

FINANCIAL REPORT OF
BOONE COUNTY
REGIONAL SEWER DISTRICT
DECEMBER 31, 2022 AND 2021

BOONE COUNTY REGIONAL SEWER DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Boone County Regional Sewer District (a special purpose governmental entity) (the "District"), as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed on the table of contents.

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 the Boone County Regional Sewer District as of December 31, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance, *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

PARTNERS

Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Benjamin E. Carrier

PARTNERS EMERITI

Robert A. Gerding
Fred W. Korte, Jr.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 7 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedules of Debt Service Coverage are presented for the purpose of additional analysis and are 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 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 our report dated May 23, 2023, 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 the effectiveness of the District's 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.



May 23, 2023

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

2023 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, 2022. 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 2022, unrestricted cash and investment balances of the District (not including SRF cash and investment balances) increased from \$2,038,745 to \$2,336,117.
- As of December 31, 2022, the District's reported net position was \$19,113,001, an increase of \$710,946 over 2021.
- In 2022, the District's restricted State Revolving Fund (SRF) and cash investments decreased by \$201,914.
- As of December 31, 2022, the District had \$30,697,884 in Capital Assets (included lease assets), net of depreciation, a decrease of \$579,986 from the prior year.
- Due to the refinance, revenue bonds due within one year decreased significantly.
- Funds that are restricted but expendable for debt service equal \$592,588.
- Operating income has increased for 2022 by \$55,220.
- Net position has improved throughout the year but financial activity looks stable for 2022. The only large change came with the SRF refinance and associated costs.
- Investing activity has earned a significant amount of interest in 2022 at \$46,105 but less than 2021 (\$64,108)

2023 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:

	<u>December 31,</u>	
	<u>2022</u>	<u>2021</u>
Cash and investments, including SRF	\$ 2,945,607	\$ 2,850,149
Accounts receivable, net of allowance	304,785	256,782
Other assets	72,349	55,951
Capital assets, net of depreciation	30,697,884	31,277,870
Total Assets	<u>34,020,625</u>	<u>34,440,752</u>
Accounts payable	115,769	138,205
Accrued expenses and deferred revenue	401,614	400,684
Current debt	900,897	1,254,072
Long-term debt	13,489,344	14,245,736
Total Liabilities	<u>14,907,624</u>	<u>16,038,097</u>
Net capital assets	16,259,978	15,778,062
Restricted	592,588	770,506
Unrestricted	2,260,435	1,853,487
TOTAL NET ASSETS	<u>\$ 19,113,001</u>	<u>\$ 18,402,055</u>

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS

As of December 31, 2022, the District's net position was \$19,113,001. "Net Capital Assets" totaling \$16,259,978 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.

Expendable resources are represented by the amount reported under the caption "Unrestricted" net position, totaling \$2,260,435 in 2022.

Total net position increased by \$710,946 during the 2022 fiscal year due to due to SRF extension/refinancing, an increase in the number of customers, increased invoicing for service contracts, an increase in leased assets, and a decrease in all liabilities.

Revenues and Expenses

The financial activities of the District are summarized as follows:

	December 31,	
	2022	2021
Total Operating Revenues	\$ 5,322,259	\$ 5,010,137
Operating Expenses:		
Personnel Expenses	1,236,414	1,080,354
Systems O & M	630,642	547,286
Wholesale Treatment	1,024,609	1,015,415
Contract Services	413,487	421,875
Depreciation	1,337,277	1,320,534
Other	45,803	45,865
Total Operating Expenses	4,688,232	4,431,330
Operating Surplus/(Deficit)	634,027	578,808
Investment, grant and other Revenue/(Expenses)	76,919	519,692
Increase/(Decrease) in Net Assets	\$ 710,946	\$ 1,098,499

Operating revenues increased by 6.2% in 2022, due to SRF extension/ refinancing, increased interest income on investment account, an increase in the number of customers & connection fees, and increased invoicing for service contracts. Operating expenses increased by 5.8%. The increase in costs was mainly due to paying out more personnel and maintenance.

Non-Operating items were a net decrease of \$442,773, lower contributed systems and lower interest expense.

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

As of December 31, 2022, the District had \$30,420,787 net of depreciation, invested in capital assets. Capital assets decreased due to the net accumulated depreciation being higher than capital additions.

Bonds Payable and Other Long-Term Debt

In fiscal year 2022, the District paid \$1,053,200 towards its long-term debt. As of December 31, 2022, the District's outstanding long-term debt was \$14,114,200.

Refinance 2022: The Board of Trustees approved a refinance of Direct Loans 2007, 2013, 2015 into a new loan for 2019, extending payments out until 2045.

Custodial credit risk – investments: BCRSD staff are reviewing current investment options to ensure the current and future investment funds are secure in the event of bank failures and in terms of bank guaranteed insured amounts. We are reviewing current processes through Central Bank and will look at alternate solutions to ensure all invested funds are able to be accessed and retrieved in emergencies without major loss of value. Solutions will involve diversification, investment in secure funds, proactive efforts on the part of our investment team and staff and the identification of new technologies.

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. The 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, 2022 AND DECEMBER 31, 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,336,117	\$ 2,038,745
Accounts receivable, net of allowance for uncollectibles	304,785	256,782
Prepaid expenses	72,349	55,951
Total Current Assets	2,713,251	2,351,478
Restricted Assets:		
Investments, restricted SRF accounts	609,490	811,404
Total Restricted Assets	609,490	811,404
Noncurrent Assets:		
Lease assets, net of accumulated amortization	277,097	-
Capital assets, net of accumulated depreciation	30,420,787	31,277,870
Total Noncurrent Assets	30,697,884	31,277,870
TOTAL ASSETS	34,020,625	34,440,752
LIABILITIES		
Current Liabilities:		
Accounts payable	115,769	138,205
Accrued expenses	255,218	263,773
Unearned revenue	146,396	136,911
Note payable due within one year	19,549	-
Leases due within one year	55,548	71,172
Total Current Liabilities	592,480	610,061
Current Liabilities Payable from Restricted Funds:		
Revenue bonds due within one year	825,800	1,182,900
Total Current Liabilities Payable from Restricted Funds	825,800	1,182,900
Noncurrent Liabilities:		
Revenue bonds due after one year	13,295,400	13,992,200
Note payable due after one year	20,060	-
Leases due after one year	173,884	253,536
Total Noncurrent Liabilities	13,489,344	14,245,736
TOTAL LIABILITIES	14,907,624	16,038,697
NET POSITION		
Net investment in capital assets	16,259,978	15,778,062
Restricted but expendable for debt service	592,588	770,506
Unrestricted	2,260,435	1,853,487
TOTAL NET POSITION	\$ 19,113,001	\$ 18,402,055

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, 2022 AND 2021

	2022	2021
OPERATING REVENUES:		
Customer fees	\$ 5,294,923	\$ 5,002,445
Miscellaneous	27,336	7,692
Total Operating Revenues	5,322,259	5,010,137
OPERATING EXPENSES:		
Personnel expenses	1,236,414	1,080,355
Materials and supplies	9,276	8,701
Dues, training and seminars	11,907	9,977
Utilities	195,002	196,597
Equipment expense	84,783	59,958
Maintenance	329,674	272,052
Wholesale treatment	1,024,609	1,015,415
Contract services	413,487	421,875
Miscellaneous	18,436	20,006
Bad debts	27,367	25,860
Depreciation and amortization	1,337,277	1,320,534
Total Operating Expenses	4,688,232	4,431,330
Operating Income	634,027	578,807
NON-OPERATING REVENUES/(EXPENSES):		
Interest income	52,564	64,108
Interest expense	(183,724)	(246,017)
Bond fees	(83,178)	(89,380)
Contributed systems	291,257	790,981
Total Non-Operating Revenues/(Expenses)	76,919	519,692
Increase/(Decrease) in Net Position	710,946	1,098,499
Net Position, Beginning of Year	18,402,055	17,303,556
Net Position, End of Year	\$ 19,113,001	\$ 18,402,055

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by customer fees	\$ 5,256,405	\$ 5,008,132
Cash paid to suppliers	(2,153,375)	(1,969,568)
Cash paid to employees	(1,244,969)	(1,087,701)
Cash provided by miscellaneous income	27,336	7,692
Net Cash Provided/(Used) by Operating Activities	1,885,397	1,958,555
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(466,034)	(199,195)
Principal paid on bonds and capital leases	(1,109,567)	(904,690)
Interest paid on notes and bonds	(183,724)	(246,017)
Revenue bond fees	(83,178)	(89,380)
Net cash provided by/(invested in) restricted accounts	201,914	80,403
Net Cash Provided/(Used) for Capital and Related Financing Activities	(1,640,589)	(1,358,879)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	52,564	64,108
Net Cash Provided/(Used) by Investing Activities	52,564	64,108
Net Increase/(Decrease) in Cash and Cash Equivalents	297,372	663,784
Cash and Cash Equivalents, Beginning of Year	2,038,745	1,374,961
Cash and Cash Equivalents, End of Year	\$ 2,336,117	\$ 2,038,745

Supplemental schedule of non-cash capital and related financing activities:

Contributed capital not involving cash	\$ 291,257	\$ 790,981
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Reconciliation of Cash Provided By Operating Activities:

Net income from operating activities	\$ 634,027	\$ 578,807
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,337,277	1,320,534
(Increase)/decrease in accounts receivable	(48,003)	6,716
(Increase)/decrease in prepaid expenses	(16,398)	6,970
Increase/(decrease) in accounts payable	(22,436)	102,579
Increase/(decrease) in accrued expenses	(8,555)	(56,022)
Increase/(decrease) in unearned revenue	9,485	(1,029)
Total Adjustments	1,251,370	1,379,748
Net Cash Provided/(Used) by Operating Activities	\$ 1,885,397	\$ 1,958,555

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021. 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, 2022 AND 2021

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 \$44,055 at December 31, 2022 and \$37,451 at December 31, 2021.

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.

Adoption of GASB 87 – Leases

The District has adopted Statement No. 87 of the Governmental Accounting Standards Board – Leases (“GASB 87”) as of January 1, 2022. The adoption had no effect to beginning net position.

Leases

Lessee Accounting

The District is a lessee in certain lease agreements. Lease agreements convey control of the right to use another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction.

Government-Wide and Proprietary Fund Statements

At the commencement of a lease agreement, the District recognizes a lease liability and a lease asset, unless the lease is a short-term lease or the lease agreement transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term, less any lease incentives. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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

Subsequently, the lease liability is reduced as payments are made and recognized as an outflow of resources for interest on the liability. The lease asset is amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Short-term leases are defined as leases that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months or less. Short-term lease payments are recognized as outflows of resources.

NOTE 2: CASH AND INVESTMENTS

Deposits

At December 31, 2022, the carrying values of the Sewer District's deposits were \$2,336,117 and the bank balance was \$2,347,121. At December 31, 2021, the carrying values of the Sewer District's deposits were \$2,038,745 and the bank balance was \$2,049,099. 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, 2022 and 2021.

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.

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.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

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 depositories 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.

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 counterparty, 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.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

The Sewer District had the following cash and cash equivalents at December 31, 2022 and 2021:

	Fair Value	
	December 31, 2022	December 31, 2021
Deposits	\$ 2,336,067	\$ 2,038,695
Cash on hand	50	50
Total Cash and Cash Equivalents	\$ 2,336,117	\$ 2,038,745

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.

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, 2022 AND 2021

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets by category for December 31, 2022:

	Balance at December 31, 2021	Purchases	Contributed Capital	Disposals	GASB 87	Balance at December 31, 2022
Construction in progress	\$ 803,848	\$ 162,113	\$ -	\$ -	\$ -	\$ 965,961
Land	94,135	-	-	-	-	94,135
Buildings and improvements	173,907	22,128	-	-	-	196,035
Vehicles and equipment	1,197,233	266,048	-	(169,204)	-	1,294,077
Wastewater systems	44,312,317	-	291,257	-	(266,048)	44,337,526
Total Capital Assets	<u>\$46,581,440</u>	<u>\$ 450,289</u>	<u>\$ 291,257</u>	<u>\$ (169,204)</u>	<u>\$ (266,048)</u>	<u>46,887,734</u>
		<u>Depreciation</u>		<u>Disposals</u>		
Less: accumulated depreciation	(15,303,570)	<u>\$ (1,339,232)</u>		<u>\$ 169,204</u>	6,651	(16,466,947)
Net Capital Assets	<u>\$31,277,870</u>					<u>\$30,420,787</u>

The following is a summary of changes in capital assets by category for December 31, 2021:

	Balance at December 31, 2020	Purchases	Contributed Capital	Disposals	Transfers	Balance at December 31, 2021
Construction in progress	\$ 685,497	\$ 183,062	\$ -	\$ -	\$ (64,711)	\$ 803,848
Land	94,135	-	-	-	-	94,135
Buildings and improvements	173,907	-	-	-	-	173,907
Vehicles and equipment	1,181,100	16,133	-	-	-	1,197,233
Wastewater systems	43,825,608	-	790,981	(368,983)	64,711	44,312,317
Total Capital Assets	<u>\$45,960,247</u>	<u>\$ 199,195</u>	<u>\$ 790,981</u>	<u>\$ (368,983)</u>	<u>\$ -</u>	<u>46,581,440</u>
		<u>Depreciation</u>		<u>Disposals</u>		
Less: accumulated depreciation	(14,352,019)	<u>\$ (1,320,534)</u>		<u>\$ 368,983</u>		(15,303,570)
Net Capital Assets	<u>\$31,608,228</u>					<u>\$31,277,870</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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%. These bonds were paid in full in 2022.
- 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, 2038. The stated interest rate is 1.5615%.

These bonds are to be repaid from sewer fees charged by the Sewer District (see also Note 10).

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, 2022 and 2021, 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, 2022 AND 2021

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, 2045. The interest rate is 1.26%.
- Direct Loan 2013 dated July 2013 totaling \$12,198,000 matures from July 1, 2015 to July 1, 2044. 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 \$7,000 on December 31, 2022 and \$7,700 on December 31, 2021.

The changes in the debt for the year ended December 31, 2022 are as follows:

	Balance at December 31, 2021	Current Borrowing	Current Repayment	Balance at December 31, 2022
Obligation (A)	\$ 1,650,000	\$ -	\$ (280,000)	\$ 1,370,000
Obligation (B)	13,517,400	-	(773,200)	12,744,200
Obligation (C)	7,700	-	(700)	7,000
Total	<u>\$ 15,175,100</u>	<u>\$ -</u>	<u>\$ (1,053,900)</u>	<u>\$ 14,121,200</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5: LONG-TERM DEBT (Continued)

The future annual debt service requirements at December 31, 2022, are as follows:

	Principal	Interest	Total
2023	\$ 825,800	\$ 204,613	\$ 1,030,413
2024	834,700	188,682	1,023,382
2025	768,700	176,495	945,195
2026	773,700	163,976	937,676
2027	739,000	152,306	891,306
2028-2032	3,615,600	602,315	4,217,915
2033-2037	3,004,400	370,607	3,375,007
2038-2042	2,588,300	165,672	2,753,972
2043-2045	971,000	17,986	988,986
Total	<u>\$ 14,121,200</u>	<u>\$ 2,042,652</u>	<u>\$ 16,163,852</u>

The changes in the debt for the year ended December 31, 2021, are as follows:

	Balance at December 31, 2020	Current Borrowing	Current Repayment	Balance at December 31, 2021
Obligation (A)	\$ 1,920,000	\$ -	\$ (270,000)	\$ 1,650,000
Obligation (B)	14,398,851	-	(881,451)	13,517,400
Obligation (C)	8,400	-	(700)	7,700
Total	<u>\$ 16,327,251</u>	<u>\$ -</u>	<u>\$ (1,152,151)</u>	<u>\$ 15,175,100</u>

The future annual debt service requirements at December 31, 2021, are as follows:

	Principal	Interest	Total
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	1,216,700	149,686	1,366,386
2027-2031	5,654,200	435,244	6,089,444
2032-2036	3,295,400	83,830	3,379,230
2037-2040	230,700	5,676	236,376
Total	<u>\$ 15,175,100</u>	<u>\$ 1,523,570</u>	<u>\$ 16,698,670</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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 note payable agreement for the purchase of equipment. The note 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, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 19,549	\$ 1,044	\$ 20,593
2024	20,063	530	20,593
Total	\$ 39,612	\$ 1,574	\$ 41,186

A principal payment of \$19,047 and interest payment of \$1,547 was made in 2022. Equipment with a cost of \$115,884 and accumulated depreciation of \$35,730 is recognized on the December 31, 2022 Statement of Net Position. Depreciation expense of \$11,588 was recognized in 2022.

The future annual debt service requirements of the note at December 31, 2021 are as follows:

	Principal	Interest	Total
2022	\$ 19,047	\$ 1,547	\$ 20,594
2023	19,549	1,044	20,593
2024	20,063	530	20,593
Total	\$ 58,659	\$ 3,121	\$ 61,780

A principal payment of \$18,588 and interest payment of \$2,006 was made in 2021. Equipment with a cost of \$115,884 and accumulated depreciation of \$24,142 is recognized on the December 31, 2021 Statement of Net Position. Depreciation expense of \$11,588 was recognized in 2021.

On November 18, 2021, the District entered into a lease agreement for the purchase of equipment. The lease requires annual payments of \$54,770.34 until December 1, 2026 at an interest rate of 1%. The future annual debt service requirements at December 31, 2022 are as follows:

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5: LONG-TERM DEBT (Continued)

	Principal	Interest	Total
2023	\$ 52,636	\$ 2,134	\$ 54,770
2024	53,158	1,613	54,771
2025	53,693	1,078	54,771
2026	54,229	541	54,770
Total	<u>\$ 213,716</u>	<u>\$ 5,366</u>	<u>\$ 219,082</u>

Principal and interest payments made in 2022 were \$52,332 and \$2,438, respectively.

The leased asset activity for fiscal year ended December 31, 2022 is as follows:

	Balance at December 31, 2021	Additions	Balance at December 31, 2022
Leased assets	\$ 266,048	\$ -	\$ 266,048
Less accumulated amortization	-	(4,434)	(4,434)
Leased assets, net of accumulated amortization	<u>\$ 266,048</u>	<u>\$ (4,434)</u>	<u>\$ 261,614</u>

On November 25, 2022, the District entered into a lease agreement for the purchase of a copier. The lease requires monthly payments of \$290 until November 30, 2027 at an undisclosed interest rate. The future annual debt service requirements at December 31, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 2,913	\$ 622	\$ 3,535
2024	3,030	449	3,479
2025	3,155	326	3,481
2026	3,284	196	3,480
2027	3,127	65	3,192
Total	<u>\$ 15,509</u>	<u>\$ 1,658</u>	<u>\$ 17,167</u>

The lease agreement charges a variable fee for additional copies over a specific threshold. The potential additional fees are not included in the measurement of the lease liability.

The leased asset activity for fiscal year ended December 31, 2022 is as follows:

	Balance at December 31, 2021	Additions	Balance at December 31, 2022
Leased assets	\$ 15,746	\$ -	\$ 15,746
Less accumulated amortization	-	(262)	(262)
Leased assets, net of accumulated amortization	<u>\$ 15,746</u>	<u>\$ (262)</u>	<u>\$ 15,484</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6: 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, 2022 and 2021 as follows:

	2022	2021
Bond Agent Accounts:		
Principal Fund	\$ 177,850	\$ 250,384
Rebate Fund	1,284	1,273
Interest Fund	12,461	14,716
Direct principal	327,055	448,811
Direct interest	90,834	96,214
Direct Debt Service Fund	6	6
Total Restricted Assets	609,490	811,404
Less: taxes and interest payable	(16,902)	(40,898)
Restricted Net Position	\$ 592,588	\$ 770,506

NOTE 7: 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 \$62,042 for the year ended December 31, 2022 and \$58,472 for the year ended December 31, 2021.

NOTE 8: 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, 2022, \$25,652,797 and at December 31, 2021, \$25,652,797 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.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9: 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 10: PLEDGED REVENUES

2022

The Sewer District has pledged future revenues, net of operating expenses, to repay bonds and leases that were issued for the purpose of sewer system improvements and equipment. The bonds and leases are payable from net revenues through 2045. Annual principal and interest payments in 2022 on the bonds and leases required 68% of net revenues. Principal and interest paid for the 2022 year was \$1,375,755. Total net revenues for the current year were \$2,023,868. The total principal and interest remaining to be paid on the bonds and leases is \$16,441,287.

2021

The Sewer District has pledged future revenues, net of operating expenses, to repay bonds and leases that were issued for the purpose of sewer system improvements and equipment. The bonds and leases are payable from net revenues through 2040. Annual principal and interest payments in 2021 on the bonds and leases required 59% of net revenues. Principal and interest paid for the 2021 year was \$1,150,707. Total net revenues for the current year were \$1,963,449. The total principal and interest remaining to be paid on the bonds and leases is \$17,034,331.

NOTE 11: CONSIDERATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 23, 2023, 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, 2022 AND 2021

	2022	2021
Customer fees	\$ 5,294,923	\$ 5,002,445
Interest income	52,564	64,108
Adjusted Operating Revenue	5,347,487	5,066,553
Operating expenses	4,688,232	4,431,330
Less: Depreciation	(1,337,277)	(1,320,534)
Adjusted Operating Expenses	3,350,955	3,110,796
Operating income available for debt service	1,996,532	1,955,757
SRF principal/interest paid in current year	1,300,102	1,440,099
Debt service coverage	154%	136%

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, 2022
and 2021.

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, 2022 and 2021, 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 May 23, 2023.

Report on 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
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Benjamin E. Carrier

PARTNERS EMERITI
Robert A. Gerding
Fred W. Korte, Jr.

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.

- 2022 & 2021-001 – Segregation of Duties

Report on 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 the response.

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.



May 23, 2023

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

**BOONE COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

2022 & 2021-001 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.

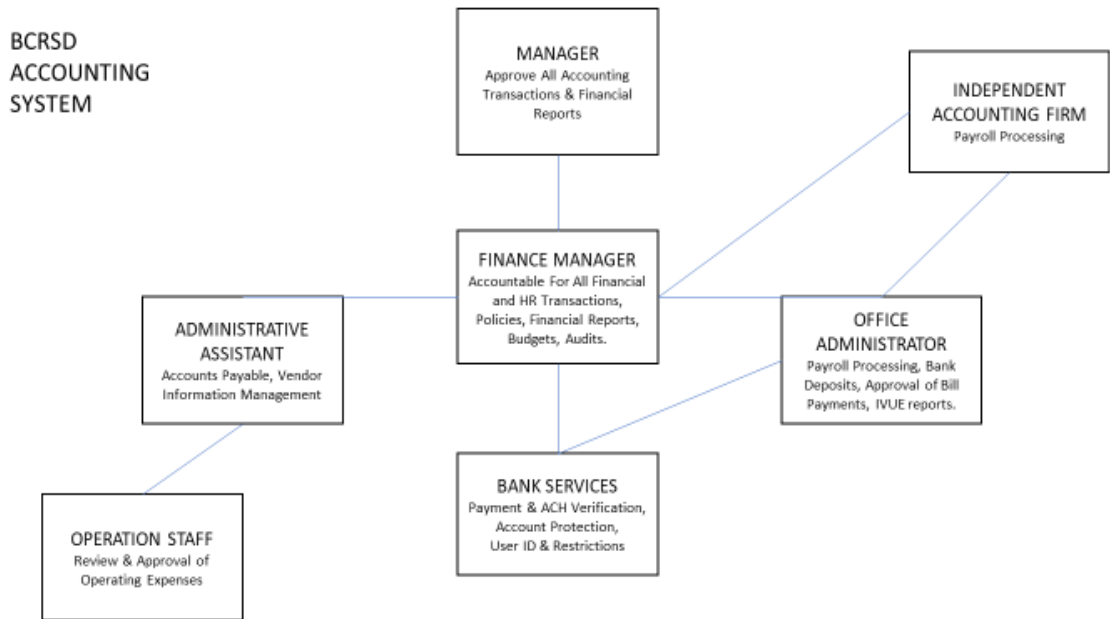
Context: During our audit we reviewed District policies and procedures and determined adequate segregation of duties did not exist.

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:



BOONE COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
YEARS ENDED DECEMBER 31, 2022 AND 2021

As the new Manager of Finance and Human Resources at Boone County Regional Sewer District (District), I would like to address the audit finding on page 28 of the 2022 audit. I have created a brief chart to outline the segregation of duties currently enforced at the District. In addition to the separation of tasks, cross-training is also a focal point for all finance and administration staff with the goal of assisting in all tasks, as needed, during emergencies or periods of staffing shortages. With a current staff of 13 full-time employees, most of those in operations, the District had, at one time, only two administration staff to provide customer service and financial tasks. Small businesses cannot support the same number of administrative/financial staff as their larger counterparts and internal controls are not as segregated. The audit finding does not mention a standard that the District should adhere to for reference and I find that would be helpful. With the recent addition of a new Administrative Assistant and the division of finance and administration duties into two separate positions, the segregation of duties of accounting personnel should no longer be an issue. The Administrative Assistant has taken on the role of vendor management and accounts payable. This role will include entering bills, processing credit card statements and entering/updating vendor information, including W-9 and Certificate of Liability information. The Manager of Administration makes the deposits, manages the accounts receivable information from Boone Electric through their proprietary IVUE system and enters bi-weekly payroll into the software for the contracted, third-party payroll provider. The Manager of Finance reviews the A/P and A/R process, reviews and edits payroll, reconciles the bank statements, updates and assures compliance with policies and procedures, and prepares financial reports monthly. Currently, the General Manager approves all financial transactions. Staff involved in accounting functions hold regular meetings to discuss processes and any issues. Ensuring that internal controls are in place is a part of the District's risk management assessment with our insurer.