encourage waste reduction, recycling and proper disposal methods.

Funding is primarily through the Missouri Department of Natural Resources Division of Environmental Quality SB 60/112 Solid Waste Management Fund 0S70, Administrative Grants and Program Grants.

Membership is voluntary by all counties and cities serviced by the District. Any county, city or special purpose District may become a member by passing a resolution to join the District. No dues are assessed to members. The governing body is comprised of an Executive Board drawn from member participants of the District. These are elected officials of the various counties and cities served. Each board member serves a two year term unless reappointed. The board elects its offices from within the board.

The District's financial statements do not include the operation of member governments or various other Special Districts for which grant funds are issued by the District, because none of the criterion for inclusion as set forth in GASB Statement No. 14 have been met.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

1. **Summary of Significant Accounting Policies**

B. District-Wide and Fund Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

The District has implemented GASB Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis for State and Local Governments (GASB Statement No. 34), and Local Governments: Omnibus which provides additional guidance for the implementation of GASB Statement 34, and GASB statement No. 38, Certain Financial Statement Disclosures which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow users of financial reports to assess a government’s operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

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 except for fiduciary funds.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/ expenses. Funds are organized into one category: governmental.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies

B. District-Wide and Fund Financial Statements (Continued)

The funds of the financial reporting entity are described below:

GOVERNMENTAL FUNDS

GENERAL FUND

The General Fund is the primary operating fund of the District. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District. The reporting entity includes the following special revenue fund, which is reported as a non-major fund:

1. Economic Development

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 government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus.

- a. 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 funds balance as their measure of available spendable financial resources at the end of the period.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

1. **Summary of Significant Accounting Policies**

C. Measurement Focus and Basis of Accounting (Continued)

BASIS OF ACCOUNTING

In the district-wide Statement of Net Assets and Statement of Activities and the fund financial statement, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, 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 and certain liabilities and their related expenses are not recorded in these financial statements.

If the District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds and the district-wide financial statements would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Net Assets

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

RESTRICTED ASSETS

Restricted assets are comprised of the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the District.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

1. **Summary of Significant Accounting Policies**

D. Assets, Liabilities & Net Assets (Continued)

CAPITAL ASSETS

The District purchases equipment, vehicles and other capital assets for member communities and organizations with the proceeds from various grants, as part of its mission to encourage proper solid waste management. These capital assets are not reported as assets in the financial statements of the District. Once the capital assets are transferred to the recipient they remain the property of the recipient, with the District having only a security interest in the capital assets—if at any time the recipient of the assets should dispose of or otherwise forfeit the capital assets donated by the District, then the District will resume ownership.

DEFERRED GRANT REVENUE

Grant revenue is recognized when program expenditures are incurred in accordance with program guidelines. Such revenue is subject to review by the funding agency and may result in disallowance in subsequent periods.

The District reports deferred revenue on its statement of net assets. The Missouri Department of Natural Resources, a funding agency for solid waste planning and management, sends funds in quarterly allotments as opposed to the reimbursement method. As revenue is recognized monthly based on program expenditures, the liability for deferred revenue is removed from the balance sheet. This process prevents the District from recognizing revenue that would possibly have to be returned to the agency at the end of the grant period.

NET ASSETS

Unrestricted net assets represent the net assets available for future operations or distribution. Restricted net assets represent the net assets that are legally or administratively required to be restricted for specific purposes.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

2. **Stewardship, Compliance and Accountability**
Budgetary Information

Annual budgets are adopted on the modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end.

The executive administration prepares and presents to the executive board of directors, a proposed budget prior to July 1 of each year. The Executive Board of Directors adopts the budget as the spending plan for the year.

Periodically during the year, the budget is reviewed and amendments are made and approved as necessary. Encumbrance accounting is not employed.

3. **Detailed Notes on All Funds**

A. Deposits and Investments

The Northeast Missouri Solid Waste Management District—Region C is governed by the deposit and investment limitations of state law.

The District maintains a cash and temporary cash investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of cash basis assets and fund balances as "Cash and Cash Equivalents" under each fund's caption. The deposits and investments held at June 30, 2011, and reported at fair value, are as follows:

| <u>Type</u> | <u>Rating</u> | <u>Maturities</u> | <u>Carrying Value</u> |
|--|---------------|-------------------|-----------------------|
| Deposits: | | | |
| Demand deposits | | | \$ <u>133,412</u> |
| Total deposits | | | \$ <u>133,412</u> |
| Reconciliation to Statement of Net Assets: | | | |
| | | | |
| Restricted cash and cash equivalents | | | \$ <u>133,412</u> |

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

3. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk—Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$133,412 at June 30, 2011, that was fully insured by depository insurance or secured with collateral held by the district's agent in its name. Of the bank balance, \$133,412 was covered by federal depository insurance.

Investment Interest Rate Risk—The District has no formal investment policy regarding interest rate risk.

Investment Credit Risk—The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

- 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, are 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.

Concentration of Investment Credit Risk—The District places no limit on the amount it may invest in any one issuer. At June 30, 2011, the District had no concentration of credit risk.

B. Capital Assets

Northeast Missouri Solid Waste Management District—Region C purchases equipment, vehicles and other capital assets for the benefit of its members. The District does not include these assets on its financial statements. Once the capital assets are transferred to the recipient they remain the property of the recipient, with the District having only a security interest in the capital assets—if at any time the recipient of the assets should dispose of or otherwise forfeit the capital assets donated by the District, then the District will resume ownership.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2011

3. **Detailed Notes on All Funds (Continued)**
B. Capital Assets (Continued)

A summary of the value of the District's security interest in capital assets is as follows:

| | |
|------------------------|------------------|
| Vehicles and Equipment | \$ <u>75,705</u> |
|------------------------|------------------|

4. **Other Information**

A. Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting used by the District requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the district expects such amounts, if any, to be immaterial.

C. Jointly Governed Organization

The governing body of the Northeast Missouri Solid Waste Management District—Region C is comprised of an executive board and a regional council comprised of representatives of cities over 500 population and all six counties served by Region C. The administration is contracted to the Northeast Missouri Regional Planning Commission and Rural Development Corporation.

5. **Evaluation of Subsequent Events**

The Company has evaluated subsequent events through December 22, 2011, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Northeast Missouri Solid Waste Management District—Region C
Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balance—General Fund
Budget and Actual
For the Year Ended June 30, 2011

| | ----Budgeted Amounts---- | | | |
|----------------------------|--------------------------|------------------|------------------|-----------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Variance</u> |
| <u>Revenues</u> | | | | |
| Investment earnings | \$ <u>3,200</u> | \$ <u>3,200</u> | \$ <u>3,161</u> | \$ <u>(39)</u> |
| Total Revenues | <u>3,200</u> | <u>3,200</u> | <u>3,161</u> | <u>(39)</u> |
| Net change in fund balance | 3,200 | 3,200 | 3,161 | (39) |
| Reallocation of revenue | - | - | (815) | (815) |
| Fund Balance—Beginning | <u>20,836</u> | <u>20,836</u> | <u>20,836</u> | <u>-</u> |
| Fund Balance—Ending | \$ <u>24,036</u> | \$ <u>24,036</u> | \$ <u>23,182</u> | \$ <u>(854)</u> |

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
Notes to Statement of Revenues, Expenditures and
Changes in Fund Balance—General Fund
Budget and Actual
For the Year Ended June 30, 2011

Budget Law

Northeast Missouri Solid Waste Management District—Region C prepares its annual functional budget in accordance with its by-laws, policies and procedures. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 30, the Northeast Missouri RPC/RDC submits to the Region C Waste Management District a proposed operating budget for the fiscal year commencing the following July 1.
- b. Budget planning sessions are conducted to allow board members and other interested parties to have input on budget decisions prior to the formal adoption of the budget.
- c. Subsequent to the budget planning sessions but no later than seven days prior to July 1, the budget is adopted by action of the Executive Board.

All transfers of appropriations between departments and supplemental appropriations require Executive Board approval.

Basis of Accounting

The District budget is presented in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

FEDERAL COMPLIANCE SECTION

JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

Member:
Missouri Society of
Certified Public Accountants
American Institute of
Certified Public Accountants
AICPA Private Companies Practice
Section (PCPS)

310 S. Elson Street
P.O. Box 1068
Kirksville, Missouri 63501
Telephone (660) 627-1259
Toll Free 800-397-3630
Fax (660) 627-1250
email johngillumcpa@yahoo.com

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

Northeast Missouri Solid Waste
Management District—Region C

We have audited the financial statements of the governmental activities of each major fund and the aggregate remaining fund information of Northeast Missouri Solid Waste Management District—Region C as of and for the year ended June 30, 2011, which collectively comprise the Northeast Missouri Solid Waste Management District—Region C's basic financial statements and have issued our report thereon dated December 22, 2011. 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 Northeast Missouri Solid Waste Management District—Region C's internal control over financial reporting 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 Northeast Missouri Solid Waste Management District—Region C's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northeast Missouri Solid Waste Management District—Region C's internal control over financial reporting.

Northeast Missouri Solid Waste
Management District—Region C

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described below that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We assessed the District's accounting knowledge, experience and training in the application of the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted, related to the District's financial reporting requirements. We note that the District's internal controls and procedures related to the preparation of the financial statements, including the notes to the financial statements, were not adequate to prevent or detect material misstatements to the financial statements. Accordingly, this control deficiency constitutes a significant deficiency.

This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this control deficiency because of cost or other considerations.

In response to this situation, management has engaged us to assist in drafting the financial statements and related disclosures. The engagement for these non-attest services is in addition to our engagement to perform the audit of the financial statements, as permitted by professional standards.

Northeast Missouri Solid Waste Management District—Region C's response to the findings identified in our audit is described above. We did not audit Northeast Missouri Solid Waste Management District—Region C's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Missouri Solid Waste Management District—Region C's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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*.

This report is intended solely for the information and use of management and others within the District and is not intended to be and should not be used by anyone other than these specified parties.


John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
December 22, 2011

OTHER SUPPLEMENTAL INFORMATION

Northeast Missouri Solid Waste Management District
Schedule of Individual Grant Activity—Current Year Grants
For the Year Ended June 30, 2011

| | <u>Deferred</u> Revenues <u>Beginning</u> | <u>Cash</u> Received | <u>Costs</u> Applied | <u>Revenues</u> Reallocated | <u>Deferred</u> Revenues <u>Ending</u> |
|-----------------------|---|--------------------------|---------------------------|--------------------------------|--|
| Canton Area Recycling | \$ 7,729 | \$ - | \$ - | \$ - | \$ 7,729 |
| Truman State | 19,501 | - | (12,815) | (6,686) | - |
| Industrial Support | 13,966 | - | (13,966) | - | - |
| Administration | 10,983 | 35,500 | (35,386) | (1,116) | 9,981 |
| KV Child Development | 1,590 | - | (1,590) | - | - |
| Scotland Co | - | 2,695 | (17,213) | 19,055 | 4,537 |
| Adair - 3 | - | 19,906 | - | - | 19,906 |
| Adair - 4 | - | 28,188 | - | - | 28,188 |
| Schuyler | - | 32,237 | - | - | 32,237 |
| Undesignated | <u>18,090</u> | <u>-</u> | <u>-</u> | <u>(10,438)</u> | <u>7,652</u> |
| TOTAL | <u>\$ 71,859</u> | <u>\$ 118,526</u> | <u>\$ (80,970)</u> | <u>\$ 815</u> | <u>\$ 110,230</u> |

See Accompanying Notes to Financial Statements

Northeast Missouri Solid Waste Management District
 Schedule of Special Revenue Fund Expenditures By Grant/Contract
 For the Year Ended June 30, 2011

| | <u>Salary & Benefits</u> | <u>Capital Outlay/ Equipment</u> | <u>Project Specific</u> | <u>Administrative</u> | <u>Total</u> |
|----------------------|----------------------------------|--------------------------------------|-----------------------------|-----------------------|------------------|
| Administration | \$ - | \$ - | \$ - | \$ 35,386 | \$ 35,386 |
| Industrial Support | 13,966 | - | - | - | 13,966 |
| KV Child Development | - | - | 1,590 | - | 1,590 |
| Scotland Co | - | 17,213 | - | - | 17,213 |
| Truman State | <u>8,415</u> | <u>2,138</u> | <u>2,262</u> | <u>-</u> | <u>12,815</u> |
| TOTAL | <u>\$ 22,381</u> | <u>\$ 19,351</u> | <u>\$ 3,852</u> | <u>\$ 35,386</u> | <u>\$ 80,970</u> |

See Accompanying Notes to Financial Statement