

MARK TWAIN SOLID
WASTE MANAGEMENT DISTRICT
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2007

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Mark Twain Solid Waste Management District

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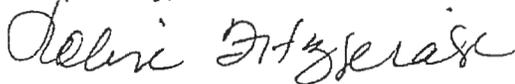
September 16, 2008

To Whom It May Concern:

The Mark Twain Solid Waste Management District, which encompasses the seven counties of Macon, Marion, Monroe, Pike, Ralls, Randolph and Shelby, was placed on "high risk" status by the Missouri Department of Natural Resources in 2007. As a result, the District and the District Board is working closely with the Department to establish and implement safeguards and efficient operational procedures.

Through these efforts, it is the intention of the District Board to be removed from the "high risk" status by the end of 2008.

Respectfully,



Robin Fitzgerald
Administrator

May want to
consider
having
Aleen
at
least
cosign
this
document
as
Management

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CERTIFIED PUBLIC ACCOUNTANT

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A

Region G

To the Board of Directors

Mark Twain Solid Waste Management District A-2

Hannibal, Missouri

Perry

I have audited the accompanying financial statements of the governmental activities and major fund of Mark Twain Solid Waste Management District (the District) as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit. A-10

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I express no such opinion. An audit 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 opinions.

B-1a
B-1b
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Mark Twain Solid Waste Management District as of December 31, 2007, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. A-12

Charles E. Montgomery B-1c

Charles E. Montgomery, CPA

September 16, 2008 B-1d

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT B-2b
 GOVERNMENTAL FUNDS -
 STATEMENT OF NET ASSETS B-2a
 DECEMBER 31, 2007 B-2c

General
Fund

B-2d ASSETS

Cash - restricted	\$ 14,822
Accounts receivable	1,843
Due from Mark Twain Waste and Energy Corporation	224,039
Receivable - other	86,785
Capital assets net of depreciation	799

Total Assets	328,288

B-2e LIABILITIES

Accounts payable	3,500
Deferred grant revenue	155,979
Accrued payroll taxes	1,542

Total Liabilities	161,021

NET ASSETS Total liabilities \$167,267

B-2f Net Assets:

Fund Balances Restricted	\$166,468
Investment in Capital Assets	799

Total Net Assets \$167,267

TOTAL Liabilities and Net Assets ①

B-2g See notes to financial statements.

B-2h Report does not foot properly.

B-3b

B-3a

B-3c

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
 STATEMENT OF GOVERNMENTAL FUND REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund

B-3d REVENUES	
State grants	\$352,699
Interest income	289

Total Revenues	352,988
	✓
B-3e EXPENDITURES	
Program grants (Subgrant)	228,116
Director salary	24,000
UCC filings	119
Administrative Fees	24,500
Depreciation (What is being depreciated?)	266
Dues and subscriptions	1,265
Office expenses and data processing	1,039
Telephone	2,987
Professional fees	22,244
Travel and meeting expenses	4,463
Other expenses	455
Insurance	2,040
Interest expense (What is the interest expense for?)	2,801
Payroll taxes	745

Total Expenditures	315,040

Excess of Expenditures Over Revenues/Expenses	37,948
B-3f Fund Balances – January 1, 2007	129,319

B-3g Fund Balances – December 31, 2007	\$167,267
	=====
	✓

B-3h See notes to financial statements.

B-3i ✓ Report foots.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 ^{restricted} unreserved – undesignated.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

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 and, therefore, a budgetary comparison is not presented.

- Discuss w/ district and audit firm

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

↳ Should this be 2006?

The District has advanced \$224,039 to or on behalf of Mark Twain Waste and Energy Corporation (MTWEC) as of December 31, 2007. Advanced funds bear no interest and have no stated terms of repayment. Through the date of this report, the advance has not been repaid. No additional advances have been made during 2007. These advances do not include a grant of \$107,000 paid during 2005 and a grant of \$100,000 paid during 2006.

Management is unable to determine what the impact might be to the District should MTWEC be unable to repay the advances.

MTWEC was created and incorporated by the District to facilitate the waste to energy (WTE) project due to the statutory prohibition against districts owning or operating waste processing facilities. The Boards of the District and MTWEC shared common Board members through 2003. However, as of December 31, 2003, the separate Boards had no members in common.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

Since its incorporation, MTWEC has been supported by the District and the two energy customers for the WTE facility, Hercules Incorporated and Dyno Nobel. However, the project has been in development since 1996 and there have been many times when funding from the energy customers has been exhausted and MTWEC has turned to the District to help sustain the momentum of the project. These funding requests became more important since the District began guaranteeing the operating loans for MTWEC (Note 3). As a guarantor, the District decided to not let any interest or principal payments lapse.

While there are no official instruments executed to collect from MTWEC, there is an understanding between the governing Boards of both entities that once the construction financing is completed for the WTE facility, MTWEC will repay the guaranteed bank loans and the operating funds that have been advanced by the District, as well as any grant funds awarded.

Management, with the approval of the Missouri Department of Natural Resources Solid Waste Management Program, ~~has~~ established a debt service line item in the District's annual operating budget of \$50,000. In the event that MTWEC were to default on the guaranteed loans, the District would negotiate the repayment of the guaranteed loans with the banks, to begin in the next year's operations funding. The \$50,000 annual debt service line item would be used for the principal and interest payments needed to repay the loans. Once the loans are repaid, the debt service line item would not be needed and the amount would be redirected to operations or grant funding.

3. GUARANTEE OF INDEBTEDNESS OF OTHER ENTITY

As of December 31, 2007, the District is contingently liable as guarantor with respect to \$220,150 of indebtedness of the Mark Twain Waste and Energy Corporation. The term of the guarantees have been extended through the date of this report. At any time through that date, should the Mark Twain Waste and Energy Corporation be delinquent on its debt payments, the District will be obligated to perform under the guarantee by primarily making the required payments, including late fees and penalties. 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 2007, the District paid no interest on these loans in MTWEC's behalf.

should not potential for disallowance

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

4. MISSOURI DEPARTMENT OF NATURAL RESOURCES GRANTS

District Grants

The District has been awarded annual grants from the local funds collected by MDNR 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 MDNR grant allocations accounts for 99.9% of total revenue.

Debt Service Grant

During 2005, the District requested and received a \$50,000 grant from MDNR to assist with the guarantee of indebtedness of MTWEC. The agreement that the District signed required the funds to be deposited with the financial institution to secure the guarantee. The District instead deposited the money into their accounts and expended the funds on District business. This places the District in violation of this grant agreement.

should not disallowance

5. RECEIVABLES - OTHER

Receivables other in the amount of \$86,785 represents payments made to the District's Executive Director in excess of the contracts between the District and the Director in 2004, 2005 and 2006. The District's Board was not aware of these payments and is meeting to decide on a course of action. It is uncertain as to whether any of these funds can be recovered. There were no excess payments made to the Executive Director in 2007.

should note disallowance

6. CAPITAL ASSETS

Capital assets consist of computer equipment. This equipment is being depreciated using the straight line method over a seven year useful life.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

7. NOTE PAYABLE

In March 2001, \$50,000 was loaned to MTWEC by UMB Bank of Monroe City, Missouri. The loan was drawn up with the District as the borrower and not a guarantor as the District believed. Prior to January 1, 2004 the loan was paid down to \$30,000. The loan is a demand loan and had been extended through September 10, 2007. On September 11, 2007, the Bank issued a demand that payment be made. The District paid the loan in full in November 2007.

Note payable balance due at December 31, 2007 is \$-0-.

Note disallowance.

8. UNDER FUNDED GRANT OBLIGATIONS/DEFERRED REVENUE

As of December 31, 2007, the District had obligations of \$155,979 outstanding on 2006 and 2007 grants. This balance of had not been requested as of December 31, 2007. This amount is reported on the Balance Sheet as Deferred Grant Revenue. The following is the amount of under funded grant obligations as of December 31, 2007.

Outstanding grant obligations	\$155,979
Cash balances	14,822

Under funded obligations	\$141,157
	=====

9. DISTRICT OPERATIONS

As a result of financial audits and Missouri Department of Natural Resources (MDNR) compliance audits of the previous seven years of District operations The District has been placed on "high risk" status by MDNR. With this status The District continues to operate, but all financial matters are handled at The State level by MDNR. All grant funds allocated to The District are held by MDNR and approved bills are paid by them. The District will remain on this status until MDNR 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.

MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2007

10. 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. Based on prior experience, management believes The District will not incur significant losses on possible grant disallowances.

reconsider this wording?

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 DECEMBER 31, 2007

Grantee	Grant Number	Award Amount	Carryover From 2006	Funded In 2007	Unfunded Obligation
Department of Corrections	2004-105	N/A	21,000	*21,000	-0-
City of Palmyra	2005-115	N/A	2,850	2,850	-0- ✓
Hannibal High School	2006-01	N/A	135	135	-0- ✓
City of Macon	2006-02	N/A	-0-	4,700	-0-
City of Hannibal	2006-03	N/A	4,200	4,200	-0-
City of Paris	2006-04	N/A	39,396	39,396	-0-
American Child Safety Network	2006-05	N/A	3,996	3,994	2
Kan-Man Metal Recycling	2006-06	N/A	1,125	1,125	-0-
Shelby County Motors	2006-07	N/A	2,977	2,977	-0-
Randolph County	2006-09	N/A	12,297	I(203)	12,500
Mark Twain Habitat for Humanity	2006-10	N/A	1,041	1,041	-0-
City of Hannibal	2006-11	N/A	14,000	14,000	-0-
Community Child Develop Center	2006-12	N/A	50,000	42,500	7,500
City of Higbee	2006-13	N/A	2,114	2,114	-0-
Monroe City Sheltered Workshop	2006-14	N/A	1,890	1,890	-0-
City of Moberly	2006-15	N/A	7,657	7,657	-0-
City of Palmyra	2006-16	N/A	30,464	30,464	-0-
NE Missouri Corrections Center	2006-17	N/A	16,066	*(21,000) 24,377	12,689



MARK TWAIN SOLID WASTE MANAGEMENT DISTRICT
 SCHEDULE OF OBLIGATED GRANTS
 AS OF DECEMBER 31, 2007

Grantee	Grant Number	Award Amount	Carryover From 2006	Funded In 2007	Unfunded Obligation
Hannibal High School	2007-02	500	-0-	425	75 ✓
Macon Diversified Shelter w/s	2007-03	8,900	-0-	7,565	1,335 ✓
Learning Opportunities	2007-04	30,475	-0-	26,129	4,346 ✓
Energis LLC Holcom	2007-05	30,000	-0-	-0-	30,000 ✓
American Child Safety Network	2007-06	16,875	-0-	14,343	2,532 ✓
Region G Tire Amnesty	2007-07	40,000	-0-	-0-	40,000 ✓
City of Center	2007-08	30,524	-0-	30,524	-0- ✓
City of Hannibal	2007-09	45,000	-0-	-0-	45,000 ✓
		202,274	211,208	257,503	155,979
		202,274	211,208	257,503	155,979
		↑	✓		✓

* - Transfer from 2004-105 to 2006-17.
 I - Interest allocated to grant.

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 years ended December 31, 2007, and have issued my report thereon dated September 16, 2008. 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.

During the year of 2004 Grant Funds meant to be used for sub grantee project reimbursements were used for other purposes. These purposes include loans and expenses paid for Mark Twain Waste and Energy Corporation, whose project the District is supporting and unauthorized advances to the Districts' Executive Director. Also the District secured a bank loan in a previous year to assist the MTWEC project. The only asset the District has to pay this loan is grant revenues which is not allowable.

During the year of 2005 in addition to the advances to MTWEC and the unauthorized advances to the Executive Director the District also violated the conditions of a one time agreement with the Missouri Department of Natural Resources (MODNR). The District received a one time grant of \$50,000 to assist in collateralizing loan guarantees on MTWEC loans. These funds were to be held in a separate bank account as collateral until the MTWEC loans were paid. Instead the money was put in the Districts general fund and used in daily operations.

During the year of 2006 the District continued its funding of the MTWEC project and advancing money to the Executive Director in violation of its contract with MODNR. During all three years details of the transactions between the District and MTWEC were not disclosed to MODNR or were disclosed significantly after the transaction took place. During 2007 no new instances of noncompliance came to my attention. Issues of noncompliance for the years of 2004 through 2006 continue to be areas that The District is working to resolve.

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.

I observed the following matters that I consider to be control deficiencies, significant deficiencies or material weaknesses.

Significant Deficiencies

Segregation of Duties

Segregation of accounting duties is an essential element of effective internal controls, involving the separation of custody of assets from related recording and monitoring of transactions. In planning and performing the audit, I noted segregation of duties conflicts where an individual was performing conflicting duties.

Executive Director

Through May 31, 2007 the Districts operation was done by one person, the Executive Director, with some assistance from an outside accounting firm. This person performed all accounting and financial duties including receiving checks, making deposits, ordering goods and services, receiving bills, writing checks, classifying receipts and payments receiving bank accounts and reconciling bank accounts.

Board of Directors Oversight

The organization of the District is common for entities of this type. This makes oversight by the Board of Directors critical to the operation of the entity. The District's Board was deficient in their oversight of the District's operations and the performance of the Executive Director. I noted that several board meetings were held by tele-conference since the District's office was in the Executive Directors home. Holding meetings in this way allowed the Executive Director to present incomplete reports to the Board. This combined with the fact that the Board never looked at bank statements and reconciliations allowed the Executive Director to issue advance checks, and additional payroll checks to himself. He was also able to advance MTWEC funds in excess of what the Board was aware. In essence with the lack of supervision from the Board, the Executive Director was in a position to handle the Districts finances in any way he desired.

As a result of these actions I examined over 40% of the Districts transactions as part of my audit.

40%
? ?

Conclusion

The District's internal control system has been almost nonexistent through the audit periods of December 31, 2004, 2005 and 2006. During 2007 a new Board was appointed and rather than try to fix a damaged system they elected to start over and develop a functional system. The Executive Director's contract was not renewed. Instead the District contracted with Regional Planning Commission for their area to handle the operations of the District. Based on suggestions from Board members who all have experience with governmental entities and assistance from the auditor and MDNR the District is adopting controls and implementing systems to establish a functioning system of internal controls to insure the protection of District assets and appropriate controls over financial reporting from this point forward. During this time MDNR has placed The District on "high risk" status and is handling all of The District's financial transactions.

Full Name

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 16, 2008

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**Mark Twain Solid
Waste Management
District**

Memo

To: Brenda
From: Robin
Date: September 24, 2008
Re: 2007 Audit

Received
SEP 25 2008
SWMP

Brenda:

Enclosed please find the 2007 audit for the District. The audit has not been approved by the District Board at this point in time, but I thought I would give you an opportunity to review for comments. If you have any questions, please feel free to call. Thanks!

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