

FINANCIAL REPORT OF
BOONE COUNTY
REGIONAL SEWER DISTRICT
DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022, 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 – 8 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 June 18, 2024, 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.



June 18, 2024

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

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS

The BCRSD Management's Discussion and Analysis (MD&A) is intended to provide an understanding of BCRSD's financial condition, results of operations and cash flows by focusing on changes in key measures from year to year. The MD&A should be read in conjunction with the Consolidated Financial Statements and accompanying Notes to 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.

ORGANIZATION OVERVIEW & OUTLOOK

The Boone County Regional Sewer District (BCRSD) is a public sewer utility organized pursuant to Section 204 of the Revised Statutes of the State of Missouri. The BCRSD mission is to provide current and future customers with cost-effective, reliable sanitary sewer service by collecting and treating wastewater and to protect public health and the environment in accordance with local, state and federal permit requirements.

BCRSD currently serves approximately 7,821 customers in Boone County. User fees include a base service fee component plus an additional fee based on water usage. BCRSD also provides contract operations services to certain incorporated areas within Boone County.

Management, operations and administration of BCRSD is accomplished under the management of an Executive Director and a staff of professional team members. Oversight and accountability of the BCRSD are the responsibility of a Board of Trustees, comprised of five members of the public appointed by the Boone County Commission.

BCRSD strives to manage cost-effective solutions and pursues initiatives to leverage available assets and expertise within Boone County. BCRSD partners with Boone Electric Cooperative (BEC) to provide billing and collections for BCRSD customers. BCRSD has developed several cooperative agreements with the City of Columbia, including for wholesale wastewater treatment, sludge management, fuel for the BCRSD's fleet, plan review and emergency service back-up.

BCRSD continues to endeavor to finance required capital improvement projects in the most cost-efficient manner, and has held successful revenue bond issue elections in the past. This has permitted the BCRSD to utilize the Missouri State Revolving Fund Program, which provides subsidized loans for qualified projects. In 2009, BCRSD was granted joint Tier 2 Continuing Authority by the Clean Water Commission (CWC). Tier 2 Continuing Authority has assisted BCRSD in regionalization efforts within Boone County and reduced the number of permitted discharges of treated wastewater into the creeks and streams of Boone County.

For 2024, BCRSD has contracted with an engineering firm to update its Area Wide Management Plan (AWMP). Updating the AWMP will provide BCRSD with a roadmap for future capital improvement projects and related costs, and help guide BCRSD utilization of its Tier 2 Continuing Authority. The current BCRSD capital improvement plan has been executed as anticipated.

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

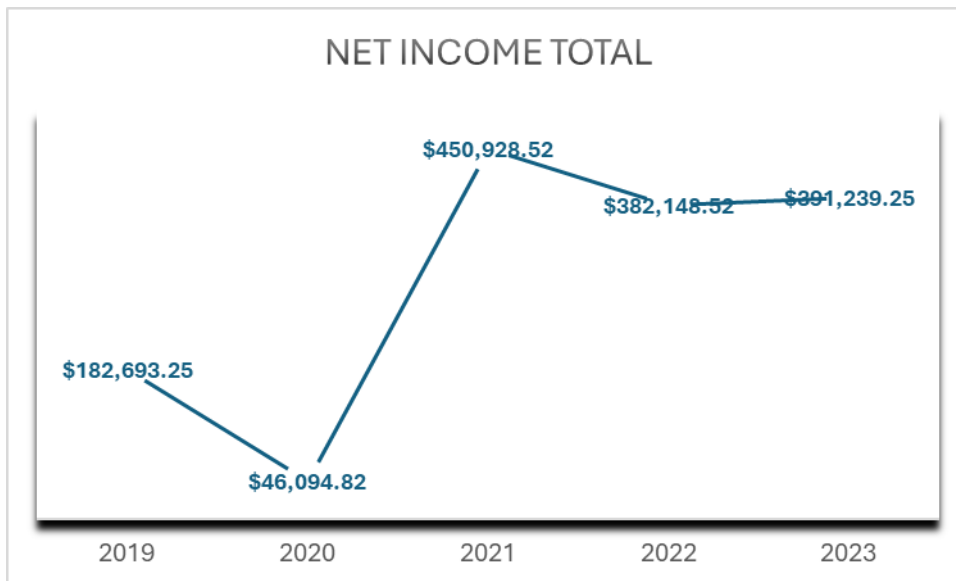
BCRSD has conducted user rates studies periodically to assure that projected user rates are adequate to provide revenues necessary to operate the system, pay debt service and meet covenants to bondholders. In 2024, as a function of the update of the AWMP, BCRSD intends to develop a plan to increase voted bonding authority in order to fund future capital projects.

BCRSD is currently financially strong, as described in more detail below. Internal controls have been recently evaluated and the review of BCRSD policies and procedures is underway.

FINANCIAL POSITION OF THE DISTRICT AND ECONOMIC OUTLOOK

REVENUE AND EXPENSES

Average net income over five-year period:



Net income for FY 2023 is up 2.32% over FY 2022.

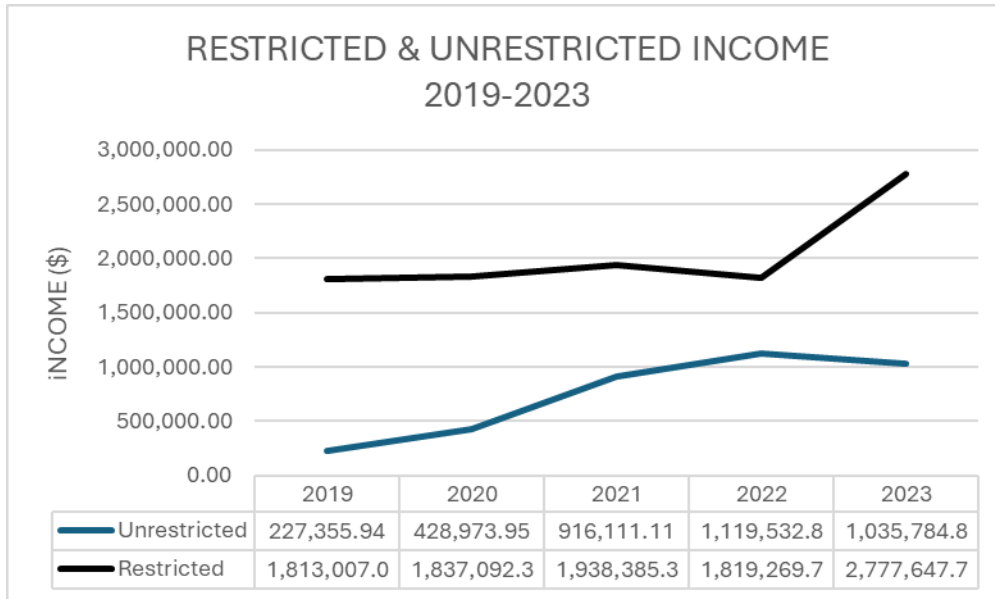
Projected budget for FY 2024 is \$5,811,871.00 of which \$5,292,000 is provided by customer user fees (90%).

Actual personnel costs make up 60% of projected expenses for the 2024 budget.

As of December 31, 2023, BCRSD holds \$29,994,303 in Capital Assets (includes lease assets), net of depreciation, a decrease of \$ \$703,581 from the prior year.

In FY 2022, revenue bonds issued through the SRF were refinanced, resulting in lower debt service for certain years. During such years, BCRSD may elect to fund a Budget Stabilization Fund. At the end of FY 2023, restricted assets increased to \$803,729.22 as a result of such deposits to the Budget Stabilization Fund.

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D



Remaining bonding authority from prior bond issues is \$3,079,501. Current expected outflow for CIP expenditures in 2024 totals \$1,278,732.

Debt Service: Total bonds issued as of December 31, 2023 is \$25,570,498.98. Current outstanding balance is \$13,436,100. BCRSD income available for debt service on outstanding parity bonds was calculated at 1.417X, compared to the required debt service coverage of 1.10x.

Investing activity has earned a significant amount of interest in FY 2023 (\$159,189), an increase of \$106,625 over 2022 (\$52,564).

The financial activities of BCRSD are summarized as follows:

	December 31,	
	<u>2023</u>	<u>2022</u>
Total Operating Revenues	\$5,477,756	\$5,322,259
Operating Expenses:		
Personnel Expenses	1,311,129	1,236,414
Systems O & M	657,310	630,642
Wholesale Treatment	1,031,265	1,024,609
Contract Services	421,878	413,487
Depreciation	1,403,852	1,337,277
Other	56,172	45,803
Total Operating Expenses	4,881,606	4,688,232
Operating Surplus/(Deficit)	596,150	634,027

Operating revenues increased by 2.92% in 2023, due to lower debt service from SRF 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 4.12%.

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

The net position of BCRSD is summarized as follows:

	December 31,	
	<u>2023</u>	<u>2022</u>
Cash and investments, including SRF	3,825,207	2,945,607
Accounts Receivable	310,395	304,785
Receivable, bond proceeds	0	0
Other assets	109,960	72,349
Capital assets, net of depreciation	29,994,303	30,697,884
Total Assets	<u>34,239,865</u>	<u>34,020,625</u>
Accounts payable	255,814	115,769
Accrued expenses and deferred revenue	418,003	401,614
Current debt	910,251	900,897
Long-term debt	12,572,834	13,489,344
Total Liabilities	<u>14,156,902</u>	<u>14,907,624</u>
Net capital assets	16,407,797	16,259,978
Restricted	568,445	592,588
Unrestricted	3,106,721	2,260,435
TOTAL NET ASSETS	<u><u>\$ 20,082,963</u></u>	<u><u>19,113,001</u></u>

Total cash in bank increased \$879,600, including investment income.

As of December 31, 2023, the District's reported net position was \$20,082,963, an increase of \$969,962 over 2022. The only large change came with the SRF refinance and associated costs in 2022. The current net position is holding stable. The focus for the future is to update the AWMP and determine impacts on the Capital Improvement Plan.

Encumbrances as of 12/31/2023:

\$628,047	Midway Henderson Branch (eliminated in 2024)
\$177,750	Brookfield
\$170,047	F-250 Truck, Crane Truck Replacement

CAPITAL ASSETS

As of December 31, 2023, BCRSD holds \$29,746,960 net of depreciation, invested in capital assets. Capital assets decreased due to the net accumulated depreciation being higher than capital additions.

Four new trucks were purchased in 2023 for \$166,000. Treatment facilities and collection system additions increased by donated capital: Butch's Investments, EquipmentShare, Eagle's Nest, Trade Winds and Ravenwood.

2023 MANAGEMENT'S DISCUSSION AND ANALYSIS CONT'D

BONDS PAYABLE AND OTHER LONG-TERM DEBT

In fiscal year 2023, BCRSD paid \$830,000 towards its long-term debt. As of December 31, 2023, the District's outstanding long-term debt was \$13,436,100.

SRF Refinance: In FY 2022, the Board of Trustees approved a refinance of several series of outstanding SRF Direct Loans for savings and extended maturity dates of the original series through 2045. The refinance has resulted in savings of \$803,729.22 through December 31, 2023.

In 2023, BCRSD issued bonds in the amount of \$147,000 to secure the Series 2023 SRF Direct Loan, proceeds of which were used for construction at the Rollingwood facility.

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. District's employees, staff and board are diligent in their efforts to identify methods of decreasing expenses.

CONTACTING THE FINANCIAL MANAGEMENT OF BCRSD

This financial report is designed to provide BCRSD's patrons, vendors, creditors and others interested with a general overview of BCRSD's finances and to demonstrate BCRSD'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 Sewer District, 1314 North 7th Street, Columbia, MO65201.

BOONE COUNTY REGIONAL SEWER DISTRICT
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND DECEMBER 31, 2022

	2023	2022
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 3,241,144	\$ 2,336,117
Accounts receivable, net of allowance for uncollectibles	310,395	304,785
Prepaid expenses	109,960	72,349
Total Current Assets	3,661,499	2,713,251
Restricted Assets:		
Investments, restricted SRF accounts	584,063	609,490
Total Restricted Assets	584,063	609,490
Noncurrent Assets:		
Lease assets, net of accumulated amortization	247,343	277,097
Capital assets, net of accumulated depreciation	29,746,960	30,420,787
Total Noncurrent Assets	29,994,303	30,697,884
TOTAL ASSETS	34,239,865	34,020,625
LIABILITIES		
Current Liabilities:		
Accounts payable	255,814	115,769
Accrued expenses	269,259	255,218
Unearned revenue	148,744	146,396
Note payable due within one year	20,063	19,549
Leases due within one year	56,188	55,548
Total Current Liabilities	750,068	592,480
Current Liabilities Payable from Restricted Funds:		
Revenue bonds due within one year	834,000	825,800
Total Current Liabilities Payable from Restricted Funds	834,000	825,800
Noncurrent Liabilities:		
Revenue bonds due after one year	12,455,100	13,295,400
Note payable due after one year	-	20,060
Leases due after one year	117,734	173,884
Total Noncurrent Liabilities	12,572,834	13,489,344
TOTAL LIABILITIES	14,156,902	14,907,624
NET POSITION		
Net investment in capital assets	16,407,797	16,259,978
Restricted but expendable for debt service	568,445	592,588
Unrestricted	3,106,721	2,260,435
TOTAL NET POSITION	\$ 20,082,963	\$ 19,113,001

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, 2023 AND 2022

	2023	2022
OPERATING REVENUES:		
Customer fees	\$ 5,454,519	\$ 5,294,923
Miscellaneous	23,237	27,336
Total Operating Revenues	5,477,756	5,322,259
OPERATING EXPENSES:		
Personnel expenses	1,311,129	1,236,414
Materials and supplies	24,760	9,276
Dues, training and seminars	6,267	11,907
Utilities	203,609	195,002
Equipment expense	92,762	84,783
Maintenance	329,912	329,674
Wholesale treatment	1,031,265	1,024,609
Contract services	421,878	413,487
Miscellaneous	28,173	18,436
Bad debts	27,999	27,367
Depreciation and amortization	1,403,852	1,337,277
Total Operating Expenses	4,881,606	4,688,232
Operating Income	596,150	634,027
NON-OPERATING REVENUES/(EXPENSES):		
Interest income	159,189	52,564
Interest expense	(203,688)	(183,724)
Bond fees	(80,336)	(83,178)
Contributed systems	498,647	291,257
Total Non-Operating Revenues/(Expenses)	373,812	76,919
Increase/(Decrease) in Net Position	969,962	710,946
Net Position, Beginning of Year	19,113,001	18,402,055
Net Position, End of Year	\$ 20,082,963	\$ 19,113,001

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by customer fees	\$ 5,451,257	\$ 5,256,405
Cash paid to suppliers	(2,064,191)	(2,153,375)
Cash paid to employees	(1,297,088)	(1,244,969)
Cash provided by miscellaneous income	23,237	27,336
Net Cash Provided/(Used) by Operating Activities	<u>2,113,215</u>	<u>1,885,397</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of capital assets	(201,624)	(466,034)
Principal paid on bonds and capital leases	(907,156)	(1,109,567)
Interest paid on notes and bonds	(203,688)	(183,724)
Revenue bond fees	(80,336)	(83,178)
Net cash provided by/(invested in) restricted accounts	25,427	201,914
Net Cash Provided/(Used) for Capital and Related Financing Activities	<u>(1,367,377)</u>	<u>(1,640,589)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	159,189	52,564
Net Cash Provided/(Used) by Investing Activities	<u>159,189</u>	<u>52,564</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	905,027	297,372
Cash and Cash Equivalents, Beginning of Year	<u>2,336,117</u>	<u>2,038,745</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,241,144</u>	<u>\$ 2,336,117</u>
<hr/> <hr/>		
Supplemental schedule of non-cash capital and related financing activities:		
Contributed capital not involving cash	<u>\$ 498,647</u>	<u>\$ 291,257</u>
Reconciliation of Cash Provided By Operating Activities:		
Net income from operating activities	<u>\$ 596,150</u>	<u>\$ 634,027</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,403,852	1,337,277
(Increase)/decrease in accounts receivable	(5,610)	(48,003)
(Increase)/decrease in prepaid expenses	(37,611)	(16,398)
Increase/(decrease) in accounts payable	140,045	(22,436)
Increase/(decrease) in accrued expenses	14,041	(8,555)
Increase/(decrease) in unearned revenue	2,348	9,485
Total Adjustments	<u>1,517,065</u>	<u>1,251,370</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 2,113,215</u>	<u>\$ 1,885,397</u>

See Accompanying Notes to Financial Statements

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 AND 2022

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, 2023 and 2022, 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, 2023 and 2022. 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, 2023 AND 2022

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 \$30,055 at December 31, 2023 and \$44,055 at December 31, 2022.

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, 2023 AND 2022

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, 2023, the carrying values of the Sewer District's deposits were \$3,241,144 and the bank balance was \$3,213,814. 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. 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, 2023 and 2022.

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, 2023 AND 2022

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, 2023 AND 2022

NOTE 2: CASH AND INVESTMENTS (Continued)

The Sewer District had the following cash and cash equivalents at December 31, 2023 and 2022:

	Fair Value	
	December 31, 2023	December 31, 2022
Deposits	\$ 3,241,094	\$ 2,336,067
Cash on hand	50	50
Total Cash and Cash Equivalents	\$ 3,241,144	\$ 2,336,117

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.

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 4: CAPITAL ASSETS

The following is a summary of changes in capital assets by category for December 31, 2023:

	Balance at December 31, 2022	Purchases	Contributed Capital	Disposals	Balance at December 31, 2023
Construction in progress	\$ 965,961	\$ -	\$ -	\$ -	\$ 965,961
Land	94,135	-	-	(6,000)	88,135
Buildings and improvements	196,035	-	-	-	196,035
Vehicles and equipment	1,294,077	207,624	-	-	1,501,701
Wastewater systems	44,337,526	-	498,647	-	44,836,173
Total Capital Assets	<u>\$46,887,734</u>	<u>\$ 207,624</u>	<u>\$ 498,647</u>	<u>\$ (6,000)</u>	<u>47,588,005</u>
		<u>Depreciation</u>		<u>Disposals</u>	
Less: accumulated depreciation	(16,466,947)	<u>\$ (1,374,098)</u>		<u>\$ -</u>	(17,841,045)
Net Capital Assets	<u>\$30,420,787</u>				<u>\$29,746,960</u>

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>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: LONG-TERM DEBT

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

State Revolving Fund (SRF) Revenue Bonds

- 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.

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, 2023 AND 2022

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%.
- Direct Loan 2023 debt dated July, 2023 totaling \$147,000 matures from July 1, 2024 to July 1, 2043. The interest rate is 1.199%. (No proceeds were received by the District as of December 31, 2023).

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 \$0 on December 31, 2023 and \$7,000 on December 31, 2022.

The changes in the debt for the year ended December 31, 2023 are as follows:

	Balance at December 31, 2022	Current Borrowing	Current Repayment	Balance at December 31, 2023
Obligation (A)	\$ 1,370,000	\$ -	\$ (172,000)	\$ 1,198,000
Obligation (B)	12,744,200	-	(653,100)	12,091,100
Obligation (C)	7,000	-	(7,000)	-
Total	<u>\$ 14,121,200</u>	<u>\$ -</u>	<u>\$ (832,100)</u>	<u>\$ 13,289,100</u>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: LONG-TERM DEBT (Continued)

The future annual debt service requirements at December 31, 2023 (assuming full draw of \$147,000 on the 2023 issue), are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 837,200	\$ 190,248	\$ 1,027,448
2025	774,300	178,099	952,399
2026	779,500	165,513	945,013
2027	744,900	153,782	898,682
2028	749,000	143,024	892,024
2029-2033	3,504,400	557,926	4,062,326
2034-2038	3,052,600	331,505	3,384,105
2039-2043	2,489,200	130,959	2,620,159
2044-2045	505,000	5,786	510,786
Total	<u>\$ 13,436,100</u>	<u>\$ 1,856,842</u>	<u>\$ 15,292,942</u>

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

	<u>Balance at December 31, 2021</u>	<u>Current Borrowing</u>	<u>Current Repayment</u>	<u>Balance at December 31, 2022</u>
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>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 20,063	\$ 530	\$ 20,593
Total	\$ 20,063	\$ 530	\$ 20,593

A principal payment of \$19,549 and interest payment of \$1,044 was made in 2023. Equipment with a cost of \$115,884 and accumulated depreciation of \$47,318 is recognized on the December 31, 2023 Statement of Net Position. Depreciation expense of \$11,588 was recognized in 2023.

The future annual debt service requirements of the note 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.

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, 2023 are as follows:

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: LONG-TERM DEBT (Continued)

	Principal	Interest	Total
2024	\$ 53,158	\$ 1,613	\$ 54,771
2025	53,693	1,078	54,771
2026	54,229	541	54,770
Total	<u>\$ 161,080</u>	<u>\$ 3,232</u>	<u>\$ 164,312</u>

Principal and interest payments made in 2023 were \$52,636 and \$2,134, respectively.

The leased asset activity for fiscal year ended December 31, 2023 is as follows:

	Balance at December 31, 2022	Additions	Balance at December 31, 2023
Leased assets	\$ 266,048	\$ -	\$ 266,048
Less accumulated amortization	(4,434)	(26,605)	(31,039)
Leased assets, net of accumulated amortization	<u>\$ 261,614</u>	<u>\$ (26,605)</u>	<u>\$ 235,009</u>

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

	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>

BOONE COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: LONG-TERM DEBT (Continued)

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, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 3,030	\$ 449	\$ 3,479
2025	3,155	326	3,481
2026	3,284	196	3,480
2027	3,373	65	3,438
Total	<u>\$ 12,842</u>	<u>\$ 1,036</u>	<u>\$ 13,878</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, 2023 is as follows:

	Balance at December 31, 2022	Additions	Balance at December 31, 2023
Leased assets	\$ 15,746	\$ -	\$ 15,746
Less accumulated amortization	(262)	(3,149)	(3,411)
Leased assets, net of accumulated amortization	<u>\$ 15,484</u>	<u>\$ (3,149)</u>	<u>\$ 12,335</u>

The future annual debt service requirements of the note 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 were 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, 2023 AND 2022

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, 2023 and 2022 as follows:

	2023	2022
Bond Agent Accounts:		
Principal Fund	\$ 159,408	\$ 177,850
Rebate Fund	-	1,284
Interest Fund	6,986	12,461
Direct principal	330,581	327,055
Direct interest	87,082	90,834
Direct Debt Service Fund	6	6
Total Restricted Assets	584,063	609,490
Less: taxes and interest payable	(15,618)	(16,902)
Restricted Net Position	\$ 568,445	\$ 592,588

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 \$56,573 for the year ended December 31, 2023 and \$62,042 for the year ended December 31, 2022.

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, 2023, \$25,652,797 and at December 31, 2022, \$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, 2023 AND 2022

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

2023

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 2023 on the bonds and leases required 51% of net revenues. Principal and interest paid for the 2023 year was \$1,098,491. Total net revenues for the current year were \$2,159,191. The total principal and interest remaining to be paid on the bonds and leases is \$15,491,725.

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.

NOTE 11: CONSIDERATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 18, 2024, 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, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Customer fees	\$ 5,454,519	\$ 5,294,923
Interest income	159,189	52,564
Adjusted Operating Revenue	<u>5,613,708</u>	<u>5,347,487</u>
Operating expenses	4,881,606	4,688,232
Less: Depreciation	(1,403,852)	(1,337,277)
Adjusted Operating Expenses	<u>3,477,754</u>	<u>3,350,955</u>
Operating income available for debt service	2,135,954	1,996,532
SRF principal/interest paid in current year	<u>1,033,212</u>	<u>1,300,102</u>
Debt service coverage	<u>207%</u>	<u>154%</u>

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, 2023
and 2022.

COMPLIANCE AND INTERNAL CONTROLS

**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**

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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, 2023 and 2022, 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 June 18, 2024.

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.

- 2023 & 2022-001 – 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.



June 18, 2024

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

**BOONE COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

2023 & 2022-001 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.

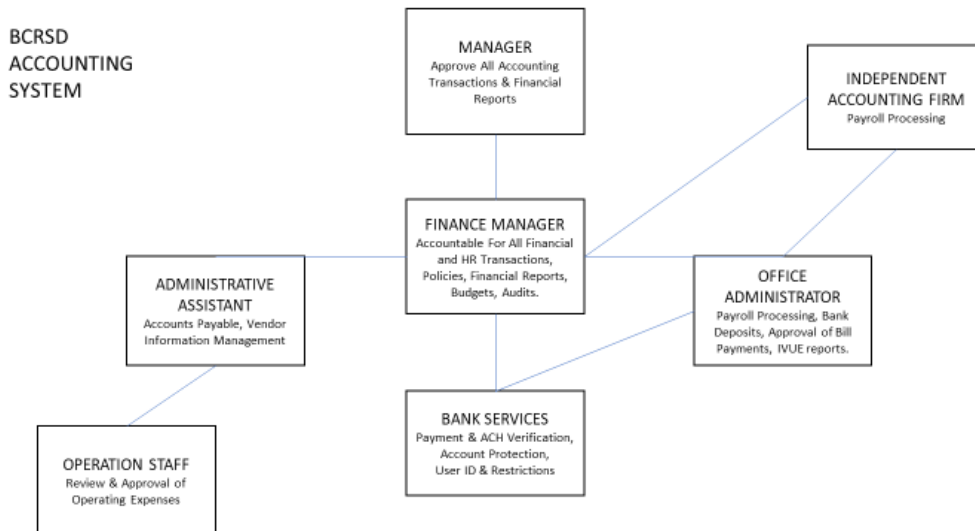
Effect: A small number of employees perform several accounting duties.

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:

SEPARATION OF DUTIES IN ADMINISTRATIVE DEPARTMENT



BOONE COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
YEARS ENDED DECEMBER 31, 2023 AND 2022

As the Manager of Finance and Human Resources at Boone County Regional Sewer District (BCRSD), I have created a brief chart to outline the segregation of duties currently enforced at Boone County Regional Sewer District. Each position has specific tasks to perform that are separate from reviews and approvals of an alternate staff member. Cross training and job-specific training are identified as an area of focus for all finance and administration staff. Tasks are, and will continue to be, separated but cross-training will allow for coverage of all areas during promotions, staffing shortages or emergencies. With a current staff of 14 full-time employees, most of those in Operations, BCRSD had, at one time, only two administration staff to perform all customer service and financial responsibilities. Small businesses cannot support the same number of administrative/financial staff as their larger counterparts and internal controls are often not as segregated. The segregation of duties of accounting and office personnel will constantly be assessed and revised as needed. Currently, the Executive Director approves all financial transactions and the Board of Trustees receives quarterly financial reports to review. Staff involved in accounting and administrative functions hold regular meetings to discuss processes and any issues that come up regarding compliance, efficiency or updated policy. Ensuring that internal controls are in place is a part of the District's risk management assessment with our insurer and an increasingly important part of strategic planning operatives.