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CITIZENS SUMMARY

Findings in the audit of the Benton County Sewer District No. 1

Background

The Benton County Sewer District No. 1 was formed in November 1994, and the voters authorized issuance of \$2 million in revenue bonds for the construction of the sewer treatment plant and collection system. The district's financial condition began to decline as early as 2004. The district was also experiencing problems with collection of accounts receivable, increasing operational costs, and increasing maintenance and repair needs. In April 2013 the voters approved the dissolution of the district, and in July 2013 the district was ordered into receivership, which transferred all responsibilities, functions, duties, powers and authority of the district to a Department of Natural Resources (DNR) employee. On August 25, 2014, the court authorized the receiver to sell the district's assets and wind down the district's affairs. Following this sale, the district was dissolved. Since it ceased to be a political subdivision, we no longer had authority to audit the district and we terminated our audit but we provide some observations.

Observations

We noted a significant turnover of board members since 2010. The district filed inaccurate financial reports with regulatory agencies, did not ensure required annual audits were completed, and failed to file annual financial reports with the State Auditor's office. The district and the receiver both changed user rates without completing any financial or usage analysis or using the rate methodology available from the DNR. The district's accounts receivable listing may be inaccurate, and Board meeting minutes did not demonstrate compliance with the Sunshine Law. The Missouri Ethics Commission determined 2 board members had violated state law and also reviewed and dismissed 8 additional allegations. The district faced numerous legal battles and spent \$55,727 for legal services during 2013 and 2012, and the DNR issued a notice of violation to the district citing non-compliance with the Missouri Clean Water Law, which resulted in a consent judgment against the district.

The overall performance of this entity was **Poor**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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