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STATE AUDITORS OFFICE

PUBLIC WATER SUPPLY DISTRICT #1  
OF KNOX COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2022

**JOHN W. GILLUM, CPA, LLC**  
CERTIFIED PUBLIC ACCOUNTANT  
KIRKSVILLE, MISSOURI

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# JOHN W. GILLUM, CPA, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Public Water Supply District #1  
of Knox County  
Knox City, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Public Water Supply District #1 of Knox County as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the Public Water Supply District #1 of Knox County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***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 that 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 financial position of the business-type activities and each major fund of the Public Water Supply District #1 of Knox County, as of October 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–7 be presented to supplement the basic financial statements. Such information, 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2023, on our consideration of the Public Water Supply District #1 of Knox County'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 Public Water Supply District #1 of Knox County's internal control over financial reporting and compliance.



John W. Gillum, CPA, LLC  
Certified Public Accountant  
Kirksville, Missouri  
February 20, 2023

**KNOX COUNTY PUBLIC WATER DISTRICT #1**  
**P.O. BOX 138**  
**KNOX CITY, MO. 63446**  
**(660)434-5289** **FAX (660)434-5325**

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**BOARD MEMBERS**  
**SHIRLEY HENDERSON-PRESIDENT, GARY CLAIR-VICE-PRESIDENT**  
**MEMBERS: MIKE CARPENTER, KEITH LAY, PAT SHULTZ**

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*MEETING THE NEEDS OF RURAL AMERICA!*

**Management's Discussion and Analysis—Unaudited**

The discussion and analysis of Public Water Supply District #1 of Knox County's financial performance provides an overall review of the District's financial activities for the fiscal year ended October 31, 2022. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the financial statements and notes to the financial statements, which begin on page 8 to enhance their understanding of the District's financial performance.

**Financial Highlights**

Total revenues amounted to \$1,432,149.

- Charges for services accounted for \$1,352,180 or 95 percent of the total.
- Capital grants and contributions accounted for \$49,406 or 2 percent of the total.
- General revenues accounted for \$30,563 or 3 percent of the total.

Net Position increased by \$295,158. This represents a 4 percent increase from October 2022.

Primary District resources are:

- Sales of water and waste water charges.

District expenses totaled \$1,136,991.

Expenses consisted of:

--	Purchase of water	\$ 342,176
--	Depreciation & amortization	309,264
--	Salaries and benefits	166,417
--	Interest expense	40,627
--	Other expenses	278,507

## **Financial Statements**

This annual report consists of four parts as follows:

**Government-wide Financial Statements:** The Statement of Net Position and the Statement of Activities provide information about the activities of the Public Water Supply District #1 of Knox County and present a long-term view of the District's finances.

**Fund Financial Statements:** Fund financial statements focus on the individual operations of the District. These funds are separated into water and waste water. Revenues and expenses are separated as fund requirements indicate, intended to give detailed results of each fund's financial activity.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Required Supplementary Information:** This MD&A represents information required to be presented by the GASB and governmental auditing standards. Such information provides users of this report with additional data that supplements the government-wide and fund financial statements and the notes.

## **Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

## **The District-Wide Statement of Net Position and the Statement of Activities**

One of the more important asked questions about the District's finances is "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all of the District's business-type activities.

These two statements report the District's net position and changes in them. You can think of the District's net position as one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other factors, however, such as the condition of the distribution system, response to patron concerns and the availability of water.

## **The Fund Financial Systems**

The District maintains four proprietary-type or business-type funds: Water, Newark Waste Water, Baring Waste Water, and Hurdland Waste Water. In addition, certain construction funds, if any, are maintained in separate accounts contained within each fund, in accordance with funding source requirements.

**Condensed Financial Information—District As A Whole**

For the years ended October 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>ASSETS:</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,421,771	\$ 1,125,114
Investments	719,050	717,293
Other current assets	<u>134,401</u>	<u>130,538</u>
<b>Total Current Assets</b>	<b>2,275,222</b>	<b>1,972,945</b>
<b>Restricted Assets</b>	<b>747,613</b>	<b>726,256</b>
<b>Non-Current Assets</b>		
Unamortized Bond Issue Costs & Discount	17,893	8,431
Capital Assets—Net of Depreciation	<u>7,418,073</u>	<u>7,555,193</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,458,801</u></b>	<b><u>\$ 10,262,825</u></b>
<b>LIABILITIES:</b>		
<b>Current Liabilities</b>		
Accounts payable and other	\$ 74,478	\$ 63,724
Bonds payable—current	<u>142,454</u>	<u>131,498</u>
<b>Total Current Liabilities</b>	<b>216,932</b>	<b>195,222</b>
<b>Non-Current Liabilities</b>		
Bonds payable (net of current) and meter deposits	<u>1,642,068</u>	<u>1,762,960</u>
<b>Total Liabilities</b>	<b>1,859,000</b>	<b>1,958,182</b>
<b>NET POSITION:</b>		
Net Investment in Capital Assets	5,666,488	5,696,676
Restricted	747,613	726,256
Unrestricted	<u>2,185,700</u>	<u>1,881,711</u>
<b>Total Net Position</b>	<b><u>8,599,801</u></b>	<b><u>8,304,643</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 10,458,801</u></b>	<b><u>\$ 10,262,825</u></b>

**Condensed Financial Information – District As A Whole (Continued)**

Net position at October 31, 2022, reflects an increase of \$295,158 over the prior year's net position balances. Key elements of this increase consist of the following:

	<u>2022</u>	<u>2021</u>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 1,352,180	\$ 1,323,848
Capital grants & contributions	49,406	-
General revenues:		
Investment income	13,357	12,742
Other income	<u>17,206</u>	<u>14,819</u>
Total Revenue	1,432,149	1,351,409
<b>EXPENSES</b>		
Water	1,023,368	1,016,695
Waste water	<u>113,623</u>	<u>99,864</u>
Total Expenses	<u>1,136,991</u>	<u>1,116,559</u>
Change in net position	295,158	234,850
Net position—beginning	<u>8,304,643</u>	<u>8,069,793</u>
Net position—ending	<u>\$ 8,599,801</u>	<u>\$ 8,304,643</u>

Overall receipts increased by \$80,740 or 6%. Disbursements increased by \$20,432 or 1.8%.

**Long-Term Debt Analysis**

Following is a summary of debt transactions for the year ended October 31, 2022:

Bonds payable—beginning	\$ 1,858,517
Advances on debt	835,000
Payments on debt	<u>(941,932)</u>
Bonds payable—ending	<u>\$ 1,751,585</u>

**Capital Assets**

At October 31, 2022, the District had \$7,418,073 invested in a broad range of capital assets, including land, buildings, equipment, improvements and water and waste water distribution systems, net of accumulated depreciation. This amount represents a net decrease of \$137,120 or 1.8 percent from last year.

**Capital Assets at Year-End**

	<u>2022</u>	<u>2021</u>
Land	\$ 356,362	\$ 356,362
Easements	30,346	30,346
Water Distribution System	10,328,341	10,167,984
Waste Water System	3,118,212	3,118,212
Buildings	149,334	149,334
Equipment	151,462	139,675
Less: Accumulated Depreciation	<u>(6,715,984)</u>	<u>(6,406,720)</u>
Capital Assets, Net	<u>\$ 7,418,073</u>	<u>\$ 7,555,193</u>

**Contacting the District's Financial Management**

This report is designed to provide our patrons and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it earns. If you have questions about this report or need additional financial information, contact the Office of the Public Water Supply District #1 of Knox County at Knox City, Missouri, by telephone at (660) 434-5289, during regular business hours.

Gary Mallett  
General Manager

**BASIC FINANCIAL STATEMENTS**

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
STATEMENT OF NET POSITION  
OCTOBER 31, 2022

	<u>Primary Government</u>	
	<u>Business-Type</u>	
	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 1,421,771	\$ 1,421,771
Investments	719,050	719,050
Accounts receivable (Net of allowance for uncollectibles)	126,189	126,189
Prepays	<u>8,212</u>	<u>8,212</u>
Total Current Assets	2,275,222	2,275,222
Restricted Assets		
Cash and cash equivalents	410,176	410,176
Investments	<u>337,437</u>	<u>337,437</u>
Total Restricted Assets	747,613	747,613
Non-current Assets		
Unamortized bond discount	17,893	17,893
Capital assets		
Land	386,708	386,708
Other capital assets, net of accumulated depreciation	<u>7,031,365</u>	<u>7,031,365</u>
Total Non-current Assets	<u>7,435,966</u>	<u>7,435,966</u>
Total Assets	10,458,801	10,458,801
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	42,026	42,026
Accrued expenses	30,175	30,175
Interest payable	2,277	2,277
Notes and bonds payable – current	<u>142,454</u>	<u>142,454</u>
Total Current Liabilities	216,932	216,932
Non-current Liabilities		
Bonds & notes payable - non-current	1,609,131	1,609,131
Meter deposits	<u>32,937</u>	<u>32,937</u>
Total Non-current Liabilities	<u>1,642,068</u>	<u>1,642,068</u>
Total Liabilities	<u>1,859,000</u>	<u>1,859,000</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	5,666,488	5,666,488
Restricted for:		
Bond retirement	308,614	308,614
Capital projects	418,999	418,999
Meter deposit refunds	20,000	20,000
Unrestricted	<u>2,185,700</u>	<u>2,185,700</u>
Total Net Position	<u>\$ 8,599,801</u>	<u>\$ 8,599,801</u>

See Accompanying Notes to Financial Statements

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED OCTOBER 31, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		Net
		<u>Charges for</u>	<u>Capital Grants</u>	(Expense)
<u>Functions / Programs</u>		<u>Services</u>	<u>Contributions</u>	<u>Revenue</u>
<u>Primary government</u>				
<u>Business-type activities</u>				
Water	\$ 1,023,368	\$ 1,243,356	\$ 49,406	\$ 269,394
Waste water	<u>113,623</u>	<u>108,824</u>	-	<u>(4,799)</u>
Total business-type activities	<u>1,136,991</u>	<u>1,352,180</u>	<u>49,406</u>	<u>264,595</u>
Total primary government	<u>\$ 1,136,991</u>	<u>\$ 1,352,180</u>	<u>\$ 49,406</u>	<u>264,595</u>
<u>General revenues</u>				
Investment income				13,357
Other income				<u>17,206</u>
Total general revenues				<u>30,563</u>
Change in net position				295,158
Net position—beginning				<u>8,304,643</u>
Net position—ending				<u>\$ 8,599,801</u>

See Accompanying Notes to Financial Statements

Public Water Supply District #1 of Knox County  
Statement of Net Position—Proprietary Funds  
October 31, 2022

	-----Business-Type Activities---Enterprise Funds-----				
	---Water---	---Newark Waste Water---	---Baring Waste Water---	---Hurdland Waste Water---	Total
<b>ASSETS:</b>					
<u>Current Assets:</u>					
Cash and cash equivalents	\$ 1,182,777	\$ 58,326	\$ 101,539	\$ 79,129	\$ 1,421,771
Investments	704,601	14,449	-	-	719,050
Accounts receivable (net of allowance for uncollectibles)	109,921	3,062	8,667	4,539	126,189
Due from other funds	74,244	3,080	29,497	24,690	131,511
Prepays	<u>8,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,212</u>
<b>Total Current Assets</b>	<b>2,079,755</b>	<b>78,917</b>	<b>139,703</b>	<b>108,358</b>	<b>2,406,733</b>
<u>Restricted Assets:</u>					
Cash and cash equivalents	313,556	8,860	87,760	-	410,176
Investments	<u>337,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>337,437</u>
<b>Total Restricted Assets</b>	<b>650,993</b>	<b>8,860</b>	<b>87,760</b>	<b>-</b>	<b>747,613</b>
<u>Noncurrent Assets:</u>					
Unamortized bond costs & discount	17,893	-	-	-	17,893
Capital Assets:					
Land	238,415	-	97,065	51,228	386,708
Other capital assets, net of accumulated depreciation	<u>4,738,931</u>	<u>783,172</u>	<u>1,433,755</u>	<u>75,507</u>	<u>7,031,365</u>
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b><u>4,977,346</u></b>	<b><u>783,172</u></b>	<b><u>1,530,820</u></b>	<b><u>126,735</u></b>	<b><u>7,418,073</u></b>
<b>Total Non-current Assets</b>	<b><u>4,995,239</u></b>	<b><u>783,172</u></b>	<b><u>1,530,820</u></b>	<b><u>126,735</u></b>	<b><u>7,435,966</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 7,725,987</u></b>	<b><u>\$ 870,949</u></b>	<b><u>\$ 1,758,283</u></b>	<b><u>\$ 235,093</u></b>	<b><u>\$ 10,590,312</u></b>

See Accompanying Notes to Financial Statements

Public Water Supply District #1 of Knox County  
Statement of Net Position—Proprietary Funds  
October 31, 2022

	-----Business-Type Activities-----Enterprise Funds-----				
	---Water---	---Newark Waste Water---	---Baring Waste Water---	---Hurdland Waste Water---	Total
<b>LIABILITIES:</b>					
<u>Current Liabilities:</u>					
Accounts payable	\$ 41,221	\$ 681	\$ 71	\$ 53	\$ 42,026
Due to other funds	17,267	113,603	-	641	131,511
Accrued expenses	27,088	280	1,575	1,232	30,175
Interest payable	1,001	163	1,113	-	2,277
Bonds payable—current	<u>124,269</u>	<u>1,994</u>	<u>16,191</u>	<u>-</u>	<u>142,454</u>
<b>Total Current Liabilities</b>	<b>210,846</b>	<b>116,721</b>	<b>18,950</b>	<b>1,926</b>	<b>348,443</b>
<u>Noncurrent Liabilities:</u>					
Bonds payable—less current	1,039,821	42,042	527,268	-	1,609,131
Meter deposits	<u>32,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,937</u>
<b>Total Noncurrent Liabilities</b>	<b><u>1,072,758</u></b>	<b><u>42,042</u></b>	<b><u>527,268</u></b>	<b><u>-</u></b>	<b><u>1,642,068</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>1,283,604</u></b>	<b><u>158,763</u></b>	<b><u>546,218</u></b>	<b><u>1,926</u></b>	<b><u>1,990,511</u></b>
<b>NET POSITION:</b>					
Net investment in capital assets	3,813,256	739,136	987,361	126,735	5,666,488
Restricted for bond retirement	220,854	-	87,760	-	308,614
Restricted for capital projects	410,139	8,860	-	-	418,999
Meter deposits	20,000	-	-	-	20,000
Unrestricted	<u>1,978,134</u>	<u>(35,810)</u>	<u>136,944</u>	<u>106,432</u>	<u>2,185,700</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 6,442,383</u></b>	<b><u>\$ 712,186</u></b>	<b><u>\$ 1,212,065</u></b>	<b><u>\$ 233,167</u></b>	<b><u>\$ 8,599,801</u></b>

See Accompanying Notes to Financial Statements

Public Water Supply District #1 of Knox County  
Statement of Revenues, Expenses and  
Changes in Fund Net Position—Proprietary Funds  
October 31, 2022

	Business-Type Activities---Enterprise Funds-----				
	---Water---	---Newark Waste Water---	---Baring Waste Water---	---Hurdland Waste Water---	Total
<b><u>Operating Revenues</u></b>					
Water sales	\$ 1,243,356	\$ -	\$ -	\$ -	\$ 1,243,356
Waste water charges	-	19,408	61,673	27,743	108,824
Miscellaneous	10,231	-	-	-	10,231
Reconnection charges	<u>6,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,975</u>
Total Operating Revenues	<u>1,260,562</u>	<u>19,408</u>	<u>61,673</u>	<u>27,743</u>	<u>1,369,386</u>
<b><u>Operating Expenses</u></b>					
Purchase of water	342,176	-	-	-	342,176
Depreciation and amortization	240,317	25,649	37,791	5,507	309,264
Salaries and benefits	166,417	-	-	-	166,417
Repairs and maintenance	31,189	3,474	4,173	7,632	46,468
Professional fees	8,900	-	-	822	9,722
Office supplies	19,065	-	-	-	19,065
Insurance	73,092	-	-	-	73,092
Utilities and telephone	27,733	2,225	1,270	1,168	32,396
Travel	42,391	-	-	-	42,391
Miscellaneous	<u>41,325</u>	<u>57</u>	<u>117</u>	<u>77</u>	<u>41,576</u>
Total Operating Expenses	<u>992,605</u>	<u>31,405</u>	<u>43,351</u>	<u>15,206</u>	<u>1,082,567</u>
Operating Income (Loss)	267,957	(11,997)	18,322	12,537	286,819
<b><u>Non-Operating Revenues (Expenses)</u></b>					
Cost of Issuance	(13,797)	-	-	-	(13,797)
Contributions	49,406	-	-	-	49,406
Investment earnings	5,122	167	8,068	-	13,357
Interest expense	<u>(16,966)</u>	<u>(1,955)</u>	<u>(21,706)</u>	<u>-</u>	<u>(40,627)</u>
Total Non-Operating	<u>23,765</u>	<u>(1,788)</u>	<u>(13,638)</u>	<u>-</u>	<u>8,339</u>
Change in Net Position	291,722	(13,785)	4,684	12,537	295,158
Net Position—Beginning	<u>6,150,661</u>	<u>725,971</u>	<u>1,207,381</u>	<u>220,630</u>	<u>8,304,643</u>
Net Position--Ending	<u>\$ 6,442,383</u>	<u>\$ 712,186</u>	<u>\$ 1,212,065</u>	<u>\$ 233,167</u>	<u>\$ 8,599,801</u>

See Accompanying Notes to Financial Statements

Public Water Supply District #1 of Knox County  
Statement of Cash Flows — Proprietary Funds  
For the Year Ended October 31, 2022

	-----Business-Type Activities---Enterprise Funds-----				Total
	---Water---	---Newark Waste Water---	---Baring Waste Water---	---Hurdland Waste Water---	
<b><u>Cash Flows from Operating Activities</u></b>					
Receipts from customers	\$ 1,229,269	\$ 19,112	\$ 56,245	\$ 29,866	\$ 1,334,492
Payments to suppliers	(544,617)	(5,019)	(4,387)	(9,505)	(563,528)
Payments to employees	(166,417)	-	-	-	(166,417)
Cash provided by operating activities	<u>518,235</u>	<u>14,093</u>	<u>51,858</u>	<u>20,361</u>	<u>604,547</u>
<b><u>Cash Flows from Non-Capital</u></b>					
<b><u>Financing Activities</u></b>					
Due to/due from other funds	<u>(288)</u>	<u>(56)</u>	<u>60</u>	<u>284</u>	<u>-</u>
Cash provided (used) by non-capital financing activities	(288)	(56)	60	284	-
<b><u>Cash Flows from Capital and Related</u></b>					
<b><u>Financing Activities</u></b>					
Contributions	49,406	-	-	-	49,406
Advances on Debt	835,000	-	-	-	835,000
Acquisition and construction of capital assets	(172,144)	-	-	-	(172,144)
Bond premium	(1,737)	-	-	-	(1,737)
Principal paid on debt	(924,149)	(1,938)	(15,845)	-	(941,932)
Interest paid on debt	(18,499)	(1,962)	(21,739)	-	(42,200)
Meter deposits, net	(1,267)	-	-	-	(1,267)
Bond costs and discount	<u>(23,259)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,259)</u>
Cash (used) by capital and related financing activities	<u>(256,649)</u>	<u>(3,900)</u>	<u>(37,584)</u>	<u>-</u>	<u>(298,133)</u>
<b><u>Cash Flows from Investing Activities</u></b>					
Change in restricted assets	(12,753)	(420)	(8,184)	-	(21,357)
Change in investments	(1,721)	(36)	-	-	(1,757)
Investment Earnings	<u>5,122</u>	<u>167</u>	<u>8,086</u>	<u>-</u>	<u>13,357</u>
Cash provided (used) by investing activities	<u>(9,352)</u>	<u>(289)</u>	<u>(116)</u>	<u>-</u>	<u>(9,757)</u>
Net increase (decrease) in cash and cash equivalents	251,946	9,848	14,218	20,645	296,657
Cash and equivalents—Beginning	<u>930,831</u>	<u>48,478</u>	<u>87,321</u>	<u>58,484</u>	<u>1,125,114</u>
Cash and equivalents—Ending	<u>\$ 1,182,777</u>	<u>\$ 58,326</u>	<u>\$ 101,539</u>	<u>\$ 79,129</u>	<u>\$ 1,421,771</u>

See Accompanying Notes to Financial Statements

Public Water Supply District #1 of Knox County  
Statement of Cash Flows — Proprietary Funds (Continued)  
For the Year Ended October 31, 2022

	-----Business-Type Activities-----Enterprise Funds-----				
	---Water---	---Newark Waste Water---	---Baring Waste Water---	---Hurdland Waste Water---	Total
<b><u>Reconciliation of operating income (loss)</u></b>					
<b><u>to net cash provided by operating activities</u></b>					
Operating income (loss)	\$ 267,957	\$ (11,997)	\$ 18,322	\$ 12,537	\$ 286,819
<b>Adjustments to reconcile operating income</b>					
<b>(loss) to net cash provided by operating activities</b>					
Depreciation expense	240,317	25,649	37,791	5,507	309,264
(Increase) decrease in:					
Accounts receivable	23	(296)	(5,428)	2,123	(3,578)
Prepays	(285)	-	-	-	(285)
Increase (decrease) in:					
Accounts payable	6,443	582	(15)	(2)	7,008
Accrued expenses	<u>3,780</u>	<u>155</u>	<u>1,188</u>	<u>196</u>	<u>5,319</u>
Total adjustments	<u>250,278</u>	<u>26,090</u>	<u>33,536</u>	<u>7,824</u>	<u>317,728</u>
Net cash provided by operating activities	<u>\$ 518,235</u>	<u>\$ 14,093</u>	<u>\$ 51,858</u>	<u>\$ 20,361</u>	<u>\$ 604,547</u>

See Accompanying Notes to Financial Statements

**PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Public Water Supply District #1 of Knox County (a political subdivision of the State of Missouri) operates under an elected Board of Directors form of government. The District's major operations include water and waste water systems.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

**A. REPORTING ENTITY**

These financial statements present the District (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are included in the District's reporting entity because of the significance of their operating or financial relationships with the District. The District does not have any component units required to be included in its financial statements.

**B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's water and waste water services are classified as business-type activities. The District does not have any activities that are classified as governmental activities.

In the government-wide Statement of Net Position, the business-type activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's business-type activities (water and waste water). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net costs (by business-type activity) are normally covered by general revenue (interest income, etc).

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. BASIC FINANCIAL STATEMENTS—FUND FINANCIAL STATEMENTS**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in the business-type activities category.

**1. Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The District reports the following proprietary fund types:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The Water, Newark Waste Water, Baring Waste Water and Hurdland Waste Water Enterprise funds operate the District's water distribution system and its waste water system, which serves residents of the District.

**D. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Charges for services are recognized when earned and expenses are recognized when incurred.

**E. FINANCIAL STATEMENT AMOUNTS**

**1. Cash and Cash Equivalents**

The District has defined cash and cash equivalents to include cash on hand, demand deposits, and certificates of deposit with original maturities of three months or less.

**2. Investments**

The District's investments include certificates of deposit with original maturities of greater than three months.

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**3. Inventories**

Physical inventories are not maintained. Materials and supplies are charged to expenditures as purchased. Unused items are not considered material in amount.

**4. Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Estimated unbilled revenues from the proprietary funds are recognized at the end of each fiscal year on a pro rata basis. The estimated amount is based on billings during the month following the close of the fiscal year.

**5. Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Distribution system	50 years
Buildings	10-50 years
Equipment	3-10 years

**6. Compensated Absences**

District employees are entitled to certain compensated absences based on the length of employment. Compensated absences are recorded as expenditures when paid. At October 31, 2022, there was a liability of \$6,225 recorded in the financial statements for unpaid vacation, sick leave and personal days.

**7. Defining Operating Revenues and Expenses**

The District's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the District's water and waste water funds consist of charges for services and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as non-operating.

**8. Government-wide and Proprietary Fund Net Position**

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets—consists of the historical costs of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources, if any, related to those assets.

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)**

**8. Government-wide and Proprietary Fund Net Position (Continued)**

- Restricted net position—consists of assets that are restricted by the District’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state) and by other contributors.
- Unrestricted—all other net position is reported in this category.

**9. Use of Restricted Resources**

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**10. Interfund Activity**

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers. Transfers between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**11. Budgets**

Missouri Revised Statutes 67.010 states: “Each political subdivision of this state, as defined in Section 70.120 shall prepare an annual budget”.

Missouri Revised Statutes 70.120(3) defines political subdivision as: “Any agency or unit of this State which now is or hereafter shall be, authorized to levy taxes or empowered to cause taxes to be levied”.

Public Water Supply District # 1 of Knox County is a “political subdivision” and prepares an annual budget. Generally accepted accounting principles do not require that budget comparisons for proprietary funds be presented in financial statements. Therefore, no comparisons are presented in the accompanying statements.

**12. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 2. CASH AND CASH EQUIVALENTS**

State statutes require that the District's deposits be collateralized in the name of the District by the trust department of a bank that does not hold the collateralized deposits. As of October 31, 2022, all bank balances on deposit are entirely insured or collateralized with securities.

**NOTE 3. INVESTMENTS**

The District's investments at October 31, 2022, consist of:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	Various (greater than 3 months)	\$ <u>1,056,487</u>

Investments are presented in the Statement of Net Position as follows:

Investments	\$ 719,050
Restricted Investments	<u>337,437</u>
	<u>\$ 1,056,487</u>

**NOTE 4. ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following:

	<u>Water</u>	<u>Newark Waste Water</u>	<u>Baring Waste Water</u>	<u>Hurdland Waste Water</u>	<u>TOTAL</u>
Accounts Receivable	\$ 110,831	\$ 3,134	\$ 8,742	\$ 4,539	\$ 127,246
Less: Allowance for uncollectible	<u>(910)</u>	<u>(72)</u>	<u>(75)</u>	<u>-</u>	<u>(1,057)</u>
Net Accounts Receivable	<u>\$ 109,921</u>	<u>\$ 3,062</u>	<u>\$ 8,667</u>	<u>\$ 4,539</u>	<u>\$ 126,189</u>

Uncollectible account write-offs are approved by the Board of Directors upon recommendation of staff and legal counsel.

PUBLIC WATER SUPPLY DISTRICT #1 OF KNOX COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 5. RESTRICTED ASSETS**

Restricted assets consist of the following items restricted by bond covenants or action taken by the Board of Directors:

	<u>Water</u>	<u>Newark Waste Water</u>	<u>Baring Waste Water</u>	<u>TOTAL</u>
Bond reserve	\$ 220,854	\$ -	\$ 87,760	\$ 308,614
Replacement & extension	410,139	8,860	-	418,999
Meter deposits	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
	<u>\$ 650,993</u>	<u>\$ 8,860</u>	<u>\$ 87,760</u>	<u>\$ 747,613</u>

Restricted assets are presented in the Statement of Net Position as follows:

<u>Restricted assets:</u>				
Cash and cash equivalents	\$ 313,556	\$ 8,860	\$ 87,760	\$ 410,176
Investments	<u>337,437</u>	<u>-</u>	<u>-</u>	<u>337,437</u>
	<u>\$ 650,993</u>	<u>\$ 8,860</u>	<u>\$ 87,760</u>	<u>\$ 747,613</u>

**NOTE 6. OTHER NON CURRENT ASSETS**

	<u>Water</u>	<u>TOTAL</u>
Unamortized bond discount	<u>\$ 17,893</u>	<u>\$ 17,893</u>

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 7. CAPITAL ASSETS**

A summary of changes in proprietary fund type capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><u>Capital assets, not being depreciated:</u></b>				
Land	\$ 356,362	\$ -	\$ -	\$ 356,362
Easements	<u>30,346</u>	<u>-</u>	<u>-</u>	<u>30,346</u>
Total capital assets, not being depreciated	386,708	-	-	386,708
<b><u>Capital assets, being depreciated:</u></b>				
Water distribution system	10,167,984	160,357	-	10,328,341
Waste water system	3,118,212	-	-	3,118,212
Buildings	149,334	-	-	149,334
Equipment	<u>139,675</u>	<u>11,787</u>	<u>-</u>	<u>151,462</u>
Total capital assets being depreciated	13,575,205	172,144	-	13,747,349
Less: Accumulated depreciation	<u>(6,406,720)</u>	<u>(309,264)</u>	<u>-</u>	<u>(6,715,984)</u>
Capital assets being depreciated, net	<u>7,168,485</u>	<u>(137,120)</u>	<u>-</u>	<u>7,031,365</u>
Business-type activities, capital assets, net	<u>\$ 7,555,193</u>	<u>\$ (137,120)</u>	<u>\$ -</u>	<u>\$ 7,418,073</u>

Depreciation expense for the year is \$309,264, using the straight-line method and allocated between funds as follows:

Water Fund	\$ 240,317
Newark Waste Water Fund	25,649
Baring Waste Water Fund	37,791
Hurdland Waste Water Fund	<u>5,507</u>
	<u>\$ 309,264</u>

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 8. LONG-TERM DEBT**

The following is a summary of bond transactions for the year.

	<u>Water</u>	<u>Newark Waste Water</u>	<u>Baring Waste Water</u>	<u>TOTAL</u>
Beginning of year	\$ 1,253,239	\$ 45,974	\$ 559,304	\$ 1,858,517
Debt issued	835,000	-	-	835,000
Debt reduction	<u>(924,149)</u>	<u>(1,938)</u>	<u>(15,845)</u>	<u>(941,932)</u>
End of year	<u>\$ 1,164,090</u>	<u>\$ 44,036</u>	<u>\$ 543,459</u>	<u>\$ 1,751,585</u>

During the year the District issued Series 2021 Waterworks Revenue Refunding Bonds to call and retire Series 2012 Waterworks Revenue Refunding Bonds. Details of the transaction were as follows:

<u>Sources of Funds</u>	
Proceeds from 2021 Refunding Bonds	<u>\$ 835,000</u>
<u>Uses of Funds</u>	
Retire 2012 Refunding Bonds	\$ 800,000
Interest on 2012 Refunding Bonds	328
Costs of Issuance	13,797
Underwriters Discount	<u>20,875</u>
	<u>\$ 835,000</u>

The following is a summary of the individual bond issues outstanding:

\$835,000—2021 Series Waterworks Revenue Refunding Bonds, due in varying annual installments from October 2022, to October 2028; carrying interest from 0.3% to 1.2%. These bonds are currently held by the United States Department of Agriculture.

Outstanding Balance \$ 720,000

\$479,000—2018 Series Waterworks Revenue Bonds, Series H, used for the purpose of improving the waterworks system; due in annual installments of \$21,488 through 2053; carrying interest at 2.75% per annum. These bonds are currently held by the United States Department of Agriculture.

Outstanding Balance \$ 444,090

\$67,200—2006 Series Wastewater Series A&B used for the purpose of extending and improving the waste water system located in Newark, Missouri; due in monthly installments of \$290 through 2038; carrying interest at 4.375% per annum. These bonds are currently held by the United States Department of Agriculture.

Outstanding Balance \$ 44,036

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 8. LONG-TERM DEBT (CONTINUED)**

\$681,800—2011 Wastewater Series used for the purpose of constructing the waste water system located in Baring, Missouri; due in monthly installments of \$3,132 through 2044; carrying interest at 4.00% per annum. These bonds are currently held by the United States Department of Agriculture.

Outstanding Balance \$ 543,459

TOTAL ALL OUTSTANDING ISSUES \$ 1,751,585

Revenue Bonds constitute special obligations of the Public Water Supply District #1 of Knox County, solely secured by a lien on and pledge of the net revenues of the water and waste water systems.

The revenue bonds are collateralized by the revenue of the water and waste water systems and the various special funds established by the bond resolutions. The resolutions provide that the revenue of the systems is to be used first to pay operating and maintenance expenses of systems and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The Public Water Supply District #1 of Knox County is in compliance with all significant resolutions.

**WATER FUND**

Long-term debt maturities for the water fund for the succeeding five years and beyond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 124,269	\$ 17,599	\$ 141,868
2024	129,524	16,884	146,408
2025	129,785	16,023	145,808
2026	130,055	15,033	145,088
2027	130,331	13,857	144,188
2028-2032	181,076	52,864	233,940
2033-2037	64,223	43,217	107,440
2038-2042	73,552	33,888	107,440
2043-2047	84,238	23,202	107,440
2048-2052	96,475	10,965	107,440
2053	<u>20,562</u>	<u>926</u>	<u>21,488</u>
<b>TOTAL</b>	<b>\$ <u>1,164,090</u></b>	<b>\$ <u>244,458</u></b>	<b>\$ <u>1,408,548</u></b>

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 8. LONG-TERM DEBT (CONTINUED)**

**NEWARK WASTE WATER**

Long-term debt maturities for the Newark waste water fund for the succeeding five years and beyond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,994	\$ 1,906	\$ 3,900
2024	2,068	1,832	3,900
2025	2,142	1,758	3,900
2026	2,216	1,684	3,900
2027	2,290	1,610	3,900
2028-2032	14,634	4,866	19,500
2033-2037	16,038	3,462	19,500
2038	<u>2,654</u>	<u>1,246</u>	<u>3,900</u>
<b>TOTAL</b>	<b>\$ <u>44,036</u></b>	<b>\$ <u>18,364</u></b>	<b>\$ <u>62,400</u></b>

**BARING WASTE WATER**

Long-term debt maturities for the Baring waste water fund for the succeeding five years and beyond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 16,191	\$ 21,393	\$ 37,584
2024	16,851	20,733	37,584
2025	17,537	20,047	37,584
2026	18,252	19,332	37,584
2027	18,995	18,589	37,584
2028-2032	107,235	80,685	187,920
2033-2037	130,934	56,986	187,920
2038-2042	159,870	28,050	187,920
2043-2044	<u>57,594</u>	<u>588</u>	<u>58,182</u>
<b>TOTAL</b>	<b>\$ <u>543,459</u></b>	<b>\$ <u>266,403</u></b>	<b>\$ <u>809,862</u></b>

PUBLIC WATER SUPPLY DISTRICT # 1 OF KNOX COUNTY  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED OCTOBER 31, 2022

**NOTE 9. INTERFUND BALANCES**

Interfund balances at October 31, 2022, consisted of the following

<b>DUE FROM</b>	<b><u>DUE TO</u></b>			<b><u>Total</u></b>
	<b><u>Water</u></b> <b><u>Fund</u></b>	<b><u>Newark</u></b> <b><u>Waste Water</u></b>	<b><u>Hurdland</u></b> <b><u>Waste Water</u></b>	
Water Fund	\$ -	\$ 73,604	\$ 640	\$ 74,244
Newark Waste Water Fund	3,080	-	-	3,080
Baring Waste Water Fund	11,433	18,063	1	29,497
Hurdland Waste Water Fund	<u>2,754</u>	<u>21,936</u>	<u>-</u>	<u>24,690</u>
Total	<u>\$ 17,267</u>	<u>\$ 113,603</u>	<u>\$ 641</u>	<u>\$ 131,511</u>

Interfund balances are a result of waste water revenues received by the water fund that have not been remitted to the respective waste water and are expected to be repaid in the following year.

**NOTE 10. RETIREMENT SAVINGS PLAN**

The District provides a salary reduction defined contribution retirement savings plan for all employees who have satisfied certain employment terms.

Contributions are provided pretax from employees, with certain matching provisions from the employer.

**FEDERAL COMPLIANCE SECTION**

# JOHN W. GILLUM, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Public Water Supply District #1  
of Knox County  
Knox City, 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 and each major fund, of the Public Water Supply District #1 of Knox County, as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the Public Water Supply District #1 of Knox County's basic financial statements and have issued our report thereon dated February 20, 2023.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Public Water Supply District #1 of Knox County'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 Public Water Supply District #1 of Knox County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Public Water Supply District #1 of Knox County'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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as finding 2022-001 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Public Water Supply District #1 of Knox County'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*.

### **Public Water Supply District #1 of Knox County's Response to Finding**

Public Water Supply District #1 of Knox County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Public Water Supply District #1 of Knox County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



John W. Gillum, CPA, LLC  
Certified Public Accountant  
Kirksville, Missouri  
February 20, 2023

Public Water Supply District #1 of Knox County  
Summary Schedule of Findings and Responses  
For the Year Ended October 31, 2022

**Section II—Financial Statement Findings**

**MATERIAL WEAKNESS**

**2022-001 Segregation of Duties**

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. There are some mitigating controls in place but it is not possible to have segregation in all areas.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties and the District does not have the resources to hire additional accounting personnel.

Repeat finding of 2021-001

Public Water Supply District #1 of Knox County  
Schedule of Prior Audit Findings  
For the Year Ended October 31, 2022

**Financial Statement Finding**

2021-001 Segregation of Duties

*Auditor's Recommendation:* We realize because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Status:* Uncorrected. The limited number of available personnel prohibits segregation of incompatible duties and the District does not have the resources to hire additional accounting personnel.

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P.O. BOX 138  
KNOX CITY, MISSOURI 63446

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MO. State Auditor

c/o Jill Wilson, MBA

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Jefferson City, MO 65102