

**REPORT OF**

**THE JOINT BOARD OF THE  
LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT**

**DECEMBER 31, 2016**

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT**

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors  
The Joint Board of the Lake Ozark - Osage Beach  
Sewage Treatment Plant  
Osage Beach, Missouri

### Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the business-type activities of The Joint Board of the Lake Ozark - Osage Beach Sewage Treatment Plant (the "Board"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

#### PARTNERS

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

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note I; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### PARTNER EMERITUS

*Robert A. Gerding*

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business-type activities of The Joint Board of the Lake Ozark - Osage Beach Sewage Treatment Plant, as of December 31, 2016, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note I.

### **Basis of Accounting**

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to that matter.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The management's discussion and analysis and statement of revenues collected, expenses paid and changes in net position arising from cash transactions – with budget comparisons, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of revenues collected, expenses paid and changes in net position arising from cash transactions - with budget comparisons 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the statement of revenues collected, expenses paid and changes in net position arising from cash transactions - with budget comparisons is fairly stated in all material respects in relation to the basic financial statements as a whole.

The management's discussion and analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2017, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



June 6, 2017

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

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

As management of the Joint Board of the Lake Ozark-Osage Beach Sewage Treatment Plant, we offer readers of the Board's financial statement this narrative overview and analysis of the financial activities of the Board for the calendar year.

**Financial Highlights**

- The assets of the Joint Board of the Lake Ozark-Osage Beach Sewage Treatment Plant exceeded its liabilities at the close of the most recent calendar year by \$776,374 (net position). Of this amount, \$487,257 was restricted for equipment replacement, and \$289,117 was unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Board's fund designation and fiscal policies.
- The Board's total net position increased by \$146,389.
- Total revenue increased .73% from \$582,400 FY2015 to \$586,676 FY2016. Revenue from the City of Lake Ozark based on actual measured flows to the plant for the year was \$74,197 (13.5%) and Osage Beach was \$475,803 (86.5%). Interest revenue increased 43% due to increased reserve balances and an increase in the interest rate received.

Total operating expenses decreased 1% from \$437,048 FY2015 to \$432,307 FY2016. The reduction of operating expenses is primarily due to no major operating projects being completed during the year. A grit removal project was budgeted for \$90,000 but was not complete before the end of the year and was carried forward to 2017.

The seven years of litigation with the Land Reclamation Commission and Magruder Limestone Company have concluded. The court upheld the modified permit and the matter is closed.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements are comprised of two components: 1) proprietary fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

**Proprietary Funds** - The Board maintains one type of proprietary fund. The Board uses an enterprise fund to account for its sewer operations.

The proprietary fund financial statements are designed to provide readers with the broad overview of the Board's finances in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the Board's cash basis assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator to whether the cash position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the Board's cash basis net position changed during the fiscal year. All changes in cash basis net position are reported when cash is received and expended.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-15.

**Other Information** - In addition to the basic financial statements and accompanying notes, this report also presents a budget comparison. The budget comparison can be found on page 16 of this report.

NET POSITION

	2016	2015
Current assets	\$ 289,117	\$ 179,201
Restricted assets	487,257	450,784
Total Assets	776,374	629,985
Net Position		
Unrestricted	289,117	179,201
Restricted for equipment replacement	487,257	450,784
Total Net Position	\$ 776,374	\$ 629,985

Business-Type Activities: Net Position from business-type activities increased by \$146,389 from \$629,985 to \$776,374.

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2016  
(UNAUDITED)**

The following table provides a summary of the Board's operations for years ended December 31, 2016 and 2015:

**CHANGES IN NET POSITION**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program Revenues		
Charges for services	\$ 583,460	\$ 582,400
General Revenues		
Interest and investment earnings	3,216	2,244
Total Revenues	<u>\$ 586,676</u>	<u>\$ 584,644</u>
Expenses:		
Sewer	\$ 440,287	\$ 438,918
Total Expenses	<u>440,287</u>	<u>438,918</u>
Increase (Decrease) in net position	146,389	145,726
Net Position-Beginning of Year	<u>629,985</u>	<u>484,259</u>
Net Position-End of Year	<u>\$ 776,374</u>	<u>\$ 629,985</u>

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Board's finances. If you have questions about this report or need any additional information, contact the Joint Board of the Lake Ozark-Osage Beach Sewage Treatment Plant, Attn: Karri Bell at the Osage Beach City Hall, 1000 City Parkway, Osage Beach, Missouri 65065.



**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
STATEMENT OF NET POSITION ARISING  
FROM CASH TRANSACTIONS  
DECEMBER 31, 2016**

ASSETS

Current Assets:

Cash and investments \$ 289,117

Restricted Assets:

Cash and investments 487,257

Total Assets \$ 776,374

NET POSITION

Restricted for equipment replacement 487,257

Unrestricted 289,117

Total Net Position \$ 776,374

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
STATEMENT OF ACTIVITIES ARISING FROM CASH TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net Expenses and Changes in Net Position</u>
Business - Type Activities:			
Sewer	\$ 440,287	\$ 583,460	\$ 143,173
Total	<u>\$ 440,287</u>	<u>\$ 583,460</u>	<u>143,173</u>
Unrestricted investment earnings			<u>3,216</u>
Total general revenues			<u>3,216</u>
Change in net position			146,389
Net position - beginning			<u>629,985</u>
Net position - ending			<u>\$ 776,374</u>

See Notes to Financial Statements

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID AND  
CHANGES IN NET POSITION ARISING FROM CASH TRANSACTIONS  
YEAR ENDED DECEMBER 31, 2016**

Operating Revenues Collected:	
User fees	\$ 583,460
Total Operating Revenues Collected	<u>583,460</u>
Operating Expenses Paid:	
Repair and maintenance	19,688
Bank fees	14
Insurance	16,977
Professional services	11,352
Hauler fees	8,000
Electricity	72,637
Contract management	303,639
Total Operating Expenses Paid	<u>432,307</u>
Income (Loss) from Operations	<u>151,153</u>
Nonoperating Revenues (Expenses):	
Interest received	3,216
Capital improvements, equipment	<u>(7,980)</u>
Net Nonoperating Revenues (Expenses)	<u>(4,764)</u>
Net Income (Loss)	146,389
Net Position, beginning of year	<u>629,985</u>
Net Position, end of year	<u><u>\$ 776,374</u></u>

See Notes to Financial Statements

**THE JOINT BOARD OF THE LAKE OZARK – OSAGE BEACH  
SEWAGE TREATMENT PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**Reporting Entity**

The Organization was formed in 1984 under authorization set forth by Section 250.20 of the Revised Statutes of the State of Missouri as amended. The purpose of the Organization is to operate and maintain a sewage treatment plant owned by the cities of Lake Ozark and Osage Beach.

The Board has developed criteria to determine whether outside agencies, with activities which benefit the patrons of the Board, should be included within its financial reporting entity. The criteria includes, but is not limited to, whether the Board exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters), scope of public service, and special financing relationships.

The Board has determined that no other outside agency meets the above criteria, and therefore, no other agency has been included as a component unit in the Board's financial statements. In addition, the Board is not aware of any entity which would exercise such oversight which would result in the Board being considered a component unit of the entity.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

The accounts of the Board are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Therefore, revenues and expenditures are recognized only when collected or paid, and receivables and accrued liabilities are not reflected in the financial statements.

The Board distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Board's principal ongoing operations. The principal operating revenues of the Board's enterprise fund are fees charged to the cities of Osage Beach and Lake Ozark, and waste handling fees. The principal operating expenses of the Board are contract management, hauler fees and insurance. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses. The Board first utilizes unrestricted resources to finance qualifying activities. Amounts reported as program revenues include user fees.

**THE JOINT BOARD OF THE LAKE OZARK – OSAGE BEACH  
SEWAGE TREATMENT PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)**

**Cash and Investments**

Cash consists of amounts in demand deposits and certificates of deposit. The Board considers all highly liquid investments maturing within three months to be cash equivalents. Cash balances are invested to the extent available. Investments include certificates of deposit. Investments are stated at cost or amortized cost.

State statutes authorize the Board to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

**Restricted Assets**

Certain resources are classified as restricted assets on the balance sheet because their use is limited by applicable organizational agreements.

Capital assets are charged to expenditures as they are paid. Capital improvements, equipment reports the cost of property, plant and equipment.

**Budgets and Budgetary Practices**

The board members are responsible for the approval of an annual operating budget. A formal budget was adopted November 17, 2015. The Board was in compliance with State statutes in accordance with Sections 67.010 to 67.080, RSMo 1986.

**Compensated Absences**

The Board has no policy providing for compensated absences.

**THE JOINT BOARD OF THE LAKE OZARK – OSAGE BEACH  
SEWAGE TREATMENT PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**II. DETAILED NOTES ON ALL FUNDS**

A. Cash and Investments

The Board complies with various restrictions on deposits and investments which are imposed by state statutes as follows:

Deposits - Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits.

Investments - The Board may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U. S. Treasury obligations or obligations of U. S. government agencies or instrumentalities of any maturity, as provided by law.

Deposits:

The Board's deposits, including restricted assets, are stated at cost and are composed of the following:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits		\$ 373,032
Time deposit	01/29/17	101,599
Time deposit	10/27/17	201,567
Time deposits	03/14/18	100,176
Total deposits		\$ 776,374

***Custodial Credit Risk.*** Deposits in financial institutions, reported as components of cash and investments, had a bank balance of \$776,374 at December 31, 2016, which was fully insured by depository insurance.

***Investment interest rate risk.*** The Board has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2016, are provided in the previous schedule.

***Investment credit risk.*** The Board maintains cash deposits and investments which are authorized by the Board. The Board invests idle funds in certificates of deposit.

***Concentration of investment credit risk.*** The Board places no limit on the amount it may invest in any one issuer. At December 31, 2016, the Board had no concentration of credit risk.

**THE JOINT BOARD OF THE LAKE OZARK – OSAGE BEACH  
SEWAGE TREATMENT PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**II. DETAILED NOTES ON ALL FUNDS (continued)**

B. Restricted Assets and Net Position

The 1984 agreement for Joint Design, Construction, Ownership, Operation and Maintenance of the Lake Ozark - Osage Beach Sewage Treatment Plant established amounts required to be deposited in an equipment replacement account. All required deposits to those accounts have been made. The restrictions are as follows:

	Restricted Cash and Savings	Restricted Net Position
Equipment Replacement Account	\$ 487,257	\$ 487,257

C. Expense Allocation

Per the 2016 budget of the Board, the expenses of operating the sewer treatment plant are to be shared by the cities in the following percentages for 2016:

Lake Ozark	14.0%
Osage Beach	86.0%

For the year ended December 31, 2016, the percentages actually contributed are as follows:

Lake Ozark	13.5%
Osage Beach	86.5%

D. Professional Services

Professional services expense includes attorney and accountant fees paid during 2016.

**THE JOINT BOARD OF THE LAKE OZARK – OSAGE BEACH  
SEWAGE TREATMENT PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**III. OTHER INFORMATION**

**A. Ownership of Facility**

Ownership of the sewage treatment plant and its real and personal property is vested and titled equally in the names of Lake Ozark and Osage Beach as tenants in common.

Costs incurred in building the facility and related equipment were paid directly by the cities of Lake Ozark and Osage Beach.

**B. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally by the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

**C. Litigation**

Management believes there are no outstanding matters which will have a material effect on the financial statements of the Board.

**D. Commitments**

The Board has a contract dated November 18, 2008, with Alliance Water Resources, Inc., to provide operation, maintenance and management services for Board facilities for the period January 1, 2009 to December 31, 2013. The agreement was amended January 18, 2011 to allow for reimbursement to the contractor for power costs in excess of benchmark budgeted amounts. The amendment also requires the Board to pay Ameren Missouri power costs directly effective January 1, 2011. A supplemental agreement was made on August 20, 2013 to renew the original agreement and amendment for an additional five years. The new agreement is effective January 1, 2014 and expires December 31, 2018.



**THE JOINT BOARD OF THE LAKE OZARK – OSAGE BEACH  
SEWAGE TREATMENT PLANT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**III. OTHER INFORMATION (continued)**

E. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial insurance.

F. Consideration of Subsequent Events

Subsequent events have been evaluated through June 6, 2017, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.

## **SUPPLEMENTARY INFORMATION**

**THE JOINT BOARD OF THE LAKE OZARK - OSAGE BEACH  
SEWAGE TREATMENT PLANT  
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID AND  
CHANGES IN NET POSITION ARISING FROM CASH TRANSACTIONS -  
WITH BUDGET COMPARISONS  
YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES COLLECTED:</b>				
User fees	\$ 585,000	\$ 585,000	\$ 583,460	\$ (1,540)
Total Operating Revenues Collected	<u>585,000</u>	<u>585,000</u>	<u>583,460</u>	<u>(1,540)</u>
<b>OPERATING EXPENSES PAID:</b>				
Repairs and maintenance	122,500	122,500	19,688	102,812
Bank fees	-	-	14	(14)
Insurance	17,000	17,000	16,977	23
Professional fees	17,100	17,100	11,352	5,748
Hauler fees	8,000	8,000	8,000	-
Electricity	77,000	77,000	72,637	4,363
Contract management	305,120	305,120	303,639	1,481
Total Operating Expenses Paid	<u>546,720</u>	<u>546,720</u>	<u>432,307</u>	<u>114,413</u>
Net Income (Loss) from Operations	<u>38,280</u>	<u>38,280</u>	<u>151,153</u>	<u>112,873</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest received	1,045	1,045	3,216	2,171
Capital improvements, equipment	<u>(25,500)</u>	<u>(25,500)</u>	<u>(7,980)</u>	<u>17,520</u>
Net Non-Operating Revenues (Expenses)	<u>(24,455)</u>	<u>(24,455)</u>	<u>(4,764)</u>	<u>19,691</u>
Net Income (Loss)	13,825	13,825	146,389	<u>\$ 132,564</u>
Net Position, beginning of year	<u>629,985</u>	<u>629,985</u>	<u>629,985</u>	
Net Position, end of year	<u>\$ 643,810</u>	<u>\$ 643,810</u>	<u>\$ 776,374</u>	

## **COMPLIANCE AND INTERNAL CONTROL**



GERDING, KORTE & CHITWOOD CPAS  
Professional Corporation  
Certified Public Accountants

**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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Board of Directors  
The Joint Board of the Lake Ozark - Osage Beach  
Sewage Treatment Plant  
Osage Beach, 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, the financial statements of the business-type activities of The Joint Board of the Lake Ozark - Osage Beach Sewage Treatment Plant (the "Board"), as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated June 6, 2017.

PARTNERS

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

Internal Control Over Financial Reporting

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

PARTNER EMERITUS

*Robert A. Gerding*

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Joint Board of the Lake Ozark - Osage Beach Sewage Treatment Plant's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

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

A handwritten signature in blue ink, appearing to read "Gerding, Korte & Chitwood".

June 6, 2017

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