



EAST CENTRAL MISSOURI SOLID WASTE  
MANAGEMENT DISTRICT

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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MAY 21 2012

SWMP OPERATIONS

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
East Central Missouri Solid Waste Management District

We have audited the accompanying financial statements of the governmental activities and major fund of East Central Missouri Solid Waste Management District (the District), as of and for the years ended December 31, 2011 and 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

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

Management's Discussion and Analysis, which is a required supplemental schedule by accounting principles generally accepted in the United States of America, has been omitted.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District, as of December 31, 2011 and 2010, and the respective changes in financial position, thereof 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 our report dated May 14, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Tochtrop & Associates*  
Tochtrop & Associates, P.C.  
May 14, 2012

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EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2011 AND 2010

	Governmental Activities	
	<u>Totals</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 14,944	35,210
Restricted asset - cash	<u>31,177</u>	<u>65,876</u>
<b>TOTAL CURRENT ASSETS</b>	46,121	101,086
<b>NONCURRENT ASSETS</b>		
Machinery and equipment and leasehold improvements, net of depreciation	<u>113,900</u>	<u>123,921</u>
<b>TOTAL ASSETS</b>	<u>160,021</u>	<u>225,007</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Unearned grant revenue	<u>30,283</u>	<u>63,272</u>
<b>NET ASSETS</b>		
Invested in capital assets	113,900	123,921
Restricted:		
Grant programs	31,177	65,876
Unrestricted	<u>(15,339)</u>	<u>(28,062)</u>
<b>TOTAL NET ASSETS</b>	<u>129,738</u>	<u>161,735</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 160,021</u>	<u>225,007</u>

See notes to the basic financial statements

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

	PROGRAM REVENUES			TOTALS
	CHARGES FOR SERVICES	OPERATING GRANTS	CAPITAL GRANTS	
PROGRAMS	EXPENSES			2011
Total Activities	\$ 170,083	137,989	-	(32,094)
ste reduction				
revenues				
nt earnings				97
NET ASSETS				(31,997)
S - JANUARY 1				161,735
S - DECEMBER 31				\$ 129,738

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See notes to the basic financial statements

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
BALANCE SHEETS  
GOVERNMENTAL FUND TYPE - GENERAL FUND  
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash	\$ 14,944	35,210
Restricted asset - cash	<u>31,177</u>	<u>65,876</u>
<b>TOTAL ASSETS</b>	<u>\$ 46,121</u>	<u>101,086</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Deferred grant revenue	<u>30,283</u>	<u>63,272</u>
 <b>FUND BALANCE</b>		
Restricted:		
Grant programs	31,177	65,876
Unassigned	<u>(15,339)</u>	<u>(28,062)</u>
<b>TOTAL FUND BALANCE</b>	<u>15,838</u>	<u>37,814</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 46,121</u>	<u>101,086</u>

See notes to the basic financial statements

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEETS  
 TO THE STATEMENTS OF NET ASSETS  
 DECEMBER 31, 2010 AND 2011

	<u>2011</u>	<u>2010</u>
FUND BALANCE - GOVERNMENTAL FUND	\$ 15,838	37,814
<p>Amounts reported for governmental activities in the statements of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.</p>		
Cost of capital assets	130,635	130,635
Accumulated depreciation	<u>(16,735)</u>	<u>(6,714)</u>
	<u>113,900</u>	<u>123,921</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 129,738</u>	<u>161,735</u>

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EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND - GENERAL FUND  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
REVENUES		
Grants	\$ 137,989	316,308
Investment income	<u>97</u>	<u>289</u>
TOTAL REVENUES	<u>138,086</u>	<u>316,597</u>
EXPENDITURES		
Current:		
Solid waste reduction:		
Recycling Center contract	100,461	106,251
Administrative contract	37,000	39,400
Program grants	19,701	30,039
Professional fees	2,900	-
Insurance	-	222
Capital outlay	<u>-</u>	<u>130,635</u>
TOTAL EXPENDITURES	<u>160,062</u>	<u>306,547</u>
CHANGES IN FUND BALANCE	<u>(21,976)</u>	<u>10,050</u>
FUND BALANCE - JANUARY 1	37,814	14,440
PRIOR PERIOD ADJUSTMENTS:		
Deferred revenue	-	32,438
Accounts payable	<u>-</u>	<u>(19,114)</u>
FUND BALANCE - JANUARY 1, RESTATED	<u>37,814</u>	<u>27,764</u>
FUND BALANCE - DECEMBER 31	<u>\$ 15,838</u>	<u>37,814</u>

See notes to the basic financial statements

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENTS OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCE  
 TO THE STATEMENTS OF ACTIVITIES  
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND	\$ (21,976)	10,050
<p>Amounts reported for governmental activities in the statements of activities are different because:</p> <p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	-	130,635
Depreciation	<u>(10,021)</u>	<u>(6,714)</u>
	<u>(10,021)</u>	<u>123,921</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (31,997)</u>	<u>133,971</u>

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EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

The East Central Missouri Solid Waste Management District (the District) was formed to develop and implement a plan for the reduction of solid waste. This plan has a goal set by the State to reduce waste by forty percent. The District, administered by a local board of directors, grants funding to operate a recycling center located in Warren County, Missouri.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governments. The following is a summary of the more significant policies:

**1. The Reporting Entity**

In evaluating the District as a reporting entity, management has addressed all component units for which the District may or may not be financially accountable and, as such, be includable within the District's financial statements. In accordance with Governmental Accounting Standards Board Statement No. 14, the District (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the District. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on these criteria, the District has determined that its financial reporting entity consists of the District and no other reporting units.

**2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net assets and the statements of activities) report information on all of the nonfiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Investment income and other items not properly included among program revenues are reported instead as general revenues.

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

2. Government-wide and Fund Financial Statements (Continued)

The fund financial statements of the District are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures. District resources are allocated to and accounted for in individual funds based upon purposes for which they are to be spent and the means by which spending activities are controlled. The District uses only one category of fund, which is the General Fund.

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

The District reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the District and is used to account for all financial resources.

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3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial statement reporting purposes to reflect the modified accrual basis of accounting for governmental fund types.

Under the modified accrual basis of accounting, revenues are recognized when both measurable and available. The term "available" is defined as collectible within the current period or soon thereafter to be used to pay the liabilities of the current period. For the District, available is defined as expected to be received within 60 days of fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE A - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

GASB Statement 33 (GASB 33) groups nonexchange transactions into the following four classes based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions. Resources received in advance are reported as deferred revenues until the period of the exchange.

**4. Capital Assets**

Capital assets are reported in the government-wide financial statements. Assets capitalized have an original cost of more than \$1,000 and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is being computed on the straight-line method, using asset lives as follows:

Machinery and Equipment	10 Years
Leasehold improvements	30 Years

**5. Net Assets**

The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

**Invested in Capital Assets, Net of Related Debt** - This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

**Restricted** - This category reflects the portion of net assets that have third party limitations on their use.

**Unrestricted** - This category reflects net assets of the District not restricted for any project or other purpose.

**6. Fund Balance**

In the governmental fund financial statements, fund balance is reported in five classifications:

**Nonspendable** - This classification includes amounts that cannot be spent because they are either (a) not in a spendable form (such as prepaid amounts) or (b) legally or contractually required to be maintained intact (such as debt service reserves).

**Restricted** - This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (b) enabling legislation.

EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Fund Balances (Continued)

**Committed** - This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the Board of Directors, the District's highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the District takes the same highest-level action to remove or change the constraint.

**Assigned** - This classification includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The District's governing body is the Board of Directors.

**Unassigned** - This classification is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The District's policy is to spend the most restricted resources first before less restricted resources in the following order: Nonspendable (if funds become spendable), restricted, committed, assigned, then unassigned.

7. Budgetary Data

The District is not legally required to prepare or adopt a budget and, therefore, a budgetary comparison is not presented.

8. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE B - CASH

Custodial Credit Risk for deposits is the risk that, in the event of bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the District or trustee institution. The value of the securities must amount to the total of the District's cash not insured by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2011 and 2010, the District's bank balances were entirely secured by the FDIC.

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EAST CENTRAL MISSOURI SOLID WASTE MANAGEMENT DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011

NOTE C - RESTRICTED CASH

Restricted cash consists of grants received from the Missouri Department of Natural Resources (DNR) and the related interest earned held in the District's bank account until expended. Cash and investment income are restricted to use under conditions specified in DNR grant agreements.

NOTE D - CAPITAL ASSETS

Recycling Center capital asset activity for the year ended December 31, 2011 was as follows:

	December 31		December 31	
	<u>2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>2011</u>
<b>Governmental activities:</b>				
<i>Capital assets:</i>				
Machinery & equipment	\$ 84,985	--	--	84,985
Leasehold improvements	<u>45,650</u>	--	--	<u>45,650</u>
Total capital assets being depreciated	<u>130,635</u>	--	--	<u>130,635</u>
<i>Less accumulated depreciation:</i>				
Machinery & equipment	(5,953)	(8,499)	--	(14,452)
Leasehold improvements	<u>(761)</u>	<u>(1,522)</u>	--	<u>(2,283)</u>
Total accumulated depreciation	<u>(6,714)</u>	<u>(10,021)</u>	--	<u>(16,735)</u>
Total capital assets, net	<u>\$123,921</u>	<u>(10,021)</u>	--	<u>113,900</u>

Recycling Center capital asset activity for the year ended December 31, 2010 was as follows:

	December 31		December 31	
	<u>2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>2010</u>
<b>Governmental activities:</b>				
<i>Capital assets:</i>				
Machinery & equipment	\$ --	84,985	--	84,985
Leasehold improvements	<u>--</u>	<u>45,650</u>	--	<u>45,650</u>
Total capital assets being depreciated	<u>--</u>	<u>130,635</u>	--	<u>130,635</u>
<i>Less accumulated depreciation:</i>				
Machinery & equipment	--	(5,953)	--	(5,953)
Leasehold improvements	<u>--</u>	<u>( 761)</u>	--	<u>(761)</u>
Total accumulated depreciation	<u>--</u>	<u>( 6,714)</u>	--	<u>(6,714)</u>
Total capital assets, net	<u>\$ --</u>	<u>123,921</u>	--	<u>123,921</u>

TOWN OF AUGUSTA, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2011

**NOTE E - MISSOURI DEPARTMENT OF NATURAL RESOURCES GRANTS (DNR)**

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

Revenues derived from DNR grant allocations accounted for 99.9% of total revenue in 2011 and 2010.

**NOTE F - DISTRICT OPERATIONS**

The District contracts with Boonslick Regional Planning Commission (BRPC) to operate the District's programs. As part of this contract BRPC reimburses sub-grantees on projects and covers most operating expenses. BRPC is reimbursed for payments to sub-grantees and is paid an administrative fee for operating the program.

**NOTE G - FACILITY USE AGREEMENT**

The District entered into a facility use agreement (the agreement) on April 1, 2010 with Warren County, Missouri and the State of Missouri for the lease of property to be used for a recycling center. The District contracts with BRPC to operate the recycling center. User fees, which are paid to BRPC along with all operating expenses, are \$2,079 per month.

**NOTE H - CONTINGENT LIABILITIES**

Use of federal, state, and local grant funds is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grant. To the extent such disallowances involves expenditures under the subcontracted arrangement; the District generally has the right of recovery from such third parties. Based on prior experience, management believes the District will not incur significant losses on possible grant disallowances.

**NOTE I - UNEARNED AND DEFERRED GRANT REVENUE**

Unearned and deferred grant revenue represents funds received by the District on awards to sub-grantees that have not been paid to them as of the date of the balance sheet. At December 31, 2011 and 2010, unearned and deferred grant revenue amounted to \$30,283 and \$63,272, respectively.

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

To The Board of Directors  
East Central Missouri Solid Waste Management District

We have audited the financial statements of the governmental activities and major fund of East Central Missouri Solid Waste Management District (the District), as of and for the year ended December 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 14, 2012. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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## Compliance And Other Matters

As part of obtaining reasonable assurance about whether the 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 management, the Board of Directors, others within the District, 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.

*Tochtrop & Associates*

Tochtrop & Associates, P.C.

May 14, 2012