

MARK TWAIN SOLID  
WASTE MANAGEMENT DISTRICT  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2011

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Board of Directors  
Mark Twain Solid Waste Management District

I have audited the accompanying basic financial statements of Mark Twain Solid Waste Management District (the District) as of and for the year ended June 30 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

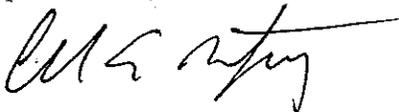
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Mark Twain Solid Waste Management District as of June 30, 2011, and the results of its operations and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has elected to omit the management's discussion and analysis which is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in The United States of America.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information on pages 10-11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 30, 2011



Charles E. Montgomery, CPA

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

		ASSETS
CURRENT ASSETS		
Cash – restricted		\$ 17,509
		<u>17,509</u>
Total Current Assets		<u>17,509</u>
		<u><u>\$ 17,509</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable		\$ 8,163
		<u>8,163</u>
Total Current Liabilities		<u>8,163</u>
		<u>8,163</u>
Total Liabilities		<u>8,163</u>
Net Assets - Restricted		\$ 9,346
		<u>9,346</u>
Total Liabilities and Net Assets		<u><u>\$ 17,509</u></u>

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

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
STATEMENT OF GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund
	-----
<b>REVENUES</b>	
State grants - current	\$160,691
Interest income	4
	-----
Total Revenues	160,695
 <b>EXPENDITURES</b>	
Program grants	69,476
Salaries	38,791
UCC filings	50
Dues and subscriptions	488
Office expenses and data processing	5,375
Telephone	1,184
Professional fees	11,508
Travel and meeting expenses	3,355
Other expenses	2,349
Insurance	999
Occupancy costs	1,154
Payroll taxes and benefits	9,924
Disallowed costs	89,630
	-----
Total Expenditures	234,283
	-----
DECREASE IN NET ASSETS	(73,588)
NET ASSETS – beginning of year	82,934
	-----
NET ASSETS – end of year	\$ 9,346

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

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Mark Twain Solid Waste Management District (the District) was formed in April 1992 to develop and implement a plan for the reduction in solid waste. This plan has a goal set by the State to reduce solid waste by forty percent. The District is administered by a local board of directors.

The accounting policies of the District conform to generally accepted accounting principles applicable to governments. The following is a summary of the significant policies.

**Reporting Entity**

The District defines its reporting entity in accordance with the provisions of GASB Statement No. 14, The Financial Reporting Entity (GASB 14). GASB 14 requirements for inclusion of component units are based primarily upon whether the District's governing body has any significant amount of financial accountability for potential component units. The District is financially accountable if it appoints a voting majority of a potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

Based on these criteria, the District's financial statements include all funds, agencies, boards, commissions and authorities that are controlled by or dependent on the District.

**Fund Accounting**

The District has organized its accounts on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures or expenses. District resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the fund financial statements. The District uses only one category of fund, which is the general fund.

**Governmental Fund Types**

Governmental funds are those through which governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income. The following is the District's major governmental fund:

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**General**

General Fund resources may be used for any District purpose. This fund is used to account for all financial resources except those required to be accounted for in another fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. For the District, the governmental fund financial statements and government-wide financial statements are the same.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. The term available is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the District, available means expected to be received within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Net Assets/Fund Balances**

In the government-wide financial statements, net assets are classified as follows:

Unrestricted – the difference between the assets and liabilities that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

A governmental fund may set up “designations” of fund balance to indicate tentative plans for financial resource utilization in a future period. All of the District’s fund balance is reserved.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**Management's Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Budgetary Data**

The District was not legally required to prepare or adopt a budget due to their "high risk" designation therefore; a budgetary comparison is not presented.

**Restricted Cash**

Restricted cash consists of cash received for grant purposes, but not yet expended. The cash and interest income is restricted to use under conditions specified in grant documents. All of the District's cash is restricted because it is grant revenue or interest earned on grant revenues, which has a specified purpose.

**2. DUE FROM MARK TWAIN WASTE AND ENERGY CORPORATION**

The District had advanced \$224,039 to or on behalf of Mark Twain Waste and Energy Corporation (MTWEC) as of June 30, 2011. Advanced funds bear no interest and have no stated terms of repayment. No repayment terms were able to be established by the District during the year. With MTWEC having no assets the District could locate, it was decided to write the receivable off. The District was informed by the Missouri Department of Natural Resources that these costs would be disallowed and would be withheld out of the Districts fee allocations beginning this year.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**3. GUARANTEE OF INDEBTEDNESS OF OTHER ENTITY**

As of December 31, 2008, the District was contingently liable as guarantor with respect to \$220,150 of indebtedness of the Mark Twain Waste and Energy Corporation. The maximum potential amount of future payments that the District is required to make under the guarantee is \$220,150 plus interest and any applicable late fees. During 2008 the District was notified that the loans were in default and that the bank was going to begin collection procedures against both MTWEC and the District. The District has instructed legal counsel to file suit against MTWEC to protect the District from any losses incurred.

On June 21, 2010 the District went to court against Mercantile Bank concerning the loan guarantees. On October 20, 2010 the judge in the case ruled that the guarantees were not valid and that the District had no liabilities for the loans.

**4. MISSOURI DEPARTMENT OF NATURAL RESOURCES GRANTS**

**District Grants**

The District is awarded annual grants from the local funds collected by MODNR that were generated from the tonnage fees imposed on landfills and transfer stations within the District's solid waste management region. These grants are passed-through from the District to recipients who are engaged in various waste reductions, education, recycling, composting and market development activities related to achieving Missouri's waste reduction goals.

Revenue derived from MODNR grant allocations accounts for more than 99.9% of total revenue.

**5. RECEIVABLES - OTHER**

Receivables in the amount of \$86,785 representing payments made to the District's Executive Director in excess of the contracts between the District and the Director in 2004, 2005 and 2006 were written off during the year. This information was turned over to the Ralls County Prosecutor's office. During the year the Ralls County Prosecutor successfully prosecuted the former Executive Director. The District was unable to recover any of the funds. The District has been informed that this use of grant funds has been disallowed by MODNR.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**6. GRANT CALLS**

During the year covered by this audit report the District held two grant calls. During the 2009 grant call there were fifteen applications and ten were approved. During the 2010 grant call there were also fifteen applications and six were approved. All of these grants were closed during the year. Another grant call was held this year and there were 16 applications with eleven being approved. None of these grants had requested funds before the end of the year.

**7. UNDER FUNDED GRANT OBLIGATIONS/DEFERRED REVENUE**

As of June 30, 2011 there were no underfunded grant obligations by The District.

**8. DISTRICT OPERATIONS**

As a result of financial audits and Missouri Department of Natural Resources (MODNR) compliance audits of the previous seven years of District operations the District has been placed on "high risk" status by MODNR. With this status the District continues to operate, but all financial matters are handled at the State level by MODNR. All grant funds allocated to the District are held by MODNR and approved bills are paid by them. The District will remain on this status until MODNR is assured that grant funds can be handled directly by the District in a fiscally safe and secure system. The District has hired a third party administrator to perform the District's daily operation. As of June 30, 2011 MODNR is holding \$434,116 of funds that have been allocated to the District. Some of the funds will be used to pay back the disallowed costs associated with the MTWEC project and advances paid to the former Executive Director.

**9. CONTINGENT LIABILITIES**

Use of federal, state, and local grant funds is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant. To the extent such disallowances involve expenditures under the subcontracted arrangements; The District generally has the right of recovery from such third parties. The District currently is working to resolve some issues with a grant that could involve some disallowances but amounts are not determinable at this time.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

**10. GRANT FUNDS REPAID**

During 2010-2011 the District repaid \$113,215 in grant funds to MODNR as a result of disallowed costs discovered during performance and financial audits. These funds were repaid by MODNR withholding the amount from current fee allocations to the District.

**11. DISTRICT'S ELIGIBLE AREA**

The following counties comprise the District's eligible area for grants: Macon, Marion, Monroe, Pike, Ralls, Randolph and Shelby.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
 SCHEDULE OF OBLIGATED GRANTS  
 AS OF JUNE 30, 2011

Grantee	Grant Number	Award Amount	Carryover From 2010	Award Funded 6/30/11	Paid or deobligated (d) 6/30/11	Unfunded Obligation
Monroe County	2009-01	9,133	756	-0-	756 d	-0-
Shelby County “ “	2009-02	24,774	4,344	3,605	3,605 739 d	-0-
Monroe City Shelt. WS “ “	2009-03	16,184	2,571	2,402	2,402 169 d	-0-
Shelbina Elementary	2009-04	24,036	5,676	5,676	5,676	-0-
Macon Diversified Ind.	2009-05	25,000	2,950	-0-	2,950 d	-0-
City of Moberly “ “	2009-06	14,800	4,655	1,790	1,790 2,865 d	-0-
Pike County Workshop “ “	2009-07	8,200	1,771	1,135	1,135 636 d	-0-
City of Paris	2009-08	14,387	2,158	2,158	2,158	-0-
Holliday School “ “	2009-09	25,000	11,720	2,344	2,344 9,376 d	-0-
City of Frankford “ “	2009-10	18,900	18,900	16,532	16,532 2,368 d	-0-
Macon Diversified Indus “ “	2010-03	25,000	8,211	7,669	7,669 542 d	-0-
Luck Charms 4H	2010-04	18,909	2,836	2,836	2,836	-0-
Randolph County Shelt. WS “ “	2010-05	17,500	7,747	1,721	1,721 6,026 d	-0-
Bowling Green Elementary “ “	2010-06	25,000	3,793	3,743	3,743 50 d	-0-
Monroe County	2010-07	17,866	17,866	17,866	17,866	-0-

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT  
 SCHEDULE OF OBLIGATED GRANTS  
 AS OF JUNE 30, 2011

Grantee	Grant Number	Award Amount	Carryover From 2010	Award Funded 6/30/11	Paid or deobligated (d) 6/30/11	Unfunded Obligation
City of Palmyra	2012-02	5,600	-0-	-0-	-0-	-0-
Perry Christian Academy	2012-03	18,342	-0-	-0-	-0-	-0-
Center Elementary School	2012-04	4,635	-0-	-0-	-0-	-0-
Yancy Auto Parts	2012-05	20,750	-0-	-0-	-0-	-0-
Monroe City	2012-06	24,903	-0-	-0-	-0-	-0-
Monroe City Sheltered WS	2012-07	25,000	-0-	-0-	-0-	-0-
Macon Economic Develop.	2012-08	23,091	-0-	-0-	-0-	-0-
Macon Diversified Ind	2012-09	24,732	-0-	-0-	-0-	-0-
City of Moberly	2012-10	25,000	-0-	-0-	-0-	-0-
Pike County Sheltered WS	2012-11	25,000	-0-	-0-	-0-	-0-
Randolph County Sheltered WS	2012-12	19,852	-0-	-0-	-0-	-0-
		\$501,594	\$95,954	\$69,477	\$95,954	\$-0-

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Mark Twain Solid Waste Management District

I have audited the general purpose financial statements of the Mark Twain Solid Waste Management District, as of and for the year ended June 30, 2011, and have issued my report thereon dated September 30, 2011. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Audit Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Mark Twain Solid Waste Management District general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed some instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control over Financial Reporting

In planning and performing my audit I considered Mark Twain Solid Waste District's (District) internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be significant deficiencies or material weakness.

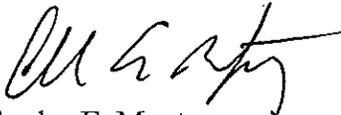
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the District's financial statements on a timely basis. A control deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective is not always met. A control deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the District's financial statements will not be prevented or detected by the District's internal controls.

Since being placed on "high risk" status by MODNR in 2007 all cash transactions of the District have been handled by MODNR while the District's new Board and Administrative Agency resolve the issues that were created in past years. Therefore, there were no new matters of material weaknesses or significant deficiencies that came to my attention.

This report is intended solely for the information and use of the audit committee, management, State of Missouri and its pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Charles E. Montgomery  
Certified Public Accountant

September 30, 2011

