

ROLLA MUNICIPAL UTILITIES
REQUIRED COMMUNICATIONS,
MANAGEMENT LETTER,
AND
COMPLIANCE REPORT

For the Year Ended September 30, 2023

Rolla Municipal Utilities

**Required Communications and Compliance Report
For the Year Ended September 30, 2023**

Table of Contents

Page
Number

Required Communications and Management Letter

1-5

Compliance Report:

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

6-7

Schedule of Prior Year Findings and Responses

8



To the Board of Public Works
Rolla Municipal Utilities
City of Rolla, Missouri

We have audited the financial statements of Rolla Municipal Utilities (RMU) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 14, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RMU are described in Note 1 to the basic financial statements. As described in Note 1M and 6 to the financial statements, in 2023, RMU adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The application of other existing policies was not changed during 2023. We noted no transactions entered into by RMU during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant accounting estimates used by RMU's management include determining the allowance for doubtful accounts, the estimated useful lives used in recording depreciation and accumulated depreciation for capital assets, and the estimated obligation relating to pension and other post-employment benefits. We evaluated the key factors and assumptions used in developing the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. We assisted with the implementation of GASB 96.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 18, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to RMU's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as RMU's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to RMU's management's discussion and analysis, schedule of changes in net pension liability (asset) and related ratios, schedule of employer contributions and the schedule of changes in total OPEB liability and related ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplemental schedules which accompany the financial statements but are not RSI. With respect to the supplemental information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In planning and performing our audit of the financial statements of RMU as of and for the year ended September 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered RMU's internal control over financial reporting (internal control) as a basis for designing our auditing 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 RMU's internal control. Accordingly, we do not express an opinion on the effectiveness of RMU'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 RMU's financial statements will not be prevented, or detected and corrected, on a timely basis.

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. 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.

As part of our annual audit, we try to identify opportunities for improving the management of financial resources and for improving the internal controls over financial reporting. We are submitting, for your consideration, our observations, and recommendations with regard to these matters. Management's responses to our comments are included with this report. We did not audit management's responses and, accordingly, we express no opinion on them.

CURRENT YEAR COMMENTS

Financial Policy and Procedure Review

Considering the multifaceted nature of the RMU's services and operations and implementation of a new accounting system, management should consider completing a comprehensive assessment of RMU's financial related policies and procedures. Such assessment might include reviewing and updating significant financial policies and procedures including but not limited to, cash receipts, cash disbursements, inventory, purchasing policy, payroll processing and approvals, personnel manual, credit card policy, budgeting, and financial reporting practices. Well established and defined policies and procedures are the key fundamentals of financial management and internal controls.

Management's Response

RMU's management is reviewing their current financial policies and procedures and updating them as necessary.

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements which may impact the RMU's financial reporting requirements.

- GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, effective for the fiscal year beginning October 1, 2023.
- GASB Statement No. 101, Compensated Absences, effective for the fiscal year beginning October 1, 2024.
- GASB Statement No. 102, Certain Risk Disclosures, effective for the fiscal year beginning October 1, 2024.

We recommend management review these standards to determine the impact they may have on RMU's financial reporting.

Management's Response

Management will review all new standards as they become effective and will evaluate their impact on RMU's financial reporting.

PRIOR YEAR COMMENTS

In the prior year, we issued certain comments and recommendations regarding RMU’s accounting, internal control, and financial reporting issues. The following table summarizes the nature of these comments, the significance of the comments as described in the prior year’s reports, and our determination of the status of those comments.

Prior Year Comment Description	Significance	Current Year Status
Inventory	While performing inventory audit procedures, we identified instances where quantities reported on RMU’s yearend inventory listing did not agree with the actual quantities of certain items that were selected for testing. We were informed that certain inventory items were used on jobs, but the items used were not removed from inventory. We also determined that the Fiber inventory items were not counted and verified during the annual physical inventory count. We recommended that management review and evaluate all inventory internal control policies and procedures to ensure inventory items are properly relieved from inventory when used on jobs and that all inventory items are included in the annual physical inventory count. In addition, we suggest that management evaluate slow-moving or obsolete inventory.	Recommendation implemented
Key Employees and Cross Training	RMU is exposed to certain management risks including among others, the possible loss of continuity and disruption in RMU operations with the loss of key employees either through retirement or some unforeseen circumstance. We recommended that management evaluate and identify the exposure to such risks and develop plans to mitigate such risks. Such plans might include: developing an emergency management plan; perform succession planning for key members of management; and increased cross-training of personnel.	We continue to recommend that management evaluate and identify expose to such risks.

This report is intended solely for the information and use of the Board of Public Works and the management of RMU and is not intended to be and should not be used by anyone other than these specified parties.

Hood & Associates CPA PC

Kansas City, Missouri
 April 18, 2024

COMPLIANCE REPORT



**Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance
With Government Auditing Standards**

To the Board of Public Works
Rolla Municipal Utilities
City of Rolla, 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 Rolla Municipal Utilities (RMU), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise RMU's basic financial statements and have issued our report thereon dated April 18, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RMU'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 RMU's internal control. Accordingly, we do not express an opinion on the effectiveness of RMU'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 RMU'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.

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 RMU'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 or other matters that are required to be reported under *Government Auditing Standards*.

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 RMU's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RMU's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hood & Associates CPA PC

Kansas City, Missouri
April 18, 2024

**Rolla Municipal Utilities
Schedule of Prior Year Findings and Responses
September 30, 2023**

2022-001 Financial Reporting

Finding

Our audit procedures identified instances where quantities reported on RMU's yearend inventory listing did not agree with the actual quantities of certain items that were selected for testing. We also determined that the Fiber inventory items were not counted and verified during the annual physical inventory count. Internal controls should be in place to ensure the accuracy of quantities in inventory and that all items are included in the physical count. Year-end procedures were not sufficient to ensure the accuracy of the yearend physical inventory count.

Status

RMU's management reviewed and revised yearend inventory control policies and procedures.

Personnel responsible For Corrective Action:

Gwen Cresswell, Finance Manager, 573-364-1572