



Missouri Department of dnr.mo.gov

NATURAL RESOURCES

Michael L. Parson, Governor

Carol S. Comer, Director

JUN 29 2018

Mr. Pat Kelly
Region L – St. Louis-Jefferson Solid Waste Management District
1034 S. Brentwood Blvd
Suite 410
Brentwood, MO 63117

RE: Region L – St. Louis-Jefferson Solid Waste Management District, FY2017 Audit Desk Review

Dear Mr. Kelly:

The Missouri Department of Natural Resources' Solid Waste Management Program (SWMP) has completed the desk review of the audited financial statements of Region L – St. Louis-Jefferson Solid Waste Management District (District), conducted by Schowalter & Jabouri, P.C., of St. Louis, Missouri for the year ended December 31, 2017.

The purpose of this desk review was to determine whether the financial audit report met applicable standards and requirements. The audit was received within the required 180-day timeframe.

The District's audit contained an unqualified opinion with no reported current year findings and no questioned costs. Our review disclosed some instances of noncompliance pertaining to the auditor's reports. Please see the enclosed highlighted SWMP Audit Report Submittal Checklist.

Please refer to the enclosed Audit Submittal Checklist for your next audit to confirm the completeness of audit reports. This will allow you to work with the audit firm to ensure future audited financial statements are in compliance.

We appreciate your efforts in fulfilling the audit reporting requirements. If you have any questions or concerns please contact Ms. Debbie Ickes at Missouri Department of Natural Resources, Solid Waste Management Program, P.O. Box 176, Jefferson City, MO 65102 or (573) 526-3937 or by email at debbie.ickes@dnr.mo.gov.

Sincerely,

SOLID WASTE MANAGEMENT PROGRAM

Richard A. Kempker, Chief
Operations Section

RAK/dil

Enclosure

c: Mr. David Berger, Region L – St. Louis-Jefferson Solid Waste Management District



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SOLID WASTE MANAGEMENT PROGRAM (SWMP)

SOLID WASTE MANAGEMENT DISTRICT AUDIT REPORT SUBMITTAL CHECKLIST

(Section 260.325 Missouri Statutes)

The SWMP developed this checklist to improve the quality and completeness of audit reports.

<input type="checkbox"/>	Independent Auditor's Report on the Financial Statements signed and dated by the auditor, in accordance with generally accepted government auditing standards (GAGAS).
<input type="checkbox"/>	Management Discussion and Analysis (MD&A).
<input type="checkbox"/>	Basic Financial Statements presented in accordance with GASB 34. Statements identifying, at a minimum, the following accounts: Assets: cash, investments, receivables, fixed assets. Liabilities: accounts payable, deferred grant revenue, deferred interest revenue. Net assets, Revenues: grant revenue, program income, interest revenue, other revenue. Minimum following statements: Statement of Net Assets, Statement of Activities, Fund Financial Statements.
<input type="checkbox"/>	Notes to the Basic Financial Statements.
<input type="checkbox"/>	Report on Schedule of Receipts and Expenditures of State Awards signed and dated by the auditor.
<input type="checkbox"/>	Schedule of Receipts and Expenditures of State Awards , listing each individual subgrant, including district operation, by project number and identifying for each, at a minimum, subgrant period; subgrantee name; award amount; prior period amount expended; current period amount expended; program income earned and expended, as applicable; interest income earned and expended, as applicable; award amount remaining available; program income amount remaining available; and, unobligated amount by source as identified by the Executive Board.
<input type="checkbox"/>	Notes to Schedule of Receipts and Expenditures of State Awards which describes significant accounting policies used in preparing the schedule.
<input type="checkbox"/>	Report on Internal Control over Financial Reporting and on Compliance and Other Matters signed and dated by the auditor, in accordance with GAGAS.
<input type="checkbox"/>	Schedule of Findings and Questioned Costs reporting all current findings, if applicable.
<input type="checkbox"/>	Corrective Action Plan including corrective action planned or reasons why corrective action is not required; anticipated completion date; and, the name of the district's contact person responsible for corrective action.
<input type="checkbox"/>	Summary Schedule of Prior Audit Findings and Questioned Costs reporting the status of finding identified in the prior year audit report, if applicable.

The documents listed below are due within 180 days of the District's fiscal year end.

One copy of the entire audit report issued by the CPA.

A copy of any management letter issued by the CPA in conjunction with the audit report, if applicable.

A copy of the district's comments on all findings, recommendations, and questioned costs contained in the audit report and management letter, if applicable.

RECEIVED BY

MAY 29 2018

SWMP OPERATIONS

**ST. LOUIS-JEFFERSON SOLID WASTE
MANAGEMENT DISTRICT**

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Members of the Executive Board
St. Louis-Jefferson Solid Waste Management District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Louis-Jefferson Solid Waste Management District (the "District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of St. Louis-Jefferson Solid Waste Management District as of December 31, 2017, and the respective changes in financial position and the statement of subgrant expenditures for the year then ended in accordance with accounting principles generally accepted in the United States of America.

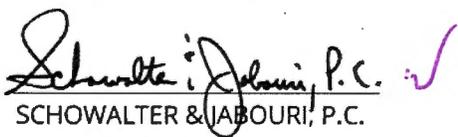
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2018 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* in considering the District's internal control over financial reporting and compliance.


SCHOWALTER & JABOURI, P.C.

Management's Discussion and Analysis

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ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS ✓

DECEMBER 31, 2017

Our discussion and analysis of the St. Louis-Jefferson Solid Waste Management District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2017. Please read it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The total assets for the District were approximately \$2.9 million. The assets of the District exceeded its liabilities at the close of its most recent year with an excess of \$5,119. A large portion of the District's liabilities are unearned revenues of approximately \$2.8 million. The unearned revenues consist of funds allocated for specific projects, programs and operations to be completed in future years. The District has no long-term debt.
- At the end of the current year, approximately ~~\$2.9~~ million in restricted cash and investments was held by the District to be allocated to programs and projects in future years.
- Comparative data is provided in the Management's Discussion and Analysis for the years ended December 31, 2017 and 2016.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected revenues, and earned but not used vacation leave).

The government-wide financial statements can be found on pages 8 to 10 of this report.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Management's Discussion and Analysis (continued)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one general fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund. The basic governmental fund statements can be found on pages 8 to 10 of this report.

The District adopts an annual budget for administration and operation of the District, however, the annual budget does not include the subgrants paid by the District. An annual budget is not required by State statute. Budgetary comparison schedules are not provided.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 to 20 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District has no long-term debt. A large portion of its assets are restricted cash and investments (approximately \$2.9 million at December 31, 2017, an increase of approximately \$430,000 from 2016). The majority of the liabilities for the District consist of unearned revenue (approximately \$2.8 million at December 31, 2017), an increase of approximately \$640,000 from 2016 that is spendable in future years. Net position is \$5,119 and is comprised of investment in capital assets of \$3,923 and restricted general fund balance of \$1,196. The District's net position decreased \$1,509 resulting from implementation of new and ongoing grant projects. It takes time to implement projects, and the District works to reimburse grantees as quickly as possible. This is a normal fluctuation relating to grant projects.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Management's Discussion and Analysis (continued)

**District's Net Position
As of December 31,**

	2017	2016
Current and Other Assets	\$ 2,941,831	\$ 2,486,716
Capital Assets	3,923	5,435
Total Assets	\$ 2,945,754	\$ 2,492,151
Current and Other Liabilities	\$ 2,918,575	\$ 2,457,966
Long Term Liabilities	22,060	27,557
Total Liabilities	\$ 2,940,635	\$ 2,485,523
Net Position		
Net Investment in Capital Assets	\$ 3,923	\$ 5,435
Restricted	1,196	1,193
Total Net Position	\$ 5,119	\$ 6,628

Key elements of the changes in net position is as follows:

**District's Changes in Net Position
For The Years Ended December 31,**

	2017	2016
Revenues		
Grant Revenues	\$ 1,929,626	\$ 2,746,062
Investment Income	26,012	27,252
Other Income	10,000	9,986
Total Revenues	\$ 1,965,638	\$ 2,783,300
Expenses		
Operating and Administrative	\$ 438,839	\$ 465,651
Program Plan Implementation and Subgrant Expenditures	1,528,308	2,345,144
Total Expenses	\$ 1,967,147	\$ 2,810,795
Increase (Decrease) in Net Position	\$ (1,509)	\$ (27,495)
Net Position - Beginning of Year	6,628	34,123
Net Position - End of Year	\$ 5,119	\$ 6,628

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Management's Discussion and Analysis (continued)

Grant Revenue is the primary source of funding for the District and continues to be provided by locally generated revenues deposited into a statewide "Solid Waste Management Fund" collected by the Missouri Department of Natural Resources ("MDNR"). The four principal jurisdictions within the District provide a small contribution annually for activities of the District. The District's funding from the Solid Waste Management Fund has averaged approximately \$2 million over the recent four years. The District was awarded \$2.1 million for fiscal year 2017, an increase of approximately \$140,000 from 2016. Available funds fluctuate annually based on the amount of waste deposited in area landfills and compliance of normal regulatory procedures regarding the transmission of money from the state Solid Waste Management Fund. These funds are based on tipping fees received at area landfills. All funds are earmarked for waste reduction and recycling programs and projects, and District operations.

Grant Revenues decreased by approximately \$816,000 in 2017 from 2016, due to the timing of grant project implementation and reimbursements. Due to the District's grant agreements with MDNR and the grant requirements of the funds from MDNR, all funds received from MDNR, as well as the interest earned thereon, are considered Unearned Revenue (a liability) until expended by the District. Upon expenditure, the District relieves the liability, and recognizes Grant Revenue or Investment Income.

Investment Income and unrealized loss on investments decreased by approximately \$1,200 in 2017 from 2016. The District participates in an investment pool sponsored by St. Louis County, as described in note 2.

Other Income remained constant and includes contributions from the District jurisdictions.

Expenditures and Expenses are incurred in the operation and administration of the District and to provide technical assistance to subgrantees who have been awarded grants for recycling activities.

Operating and Administrative expenses decreased by approximately \$27,000 in 2017. Program Plan Implementation and Subgrant Expenditures decreased approximately \$816,000 due to the timing of grant project implementation and reimbursements.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. At the end of the current year, the general fund had a balance of \$1,196. Due to the source and nature of the District's revenues and the restrictions on the use of the funds, excess revenues not spent during a year are reported as a liability according to generally accepted accounting principles and carried forward to future years. Therefore, the District's general fund balance as of December 31, 2017 is not indicative of any financial distress. On the contrary, the District has \$2.8 million of unearned revenue to be paid to subgrantees and for District projects in future years.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Management's Discussion and Analysis (continued)

CAPITAL ASSETS

The District's investment in capital assets as of December 31, 2017 was \$3,923 (net of accumulated depreciation). This investment in capital assets included an automobile, office furniture & equipment, and computers and computer software. There were no capital asset additions during 2017 and \$1,512 of depreciation expense in 2017.

ECONOMIC FACTORS

- The District relies primarily on funding derived from local landfill tipping fees collected by the Missouri Department of Natural Resources. Funds are awarded based on tipping fees paid at the landfills. 2018 funds are expected to increase slightly.
- The District's funds are used to administer approved waste reduction and recycling projects and activities throughout the year.

Request for Information

The District's basic financial statements are designed to present users (citizens, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's Executive Director at 7525 Sussex Avenue, St. Louis, MO 63143.

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Basic Financial Statements

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ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**GOVERNMENTAL FUNDS -
BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	<u>Major Fund</u>		
	<u>General</u>	<u>Adjustment</u>	<u>Statement</u>
	<u>Fund</u>	<u>(Note 6)</u>	<u>of Net Position</u>
Assets			
Cash and pooled investments	\$ 19,025	\$ -	\$ 19,025
Cash and pooled investments - restricted	2,908,085	-	2,908,085
Interest receivable and prepaid expenses	11,150	-	11,150
Security deposits	3,571	-	3,571
Capital assets, net of accumulated depreciation	-	3,923	3,923
Total Assets	\$ 2,941,831	\$ 3,923	\$ 2,945,754
Liabilities			
Grants payable	\$ 85,340	\$ -	\$ 85,340
Other liabilities	58,424	-	58,424
Unearned revenue	2,796,871	(22,060)	2,774,811
Noncurrent liabilities:			
Due within one year	-	18,279	18,279
Due in more than one year	-	3,781	3,781
Total Liabilities	2,940,635	-	2,940,635
Fund Balances			
Restricted	1,196	(1,196)	-
Total Liabilities and Fund Balances	\$ 2,941,831		
Net Position			
Net investment in capital assets		3,923	3,923
Restricted		1,196	1,196
Total Net Position		\$ 5,119	

See the accompanying notes to basic financial statements

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Major Fund</u>		Statement of Activities
	<u>General Fund</u>	<u>Adjustment (Note 7)</u>	
Revenues			
Grant revenue	\$ 1,933,252	\$ (3,626)	\$ 1,929,626
Investment income	26,333	-	26,333
Unrealized loss on investments	(321)	-	(321)
Other income	10,000	-	10,000
Total Revenues	1,969,264	(3,626)	1,965,638
Expenditures/Expenses			
Program plan implementation and subgrant expenditures	1,528,308	-	1,528,308
Operating and administrative:			
Salaries	243,287	(3,626)	239,661
Payroll taxes and employee benefits	57,206	-	57,206
Payroll processing	15,025	-	15,025
Travel and training	9,645	-	9,645
Occupancy	27,828	-	27,828
Utilities	6,439	-	6,439
Equipment	2,073	-	2,073
Supplies	1,159	-	1,159
Contractual	66,606	-	66,606
Other expenses	9,421	-	9,421
Printing and postage	2,264	-	2,264
Depreciation	-	1,512	1,512
Subtotal	440,953	(2,114)	438,839
Total Expenditures/Expenses	1,969,261	(2,114)	1,967,147
Excess of Revenues (Under) Over Expenditures/Expenses	3	(3)	-
Change in Net Position	-	(1,509)	(1,509)
Fund Balances/Net Position, Beginning of Year	1,193	5,435	6,628
Fund Balances/Net Position, End of Year	\$ 1,196	\$ 3,923	\$ 5,119

See the accompanying notes to basic financial statements

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**STATEMENT OF SUBGRANT EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2017**

*no names
attached
balances*

<u>Project Number</u>	<u>2017 Expenditure</u>	<u>Project Number</u>	<u>2017 Expenditure</u>
201203	\$ 12,107	201632	\$ 2,026 ✓
201357	3,000	201633	20,000 ✓
201408	6,265 ✓	201636	32,107 ✓
201409	3,600	201638	37,141 ✓
201502	7,500	201639	12,143 ✓
201504	13,684	201640	8,334 ✓
201505	16,978 ✓	201641	4,000 ✓
201510	12,000	201642	31,205 ✓
201512	4,137	201643	42,460 ✓
201516	12,000	201645	13,500 ✓
201517	10,330	201646	31,336 ✓
201518	10,727 ✓	201647	13,277 ✓
201520	11,700 ✓	201648	16,951
201521	1,009 ✓	201649	17,865
201522	54,825 ✓	201651	7,840 ✓
201524	9,640	201652	1,800 ✓
201529	7,621	201653	34,000 ✓
201533	2,006	201654	3,354 ✓
201535	5,000	201655	27,050 ✓
201538	2,250	201656	12,000 ✓
201539	5,250	201657	3,615 ✓
201542	1,778	201659	27,000 ✓
201543	1,883	201660	75,643 ✓
201546	2,950 ✓	201702	2,569
201548	7,481 ✓	201706	20,866 ✓
201602	36,428	201707	7,155 ✓
201603	24,523 ✓	201710	24,847 ✓
201604	9,070 ✓	201713	13,888 ✓
201605	25,000 ✓	201715	34,000 ✓
201606	13,904 ✓	201716	25,500 ✓
201608	18,040 ✓	201720	27,410 ✓
201610	6,000 ✓	201722	6,769 ✓
201611	24,996 ✓	201725	4,500 ✓
201612	23,500 ✓	201726	4,776 ✓
201614	10,000	201728	38,250 ✓
201615	2,250 ✓	201729	21,250 ✓
201616	25,500 ✓	201730	3,954 ✓
201617	6,950 ✓	201731	3,933 ✓
201618	15,047 ✓	201732	10,000 ✓
201619	1,350 ✓	201733	3,800 ✓
201620	2,890 ✓	201740	9,051 ✓
201621	10,359 ✓	201741	2,760 ✓
201622	38,994	201743	4,250 ✓
201623	10,000	201744	1,583 ✓
201625	8,500 ✓	201747	12,421 ✓
201626	7,280 ✓	201748	30,762 ✓
201627	1,786 ✓	201750	16,747 ✓
201628	14,167 ✓	201755	63,065 ✓
201630	51,000 ✓	201757	11,050 ✓
201631	7,500 ✓	201758	12,750 ✓
		201761	15,000 ✓
		Total Subgrant Expenditures	\$ 1,528,308

200,749.00

189,698

*entered into
SFS*

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Louis-Jefferson Solid Waste Management District (the "District") was formed in 1991 by Jefferson County, St. Louis County and the City of St. Louis, Missouri. St. Charles County joined the District in 2002. Authority for forming the District was based on Senate Bill 530 (SB 530), which was passed in 1990. SB 530 established a procedure allowing counties to form regional solid waste management districts to promote waste reduction and recycling. SB 530 set a goal of reducing the amount of solid waste generated statewide for disposal by 40%. The District serves as a resource to assist the public, private and not-for-profit sectors in establishing and expanding waste reduction, recycling and composting efforts in the St. Louis metropolitan area.

The accounting policies and financial reporting practices of the District conform to accounting principles generally accepted in the United States of America (GAAP) applicable to government entities. The more significant accounting policies of the District are described below.

Reporting Entity

The District defines its reporting entity in accordance with the provisions established by the Governmental Accounting Standards Board (GASB). The criteria used in determining the scope of the entity for financial reporting purposes includes fiscal dependency and the presence of a financial benefit or burden relationship. The financial statements of the District consist only of the funds of the District as no such relationship exists with any other entities. In addition, the District is not aware of any entity which would exercise such oversight that would result in the District being considered a component unit of the entity.

Government Wide And Fund Financial Statements

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

Combined with the government-wide financial statements are separate fund financial statements for governmental funds. The major individual governmental fund is reported in a separate column in the fund financial statements.

Fund Accounting

The District has organized its accounts on the basis of legally established funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures or expenses. District resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the fund financial statements. The District uses only one category of fund, which is governmental.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

Governmental Fund Types

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

General Fund

General Fund resources may be used for any District purpose. This fund is used to account for all financial resources except those required to be accounted for in another fund.

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

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

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Since the governmental fund financial statements and government-wide financial statements are combined, an adjustment column is provided to show the reconciliation between the two sets of financial statements. The notes to the financial statements further describe the adjustments by providing brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available. The term available is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the District, available means expected to be received within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Nonexchange transactions are grouped into the following four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

All of the District's revenues are intergovernmental revenues, representing grants, entitlements, donations and assistance received from other governmental units, which are generally recognized as revenues in the period when all eligibility requirements have been met. Any resources received before eligibility requirements are met are reported as unearned revenues.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

Capital Assets

Capital assets, which include building improvements, furniture and equipment, are reported in the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The Board maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Building improvements	7
Furniture and equipment	3-7

Depreciation expense for the year ended December 31, 2017 was \$1,512.

Vacation And Sick Leave

Vacation benefits are available to all employees. Vacation benefits are recorded as earned. Accrued vacation time is recognized as a liability when earned and any unused accumulated vacation is payable to employees upon termination. Accrued vacation is recorded in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if the amount is due at year end and payable with current resources.

Unused sick leave accumulates but does not vest; therefore, an accrual is not made in the financial statements.

Governmental Fund Balances

In the governmental fund financial statements the following classifications are used to define the governmental fund balances:

Nonspendable - This consists of the governmental fund balances that are not in spendable form or legally or contractually required to be maintained intact. The District has no nonspendable fund balance as of December 31, 2017.

Restricted - This consists of the governmental fund balances that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District's fund balance is restricted for grant purposes.

Committed - This consists of the governmental fund balances that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Executive

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

Board, the District's highest level of decision-making authority. The District has no committed fund balance as of December 31, 2017.

Assigned - This consists of the governmental fund balances that are intended to be used for specific purposes by the Executive Board. The District has no assigned fund balance as of December 31, 2017.

Unassigned - This consists of the governmental funds that do not meet the definition of "nonspendable", "restricted", "committed", or "assigned".

Net Position

In the government-wide financial statements, net position is classified as follows:

Net investment in capital assets - the component of net position that reports the difference between capital assets less both accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. The District has no related debt.

Restricted - the difference between the assets and liabilities that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The District's net position is restricted for grant purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Management's Use Of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Budgetary Data

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

Cash And Pooled Investments - Restricted

Pooled investments are stated at a net asset value per share that approximates fair value and is based on the District's share of the pool and quoted market prices provided by the pool.

Restricted cash and pooled investments consist of amounts received for grant purposes and interest earned on grant revenues, which has a specified purpose. The cash and interest income is restricted to use under conditions specified in grant documents.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

Unearned Revenue

Grant revenues received and interest earned thereon, but not yet expended in accordance with grant designated purposes, are reported as unearned revenues.

2. CASH AND INVESTMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.
Level 2	Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. An exception to fair value is an external investment pool that provides a net asset value per share that approximates fair value.

The District participates in an investment pool sponsored by St. Louis County (the "County"). The District follows the investment policy of St. Louis County, Missouri. St. Louis County, Missouri issues a publicly available financial report. That report may be obtained by writing to St. Louis, County, Missouri, Division of Fiscal Management, 41 South Central Avenue, Clayton, Missouri 63105.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

The deposits and investments held at December 31, 2017, are as follows:

<u>Type</u>	<u>Carrying Value</u>
Deposits:	
Demand deposits	\$ 32,779
Investments:	
External investment pool	2,894,331
Total Deposits and Investments - restricted	\$ 2,927,110 *

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a depository agreement with its financial institution to ensure deposits in excess of federal depository insurance corporation are secured by collateral consisting of securities as prescribed by state statute and/or an irrevocable letter of credit as prescribed by state statute. As of December 31, 2017, the District's bank balance of \$41,258 was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. St. Louis County, Missouri addresses custodial credit risk by prequalifying institutions with which the County places investments, diversifying the investment portfolio, and maintaining a standard of quality for investments. As of the December 31, 2017, the District does not have any investments exposed to this type of risk.

Interest Rate Risk

Through the investment pool at St. Louis County, Missouri, the District will minimize the risk that the market value of securities in the portfolio will decline due to changes in general interest rates by:

1. Structuring the pool's investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market.
2. Maintaining a sufficient balance in liquid funds to adequately cover forecasted cash requirements.

The average maturity of the investments of the County's investment pool was 1.1021 years as of December 31, 2017.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

Credit Risk

The St. Louis County, Missouri, investment pool will minimize credit risk, (the risk of loss due to the failure of the security issuer or backer) by:

1. Pre-qualifying the financial institutions, securities dealers, intermediaries, and advisors with which the County will do business.
2. Diversifying the portfolio as those potential losses on individual securities will be minimized.
3. Settling all purchase/sale transactions delivery versus payment.

According to the investment policy of St. Louis County, Missouri, any agency security purchased must be senior debt and rated with the highest debt rating by Moody's Investor Services, Inc. and Standard and Poor's Corporation (S&P). The St. Louis County, Missouri, investment pool is not rated.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Governmental Activities:				
Capital Assets, Being Depreciated:				
Building improvements	\$ 500	\$ -	\$ 500	\$ -
Furniture and equipment	84,011	-	46,106	37,905
Total Capital Assets, Being Depreciated	84,511	-	46,606	37,905
Less - Accumulated Depreciation For:				
Building improvements	500	-	500	-
Furniture and equipment	78,576	1,512	46,106	33,982
Total Accumulated Depreciation	79,076	1,512	46,606	33,982
Total Capital Assets, Being Depreciated, Net	5,435	(1,512)	-	3,923
Governmental Activities, Capital Assets, Net	\$ 5,435	\$ (1,512)	\$ -	\$ 3,923

4. TRANSACTIONS WITH RELATED PARTIES

The District was created by ordinances of St. Louis County, St. Louis City and Jefferson County effective December 19, 1991. St. Charles County joined the District in 2002. St. Louis County, St. Louis City, St. Charles County and Jefferson County agreed to provide annual funds to the District. For the year ended December 31, 2017, \$10,000 has been received from these entities and \$10,310 was

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

expended. In addition, during the year ended December 31, 2017, the District awarded these entities grants totaling approximately \$195,000. The District expended approximately \$201,000 during 2017 for current and prior year grant awards.

Pooled investments of the District are held by St. Louis County, Missouri. The accrued interest receivable that represents amounts due from St. Louis County for interest on these funds is \$8,831 at December 31, 2017.

5. MISSOURI DEPARTMENT OF NATURAL RESOURCES GRANTS

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

Revenue derived from MDNR grant allocations accounts for 98% of total revenue.

6. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS

Total Fund Balance - Governmental Funds \$ 1,196

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$37,905 and the accumulated depreciation is \$33,982. 3,923

Compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities within the fund financial statements. (22,060)

Grant, interest and local revenues received but not spent are deferred in the fund financial statements. However, revenue to support the compensated absences is recognized in the government-wide statements. 22,060

Total Net Position - Governmental Activities \$ 5,119

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

7. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUNDS OPERATING STATEMENTS AND STATEMENT OF ACTIVITIES

Net Change in Fund Balance - Total Governmental Funds \$ 3

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	-	
Depreciation expense	<u>(1,512)</u>	(1,512)

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (3,626)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund financial statements. 3,626

Change In Net Position Of Governmental Activities \$ (1,509)

8. EMPLOYEES' RETIREMENT SYSTEM

Beginning in September 2002, District employees are paid through the Missouri Botanical Garden (the "Garden") payroll system with management adopting Missouri Botanical Garden's benefits package for its employees. Under the Garden's system, full-time employees are eligible for participation in a tax deferred annuity plan with assets of the plan co-mingled and administered by the Missouri Botanical Garden.

Employees are considered vested when they have attained five years of credited service. The plan is under the administration and control of the Board of Trustees of the Missouri Botanical Garden. The plan issues a publicly available financial report that includes financial statement and required supplementary information. That report may be obtained by writing: Missouri Botanical Garden, P. O. Box 299, St. Louis, Missouri 63166-0299.

The tax deferred annuity plan allows for an employer match contribution up to 6% of the amount that participants deferred. Contributions of approximately \$10,973 were made to the plan by the District in 2017.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Basic Financial Statements (continued)

9. LEASE OBLIGATIONS

In September 2010, the District entered into a five-year lease obligation for office space, commencing on October 1, 2010, at approximately \$2,300 per month. This lease expired in September 2015 and was continued on a month to month basis. Total rent expense for the year ended December 31, 2017 was \$27,828.

10. COMPENSATED ABSENCES

The following is a summary of changes in the District's compensated absences for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017	Due Within One Year
Compensated Absences	\$ 27,557	\$ 18,483	\$ 23,980	\$ 22,060	\$ 18,279

11. RISK MANAGEMENT

The District is at risk for property damage, liability and theft which are covered by insurance policies. Claims have not exceeded coverage for the past three years.

12. RECENT ACCOUNTING PRONOUNCEMENTS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Government Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments.

In June 2017, the GASB approved Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

The effects on the District's financial statements as a result of the adoption of these new pronouncements are unknown.

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**ST. LOUIS-JEFFERSON SOLID WASTE
MANAGEMENT DISTRICT**

**REPORT ON INTERNAL CONTROL
RELATED MATTERS AND ADVISORY COMMENTS**

DECEMBER 31, 2017



SCHOWALTER & JABOURI, P.C.

Certified Public Accountants & Advisors

To the Members of the Executive Board and Management
St. Louis-Jefferson Solid Waste Management District

In planning and performing our audit of the financial statements of the governmental activities and the major fund of St. Louis-Jefferson Solid Waste Management District (the "District") as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

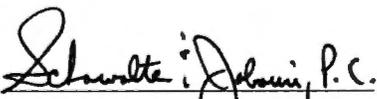
Our comments concerning internal control and other significant matters are presented as follows:

- I. Current Year Comments
- II. Status of Prior Year Deficiency Considered to be Significant
- III. Status of Other Prior Year Comment

Management's written response to the Current Year Comments identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We want to express our sincere appreciation to the staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve St. Louis-Jefferson Solid Waste Management District.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
May 11, 2018

I. CURRENT YEAR COMMENTS

A. Segregation of Duties

During our audit, we noted the Executive Director prepares checks, has the ability to sign checks, has access to the general ledger and receives the monthly bank statements before they are reconciled. As a mitigating control, the District has hired a public accounting firm to assist with monthly and annual accounting functions, including preparation of the monthly bank reconciliations; however, the bank statements are obtained from the Executive Director rather than directly from the bank.

To strengthen internal controls, we recommend the District authorize the bank to provide the monthly bank statements directly to the accounting firm to be reconciled. As part of the reconciliation process, the check images provided with the bank statements should be reviewed for unauthorized checks and the bank statements should be reviewed for unauthorized disbursements, such as ACH transactions. As an alternative, a member of the Finance Committee and/or Executive Board could obtain the bank statements directly from the bank and review them for any unusual checks or other transactions before giving them to the accounting firm to reconcile.

Management's Response: The District will establish on-line banking access and permit the accounting firm to access bank statements on-line for the purpose of performing the bank reconciliation.

B. Journal Entries

QuickBooks allows the same individual to prepare and post a journal entry. Effective October 2017, a journal entry report is provided to the Finance Committee for their review and approval. We commend the District for implementing this procedure. During our audit, we noted that the journal entry report provided for October was missing one entry dated October 24, 2017. In addition, we noted the December report was not reviewed timely.

We recommend that all journal entries be reviewed and approved by the Finance Committee in a timely manner. If an entry is posted after the journal entry report has been provided to the committee then the entry should be included in the subsequent month's report.

Management's Response: The Finance Committee generally meets after the Executive Board meeting, which meets every other month. So, the Committee meeting will normally review two months of financial reports. The Committee did not meet after the March meeting due to scheduling conflicts. All reports still requiring review will be completed at the next meeting, including the December reports. The Journal Entries report procedure will be reviewed to ensure that all journal entries are included. The committee will continue to review all reports from every month.

C. Risk Assessment

The District developed a risk assessment several years ago (2009). Risk assessments are an important tool and should be periodically updated (at least annually) to reflect current conditions. This is especially critical when there is a change in personnel or management.

We recommend the District review and update their risk assessment at least annually as conditions change. The review should be documented.

Management's Response: Risk assessments are expensive, and District procedures are relatively stable over time. The Finance Committee will review the Risk Assessment and determine if an update is needed, and make a recommendation to the Executive Board for action, if necessary.

II. STATUS OF PRIOR YEAR DEFICIENCY CONSIDERED TO BE SIGNIFICANT

Internal Control over Financial Reporting



We recommended the District consider alternatives to relying on the external auditors to assist with the financial statement preparation and footnote disclosures.

Status: Implemented.

III. STATUS OF OTHER PRIOR YEAR COMMENT

Grant Reporting



We recommended the District carefully review the quarterly reports to ensure that all information is accurately reported.

Status: Implemented.

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**ST. LOUIS-JEFFERSON SOLID WASTE
MANAGEMENT DISTRICT**

STATE COMPLIANCE REPORTS

DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Members of the Executive Board
St. Louis-Jefferson Solid Waste Management District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of St. Louis-Jefferson Solid Waste Management District (the "District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance And Other Matters

As part of obtaining reasonable assurance about whether St. Louis-Jefferson Solid Waste Management District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
May 11, 2018



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND THE SCHEDULE OF
EXPENDITURES OF STATE AWARDS**

To the Members of the Executive Board
St. Louis-Jefferson Solid Waste Management District

Report on Compliance for Each Major State Program

We have audited St. Louis-Jefferson Solid Waste Management District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, as required by Missouri Department of Natural Resources, that could have a direct and material effect on each of the District's major state programs for the year ended December 31, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as required by Missouri Department of Natural Resources. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, St. Louis-Jefferson Solid Waste Management District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major state programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

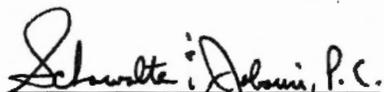
Report on Schedule Of Expenditures Of State Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and the major fund of St. Louis-Jefferson Solid Waste Management District as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated May 11, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic statements. The accompanying schedule of expenditures of state awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
May 11, 2018

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ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

State Grantor/Program Title	Period of Grant	Total Award Amount	Expenditures	
Missouri Department of Natural Resources:				
Solid Waste Management Program	2012	\$ 2,756,957	\$ 12,107	(1)
	2013	2,436,549	3,000	(1)
	2014	2,215,878	9,865	(1)
	2015	2,595,543	200,749	(1)
	2016	2,254,649	869,681	(1)
	2017	2,474,295	859,041	(2)
Total Expenditures of State Awards			<u>\$ 1,954,443</u>	

- (1) Amount was provided to subrecipients
- (2) \$432,906 was provided to subrecipients

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
DECEMBER 31, 2017**

1. Basis Of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of St. Louis-Jefferson Solid Waste Management District and is presented on the modified-accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. Program Income

In accordance with the terms of the grant, interest income totaling \$0 was used to reduce the amount of state funds used to complete the projects. Total expenditures under the grant program for the year ended December 31, 2017 are as follows:

	2012	2013	2014	2015	2016	2017
State Funds	\$ 12,107	\$ 3,000	\$ 9,865	\$ 200,749	\$ 869,681	\$ 859,041
Interest	-	-	-	-	-	-
Amount per Schedule of Expenditures of State Awards	\$ 12,107	\$ 3,000	\$ 9,865	\$ 200,749	\$ 869,681	\$ 859,041

3. Operating Grant

As part of the Solid Waste Management Program, the District receives monies to cover operating expenditures of the District. Total operating expenditures under the program for the year ended December 31, 2017 are as follows:

	2012	2013	2014	2015	2016	2017
Subgrant and plan implementation expenditures	\$ 12,107	\$ 3,000	\$ 9,865	\$ 200,749	\$ 869,681	\$ 432,906
Operating expenditures	-	-	-	-	-	426,135
Amount per Schedule of Expenditures of State Awards	\$ 12,107	\$ 3,000	\$ 9,865	\$ 200,749	\$ 869,681	\$ 859,041

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Notes to Schedule of Expenditures of State Awards (continued)

4 Award Amount

The total award amount includes state funds, interest allocated by the District and carryover from prior years for subgrants, plan implementation grants and operating grants with activity during the year, as follows:

	2012	2013	2014	2015	2016	2017
State Funds	\$ 2,292,658	\$ 1,956,773	\$ 1,870,012	\$ 2,013,836	\$ 2,004,896	\$ 2,145,981
Interest	75,000	75,000	50,000	50,000	50,000	50,000
Carryover	389,299	404,776	295,866	531,707	199,753	278,313
Amount per Schedule of Expenditures of State Awards	<u>\$ 2,756,957</u>	<u>\$ 2,436,549</u>	<u>\$ 2,215,878</u>	<u>\$ 2,595,543</u>	<u>\$ 2,254,649</u>	<u>\$ 2,474,294</u>

5. Cash Receipts

During the year ended December 31, 2017, the District received \$1,696,381 in state grant funds for subgrant and plan implementation grants and \$449,600 for operations grant.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

State Awards

Internal control over major programs:
Material weakness(es) identified? Yes No
Significant deficiency(ies) identified
not considered to be material weaknesses? Yes None reported

Type of auditors' report issued on compliance
for major programs: Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR section 200.516(a)? Yes No

Identification of major programs:

Missouri Department of Natural Resources
Solid Waste Management Program

Dollar threshold used to distinguish between Type
A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

2. AUDIT FINDING RELATING TO THE FINANCIAL STATEMENTS

None.

3. AUDIT FINDINGS RELATING TO STATE AWARDS

None.

ST. LOUIS-JEFFERSON SOLID WASTE MANAGEMENT DISTRICT

Schedule of Findings and Questioned Costs (continued)

4. FOLLOW-UP OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Finding No. 2016-001: The District did not apply sufficient controls over the preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America. We recommended the District consider alternatives to relying on the external auditors to assist with the financial statement preparation and footnote disclosures.

Status: Implemented.

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**ST. LOUIS-JEFFERSON SOLID WASTE
MANAGEMENT DISTRICT**

REPORT TO THE EXECUTIVE BOARD

DECEMBER 31, 2017



SCHOWALTER & JABOURI, P.C.

Certified Public Accountants & Advisors

To the Members of the Executive Board
St. Louis-Jefferson Solid Waste Management District

We have audited the financial statements of the governmental activities and the major fund of St. Louis-Jefferson Solid Waste Management District (the "District") for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 12, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the 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 year ended December 31, 2017. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant estimate affecting the District's financial statements was:

Management records general capital assets on the government-wide statement of net position according to the District's Capital Asset policy as described in Note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, the financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Significant Audit Findings (continued)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 11, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the 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.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Executive Board and management of St. Louis-Jefferson Solid Waste Management District and is not intended to be, and should not be, used by anyone other than these specified parties.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
May 11, 2018