

AUDIT COMMUNICATIONS LETTER
MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT
JUNE 30, 2007

GK&C
GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants



GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

December 19, 2007

To the Board of Directors and Management
Mid-Missouri Solid Waste Management District
Columbia, Missouri

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In planning and performing our audit of the financial statements of Mid-Missouri Solid Waste Management District(a special purpose governmental entity) for the year ended June 30, 2007, in accordance with U. S. generally accepted auditing standards, we considered Boone County Family Resources' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Mid-Missouri Solid Waste Management District's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Missouri Solid Waste Management District's internal control.

PARTNERS

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Material Weaknesses
- II. Significant Deficiencies
- III. Other Current Year Matters
- IV. Status of Prior Year Comments
- V. Professional Standards Communication

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

We want to express our sincere appreciation to Cindy Jolly and other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Mid-Missouri Solid Waste Management District.

Sincerely,

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

I. DEFICIENCIES CONSIDERED TO BE MATERIAL WEAKNESSES

A. General Accounting

Criteria: Employees assigned the responsibility for recording and reporting financial transactions should have adequate training and knowledge of basic accounting procedures and concepts.

Condition: We noted the individual assigned the basic accounting functions for Mid-Missouri Solid Waste Management District recorded all grant revenue transactions improperly subsequent to April 1, 2007. Prior to that date, all grant revenue transactions were recorded properly. Additionally, the individual was not aware of basic financial accounting and reporting concepts.

Cause: The cause appears to be a lack of adequate training for the functions expected to be performed by the individual.

Effect: All revenue recognition transactions were improperly recorded within the general ledger.

Recommendation: We recommend Mid-Missouri Solid Waste Management District focus employee training on obtaining an in-depth understanding of the underlying accounting principles associated with Mid-Missouri Solid Waste Management District's transactions.

Response: Assuming this position in April 2007, the MMSWMD Coordinator had no prior experience specifically with QuickBooks Financial software or grant funding procedures or practices. During the period July through October 2007, the Coordinator has since completed a QuickBooks training through the University of Missouri Extension, supplemented by a six-week web-based QuickBooks class through the Columbia Career Center. The Coordinator also requested and received a few hours of on-site assistance with QuickBooks from Gerding, Korte & Chitwood. The Coordinator does have prior working experience with budgets, receivables and payables. With recent QuickBooks training, transactions are now entered and documented correctly into the MMSWMD QuickBooks financial software. Regarding grant funding procedures, the Coordinator attended MDNR's District Grant workshop on October 22, 2007 and continues to work closely with MDNR's grant administrators and the MMSWMD Executive Board. The District Coordinator and assistants will continue to receive training specific to MDNR financial and grant funding practices as opportunities arise.

II. SIGNIFICANT DEFICIENCIES

A. Segregation of Duties

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and the financial statements are reliable. When the duties of one employee involve complete control over most, or all, aspects of an accounting cycle, without the involvement of other intervening employees, conflicts with the internal control objective may arise. This kind of conflict is generally referred to as a lack of segregation of duties.

A. Segregation of Duties (continued)

Condition: Mid-Missouri Solid Waste Management District has potential conflicts with personnel who have the ability to single-handedly access, record and report cash and investments, revenue and accounts receivable, and payroll and related liabilities.

Cause: Mid-Missouri Solid Waste Management District currently has only one employee that performs all accounting functions of the District. During part of the year, an assistant to the Director was hired to perform certain accounting functions.

Effect: The lack of segregation of duties increases the risk of both fraud and error within the Mid-Missouri Solid Waste Management District's accounting system and financial statements.

Recommendation: To address the Segregation of Duties issue we recommend, where practical, out-sourcing certain accounting functions and using board members for accounting functions oversight.

Response: MMSWMD staffing has experienced turnover this reporting period. In April 2007, a new District Coordinator was hired. In October 2007, the administrative assistant left employment, and additional duties were handled by the Coordinator. In December 2007, an office assistant was hired to assist the District Coordinator and duties include assisting with accounting functions. The District Coordinator works closely with Executive Board members to ensure and maintain the integrity of MMSWMD financial records. All receipts and expenditures must be presented to and receive MMSWMD Executive Board approval, and checks are signed by the MMSWMD Executive Board Chair and Executive Board Treasurer.

III. OTHER CURRENT YEAR MATTERS

A. Pre-numbered Receipts

During our test of receipts for tire collections, we noted receipts are not always issued sequentially. For example, a receipt book at one tire collection ended with number 399 and the next receipt issued at the same collection was number 700.

We recommend pre-numbered receipts be used in sequential order. Pre-numbered receipts assist in ensuring all funds collected are deposited into the District's accounts.

Response: Numbered receipt books were printed in April, and every effort will be made to ensure numbered receipts are issued sequentially.

B. Collection Deposits

During our test of deposits, we noted money collected at Saturday collections was not immediately deposited at the bank. The District Coordinator keeps the cash collected until Monday morning and then prepares the deposit.

We recommend a deposit be made immediately following each collection.

B. Collection Deposits (continued)

Response: Fees from Saturday tire collections are deposited on the Monday following the event as banks are closed on Saturday afternoons. When the event closes, the District Coordinator counts the cash and checks received, then records amounts on a cash collection form. A second person counts the money and verifies the amounts recorded are correct and signs the form. The second person may be the office assistant, a MMSWMD Executive Board or Advisory Committee member, or a County official present at the event. The cash and checks are stored in a safe from Saturday until Monday. On the Monday following the events, the cash and checks amounts are verified again by a person other than the District Coordinator, and then deposited in the bank before Monday noon. The deposit receipt is stapled to the cash collection form and filed in the bank folder.

IV. STATUS OF PRIOR YEAR COMMENTS

A. Budget Amendments

We noted in the prior year that the District's budget was not entered into the accounting system, and the budget was amended after expenditures exceeded the approved amounts in the original budget.

During our current audit, we noted the budget detail was entered into the accounting system and appeared to be monitored throughout the fiscal year. It appears the District has addressed this issue.

V. PROFESSIONAL STANDARDS COMMUNICATION

A. Nature of Engagement

We were engaged to perform an opinion audit of Mid-Missouri Solid Waste Management District's financial statements as of and for the year ended June 30, 2007.

B. Our Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 20, 2007, 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. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of 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.

C. 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 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, 2007. 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.

D. Accounting Estimates

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.

E. 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 several adjustments and reclassifications that were accepted by management and the effects of which are included in the June 30, 2007, financial statements.

F. Material Corrected Misstatements

We reclassified all revenue recognition transactions subsequent to April 1, 2007.

G. Significant Corrected Adjustments

The effect on net assets of the significant corrected adjustments is as follows:

Accounts Payable Balance Correction	(4,232)
Retainage Payable Balance Correction	234
Tire Collection Revenue Correction	1,441
Depreciation and Fixed Asset Purchases	<u>29</u>
Total Effect on Net Assets	<u>\$ (2,528)</u>

H. 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.

I. 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 District'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.

J. 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 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.

K. Difficulties Encountered in Performing the Audit

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

REPORT OF
MID-MISSOURI SOLID WASTE
MANAGEMENT DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2007 AND 2006

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT

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GERDING, KORTE & CHITWOOD

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Executive Board
Mid-Missouri Solid Waste Management District

20 South Fifth Street
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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, 2007 and 2006, 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.

PARTNERS

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

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, 2007 and 2006, 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 December 19, 2007, 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.

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.

December 19, 2007


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, 2007. 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, 2007, MMSWMD reported an ending unreserved net asset balance of \$80,389. This represented an increase of \$11,275 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. Effective October 30, 2007, Missouri Department of Natural Resources Solid Waste Management Program ruling states that District Operations and Plan Implementation activities must be in two separate grants. A copy of the new rule will be provided for the FY2008 annual financial audit.
- MMSWMD Policies and Administrative Rules require the district to maintain a fund balance of 25% to 33% of the average operating budget of MMSWMD. We have exceeded the maximum limit, however, steps to reduce this balance to acceptable limits are being taken in the FY2008 District Grant Rounds 1 and 2.
- 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.
- In FY2006, we 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, 2007</u>	<u>June 30, 2006</u>
Cash and investments	\$ 517,834	\$ 364,112
Accounts (Grants) receivable	0	176,319
Total current assets	<u>517,834</u>	<u>540,431</u>
Equipment, fixtures, furnishings	22,904	20,604
Less: Accumulated depreciation	<u>(2,786)</u>	<u>(515)</u>
Total non-current assets	<u>20,118</u>	<u>20,089</u>
Total Assets	<u>537,952</u>	<u>560,520</u>
Accounts payable	27,688	37,097
Retainage payable	14,360	7,893
Deferred revenue (Unearned grant revenue)	<u>415,515</u>	<u>446,416</u>
Total Liabilities	<u>457,563</u>	<u>491,406</u>
Capital Assets	20,118	20,089

Unrestricted	<u>60,271</u>	<u>49,025</u>
Total Net assets	<u>\$ 80,389</u>	<u>\$ 69,114</u>

MMSWMD's net assets were \$80,389 as of June 30, 2007. Total reserves of unrestricted funds reached \$60,271 an increase of \$11,246, or a 22.94% 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 \$136,713. The target fund balance should therefore be between \$34,178 and \$45,115. Our current fund balance of 44.1% exceeds the highest allowable level. Steps to reduce this fund balance were taken in the FY2008 Round 1 District Grant Cycle where \$16,517.71 was obligated for Projects H2008001, H2008002 and H2008003 (\$7,828.45 in carryover, \$4,689.26 in Interest Income, and \$4,000.00 in Program Income). Additional interest income from the District Grant account will be obligated during the FY2008 Round 2 District Grant cycle, thus further reducing the Unrestricted fund balance.

Revenues and Expenses

The financial activities of the Organization for the year ended June 30, 2007, compared to June 30, 2006, are summarized as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Sub-grantee Grants (DNR-Solid Waste Grants)	\$ 210,718	\$ 154,336
PI-DO Grants (DNR Administrative Grants)	142,629	153,247
Other Grants (DNR State Grant)	10,271	0
Charges for services	<u>7,328</u>	<u>10,808</u>
Total Revenues	<u>370,946</u>	<u>318,391</u>
Sub-grantee Grant Expenses	210,719	155,723
Personnel	86,121	63,475
Contracted services	46,493	51,520
Depreciation	2,271	515
Other	<u>33,717</u>	<u>26,924</u>
Total Expenses	<u>379,321</u>	<u>298,157</u>
Operating surplus/(deficit)	(8,375)	20,234
Investment and other revenue	<u>19,650</u>	<u>9,682</u>
Increase in Net Assets	<u>\$ 11,275</u>	<u>\$ 29,916</u>

Total revenues in FY2007 were up from FY 2006. Revenue recognition is affected by sub-recipient spending on grants. The increased spending by sub-recipients resulted in increased revenue and decreased deferred revenue.

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 FY2007 increased as well over the prior year for similar reasons to the increase in revenues. The slow spend-down of funds in FY2006 results in a larger sub-grantee expense in FY2007. 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.

Budgetary Highlights

	<u>Actual</u> <u>June 30, 2007</u>	<u>Budget</u> <u>June 30, 2007</u>
Grants	\$ 363,618	\$ 549,081
Interest revenue	19,650	5,500
Charges for services	<u>7,328</u>	<u>5,000</u>
Total Revenues	<u>\$ 390,596</u>	<u>\$ 559,581</u>
Solid Waste (sub-grantee) Grant expenses	\$ 210,719	\$ 311,700
Personnel	86,121	73,545
Contracted services	46,493	80,000
Other	<u>35,988</u>	<u>94,336</u>
Total Expenses	<u>\$ 379,321</u>	<u>\$ 559,581</u>

Total revenues were only 66.9% of the revenue anticipated by the FY2007 budget because several grant projects were slow to request funds, and therefore the income remained as unearned grant income. The FY2008 budget anticipates that these revenues will be recognized and therefore over \$345,000 has been budgeted for revenues from solid waste grants to sub-grantees.

Interest revenues and program income from charges for services were 357% and 146% 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, Personnel and Contracted Services. Personnel expenses finished at 117.1% of the budget amount. And Contracted Services, which now includes the tire collection and HHW expenses, came in at 58.1% of the amount projected in the amended budget. Sub-grantee grant expenditures were only 67.6% of the FY2007 budget level and accounted for most of the shortfall on expenses. Total expenses came in at only 67.8 % of the budget as adopted. Salary and Benefits were affected this year due to the resignation of the Region H Planner in March 2007 with payout of vacation and other accruals.

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, Cindy Jolly, 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, 2007 AND 2006

	2007	2006
ASSETS		
Current Assets:		
Cash	\$ 517,834	\$ 364,112
Grants receivable	---	176,319
Total Current Assets	517,834	540,431
Capital Assets:		
Equipment, fixtures, furnishings	22,904	20,604
Less: Accumulated depreciation	(2,786)	(515)
Total Capital Assets	20,118	20,089
Total Assets	537,952	560,520
LIABILITIES		
Current Liabilities:		
Accounts payable	27,688	37,097
Retainage payable	14,360	7,893
Deferred revenue	415,515	446,416
Total Current Liabilities	457,563	491,406
Total Liabilities	457,563	491,406
NET ASSETS:		
Investment in capital assets	20,118	20,089
Unrestricted	60,271	49,025
Total Net Assets	\$ 80,389	\$ 69,114

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, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Department of Natural Resources - solid waste grants	\$ 210,718	\$ 154,336
Department of Natural Resources - administrative grant	142,629	153,247
DNR state grant	10,271	---
Charges for services	7,328	10,808
Total Revenues	<u>370,946</u>	<u>318,391</u>
EXPENDITURES:		
Solid waste grant expenditures	210,719	155,723
Salary and benefits	86,121	63,475
Advertising	6,147	6,091
Audit services	3,690	3,600
Contracted services	46,493	51,520
Conferences	6,111	3,704
Education	500	2,894
Minor equipment	4,609	2,687
Insurance	255	255
Meals	1,876	755
Postage	469	554
Printing	787	450
Supplies	5,081	811
Telephone	762	1,451
Travel	2,719	3,131
Depreciation	2,271	515
Miscellaneous	711	541
Total Expenses	<u>379,321</u>	<u>298,157</u>
Excess (Deficit) of Operating Revenues Over Expenses	(8,375)	20,234
NON-OPERATING REVENUES AND OTHER CHANGES IN NET ASSETS		
Investment income	<u>19,650</u>	<u>9,682</u>
Total Non-Operating Revenues and Other Changes in Net Assets	<u>19,650</u>	<u>9,682</u>
Increase/(Decrease) in Net Assets	11,275	29,916
Net Assets, Beginning of Year	<u>69,114</u>	<u>39,198</u>
Net Assets, End of Year	<u>\$ 80,389</u>	<u>\$ 69,114</u>

See Notes to Financial Statements

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
Cash Flows from Operating Activities:		
Increase/(Decrease) in net assets	\$ 11,275	\$ 29,916
Adjustments to reconcile operating income (loss) to cash from operations:		
Depreciation	2,271	515
Decrease (increase) in grants receivable	176,319	58,833
(Decrease) increase in accounts and retainage payable	(2,941)	9,735
(Decrease) increase in deferred revenue	(30,901)	63,609
Net Cash from Operating Activities	156,023	162,608
Cash Flows from Capital and Related Financing Activities:		
Fixed asset acquisitions	(2,301)	(20,604)
Net Cash from Capital and Related Financing Activities	(2,301)	(20,604)
Net Increase (Decrease) in Cash and Cash Equivalents	153,722	142,004
Cash and Cash Equivalents, Beginning of Year	364,112	222,108
Cash and Cash Equivalents, End of Year	\$ 517,834	\$ 364,112

OTHER SUPPLEMENTAL CASH FLOW INFORMATION:

Cash Basis Interest Expense	\$ ---	\$ ---
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See Notes to Financial Statements

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2007 AND 2006

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, 2007 AND 2006

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, 2007 AND 2006

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 \$24,337 and \$12,777 during the years ended June 30, 2007 and 2006, respectively. The revenue and expenses for the donations are not included in the statements of revenues, expenses and changes in net assets because 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, 2007 AND 2006

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, 2007

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues/ (Expenses) and Changes in Net Assets
					Business- Type Activities
Solid Waste Management Programs	\$ 285,750	\$ 7,328	\$ 270,047	\$ ---	\$ (8,375)
Administration	93,571	---	93,571	---	---
Totals	\$ 379,321	\$ 7,328	\$ 363,618	\$ ---	(8,375)
General Revenues:					
Investment income					19,650
Total General Revenues					19,650
Changes in Net Assets					11,275
Net Assets, Beginning of Year					69,114
Net Assets, End of Year					\$ 80,389

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, 2007

	Original Budget	Final Budget	Actual	Variance to Final Budget
REVENUES:				
Department of Natural Resources - solid waste grants	\$ 311,700	\$ 311,700	\$ 210,718	\$ (100,982)
Department of Natural Resources - administrative grant	228,981	228,981	142,629	(86,352)
Other grants	8,400	8,400	10,271	1,871
Charges for services	5,000	5,000	7,328	2,328
Total Revenues	<u>554,081</u>	<u>554,081</u>	<u>370,946</u>	<u>(183,135)</u>
EXPENDITURES:				
Solid waste grant expenditures	311,700	311,700	210,719	100,981
Salary and benefits	73,545	73,545	86,121	(12,576)
Advertising	10,370	10,370	6,147	4,223
Audit services	3,850	3,850	3,690	160
Contracted services	80,000	80,000	46,493	33,507
Conferences	7,071	7,071	6,111	960
Education	800	800	500	300
Minor equipment	5,000	5,000	4,609	391
Facilities	50,000	50,000	---	50,000
Insurance	1,375	1,375	255	1,120
Meals	1,875	1,875	1,876	(1)
Postage	900	900	469	431
Printing	1,700	1,700	787	913
Supplies	4,750	4,750	5,081	(331)
Telephone	2,000	2,000	762	1,238
Travel	3,595	3,595	2,719	876
Depreciation	---	---	2,271	(2,271)
Miscellaneous	1,050	1,050	711	339
Total Expenses	<u>559,581</u>	<u>559,581</u>	<u>379,321</u>	<u>180,260</u>
Excess (Deficit) of Operating Revenues Over Expenses	(5,500)	(5,500)	(8,375)	(2,875)
NON-OPERATING REVENUES AND OTHER CHANGES IN NET ASSETS				
Investment income	<u>5,500</u>	<u>5,500</u>	<u>19,650</u>	<u>14,150</u>
Total Non-Operating Revenues and Other Changes in Net Assets	<u>5,500</u>	<u>5,500</u>	<u>19,650</u>	<u>14,150</u>
Increase/(Decrease) in Net Assets	---	---	11,275	11,275
Net Assets, Beginning of Year	<u>69,114</u>	<u>69,114</u>	<u>69,114</u>	---
Net Assets, End of Year	<u>\$ 69,114</u>	<u>\$ 69,114</u>	<u>\$ 80,389</u>	<u>\$ 11,275</u>

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT
STATEMENT OF SUBGRANT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

Project number	Title	Expenditures
H2007001	MMSWMD - Operation Grant for 2007	\$ 70,894
H2007002	Loganbill Enterprises, Inc. - Compost Lagoon Pumping System	5,000
H2007004	River Relief, Inc. - Cleaning up the Big Muddy	11,005
H2005025	MMSWMD - Plan Implementation Grant/District Operation Grant for 2005	1,100
H2005154	City of Fulton - Drop, Pick, & Roll	24,553
H2005155	City of Columbia - Non-Residential/Commerical Compactors & Balers	35,997
H2005156	Ryan Enterprises, Inc. - Ryan Enterprises, Plastic Fence Posts	3,203
H2005157	City of Columbia - Load Leveler	14,173
H2005158	Cooper County - Bushyhead Road Refuse Recovery	2,449
H2005159	Columbia College - Columbia College Expanded Recycling Program	1,245
H2005161	Boone Early Childhood Partners - Reusables Expansion Project	1,235
H2006001	MMSWMD - Operation Grant for 2006	12,880
H2006002	Boonslick Industries, Inc. - Increasing Effectiveness of Boonslick Industries	71,029
H2006003	City of Fulton - HHW Collections	12,837
H2006007	City of Columbia - Truck Scales	11,250
H2006008	University of Missouri - Recycling Equipment	9,188
H2006009	City of Rocheport - Improving Operations at the Yard-Waste Disposal Site	2,180
H2006011	Columbia College - Further Expanded Recycling Program	4,129
H2006012	River Relief, Inc. - Mouth of the Osage River Cleanup	1,246
H2006014	MMSWMD - Operation Grant for 2006	72,346
SW2005-103	Department of Natural Resources Target Grant	11,411
	Total Subgrant Expenditures	379,350
	Less: equipment capitalized	(2,300)
	Depreciation expense	2,271
	Total Operating Expenses	<u>\$ 379,321</u>

INTERNAL CONTROL

AND

COMPLIANCE

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

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We have audited the financial statements of Mid-Missouri Solid Waste Management District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mid-Missouri Solid Waste Management District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mid-Missouri Solid Waste Management District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mid-Missouri Solid Waste Management District's internal control over financial reporting.

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 on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency 2007-02 described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We consider the deficiency 2007-01 to be a material weakness.

PARTNERS

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

We also noted certain matters that we reported in as separate audit communications letter to the Board of Directors dated December 19, 2007.

Mid-Missouri Solid Waste Management District's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Mid-Missouri Solid Waste Management District's responses and, accordingly, we express no opinion on them.

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.

December 19, 2007


Gerding, Korte and Chitwood
Certified Public Accountants

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2007

SECTION I: FINANCIAL STATEMENT FINDINGS

Finding 2007-01: General Accounting

Criteria: Employees assigned the responsibility for recording and reporting financial transactions should have adequate training and knowledge of basic accounting procedures and concepts.

Condition: We noted the individual assigned the basic accounting functions for Mid-Missouri Solid Waste Management District recorded all grant revenue transactions improperly subsequent to April 1, 2007. Prior to that date, all grant revenue transactions were recorded properly. Additionally, the individual was not aware of basic financial accounting and reporting concepts.

Cause: The cause appears to be a lack of adequate training for the functions expected to be performed by the individual.

Effect: All revenue recognition transactions were improperly recorded within the general ledger.

Recommendation: We recommend Mid-Missouri Solid Waste Management District focus employee training on obtaining an in depth understanding of the underlying accounting principles associated with Mid-Missouri Solid Waste Management District's transactions.

Response: Assuming this position in April 2007, the MMSWMD Coordinator had no prior experience specifically with QuickBooks Financial software or grant funding procedures or practices. During the period July through October 2007, the Coordinator has since completed a QuickBooks training through the University of Missouri Extension, supplemented by a six-week web-based QuickBooks class through the Columbia Career Center. The Coordinator also requested and received a few hours of on-site assistance with QuickBooks from Gerding, Korte & Chitwood. The Coordinator does have prior working experience with budgets, receivables and payables. With recent QuickBooks training, transactions are now entered and documented correctly into the MMSWMD QuickBooks financial software. Regarding grant funding procedures, the Coordinator attended MDNR's District Grant workshop on October 22, 2007 and continues to work closely with MDNR's grant administrators and the MMSWMD Executive Board. The District Coordinator and assistants will continue to receive training specific to MDNR financial and grant funding practices as opportunities arise.

MID-MISSOURI SOLID WASTE MANAGEMENT DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2007

Finding 2007-02: Segregation of Duties

Condition: Mid-Missouri Solid Waste Management District has potential conflicts with personnel who have the ability to single-handedly access, record and report cash and investments, revenue and accounts receivable, and payroll and related liabilities.

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and the financial statements are reliable. When the duties of one employee involve complete control over most, or all, aspects of an accounting cycle, without the involvement of other intervening employees, conflicts with the internal control objective may arise. This kind of conflict is generally referred to as a lack of segregation of duties.

Cause: Mid-Missouri Solid Waste Management District currently has only one employee that performs all accounting functions of the District. During part of the year, an assistant to the Director was hired to perform certain accounting functions.

Effect: The lack of segregation of duties increases the risk of both fraud and error within the Mid-Missouri Solid Waste Management District's accounting system and financial statements.

Recommendation: To address the Segregation of Duties issue we recommend, where practical, hiring additional accounting staff and cross-training of accounting staff and periodic rotation of duties among accounting staff.

Response: MMSWMD staffing has experienced turnover this reporting period. In April 2007, a new District Coordinator was hired. In October 2007, the administrative assistant left employment, and additional duties were handled by the Coordinator. In December 2007, an office assistant was hired to assist the District Coordinator and duties include assisting with accounting functions. The District Coordinator works closely with Executive Board members to ensure and maintain the integrity of MMSWMD financial records. All receipts and expenditures must be presented to and receive MMSWMD Executive Board approval, and checks are signed by the MMSWMD Executive Board Chair and Executive Board Treasurer.