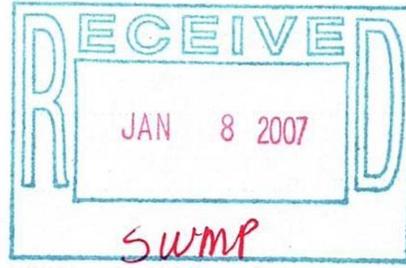


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**AUDIT COMMUNICATIONS LETTER**

**MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT**

**JUNE 30, 2006**

**GK&C**  
GERDING, KORTE & CHITWOOD

Professional Corporation  
Certified Public Accountants

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September 27, 2006

Professional Corporation  
Certified Public Accountants

To The Executive Board  
Mid-Missouri Solid Waste Management District  
Columbia, Missouri

20 South Fifth Street  
Columbia, MO 65201  
(573) 449-1599  
Fax: (573) 443-8603  
  
www.gkccpas.com

We have audited the financial statements of the Mid-Missouri Solid Waste Management District for the year ended June 30, 2006, and have issued our report thereon dated September 27, 2006. Under auditing standards generally accepted in the United States of America, we are providing you with the attached information related to the conduct of our audit.

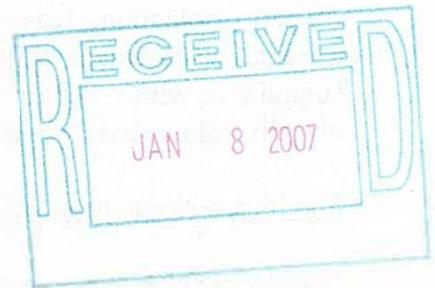
This report is intended solely for the information and use of the Executive Board, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

PARTNERS

Robert A. Gerding  
Fred W. Korte, Jr.  
Joseph E. Chitwood  
James R. McGinnis  
Travis W. Hundley

Sincerely,

*Gerding, Korte & Chitwood*  
Gerding, Korte & Chitwood  
Certified Public Accountants



## SECTION ONE

### Professional Standards Communication

#### Our Responsibility Under U. S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated June 28, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Mid-Missouri Solid Waste Management District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

#### Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Mid-Missouri Solid Waste Management District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2006. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Significant Audit Adjustments

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the District that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed two adjustments that were accepted by management and the effects of which are included in the June 30, 2006, financial statements.

### Disagreements with Management

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

### 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 auditors' opinion that may be expressed on those financial 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.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Mid-Missouri Solid Waste Management District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

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

## SECTION TWO

### Financial Reporting Issues

#### Independent Auditors' Report

The independent auditors' report expresses an unqualified opinion on the financial statements.

#### Internal Control

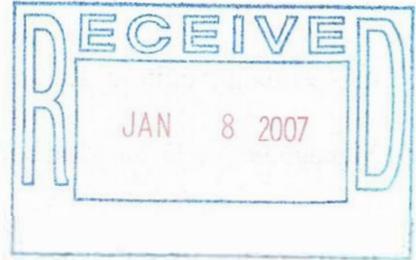
We are not reporting any material weaknesses in the District's internal control structure.

#### Fraud Risk Assessment

In accordance with current professional standards, we assessed the risk of fraud in planning and performing our audit. The following are the areas of fraud risk we identified in the analysis of the Organization's financial statements:

- Cash Collections/Deposits - Collections of cash through tire collection events increase the risk of misappropriation by employees. Since tire collection fees are assessed at the event site there will always be some level of inherent risk involved with the cash collected at these events. The cash collection risk is mitigated by the District's policy of issuing prenumbered receipt slips. While this procedure reduces the risk of misappropriation, it does not eliminate the risk entirely.
- Revenue Recognition - Application of revenue recognition concepts and reporting is one of two required risk assessment criteria. Mid-Missouri Solid Waste Management District uses the accrual basis of accounting and most of its revenue is received from government grants. Our assessment of fraud risk related to revenue misstatement is low.
- Management Override - The second area of required risk assessment is in the area of "management override." In any system of internal control, management may have the ability to execute and record transactions outside the scope of the normal accounting system. Management may also have the ability to approve transactions that are self-serving and conceal the nature of those transactions. Board oversight in the approval of transactions and budgets is essential in the internal control process in the effort to minimize the risk of management override.

**REPORT OF**  
**MID-MISSOURI SOLID WASTE**  
**MANAGEMENT DISTRICT**  
**COLUMBIA, MISSOURI**  
**JUNE 30, 2006 AND 2005**



MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT

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Professional Corporation  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Executive Board  
Mid-Missouri Solid Waste Management District

20 South Fifth Street  
Columbia, MO 65201  
(573) 449-1599  
Fax: (573) 443-8603  
  
www.gkccpas.com

We have audited the accompanying statements of net assets of Mid-Missouri Solid Waste Management District (a special purpose governmental entity) as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mid-Missouri Solid Waste Management District as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2006, on our consideration of Mid-Missouri Solid Waste Management District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

#### PARTNERS

Robert A. Gerding  
Fred W. Korte, Jr.  
Joseph E. Chitwood  
James R. McGinnis  
Travis W. Hundley

Management's Discussion and Analysis 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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mid-Missouri Solid Waste Management District's basic financial statements. The accompanying supplementary financial information on pages 15 to 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 27, 2006

  
Gerding, Korte & Chitwood  
Certified Public Accountants



# Mid-Missouri Solid Waste Management District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Mid-Missouri Solid Waste Management District (MMSWMD) financial performance provides an overview of MMSWMD's financial activity for the fiscal year ending June 30, 2006. Please read it in conjunction with MMSWMD's financial statements, notes to the financial statements, and other supplemental information, which immediately follow this section.

### Financial Highlights

- As of June 30, 2005, MMSWMD reported an ending unreserved net asset balance of \$49,025. This represented an increase of \$9,827 from the prior year.
- With the passage of SB1040 in the 2004 legislative year, and the subsequent passage of SB225 during FY2005, the District Administrative Grant was eliminated, and administrative funds and district operations are now funded by the Plan Implementation Grant/District Operations Grant (PIG/DOG or PI-DO Grant). Because of this MMSWMD has elected to show all operations, including tire collections and HHW collections activities broken out in line items (e.g. Contracted Services for tire collection or Household Hazardous Waste recycling/disposal contractual services) instead of lumped in the District Grant Expenditures line item.
- MMSWMD continues to maintain a fund balance of 25% to 33% of the average operating budget of MMSWMD. We are, however, approaching the maximum level, and Missouri Department of Natural Resources is considering a rule that would limit us to 25% of our total administrative expenses (this EXCLUDES collection events).
- MMSWMD has diversified our revenue stream by successful application for USDA funds and state grant funds over the last three years. We received a State Targeted Materials grant to improve collection of major appliances (i.e. white goods) in FY2006. MMSWMD is also increasing our revenues from collection events by charging for all tires to reduce our net costs.
- We have added our first major capital asset with the purchase of a trailer for collection events.

### Overview of the Financial Statements

The annual report consists of three parts:

- Management’s discussion and analysis (this section),
- Basic financial statements, including notes to the financial statements, and
- Supplemental information.  
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

**Basic Financial Statements**

MMSWMD is a governmental entity that had previously elected to report its financial activities as if it were a non-profit entity. Governmental Accounting Standard Board (GASB) statement No. 34 allows organizations that previously reported as non-profit entities to elect to report their financial activities as “proprietary” funds when changing to the new formats of GASB 34.

Proprietary funds are generally those funds maintained by a governmental organization that are expected to operate in a self-supporting, business-like manner. The Mid-Missouri Solid Waste Management District believes this presentation format is consistent with its operating philosophy.

**Financial Position of MMSWMD**

The net assets of MMSWMD are summarized as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cash and investments	\$ 364,112	\$ 222,108
Accounts (Grants) receivable	<u>176,319</u>	<u>235,152</u>
Total current assets	<u>540,431</u>	<u>457,260</u>
Equipment, fixtures, furnishings	20,604	0
Less: Accumulated depreciation	<u>(515)</u>	<u>0</u>
Total non-current assets	<u>20,089</u>	<u>0</u>
Total Assets	<u>560,520</u>	<u>457,260</u>
Accounts payable	37,097	20,036
Retainage payable	7,863	15,219
Deferred revenue (Unearned grant revenue)	<u>446,416</u>	<u>382,807</u>
Total Liabilities	<u>491,406</u>	<u>418,062</u>
Capital Assets	20,089	0
Unrestricted	<u>49,025</u>	<u>39,198</u>
Total Net assets	<u>\$ 69,114</u>	<u>\$ 39,198</u>

MMSWMD's net assets were \$69,114 as of June 30, 2006. Total reserves of unrestricted funds reached \$49,025 an increase of \$9,827, or a 25.1% increase from the previous year. The increase is mainly due to a much better than expected return on our money market accounts.

In April of 2004, the Executive Board adopted our Policies and Administrative Rules (PAR) for MMSWMD. The PAR states that, "MMSWMD shall maintain an unreserved fund balance that is equal to at least 25% of the average operating budget for the prior three fiscal years but no more than 33% of the average operating budget for the prior three fiscal years." When all MMSWMD activities, including tire collections, HHW, salaries and other administrative costs are added together for the last three years the average expenditure for MMSWMD is \$149,564. The target fund balance should therefore be between \$37,391 and \$49,855. Our current fund balance of 32.8% approaches the highest allowable level and so all projected interest revenues for FY2007 will be spent this year.

### Revenues and Expenses

The financial activities of the Organization for the year ended June 30, 2006, compared to June 30, 2005, are summarized as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Sub-grantee Grants (DNR-Solid Waste Grants)	\$ 154,336	\$ 349,604
PI-DO Grants (DNR Administrative Grants)	153,247	19,434
Other Grants (USDA)	0	8,566
Charges for services	<u>10,808</u>	<u>3,532</u>
Total Revenues	<u><u>318,391</u></u>	<u><u>381,136</u></u>
Sub-grantee Grant Expenses	155,723	308,677
Personnel	63,475	56,673
Contracted services	51,520	2,625
Depreciation	515	0
Other	<u>26,924</u>	<u>17,028</u>
Total Expenses	<u><u>298,157</u></u>	<u><u>385,003</u></u>
Operating surplus/(deficit)	20,234	(3,867)
Investment and other revenue	<u>9,682</u>	<u>5,827</u>
Increase in Net Assets	<u><u>\$ 29,916</u></u>	<u><u>\$ 1,960</u></u>

Total revenues in FY2006 were down from FY2005 revenues primarily due to the fact that several sub-grants were slow to spend down grant revenues during FY2006. These grants are still open and their funds account for the increase in deferred revenue. Revenues are recognized when they are grant funds are expended, therefore bit the revenues and expenses will likely be recognized in FY2007.

Grant revenues were expressed a little bit differently this year with the advent of the Plan Implementation Grant/ District Operations Grant (a.k.a. PIGDOG or PI-DO grant). Revenues from the Missouri Department of Natural Resources (MDNR) from the District Grant allocation were either labeled as solid waste grants (grants to sub-grantees) or administrative grants (PI-DO grants). In addition MMSWMD spent down the remaining funds from the USDA grant in early FY2006.

Charges for services increased primarily because of the policy of charging per tire at tire collection events. Well over a third of the total costs for tire collections were recovered from fees collected at the tire collections. By charging for the tires we are discouraging illegitimate participation in the event by tire dealers and other commercial operations, we are discouraging people from bringing home scrap tires instead of paying the \$2.00 at the dealer, and we have made the program sustainable by drastically reducing our costs.

Finally, the slow spend down of sub-grantee funds as well as improved interest rates led to a much higher than anticipated earnings in interest revenue.

Total expenses for FY2006 decreased as well over the prior year for similar reasons to the decrease in revenues. The slow spend-down of funds in FY2006 results in a larger sub-grantee expense in FY2005. Contracted Services increased dramatically in FY2006 because we are now reporting the contractor costs for tire and HHW collections as line items rather than lumping them in with Grant expenditures. This increases the amount of information about MMSWMD activities in this annual financial report. The increase in "Other" reflects the fact that advertising, food and supplies are also now expressed as MMSWMD line items rather than being lumped with district grant expenditures.

The net positive in operating balance and the large positive net balance is largely due to the purchase of our first depreciable asset, the trailer that is now used for tire and HHW collections. The net cash balance was \$9,827 which is essentially the same as our interest revenue.

### **Budgetary Highlights**

	<u>Actual</u> <u>June 30, 2006</u>	<u>Budget</u> <u>June 30, 2006</u>
Grants	\$ 307,583	\$ 457,248
Interest revenue	9,682	4,800
Charges for services	<u>10,808</u>	<u>3,500</u>
Total Revenues	<u>\$ 328,073</u>	<u>\$ 465,548</u>
Solid Waste (sub-grantee) Grant expenses	\$ 155,723	\$ 270,000
Personnel	63,475	63,543
Contracted services	51,520	58,500
Capital expenses	23,291	36,400
Other	<u>26,924</u>	<u>32,065</u>
Total Expenses	<u>\$ 318,245</u>	<u>\$ 460,508</u>

Total revenues were only 70.5% of the revenue anticipated by the FY2006 budget because several grant projects were slow request funds, and therefore the income remained as unearned grant income. The FY2007 budget anticipates that these revenues will be recognized and therefore over \$300,000 has been budgeted for revenues from solid waste grants to sub-grantees.

Interest revenues and program income from charges for services were 309% and 202% of the projected amounts, respectively. Typically interest revenues are rather small, and so it is practical to be conservative in estimating revenue to prevent any budget shortfall. Moreover a combination of the slow draw down of funds by sub-grantees, the earlier acquisition of resources from the MDNR than in previous years and improved interest rates led to a much higher than anticipated revenue from interest. We also budgeted conservatively on fees for services because we were not certain how good the response would be once we started charging a per-tire fee at our tire collection events. The response was better than anticipated by the budget.

The three major expenses were Sub-grantee Grant Expenditures, Salary and Benefits and Professional Services. Salary and Benefits expenses finished at 99.9% of the budget amount. And Contracted Services, which now includes the tire collection and HHW expenses, came in at 88.12% of the amount projected in the amended budget. Sub-grantee grant expenditures were only 57.2% of the FY2006 budget level and accounted for most of the shortfall on expenses. Total expenses came in at only 69.1% of the budget as adopted.

### **Contacting MMSWMD's Financial Management**

This financial report is designed to provide MMSWMD's funding sources, the Missouri Department of Natural Resources, the US Department of Agriculture, those who pay the solid waste tipping fee that funds the Solid Waste Program, vendors, creditors and others interested with a general overview of MMSWMD's finances and to demonstrate MMSWMD's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the District Coordinator, Matt Harline, Mid-Missouri Solid Waste Management District "H," PO Box 6015, Columbia, MO 65205-6015.

## BASIC FINANCIAL STATEMENTS

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENTS OF NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 364,112	\$ 222,108
Grants receivable	176,319	235,152
Total Current Assets	540,431	457,260
Capital Assets:		
Equipment, fixtures, furnishings	20,604	---
Less: Accumulated depreciation	(515)	---
Total Capital Assets	20,089	---
Total Assets	560,520	457,260
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	37,097	20,036
Retainage payable	7,893	15,219
Deferred revenue	446,416	382,807
Total Current Liabilities	491,406	418,062
Total Liabilities	491,406	418,062
<b>NET ASSETS:</b>		
Investment in capital assets	20,089	---
Unrestricted	49,025	39,198
Total Net Assets	\$ 69,114	\$ 39,198

See Notes to Financial Statements

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENTS OF REVENUES , EXPENDITURES AND  
 CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<b>REVENUES:</b>		
Department of Natural Resources - solid waste grants	\$ 154,336	\$ 349,604
Department of Natural Resources - administrative grant	153,247	19,434
USDA grant	---	8,566
Charges for services	10,808	3,532
Total Revenues	<u>318,391</u>	<u>381,136</u>
<b>EXPENDITURES:</b>		
Solid waste grant expenditures	155,723	308,677
Salary and benefits	63,475	56,673
Advertising	6,091	415
Audit services	3,600	3,350
Contracted services	51,520	2,625
Conferences	3,704	2,084
Education	2,894	832
Minor equipment	2,687	---
Insurance	255	255
Meals	755	227
Postage	554	1,008
Printing	450	3,083
Supplies	811	548
Telephone	1,451	2,269
Travel	3,131	2,368
Depreciation	515	---
Miscellaneous	541	589
Total Expenses	<u>298,157</u>	<u>385,003</u>
Excess (Deficit) of Operating Revenues Over Expenses	20,234	(3,867)
<b>NON-OPERATING REVENUES AND OTHER CHANGES IN NET ASSETS</b>		
Investment income	9,682	5,827
Other revenue	---	---
Total Non-Operating Revenues and Other Changes in Net Assets	<u>9,682</u>	<u>5,827</u>
Increase/(Decrease) in Net Assets	29,916	1,960
Net Assets, Beginning of Year	<u>39,198</u>	<u>37,238</u>
Net Assets, End of Year	<u>\$ 69,114</u>	<u>\$ 39,198</u>

See Notes to Financial Statements

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
<b>Cash Flows from Operating Activities:</b>		
Increase/(Decrease) in net assets	\$ 29,916	\$ 1,960
Adjustments to reconcile operating income (loss) to cash from operations:		
Depreciation	515	---
Decrease (increase) in grants receivable	58,833	(228,311)
(Decrease) increase in accounts and retainage payable	9,735	(2,815)
(Decrease) increase in deferred revenue	63,609	12,114
Net Cash from Operating Activities	162,608	(217,052)
<b>Cash Flows from Non-Capital Financing Activities:</b>		
	---	---
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Fixed asset acquisitions	(20,604)	---
Net Cash from Capital and Related Financing Activities	(20,604)	---
<b>Cash Flows from Investing Activities:</b>		
	---	---
Net Increase (Decrease) in Cash and Cash Equivalents	142,004	(217,052)
Cash and Cash Equivalents, Beginning of Year	222,108	439,160
Cash and Cash Equivalents, End of Year	\$ 364,112	\$ 222,108

**OTHER SUPPLEMENTAL CASH FLOW INFORMATION:**

Cash Basis Interest Expense	\$ ---	\$ ---
-----------------------------	--------	--------

See Notes to Financial Statements

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2006 AND 2005

**NOTE 1: NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

The Mid-Missouri Solid Waste Management District was formed in Region H, pursuant to RSMo., Section 260.305, and was officially recognized by the Missouri Department of Natural Resources (“the DNR”) in December 1991. The District includes the counties of Audrain, Boone, Callaway, Cole, Cooper, Howard, Moniteau, and Osage and their participating cities with a population of 500 or more. Participation in the District is voluntary and is formally established through a resolution of adoption filed with the District office by the member governments. The purpose of the District is to promote cooperation in solving solid waste management problems and to promote resource recovery and recycling. The District’s responsibilities include planning requirements as established by the Solid Waste Management Program, and the administration of grant funds made available to the District from the Solid Waste Management Fund, in accordance with RSMo., Section 260.335.2.

Financial Reporting Entity

The District’s combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization’s board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization of the District

Based on the aforementioned criteria, the District has no component units and the District is not a component unit of any other governmental entity.

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2006 AND 2005

**NOTE 1: NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting

Mid-Missouri Solid Waste Management District's basic financial presentation is based on the presentation formats required for proprietary funds and business-type activities. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the timing of when revenues and expenditures are recognized in the accounts and reporting in the financial statements.

The District uses a current financial resources measurement focus and the accrual basis of accounting. Its revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized under the accrual basis of accounting when the related fund liability is incurred, if measurable.

The major sources of revenue are grants, contributed services, and other revenues are as follows:

State Grant Revenue

Under GASB 33, "Accounting and Financial Reporting for Non-exchange Transactions," grant assets and revenues are recognized when all eligibility requirements have been met. For reimbursement grants, grant receivables and revenue are 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.

Other Income

Other income sources include primarily interest. Interest income is recorded as earned since it is measurable and available.

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2006 AND 2005

**NOTE 1: NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenue

The District reports deferred revenue on its statement of net assets. Accounts receivable is recorded as grant funding becomes available and deferred revenue is simultaneously recorded. Revenue is recognized based on program expenditures and the liability for deferred revenue is reduced in an amount equal to expenditures as those expenditures are incurred.

Grants Receivable

The District's grants receivable are primarily state grants and contracts. No allowance has been made for uncollectibility related to these grants and contracts.

Contributions

The District receives in-kind contributions from the City of Columbia through the payment of certain personnel costs, office and equipment rent, and utilities. The value of the contribution totaled \$12,777 and \$12,777 during the years ended June 30, 2006 and 2005, respectively. The revenue and expenses for the donations are not included in the statements of revenues, expenses and changes in net assets as the revenue and expenses are offsetting with no net effect.

Fixed Assets and Depreciation

The District records its fixed asset purchases at cost. Donated assets are capitalized at fair value. Depreciation is provided over the estimated useful lives of the assets on the straight-line basis. Equipment is depreciated over a period of three to ten years.

Income Tax Status

As a quasi-governmental organization, Mid-Missouri Solid Waste Management District is not subject to federal or state income taxes.

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2006 AND 2005

**NOTE 1: NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Budgets

The District follows these procedures in establishing budget data reflected in these financial statements:

1. In accordance with Chapter 67, RSMo, the District adopts a budget prior to the start of each fiscal year;
2. The budget was prepared on the accrual basis of accounting; and
3. The budget was not amended during the year.

**NOTE 2: EQUIPMENT ACQUIRED WITH GRANT FUNDS**

The grant agreements entered into by the subgrantees of the District have various terms and conditions. Included in the terms are standards governing the utilization and disposition of equipment acquired with grant funds. Title to equipment acquired under the grant vests with the subgrantee. The District retains a security interest in all equipment purchased for \$5,000 or more, in whole or in part, equivalent to the amount of funding. The security interest of the District decreases at a rate of 25% per year.

**NOTE 3: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts and theft of, damage to and destruction of assets for which the District carries insurance through private insurance companies.

**NOTE 4: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of checking and money market accounts maintained at a local bank. The deposits are entirely insured by Federal depository insurance or collateralized with securities pledged by the bank in the name of the District.

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>			<u>Net Revenues/ (Expenses) and Changes in Net Assets</u>
			Operating Grants and Contributions	Capital Grants and Contributions		Business- Type Activities
Solid Waste Management Programs	\$ 228,973	\$ 10,808	\$ 238,399	\$ ---		\$ 20,234
Administration	<u>69,184</u>	<u>---</u>	<u>69,184</u>	<u>---</u>		<u>---</u>
Totals	<u>\$ 298,157</u>	<u>\$ 10,808</u>	<u>\$ 307,583</u>	<u>\$ ---</u>		<u>20,234</u>

General Revenues:	
Investment income	9,682
Other income	<u>---</u>
Total General Revenues	<u>9,682</u>
Changes in Net Assets	29,916
Net Assets, Beginning of Year	<u>39,198</u>
Net Assets, End of Year	<u>\$ 69,114</u>

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID  
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance to Final Budget</u>
<b>REVENUES:</b>				
Department of Natural Resources - solid waste grants	\$ 270,000	\$ 270,000	\$ 154,336	\$ (115,664)
Department of Natural Resources - administrative grant	170,608	170,608	153,247	(17,361)
Other grants	16,640	16,640	---	(16,640)
Charges for services	3,500	3,500	10,808	7,308
Total Revenues	<u>460,748</u>	<u>460,748</u>	<u>318,391</u>	<u>(142,357)</u>
<b>EXPENDITURES:</b>				
Solid waste grant expenditures	270,000	270,000	155,723	114,277
Salary and benefits	63,543	63,543	63,475	68
Advertising	4,400	4,400	6,091	(1,691)
Audit services	3,600	3,600	3,600	---
Contracted services	58,500	58,500	51,520	6,980
Conferences	3,525	3,525	3,704	(179)
Education	9,515	9,515	2,894	6,621
Minor equipment	36,400	36,400	2,687	33,713
Insurance	275	275	255	20
Meals	1,450	1,450	755	695
Postage	900	900	554	346
Printing	1,700	1,700	450	1,250
Supplies	800	800	811	(11)
Telephone	2,200	2,200	1,451	749
Travel	2,450	2,450	3,131	(681)
Depreciation	---	---	515	(515)
Miscellaneous	1,250	1,250	541	709
Total Expenses	<u>460,508</u>	<u>460,508</u>	<u>298,157</u>	<u>162,351</u>
Excess (Deficit) of Operating Revenues Over Expenses	240	240	20,234	19,994
<b>NON-OPERATING REVENUES AND OTHER CHANGES IN NET ASSETS</b>				
Investment income	4,800	4,800	9,682	4,882
Total Non-Operating Revenues and Other Changes in Net Assets	<u>4,800</u>	<u>4,800</u>	<u>9,682</u>	<u>4,882</u>
Increase/(Decrease) in Net Assets	5,040	5,040	29,916	24,876
Net Assets, Beginning of Year	<u>39,198</u>	<u>39,198</u>	<u>39,198</u>	<u>---</u>
Net Assets, End of Year	<u>\$ 44,238</u>	<u>\$ 44,238</u>	<u>\$ 69,114</u>	<u>\$ 24,876</u>

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
STATEMENT OF SUBGRANT EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

Project number	Title	Expenditures
2004091	Region H - Planning and Waste Minimization Grant	\$ 3,130
2004097	City of Tipton - Processing Yard Waste	668
2004100	Show-Me Central HfH - Habitat Restore Space	997
2005152	Boonslick Industries, Inc. - Recycling Center	40,122
2005153	Handi-Shop, Inc. - School Recycling Program	32,365
2005154	City of Fulton - Drop, Pick and Roll	12,932
2005156	Ryan Enterprises, Inc. - Recycled Plastic Fence Posts	44,422
2005157	City of Columbia - Load Leveler	3,118
2005158	Cooper county Commission - Bushyhead Road Refuse Recovery	1,448
2005159	Columbia College - Expanded Recycling Program	3,367
2005160	City of Columbia - Mr. Bag-it Costume	2,389
2005161	Boone Early Childhood Partners - Reusables Expansion	2,461
2005162	City of Columbia - Bagger System Purchase	3,750
2005025	Region H - FY05-06 Plan Implementation/District Operation Grant	132,691
H2006001	Region H - FY06-07 Plan Implementation/District Operation Grant	31,135
H2006012	River Relief, Inc. - Mouth of the Osage River Cleanup	3,251
	<b>Total Subgrant Expenditures</b>	<b>318,246</b>
	Less: equipment capitalized	(20,604)
	Depreciation expense	515
	<b>Total Operating Expenses</b>	<b>\$ 298,157</b>

INTERNAL CONTROL

AND

COMPLIANCE



Professional Corporation  
Certified Public Accountants

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*

Executive Board  
Mid-Missouri Solid Waste Management District

20 South Fifth Street  
Columbia, MO 65201  
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Fax: (573) 443-8603  
[www.gkccpas.com](http://www.gkccpas.com)

We have audited the financial statements of the business-type activities of the Mid-Missouri Solid Waste Management District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

PARTNERS

Robert A. Gerding  
Fred W. Korte, Jr.  
Joseph E. Chitwood  
James R. McGinnis  
Travis W. Hundley

In planning and performing our audit, we considered the Mid-Missouri Solid Waste Management District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mid-Missouri Solid Waste Management District's financial statements are free of 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*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

September 27, 2006

*Gerding, Korte & Chitwood*  
Gerding, Korte and Chitwood  
Certified Public Accountants