

AUDIT COMMUNICATIONS LETTER TO
THOSE CHARGED WITH GOVERNANCE OF

NORTHEAST MISSOURI SOLID WASTE
MANAGEMENT DISTRICT—REGION C

MEMPHIS, MISSOURI

JUNE 30, 2014

JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

Member:
Missouri Society of
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December 9, 2014

Board of Directors
Northeast Missouri Solid Waste
Management District—Region C
Memphis, Missouri

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Northeast Missouri Solid Waste Management District—Region C for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted 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 you dated October 30, 2014. Professional standards also require that we communicate to you the following information related to our audit.

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 Northeast Missouri Solid Waste Management District—Region C 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 the year ended June 30, 2014. We noted no transactions entered into by the Organization 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 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. There were no sensitive estimates made by management affecting the Northeast Missouri Solid Waste Management District—Region C's financial statements for the year ended June 30, 2014.

Board of Directors
Northeast Missouri Solid Waste
Management District—Region C
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December 9, 2014

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements of the Northeast Missouri Solid Waste Management District—Region C for the year ended June 30, 2014.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 December 9, 2014.

Board of Directors
Northeast Missouri Solid Waste
Management District—Region C
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December 9, 2014

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 Organization’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.

Other Audit Findings or Issues

Accounting Personnel/Segregation of Duties

Proper segregation of duties reduces the risk of errors and frauds and is an important internal control. During our audit, we reviewed Organization policies and procedures and determined adequate segregation of duties did not exist. It is recognized that the small number of accounting and clerical personnel of the Organization precludes the application of internal accounting control procedures possible in a larger organization. It is acknowledged that the Organization does not have the financial resources to hire enough personnel to segregate duties. We recommend that the Organization should segregate duties wherever possible and implement other controls to compensate for the lack of segregation of duties.

This information is intended solely for the use of the Board of Directors and management of Northeast Missouri Solid Waste Management District—Region C and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,



John W. Gillum, CPA, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeast Missouri Solid Waste
Management District—Region C
Memphis, Missouri

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Northeast Missouri Solid Waste Management District—Region C, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions ✓

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 the Northeast Missouri Solid Waste Management District—Region C, as of June 30, 2014, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Disclaimer of Opinion on Other Information

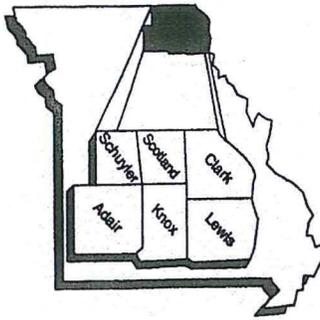
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Missouri Solid Waste Management District—Region C's basic financial statements. The management's discussion and analysis and budgetary comparison information on pages 3–5 and 16–18, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Missouri Solid Waste Management District—Region C's internal control over financial reporting and compliance. ✓

John W. Gillum, CPA, LLC

John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
December 9, 2014 ✓



REGION "C"
NORTHEAST MISSOURI
SOLID WASTE MANAGEMENT DISTRICT

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MARK THOMPSON Chairman	RON BREWER Vice-Chairman	WAYNE MURPHY Secretary	TOM GLASS Treasurer
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Management's Discussion and Analysis—Unaudited

Our discussion and analysis of Northeast Missouri Solid Waste Management District—Region C's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements, which begin on page 6.

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 \$22,828 (*net position*).
- The District's net position decreased by \$246.

USING THIS ANNUAL REPORT

This annual reports consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 6 and 7) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund financial statements start on page 8. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements.

Reporting the District as a Whole

The government-wide financial statements begin on page 6. One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer that question. These two statements report the District's *net position* and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the *overall health* of the District.



Reporting the District's Most Significant Funds

The fund financial statements begin on page 8 and provide detailed information about the most significant funds—not the District as a whole. The District's governmental funds use the following accounting approaches:

- *Governmental funds*—All of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the District's funds by law, creditors, and others. Unassigned fund balance is available for spending for any purpose. The governmental fund statements provide a detailed *short-term view* of the District's operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

THE DISTRICT AS A WHOLE

The District's combined net position was virtually unchanged from a year ago—*decreasing* from \$23,074 to \$22,828. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental activities.

Table 1
Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Restricted cash and cash equivalents	\$ <u>125,015</u> ✓	\$ <u>112,426</u>
TOTAL ASSETS	125,015	112,426
<u>LIABILITIES</u>		
Deferred revenue/Awards remaining	<u>102,187</u>	<u>89,352</u>
TOTAL LIABILITIES	<u>102,187</u>	<u>89,352</u>
<u>NET POSITION</u>		
Restricted for:		
Grant expenditures	<u>22,828</u>	<u>23,074</u>
TOTAL NET POSITION	\$ <u>22,828</u>	\$ <u>23,074</u>

The District's net position decreased by \$246 or 1 percent. All of the District's net position is restricted, which means they may only be used for purposes as outlined by the funding source.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
<u>REVENUES</u>		
Grant income	\$ 188,969	\$ 112,976
Interest income	<u>2,329</u>	<u>2,402</u>
TOTAL REVENUE	191,298	115,378
<u>EXPENSES</u>		
Economic development	<u>188,969</u>	<u>112,976</u>
TOTAL EXPENSES	<u>188,969</u>	<u>112,976</u>
Change in net position	2,329	2,402
Reallocation of Revenue	(2,575)	(2,140)
Net position—beginning	<u>23,074</u>	<u>22,812</u>
Net position—ending	<u>\$ 22,828</u>	<u>\$ 23,074</u>

Capital Assets

The District provides grant funds to subgrantees for the acquisition of equipment, vehicles and other capital assets for the benefit of the subgrant project. 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.

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

Vehicles and Equipment	\$ <u>210,969</u>
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Economic Factors and Next Year’s Budget

For the upcoming fiscal year ending June 30, 2015, 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, P.O. 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 Position—Modified Cash Basis
June 30, 2014

	Primary Government	
	Governmental Activities	Total
ASSETS		
Restricted cash and cash equivalents	\$ <u>125,015</u> ✓	\$ <u>125,015</u>
TOTAL ASSETS	125,015	125,015
 LIABILITIES		
Deferred revenue/Awards remaining	<u>102,187</u>	<u>102,187</u>
Total Liabilities	<u>102,187</u>	<u>102,187</u>
 NET POSITION		
Restricted for:		
Grant expenditures	<u>22,828</u>	<u>22,828</u>
Total Net Position	<u>\$ 22,828</u>	<u>\$ 22,828</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, 2014

	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	\$ 188,969	\$ -	\$ 188,969	\$ -	\$ -	\$ -
Total governmental activities	<u>188,969</u>	<u>-</u>	<u>188,969</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 188,969</u>	<u>\$ -</u>	<u>\$ 188,969</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
 <u>GENERAL REVENUES</u>						
Investment earnings					<u>2,329</u>	<u>2,329</u>
Total general revenues					<u>2,329</u>	<u>2,329</u>
Change in net position					2,329	2,329
Reallocation of Revenue					(2,575)	(2,575)
Net position—Beginning					✓ 23,074	<u>23,074</u>
Net position—Ending					✓ \$ 22,828	✓ \$ <u>22,828</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, 2014

	Governmental Activities		
	General	Other Governmental	Total
<u>ASSETS</u>			
Restricted cash & cash equivalents	\$ <u>22,828</u>	\$ <u>102,187</u>	\$ <u>125,015</u> ✓
TOTAL ASSETS	\$ <u>22,828</u>	\$ <u>102,187</u>	\$ <u>125,015</u>
<u>LIABILITIES & FUND BALANCES</u>			
<u>LIABILITIES</u>			
Deferred revenue/Awards remaining	\$ <u>-</u>	\$ <u>102,187</u>	\$ <u>102,187</u>
Total Liabilities	-	102,187	102,187
<u>FUND BALANCES</u>			
Restricted for:			
Grant expenditures	<u>22,828</u>	<u>-</u>	<u>22,828</u>
Total Fund Balances	<u>22,828</u>	<u>-</u>	<u>22,828</u>
TOTAL LIABILITIES & FUND BALANCES	\$ <u>22,828</u>	\$ <u>102,187</u>	\$ <u>125,015</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, 2014

	<u>Governmental Activities</u>		
	<u>General</u>	<u>Other Governmental</u>	<u>Total</u>
<u>Revenues</u>			
Grant income	\$ -	\$ 188,969	\$ 188,969
Investment earnings	<u>2,329</u>	<u>-</u>	<u>2,329</u>
Total Revenues	2,329	188,969	191,298
<u>Expenditures</u>			
Supplies	-	198	198
Personnel	-	19,284	19,284
Repairs	-	152	152
Equipment	-	148,472	148,472
Professional Services	-	3,306	3,306
Administrative	-	10,644	10,644
Other	<u>-</u>	<u>6,913</u>	<u>6,913</u>
Total Expenditures	<u>-</u>	<u>188,969</u>	<u>188,969</u>
Excess of Revenues Over Expenditures	2,329	-	2,329
Reallocation of revenue	(2,575)	-	(2,575)
Fund Balance--Beginning	<u>✓ 23,074</u>	<u>-</u>	<u>✓ 23,074</u>
Fund Balance--Ending	<u>\$ ✓ 22,828</u>	<u>\$ -</u>	<u>\$ ✓ 22,828</u> ✓

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies

As discussed further in Note 1.D, 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). The more significant accounting policies used by the District are discussed below.

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.

The Missouri Department of Natural Resources Division of Environmental Quality's Solid Waste Management Program provides quarterly formula allocations as set forth in 260.335 RSMo to the 20 Solid Waste Management districts in Missouri. These district grant funds from the Solid Waste Management Fund (Fund 0570) are a portion of the tonnage fees collected by solid waste disposal areas and solid waste processing facilities transporting waste out-of-state.

Membership is voluntary by all counties and cities serviced by the District. Any county or city with a population in excess of five hundred 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.

B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize the District's activities as governmental.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS (CONTINUED)

In the government-wide Statement of Net Position, governmental activities (a) are presented on a consolidated basis by column, (b) and are reported on a modified cash, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (interest income). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by function) are normally covered by general revenue.

C. BASIC FINANCIAL STATEMENTS—FUND FINANCIAL STATEMENTS

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major fund. Nonmajor funds by category are summarized into a single column.

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The District reports the following funds:

1. Governmental Funds:

- a. The General Fund is the District's primary operating fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
- b. The Economic Development Fund is a special revenue fund 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.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related to the timing of the measurements made regardless of the measurement focus applied.

1. Modified cash:

Both the government-wide financial statements and governmental funds financial statements are presented on the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/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 the modified cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses (accounts receivable and accounts payable) are not recorded in these financial statements. ✓

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents

The District has defined cash and cash equivalents to include demand deposits. State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2014, all bank balances on deposit are entirely insured or collateralized with securities.

2. 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, 2014

1. **Summary of Significant Accounting Policies (Continued)**

3. Capital Assets

The District provides grant funds to subgrantees for the acquisition of equipment, vehicles and other capital assets for the benefit of the subgrant project. The District does not include these capital 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 granted by the District, then the District will resume ownership.

4. 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' Division of Environmental Quality's Solid Waste Management Program provides notice to Northeast Missouri Solid Waste Management District of available funding on a quarterly basis. Upon the District's Executive Board and the Solid Waste Management Program's approval, district grant funds are disbursed to the District for reimbursement to District subgrantees. 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.

5. Government-Wide Net Position

Government-wide net position is divided into two components:

- a. **Restricted net position**—consists of net position that is restricted by grantors (both federal and state) or by other enabling legislation.
- b. **Unrestricted**—all other net position is reported in this category.

6. Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

- a. **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2014

1. Summary of Significant Accounting Policies (Continued)

6. Governmental Fund Balances (Continued)

- b. **Restricted**—Externally enforceable limitations on use; amounts that can be spent only for specific purposes; limitations are imposed by creditors, grantors, or laws and regulations of other governments.
- c. **Committed**—Self-imposed limitations that must be set in place prior to the end of the period; amounts that can be used only for specific purposes determined by a formal action by the District's Board of Directors; removal of the commitment must also be approved by a formal action of the District's Board of Directors.
- d. **Assigned**—Limitation resulting from intended use; amounts that are designated by the District's Board of Directors for a particular purpose but are not spendable until there is a majority vote approval by the District's Board of Directors.
- e. **Unassigned**—All amounts not included in other spendable classifications.

The District does not have nonspendable, committed, assigned or unassigned governmental fund balances to report. ✓

7. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances. ✓

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. ✓

Northeast Missouri Solid Waste Management District—Region C
Notes to Financial Statements
June 30, 2014

3. Capital Assets

The District provides grant funds to subgrantees for the acquisition of equipment, vehicles and other capital assets for the benefit of the subgrant project. 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.

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

Vehicles and Equipment	\$ <u>210,969</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.

OTHER SUPPLEMENTAL INFORMATION

Northeast Missouri Solid Waste Management District—Region C
 Schedule of Revenues Collected, Expenditures Paid and
 Changes in Fund Balance—Modified Cash Basis
 General Fund
 Budget and Actual
 For the Year Ended June 30, 2014

	----Budgeted Amounts----			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>				
Investment earnings	\$ <u>2,300</u>	\$ <u>2,300</u>	\$ <u>2,329</u>	\$ <u>29</u>
Total Revenues	<u>2,300</u>	<u>2,300</u>	<u>2,329</u>	<u>29</u>
Net change in fund balance	2,300	2,300	2,329	29
Reallocation of revenue	(2,575)	(2,575)	(2,575)	-
Fund Balance—Beginning	<u>23,074</u>	<u>23,074</u>	<u>23,074</u>	<u>-</u>
Fund Balance—Ending	\$ <u>22,799</u>	\$ <u>22,799</u>	\$ <u>22,828</u> ✓	\$ <u>29</u>

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
 Schedule of Revenues Collected, Expenditures Paid and
 Changes in Fund Balance—Modified Cash Basis
 Special Revenue Fund
 Budget and Actual
 For the Year Ended June 30, 2014

	----Budgeted Amounts----			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>				
Grant income	\$ <u>189,000</u>	\$ <u>189,000</u>	\$ <u>188,969</u>	\$ <u>(31)</u>
Total Revenues	189,000	189,000	188,969	(31)
<u>Expenditures</u>				
Supplies	200	200	198	2
Personnel	19,300	19,300	19,284	16
Repairs	150	150	152	(2)
Equipment	148,450	148,450	148,472	(22)
Professional Services	3,350	3,350	3,306	44
Administrative	10,650	10,650	10,644	6
Other	<u>6,900</u>	<u>6,900</u>	<u>6,913</u>	<u>(13)</u>
Total Expenditures	189,000	189,000	188,969	31
Net change in fund balance	-	-	-	-
Fund Balance—Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance—Ending	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See Accompanying Notes to Basic Financial Statements

Northeast Missouri Solid Waste Management District—Region C
Notes to Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

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

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INDEPENDENT AUDITOR'S 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

To the Board of Directors
Northeast Missouri Solid Waste
Management District—Region C
Memphis, Missouri

We have audited, in accordance with the 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, the 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, 2014, and the related notes to the financial statements, which collectively comprise Northeast Missouri Solid Waste Management District—Region C's basic financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Missouri Solid Waste Management District—Region C's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Northeast Missouri Solid Waste Management District—Region C's internal control.

✓ 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 a 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. 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.

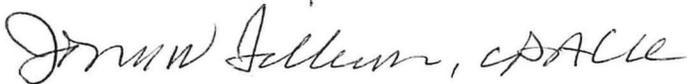
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. ✓

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
December 9, 2014

STATE COMPLIANCE SECTION

JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

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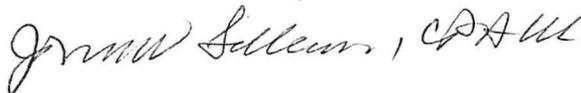
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE REQUIREMENTS

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

We have audited the financial statements of Northeast Missouri Solid Waste Management District Region C, as of and for the year ended June 30, 2014, and have issued our report thereon dated December 9, 2014. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements of Northeast Missouri Solid Waste Management District—Region C taken as a whole. The accompanying Schedule of Receipts and Expenditures of State Awards, Schedule of Special Revenue Fund Expenditures by Grant/Contract, Schedule of Findings and Questioned Costs and Corrective Action Plan are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the Schedule of Receipts and Expenditures of State Awards, Schedule of Special Revenue Fund Expenditures by Grant/Contract, Schedule of Findings and Questioned Costs and Corrective Action Plan have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
December 9, 2014

Northeast Missouri Solid Waste Management District
 Schedule of Receipts and Expenditures of State Awards
 For the Year Ended June 30, 2014

Project #/Description	Total Amount Awarded	Prior Period Amount Expended	Award Remaining Beginning	Current Period Amount Awarded	Current Period Amount Expended	Revenues Reallocated	Award Remaining Ending
2009-02 Canton Area Recycling	\$ 16,275	\$ (13,849)	\$ 2,426	\$ -	\$ -	\$ (2,426)	\$ -
2012-02 D&D Recycling	35,000	(29,142)	5,858	-	-	(5,858)	-
2012-03 Lewis County Schools	13,930	(12,978)	952	-	-	(952)	-
2012-05 Kirksville R-III Schools	34,900	-	34,900	-	(25,194)	-	9,706
2013-01 Administration	39,070	(23,836)	15,234	-	(10,644)	-	4,590
2013-02 City of Canton	9,547	-	9,547	-	(9,547)	-	-
2013-03 City of Brashear	1,983	-	1,983	-	(1,983)	-	-
2013-04 City of Kirksville	14,651	-	14,651	-	(14,651)	-	-
2014-01 Administration	37,783	-	-	37,783	(26,927)	-	10,856
2014-02 Community Opportunities	19,388	-	-	19,388	(29,750)	15,612	5,250
2014-03 Industrial Opportunities	29,500	-	-	29,500	(20,310)	-	9,190
Undesignated	5,035	(1,234)	3,801	-	-	(3,801)	-
2014-04 City of Memphis	35,000	-	-	35,000	-	-	35,000
2014-05 City of Canton	15,000	-	-	15,000	(7,336)	-	7,664
2014-06 City of Lancaster	25,500	-	-	25,500	(20,202)	-	5,298
2014-08 NEMO Fair	8,958	-	-	8,958	-	-	8,958
2014-09 Adair Co. R-II Schools	28,100	-	-	28,100	(22,425)	-	5,675
TOTAL	\$ 369,620	\$ (81,039)	\$ 89,352	\$ 199,229	\$ (188,969)	\$ 2,575	\$ 102,187

Interest Income Unobligated

22,828

Restricted Cash and Cash Equivalents

\$ 125,015

Accounting Policies & Basis of Accounting

Accounting Policies: Revenues are deferred when received and then recognized when expenditures are made.

Basis of accounting: Modified Cash

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, 2014

<u>Project #/ Description</u>	<u>Repairs</u>	<u>Supplies</u>	<u>Personnel</u>	<u>Equipment</u>	<u>Professional</u>	<u>Admin</u>	<u>Other</u>	<u>Total</u>
2013-03 City of Brashear	\$ -	\$ -	\$ -	\$ 1,983	\$ -	\$ -	\$ -	\$ 1,983
2013-02 City of Canton	-	-	-	9,547	-	-	-	9,547
2014-03 Industrial Opportunities	-	-	-	20,310	-	-	-	20,310
2012-05 Kirksville R-III Schools	-	-	-	25,194	-	-	-	25,194
2013-04 City of Kirksville	-	-	-	14,651	-	-	-	14,651
2014-02 Community Opportunities	-	-	-	29,750	-	-	-	29,750
2014-05 City of Canton	-	-	-	4,361	2,975	-	-	7,336
2014-09 Adair Co. R-II School District	-	-	-	22,425	-	-	-	22,425
2014-06 City of Lancaster	-	-	-	20,202	-	-	-	20,202
2014-01 Administration	<u>152</u>	<u>198</u>	<u>19,284</u>	<u>49</u>	<u>331</u>	<u>10,644</u>	<u>6,913</u>	<u>37,571</u>
TOTAL	\$ <u>152</u>	\$ <u>198</u>	\$ <u>19,284</u>	\$ <u>148,472</u>	\$ <u>3,306</u>	\$ <u>10,644</u>	\$ <u>6,913</u>	\$ <u>188,969</u>

See Accompanying Notes to Financial Statements

Northeast Missouri Solid Waste Management District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	NO
Significant deficiencies identified not considered to be material weaknesses?	NO
Noncompliance material to financial statements noted?	NO

State Awards

Internal control over state programs:	
Material weakness(es) identified?	NO
Significant deficiencies identified not considered to be material weaknesses?	NO
Type of auditor's report issued on compliance:	Unqualified

Northeast Missouri Solid Waste Management District
Corrective Action Plan
For the Year Ended June 30, 2014

✓ No corrective action plan is required at this time because there were no findings in relation to the financial statements or required supplemental information.

Contact Person: David Davison
Executive Director
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Memphis, Missouri
(660) 465-7281