

FINANCIAL REPORT OF
BOONE COUNTY
REGIONAL SEWER DISTRICT
DECEMBER 31, 2020 AND 2019

BOONE COUNTY REGIONAL SEWER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Boone County Regional Sewer District
Columbia, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Boone County Regional Sewer District (a special purpose governmental entity) as of and for the years ended December 31, 2020 and 2019, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditor's 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 business-type activities of Boone County Regional Sewer District as of December 31, 2020 and 2019, and the respective changes in financial position and cash flows for the years 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 4 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 audits 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.

Supplementary Information:

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County Regional Sewer District's basic financial statements. The schedules of debt service coverage on page 24 are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedules of debt service coverage are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 schedules of debt service coverage are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 16, 2021, on our consideration of Boone County Regional Sewer District's internal control over financial reporting and our tests of its compliance with 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boone County Regional Sewer District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Gerding, Korte & Chitwood, P.C." in a cursive style.

April 16, 2021

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Boone County Regional Sewer District (The "District") financial performance provides an overview of the District's financial activity for the fiscal year ending December 31, 2020. Please read it in conjunction with District's financial statements, notes to the financial statements, and other supplemental information, which immediately follow this section.

Financial Highlights

- At the end of FY 2020 unrestricted cash and investment balances of the District (not including SRF cash and investment balances) increased from \$1,170,842 to \$1,374,961.
- *In 2019, the unrestricted cash and investment balances of the District (not including SRF cash and investment balances) increased from \$976,448 to \$1,170,842.*
- As of December 31, 2020, the District's reported net position was \$17,303,556, an increase of \$565,304 over 2019.
- *In 2019, the District's reported net position was \$16,738,252.*
- In 2020, the District's State Revolving Fund (SRF) cash investments increased \$21,570.
- *In 2019, the District's State Revolving Fund (SRF) cash investments increased by \$14,797.*
- As of December 31, 2020, the District had \$31,608,228, Capital Assets, net of depreciation, a decrease of \$475,599 from the prior year.
- *As of December 31, 2019, the District had \$32,083,827, Capital Assets, net of depreciation, an increase of \$492,119 from the prior year.*
- Non-operating revenue and expenses decreased due to a lower number of contributed systems, and a loss on demolition of plant due to the Lee Heights and Oberlin Valley closure. Contributed Capital increased by \$518,925 in 2020.
- Contributed capital increased by \$728,068 in 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements

The annual report consists of three parts:

- Management's discussion and analysis (this section);
- Basic financial statements, including notes to the financial statements; and,
- Supplemental information.

The financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The supplemental information following the notes to the basic financial statements provides information related to debt covenant requirements.

Basic Financial Statements

The operations of the District are classified as proprietary or "business-type activities" to reflect the nature of operations and financial presentation formats required of governmental entities. Proprietary funds and business-type activities are generally those activities conducted by a governmental organization that are expected to operate in a self-supporting, business-like manner. The District believes this presentation format is consistent with its operating philosophy.

Financial Position of the District

The net position of the District is summarized as follows:

	December 31,	
	<u>2020</u>	<u>2019</u>
Cash and investments, including SRF	2,266,768	2,041,079
Accounts receivable, net of allowance	263,498	287,926
Receivable, bond proceeds	0	492,024
Other assets	62,921	74,321
Capital assets, net of depreciation	31,608,228	32,083,827
Total Assets	34,201,415	34,979,177
Accounts payable	35,626	122,232
Accrued expenses and deferred revenue	476,293	463,276
Current debt	1,152,150	1,136,300
Long-term debt	15,233,790	16,519,117
Total Liabilities	16,897,859	18,240,925
Net capital assets	15,203,730	14,410,328
Restricted	815,171	1,280,858
Unrestricted	1,284,655	1,047,066
TOTAL NET POSITION	<u>\$ 17,303,556</u>	<u>\$ 16,738,252</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of December 31, 2020, the District's net position was \$17,303,556. "Net Capital Assets" totaling \$15,203,730 is the most financially significant category of net position. This amount represents the net amount invested in capital assets less the related debt of the District.

As of December 31, 2019, the District's net position was \$16,738,252.

Expendable resources are represented by the amount reported under the caption "Unrestricted" net position, totaling \$1,284,655 in 2020.

"Unrestricted" net position, totaled \$1,047,066 in 2019.

Total net position increased by \$565,304 during the 2020 fiscal year mainly due to increase in the number of customers, along with decreases in interest, bond fees and loss on demolition of Lee Heights and Oberlin Valley.

Total net position increased by \$910,529 in 2019.

Revenues and Expenses

The financial activities of the District are summarized as follows:

	December 31,	
	2020	2019
Total Operating Revenues	\$4,921,390	\$4,764,060
Operating Expenses:		
Personnel Expenses	1,165,103	1,111,499
Systems O & M	523,244	501,781
Wholesale Treatment	1,012,184	995,253
Contract Services	409,055	317,977
Depreciation	1,281,731	1,273,900
Other	69,076	56,307
Total Operating Expenses	4,460,393	4,256,718
Operating Surplus/(Deficit)	460,997	507,342
Investment, grant and other Revenue/(Expenses)	104,307	403,187
Increase/(Decrease) in Net Position	565,304	910,529

Operating revenues increased by 2.8% in 2020, due to an increase in customers. Operating expenses increased by 4.5%. The increase in cost were spread over personnel additions (Assistant Finance Manager), system repairs and maintenance, contractual services, wholesale treatment, bad debt, and expenses related to the COVID 19 pandemic.

In 2019, operating revenue increased 4.8% due to a user rate increase. Total operating expenses increased by approximately 2.3%.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-Operating items were a net decrease of \$298,880 due to a lower number of contributed systems as well as a loss on demolition with the closure of Lee Heights and Oberlin Valley in 2020.

Non-Operating items were a net increase of \$201,968 in 2019.

Capital Assets

As of December 31, 2020, the District had \$31,608,228 net of depreciation, invested in capital assets. Capital assets decreased due to the net accumulated depreciation being higher than capital additions.

As of December 31, 2019, the District had \$32,083,827 net of depreciation, invested in capital assets.

Bonds Payable and Other Long-Term Debt

In fiscal year 2020, the District paid \$1,250,949 towards its long-term debt. As of December 20, 2020, the District's outstanding long-term debt was \$16,327,251.

On December 31, 2019, the District's outstanding long-term debt was \$17,578,200.

Economic Outlook

The economic outlook for the District is strong. As a public utility the main source of revenue is user fees. Growth within the District continues to increase year after year. Bad debt has been and continues to be low even with the recent economic downturn. District's employees, staff and board are diligent in their efforts to identify methods of decreasing expenses. The District continues to meet its debt service coverage.

Contacting the District's Financial Management

This financial report is designed to provide District's patrons, vendors, creditors and others interested with a general overview of District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Boone County Regional District, 1314 North 7th Street, Columbia, MO 65201.

BOONE COUNTY REGIONAL SEWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND DECEMBER 31, 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,374,961	\$ 1,170,842
Accounts receivable, net of allowance for uncollectibles	263,498	287,926
Prepaid expenses	62,921	74,321
Total Current Assets	1,701,380	1,533,089
Restricted Assets:		
Bond proceeds held in escrow for capital projects	-	492,024
Investments, restricted SRF accounts	891,807	870,237
Total Restricted Assets	891,807	1,362,261
Noncurrent Assets:		
Capital assets, net of accumulated depreciation	31,608,228	32,083,827
Total Noncurrent Assets	31,608,228	32,083,827
TOTAL ASSETS	34,201,415	34,979,177
LIABILITIES		
Current Liabilities:		
Accounts payable	35,626	122,232
Accrued expenses	319,795	309,390
Unearned revenue	137,940	135,804
Capital leases due within one year	18,558	18,082
Total Current Liabilities	511,919	585,508
Current Liabilities Payable from Restricted Funds:		
Revenue bonds due within one year	1,152,150	1,136,300
Total Current Liabilities Payable from Restricted Funds	1,152,150	1,136,300
Noncurrent Liabilities:		
Revenue bonds due after one year	15,175,101	16,441,900
Capital leases due after one year	58,689	77,217
Total Noncurrent Liabilities	15,233,790	16,519,117
TOTAL LIABILITIES	16,897,859	18,240,925
NET POSITION		
Net investment in capital assets	15,203,730	14,410,328
Restricted but expendable for debt service	815,171	788,834
Restricted but expendable for capital projects	-	492,024
Unrestricted	1,284,655	1,047,066
TOTAL NET POSITION	\$ 17,303,556	\$ 16,738,252

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Customer fees	\$ 4,901,574	\$ 4,760,620
Miscellaneous	19,816	3,440
Total Operating Revenues	4,921,390	4,764,060
OPERATING EXPENSES:		
Personnel expenses	1,165,103	1,111,499
Materials and supplies	9,696	6,894
Dues, training and seminars	6,605	12,171
Utilities	190,436	179,487
Equipment expense	53,215	53,426
Maintenance	263,292	249,803
Wholesale treatment	1,012,184	995,253
Contract services	409,055	317,977
Miscellaneous	12,764	24,728
Bad debts	56,312	31,580
Depreciation	1,281,731	1,273,900
Total Operating Expenses	4,460,393	4,256,718
Operating Income	460,997	507,342
NON-OPERATING REVENUES/(EXPENSES):		
Interest income	74,761	108,690
Interest expense	(299,874)	(315,260)
Bond fees	(90,494)	(118,311)
Loss on demolition of plant	(106,250)	-
Gain on sale on disposal of assets	7,239	-
Contributed systems	518,925	728,068
Total Non-Operating Revenues/(Expenses)	104,307	403,187
Increase/(Decrease) in Net Position	565,304	910,529
Net Position, Beginning of Year	16,738,252	15,827,723
Net Position, End of Year	\$ 17,303,556	\$ 16,738,252

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by customer fees	\$ 4,928,138	\$ 4,748,753
Cash paid to suppliers	(2,088,765)	(1,767,743)
Cash paid to employees	(1,154,698)	(1,123,202)
Cash provided by miscellaneous income	19,816	3,440
Net Cash Provided/(Used) by Operating Activities	1,704,491	1,861,248
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(453,496)	(1,037,951)
Net disposal of capital assets	173,528	-
Loss on demolition of plant	(106,250)	-
Principal paid on bonds and capital leases	(1,269,001)	(1,132,085)
Interest paid on notes and bonds	(299,874)	(315,260)
Proceeds from the issuance of bonds and capital leases	-	1,334,884
Revenue bond fees	(90,494)	(118,311)
Net cash provided by/(invested in) restricted accounts	470,454	(506,821)
Net Cash Provided/(Used) for Capital and Related Financing Activities	(1,575,133)	(1,775,544)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	74,761	108,690
Net Cash Provided/(Used) by Investing Activities	74,761	108,690
Net Increase/(Decrease) in Cash and Cash Equivalents	204,119	194,394
Cash and Cash Equivalents, Beginning of Year	1,170,842	976,448
Cash and Cash Equivalents, End of Year	\$ 1,374,961	\$ 1,170,842
<hr style="border-top: 3px double black;"/>		
Supplemental schedule of non-cash capital and related financing activities:		
Contributed capital not involving cash	\$ 518,925	\$ 728,068
Reconciliation of Cash Provided By Operating Activities:		
Net income from operating activities	\$ 460,997	\$ 507,342
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,281,731	1,273,900
(Increase)/decrease in accounts receivable	24,428	(18,483)
(Increase)/decrease in prepaid expenses	11,400	10,207
Increase/(decrease) in accounts payable	(86,606)	93,369
Increase/(decrease) in accrued expenses	10,405	(11,703)
Increase/(decrease) in unearned revenue	2,136	6,616
Total Adjustments	1,243,494	1,353,906
Net Cash Provided/(Used) by Operating Activities	\$ 1,704,491	\$ 1,861,248

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose

Boone County Regional Sewer District (the “Sewer District”) was formed in October 1973, to provide planning, operation and maintenance of sewage and waste treatment systems within Boone County, Missouri.

The Sewer District was formed by a county-wide vote in 1973. The operation of the Sewer District is in accordance with Chapter 204 of the Revised Statutes of Missouri. One member of the Boone County Commission is on the Board of Trustees of the Sewer District; the remaining Trustees are appointed by the Boone County Commission.

Basis of Accounting

The Sewer District is considered to be a governmental entity and is accounted for as a proprietary, enterprise fund. Enterprise funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District first utilizes restricted resources to finance qualifying activities.

The accrual basis of accounting is used. Revenues are recorded when earned and expenses are recorded when incurred. Proprietary funds distinguish between operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in conjunction with a proprietary fund’s principle ongoing operations. The principle operating revenues include sewer utility fees. Operating expenses include the cost of providing sewer utility services.

Reporting Entity

The Boone County Regional Sewer District’s Board of Trustees is the basic level of government which has financial accountability and control over all activities related to the Sewer District. The Sewer District is not included in any other governmental “reporting entity” as defined by GASB pronouncements. Also, there are no component units required to be included in the Sewer District’s reporting entity.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Significant estimates include estimated useful lives of property and equipment and the provision for doubtful accounts. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

For the purposes of the statement of cash flows, the Sewer District considers all investments with an original maturity of three months or less to be cash equivalents. At December 31, 2020 and 2019, all unrestricted investments were considered cash equivalents.

Capital Assets

Equipment, machinery and facilities (unit costs greater than \$5,000) are valued at actual historical cost where available and at estimated historical cost where historical cost records are not available. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Land is valued at actual historical cost or fair market value if received by donation. The useful lives for machinery and equipment range from three to twenty years. The useful life of the building is thirty years.

The wastewater collection and treatment systems are capitalized at the cost of acquisition, if purchased, and at fair market value on the date of receipt if received by donation. Within each system, cost is allocated to land, collection systems, and treatment plants. The depreciation recognized on donated facilities is closed to the contributed capital account rather than retained earnings. Depreciation on collection systems and treatment plants is computed on the straight-line method over 20 to 50 years.

Compensated Absences Payable

An accrued expense has been recorded for the amount of vacation payable to employees at December 31, 2020 and 2019. Employees are entitled to receive payment for unused, accumulated vacation earned upon leaving the employment of the Sewer District.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist primarily of sewer use fees due to the Sewer District. An allowance for doubtful accounts is maintained so that the receivables are shown at their estimated net realizable value. The balance of the allowance for uncollectible accounts was \$37,424 at December 31, 2020 and \$32,069 at December 31, 2019.

Accounts Payable

Accounts payable consist primarily of amounts paid to vendors for products, services, and amounts due to the City of Columbia for wholesale treatment.

Net Position Flow Assumption

Sometimes the Sewer District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the proprietary fund financial statements, a flow assumption must be made in the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 2: CASH AND INVESTMENTS

Deposits

At December 31, 2020, the carrying values of the Sewer District’s deposits were \$1,374,961 and the bank balance was \$1,501,521. At December 31, 2019, the carrying values of the Sewer District’s deposits were \$1,313,887 and the bank balance was \$1,170,842. Custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. The Sewer District’s deposit policy for custodial credit risk requires compliance with the provisions of state law. All deposits were adequately secured at December 31, 2020 and 2019.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U. S. Treasury, U. S. agencies or instrumentalities of the State of Missouri; bonds on any city having a population of not less than two thousand, county, school district or special road district of the State of Missouri; bonds of any state, tax anticipation notes issued by any first county, or a surety bond having an aggregate value at least equal to the amount of the deposits.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The Sewer District may legally invest in direct obligations of and other obligations guaranteed as to principal by the U. S. Treasury and U. S. agencies and instrumentalities; obligations guaranteed by the full faith and credit of the state of Missouri; repurchase agreement; certificates of deposit; bankers acceptances; and commercial paper.

Additionally, the Sewer District participates in the State Revolving Fund (SRF) bond issue program. Investments are maintained by the program on behalf of the Sewer District in a common investment pool. The underlying investments meet the guidelines discussed above. The maturity of the underlying investments is timed to coincide with interest and principal payment dates, every six months.

The Sewer District's investment policy states, "After assuring that an investment is legally permitted, safety of principal is the foremost consideration. In choosing individual investments in the portfolio, those investments which ensure the preservation of capital shall be deemed a higher priority than other objectives, such as a higher yield."

- **Credit Risk:** Credit Risk is the risk of loss due to the failure of the issuer or guarantor of a security or other investment. The District will minimize credit risk by:
 - . Pre-qualifying any financial institutions, brokers/dealers, custodians or depositaries which the District utilizes in connection with the investment of funds covered by this policy.
 - . As much as possible, diversifying individual investments in the overall investment portfolio among various issuers or guarantors to mitigate potential losses from exposure to one issuer or guarantor.

- **Interest Rate Risk:** Interest Rate Risk is the risk that the market value of investments may fall due to changes in general interest rates or market conditions. The District will minimize interest rate risk by:
 - . Investing operating funds so that individual investments mature to timely meet cash requirements for ongoing operations, thereby avoiding the potential need to sell investments prior to maturity.
 - . Structuring operating reserves in shorter-term, laddered securities. Although this may result in lower overall yields, this strategy provides the ability to reinvest maturing investments, while maintaining flexibility to access investments for unforeseen events at a lower exposure to rate risk.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 2: CASH AND INVESTMENTS (Continued)

Concentration of credit risk. The Sewer District does not have a policy specifically related to concentration of credit risk.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterpart, the Sewer District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Sewer District had the following cash and cash equivalents at December 31, 2020 and 2019:

	Fair Value	
	December 31, 2020	December 31, 2019
Deposits	\$ 1,374,911	\$ 1,170,792
Cash on hand	50	50
Total Cash and Cash Equivalents	\$ 1,374,961	\$ 1,170,842

Additionally, the Sewer District has investments held in an external investment pool with the State Revolving Fund. These investments are generally short-term money market investments that are held for debt service payments and reimbursement of construction costs. These investments are classified as restricted.

As of December 31, 2020, the District had \$0 of unspent bond proceeds held in escrow. This amount was \$492,024 at December 31, 2019.

NOTE 3: MANAGEMENT AGREEMENTS

The Sewer District has entered into an agreement with Boone Electric Cooperative for accounts receivable billing services. The agreement will continue until terminated by either party.

The Sewer District has also entered into an operations management services agreement with the City of Columbia. The agreement is cancelable by either party. Services are based on budgeted hourly rates.

In addition, the Sewer District has entered into a cooperative agreement with the Boone County Commission for technical services. The agreement is cancelable by either party. Services are based on budgeted hourly rates.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets by category for December 31, 2020:

	Balance at December 31, 2019	Purchases	Contributed Capital	Disposals	Transfers	Balance at December 31, 2020
Construction in progress	\$ 1,548,715	\$ 413,827	\$ -	\$ (151,237)	\$ (1,125,808)	\$ 685,497
Land	94,135	-	-	-	-	94,135
Buildings and improvements	173,907	-	-	-	-	173,907
Vehicles and equipment	1,238,680	50,336	-	(107,916)	-	1,181,100
Wastewater systems	42,235,568	-	518,925	(54,693)	1,125,808	43,825,608
Total Capital Assets	<u>\$45,291,005</u>	<u>\$ 464,163</u>	<u>\$ 518,925</u>	<u>\$ (313,846)</u>	<u>\$ -</u>	<u>45,960,247</u>
		<u>Depreciation</u>		<u>Disposals</u>		
Less: accumulated depreciation	<u>(13,207,178)</u>	<u>\$ (1,281,731)</u>		<u>\$ 136,890</u>		<u>(14,352,019)</u>
Net Capital Assets	<u>\$32,083,827</u>					<u>\$31,608,228</u>

The following is a summary of changes in capital assets by category for December 31, 2019:

	Balance at December 31, 2018	Purchases	Contributed Capital	Disposals	Transfers	Balance at December 31, 2019
Construction in progress	\$ 943,124	\$ 848,436	\$ -	\$ -	\$ (242,845)	\$ 1,548,715
Land	94,135	-	-	-	-	94,135
Buildings and improvements	173,907	-	-	-	-	173,907
Vehicles and equipment	1,138,489	137,317	-	(37,126)	-	1,238,680
Wastewater systems	41,212,457	52,198	728,068	-	242,845	42,235,568
Total Capital Assets	<u>43,562,112</u>	<u>\$ 1,037,951</u>	<u>\$ 728,068</u>	<u>\$ (37,126)</u>	<u>\$ -</u>	<u>45,291,005</u>
		<u>Depreciation</u>		<u>Disposals</u>		
Less: accumulated depreciation	<u>(11,970,404)</u>	<u>\$ (1,273,900)</u>		<u>\$ 37,126</u>		<u>(13,207,178)</u>
Net Capital Assets	<u>\$31,591,708</u>					<u>\$32,083,827</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5: LONG-TERM DEBT

The Sewer District is obligated under various long-term debt as follows:

State Revolving Fund (SRF) Revenue Bonds

- Series 2002B bonds dated November 2002 totaling \$360,000 mature from July 1, 2003 to July 1, 2022. The stated interest rates vary from 2.0% to 5.5%.
- Series 2004B bonds dated May 2004 totaling \$1,095,000 mature from January 1, 2005 to January 1, 2024. The stated interest rates vary from 2.0% to 5.25%.
- Series 2006B bonds dated November 2006 totaling \$675,000 mature from July 1, 2007 to July 1, 2026. The stated interest rates vary from 4% to 5%.
- Series 2007B bonds dated November 2007 totaling \$2,710,000 mature from January 1, 2009 to January 1, 2028. The stated interest rates vary from 4% to 5%.

These bonds are to be repaid from sewer fees charged by the Sewer District (see also Note 9).

In conjunction with the revenue bonds, the Missouri State Environmental Improvement and Energy Resources Authority and the Missouri Department of Natural Resources (MDNR) have entered into an agreement with the Sewer District to help defray some of the interest cost associated with the revenue bond issue. As bond proceeds are used for approved projects, 70% of the amount expended is invested by the state agencies in a “reserve fund”. The income earned from this investment is used to off-set the interest payable on the outstanding revenue bond issue. As principal is paid on the revenue bond issue, a portion of the reserve fund is returned to the state, so that 70% of the outstanding bond issue remains in reserve. At December 31, 2020 and 2019, the reserve fund balance was \$0 and \$97,302, respectively and reflects only the balance of the 2000 and 2002 debt issues.

The Reserve Fund Balances for Series 2004B, 2006B and 2007B were transferred to a Reserve Investment Account in June of 2009 managed by MDNR. The new reserve account will operate like an escrow account for the benefit of all entities involved in the SRF program. Numerous investments are involved that will generate the interest subsidy and maintain the Reserve Funds’ 70% of bonds owed balance. The interest income to offset interest expense for these series will be transferred to the Sewer District Reserve Funds in January and July. These funds will immediately be used to pay interest or transferred to MDNR to maintain the 70% balance of bond issuance owed. However, the balance of the Sewer District Reserve Funds for these series will remain at zero.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5: LONG-TERM DEBT (Continued)

SRF Loans

The following are loans from MDNR. The interest rate is low. There is no Reserve Fund involved. The amortization of this debt issuance is estimated at this time. The actual amortization will depend on how quickly the Sewer District draws from the available debt balance.

- Direct Loan 2019 dated May 30, 2019 totaling \$1,219,000 matures from January 1, 2020 to January 1, 2040. The stated interest rate is 1.22%
- Direct Loan 2015 dated March 2015 totaling \$3,064,000 matures July 1, 2016 to January 1, 2035. The interest rate is 1.26%.
- Direct Loan 2013 dated July 2013 totaling \$12,198,000 matures from July 1, 2015 to July 1, 2034. The interest rate is 1.48%.
- Direct Loan 2012 dated May 2012 totaling \$1,208,878 matures from January 1, 2013 to July 1, 2032. The interest rate is 1.44%.
- Direct Loan 2011 dated June 2011 totaling \$438,000 matures from July 1, 2012 to July 1, 2031. The interest rate is 1.61%.
- Direct Loan 2009 debt dated December 2009 totaling \$885,270 matures from July 1, 2011 to July 1, 2030. The interest rate is 1.49%.

City of Rocheport Treatment System Purchase

The note relates to the purchase of a wastewater treatment system in Rocheport. The note assumption agreement dated August 21, 2012 obligates the Sewer District to pay the Missouri Department of Natural Resources as consideration for the purchase price. In 2014 a final amortization schedule was received. The remaining balance owed was \$8,400 on December 31, 2020 and \$9,100 on December 31, 2019.

The changes in the debt for the year ended December 31, 2020, are as follows:

	Balance at December 31, 2019	Current Borrowing	Current Repayment	Balance at December 31, 2020
Obligation (A)	\$ 2,240,000	\$ -	\$ (320,000)	\$ 1,920,000
Obligation (B)	15,329,100	-	(930,249)	14,398,851
Obligation (C)	9,100	-	(700)	8,400
Total	<u>\$ 17,578,200</u>	<u>\$ -</u>	<u>\$ (1,250,949)</u>	<u>\$ 16,327,251</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5: LONG-TERM DEBT (Continued)

The future annual debt service requirements at December 31, 2020, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,152,150	\$ 277,539	\$ 1,429,689
2022	1,182,900	251,513	1,434,413
2023	1,190,800	225,092	1,415,892
2024	1,220,700	198,299	1,418,999
2025	1,183,700	174,230	1,357,930
2026-2030	5,814,900	530,334	6,345,234
2031-2035	4,288,300	135,034	4,423,334
2036-2040	293,801	9,068	302,869
Total	<u>\$ 16,327,251</u>	<u>\$ 1,801,109</u>	<u>\$ 18,128,360</u>

The changes in the debt for the year ended December 31, 2019, are as follows:

	<u>Balance at December 31, 2018</u>	<u>Current Borrowing</u>	<u>Current Repayment</u>	<u>Balance at December 31, 2019</u>
Obligation (A)	\$ 2,555,000	\$ -	\$ (315,000)	\$ 2,240,000
Obligation (B)	14,905,900	1,219,000	(795,800)	15,329,100
Obligation (C)	9,800	-	(700)	9,100
Total	<u>\$ 17,470,700</u>	<u>\$ 1,219,000</u>	<u>\$ (1,111,500)</u>	<u>\$ 17,578,200</u>

The future annual debt service requirements at December 31, 2019, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,136,300	\$ 306,237	\$ 1,442,537
2021	1,156,900	279,036	1,435,936
2022	1,187,900	252,838	1,440,738
2023	1,195,800	226,357	1,422,157
2024	1,225,900	199,502	1,425,402
2025-2029	5,937,000	639,635	6,576,635
2030-2034	5,248,700	203,349	5,452,049
2035-2039	452,600	14,983	467,583
2040	37,100	226	37,326
Total	<u>\$ 17,578,200</u>	<u>\$ 2,122,163</u>	<u>\$ 19,700,363</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5: LONG-TERM DEBT (Continued)

The interest to be paid has not been reduced for expected interest earnings of the “reserve fund”, as discussed above.

On December 3, 2019, the District entered into a lease purchase agreement for the purchase of equipment. The lease requires annual payments of \$20,593.52 until December 5, 2024 at an interest rate of 2.60%. The future annual debt service requirements at December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 18,558	\$ 2,036	\$ 20,594
2022	19,047	1,547	20,594
2023	19,549	1,044	20,593
2024	20,093	530	20,623
Total	<u>\$ 77,247</u>	<u>\$ 5,157</u>	<u>\$ 82,404</u>

A principal payment of \$18,082 and interest payment of \$2,542 was made in 2020. Equipment with a cost of \$115,884 and accumulated depreciation of \$12,554 is recognized on the December 31, 2020 Statement of Net Position. Depreciation expense of \$11,588 was recognized in 2020.

The future annual debt service requirements of the lease as of December 31, 2019 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 18,082	\$ 2,512	\$ 20,594
2021	18,558	2,036	20,594
2022	19,047	1,547	20,594
2023	19,549	1,044	20,593
2024	20,093	530	20,623
Total	<u>\$ 95,329</u>	<u>\$ 7,669</u>	<u>\$ 102,998</u>

A principal payment of \$20,594 and interest payment of \$1,030 was made in 2019. Equipment with a cost of \$115,884 and accumulated depreciation of \$966 is recognized on the December 31, 2020 Statement of Net Position. Depreciation expense of \$966 was recognized in 2019.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6: OPERATING LEASES

The Sewer District leases the land upon which its office building is built. The lease requires annual rental payments of \$100. The lease expires January 21, 2037.

NOTE 7: RESTRICTED NET POSITION

The bond agent, or the Sewer District, held funds of the Sewer District in accounts required by the SRF bond agreement at December 31, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Bond Agent Accounts:		
Principal Fund	\$ 240,014	\$ 261,027
Rebate Fund	22,661	22,825
Interest Fund	87,764	77,208
Direct principal	438,958	406,302
Direct interest	102,403	102,870
Direct Debt Service Fund	<u>6</u>	<u>5</u>
Total Restricted Assets	891,806	870,237
Less: taxes and interest payable	<u>(76,635)</u>	<u>(81,403)</u>
Restricted Net Position	<u>\$ 815,171</u>	<u>\$ 788,834</u>

The Sewer District also had \$0 restricted for capital projects at December 31, 2020 and \$492,024 at December 31, 2019.

NOTE 8: EMPLOYEE BENEFITS

The Sewer District provides a defined contribution pension plan for eligible employees. The Sewer District does not maintain custody of the accounts created by the related contributions and accordingly, only the related expense of the contributions is included in these financial statements. The expense recognized by the Sewer District related to the defined contribution pension plan was \$60,861 for the year ended December 31, 2020 and \$60,204 for the year ended December 31, 2019.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 9: COMMITMENTS

The Sewer District has entered into various agreements for the construction, management and maintenance of various publicly and privately constructed sewage systems throughout Boone County. These agreements are within the normal operating scope of the Sewer District and serve to protect the Sewer District's interest in sewage treatment and collection. At December 31, 2007, the Sewer District began implementation of a comprehensive improvement and construction plan totaling \$21,784,476.

In November 1997, November 2003 and April 2008, the voters of Boone County approved \$3,800,000, \$3,850,000 and \$21,000,000, respectively, in revenue bond issues. The bond proceeds are to be used to finance sewer system improvements. At December 31, 2020, \$25,652,797 and at December 31, 2019, \$25,538,148 of the bonds have been issued (Note 5). The remaining bonds are scheduled to be issued in accordance with the construction plan(s) of the Sewer District.

NOTE 10: LITIGATION AND RISK MANAGEMENT

The Sewer District is exposed to various risks of loss (arising from liability and regulatory actions) related to certain aspects of the Sewer District's operations. These legal proceedings are not likely to have a material adverse impact on the funds of the Sewer District. Significant losses are covered by commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts related to liability or regulatory action, if any, have not exceeded insurance coverage for the current year or the prior year.

NOTE 11: PLEDGED REVENUES

2020

The Sewer District has pledged future revenues, net of operating expenses, to repay bonds and a capital lease that were issued for the purpose of sewer system improvements and equipment. The bonds and lease are payable from net revenues through 2040. Annual principal and interest payments in 2020 on the bonds and lease required 81% of net revenues. Principal and interest paid for the 2020 year was \$1,465,958. Total net revenues for the current year were \$1,817,489. The total principal and interest remaining to be paid on the bonds and lease is \$18,210,764.

2019

The Sewer District has pledged future revenues, net of operating expenses, to repay bonds that were issued for the purpose of sewer system improvements. The bonds are payable from net revenues through 2040. Annual principal and interest payments in 2019 on the bonds required 76% of net revenues. Principal and interest paid for the 2019 year was \$1,440,720. Total net revenues for the current year were \$1,886,492. The total principal and interest remaining to be paid on the bonds is \$19,700,364.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 12: RELATED PARTY TRANSACTIONS

During 2020 and 2019, the Sewer District purchased legal services from a business in which a board member is a partner. The total amounts spent in 2020 and 2019 were \$30,941 and \$3,573, respectively.

NOTE 13: CONSIDERATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 16, 2021, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this evaluation.

SUPPLEMENTARY INFORMATION

BOONE COUNTY REGIONAL SEWER DISTRICT
SCHEDULES OF DEBT SERVICE COVERAGE
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Customer fees	\$ 4,901,574	\$ 4,760,620
Interest income	74,761	108,690
Adjusted Operating Revenue	4,976,335	4,869,310
Operating expenses	4,460,393	4,256,718
Less: Depreciation	(1,281,731)	(1,273,900)
Adjusted Operating Expenses	3,178,662	2,982,818
Operating income available for debt service	1,797,673	1,886,492
SRF principal/interest paid in current year	1,444,510	1,548,054
Debt service coverage	124%	122%

Bond covenants require the District maintain a debt service coverage ratio of 110%.
The District is in compliance with bond requirements for the years ended December 31, 2020
and 2019.

COMPLIANCE AND INTERNAL CONTROLS



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INDEPENDENT AUDITOR'S 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 Board of Trustees
Boone County Regional Sewer District
Columbia, Missouri

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 financial statements of the business-type activities of Boone County Regional Sewer District, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Boone County Regional Sewer District's basic financial statements, and have issued our report thereon dated April 16, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Boone County Regional Sewer 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 Boone County Regional Sewer District's internal control. Accordingly, we do not express an opinion on the effectiveness of Boone County Regional Sewer 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.

PARTNERS

Fred W. Korte, Jr.
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson

PARTNER EMERITUS

Robert A. Gerding

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency.

- 2020 & 2019-001 – Segregation of Duties

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Boone County Regional Sewer 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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*.

Boone County Regional Sewer District's Response to Finding

Boone County Regional Sewer District's response to the finding identified in our audits is described in the accompanying schedule of findings and responses. Boone County Regional Sewer District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



April 16, 2021

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

BOONE COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2020 AND 2019

2020 & 2019-001	Accounting Personnel
Criteria:	Proper segregation of duties reduces the risk of errors and fraud and is an important internal control.
Condition:	The District does not have enough accounting personnel to properly segregate duties.
Context:	During our audit we reviewed District policies and procedures and determined adequate segregation of duties did not exist.
Effect:	A small number of employees perform several accounting duties.
Cause:	The District does not have the financial resources to hire enough personnel to segregate duties.
Recommendation:	The District should segregate duties wherever possible and implement other controls to compensate for the lack of segregation of duties.
Views of Responsible Officials & Planned Corrective Actions:	The District will continue to work on implementing additional internal control procedures on an on-going basis.