

FINANCIAL REPORT OF
CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
FOR THE YEAR ENDED
JUNE 30, 2020



CITY OF HALLSVILLE
HALLSVILLE, MISSOURI

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GERDING, KORTE & CHITWOOD CPAS

Professional Corporation

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Alderman
City of Hallsville
Hallsville, Missouri

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hallsville, State of Missouri, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified 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.

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.

PARTNERS

Fred W. Korte, Jr.

Joseph E. Chitwood

Travis W. Hundley

Jeffrey A. Chitwood

Amy L. Watson

PARTNER EMERITUS

Robert A. Gerding

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 modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hallsville, State of Missouri, as of June 30, 2020, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified 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 the matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hallsville’s basic financial statements. The budgetary comparison schedules and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and combining fund financial statements presented on pages 23–27 is the responsibility of management and were derived from and relate 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 budgetary comparison schedules and combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole on the modified cash basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020 on our consideration of the City of Hallsville’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hallsville’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hallsville’s internal control over financial reporting and compliance.



December 2, 2020

Gerding, Korte & Chitwood
Certified Public Accountant

City of Hallsville, Missouri
Statement of Net Position - Modified Cash Basis
June 30, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 228,121	\$ 194,923	\$ 423,044
Restricted assets:			
Cash	-	96,355	96,355
Investments	-	14,002	14,002
Total assets	<u>\$ 228,121</u>	<u>\$ 305,280</u>	<u>\$ 533,401</u>
 NET ASSETS			
Restricted for:			
Water bonds investment	\$ -	\$ 14,002	\$ 14,002
Sewer replacement	-	55,067	55,067
Water replacement	-	905	905
Meter deposits refundable	-	40,383	40,383
Unrestricted	228,121	194,923	423,044
Total net position	<u>\$ 228,121</u>	<u>\$ 305,280</u>	<u>\$ 533,401</u>

See Notes to the Financial Statements

City of Hallsville, Missouri
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2020

Functions/Programs	Expenditures	Program Revenue			Net (Expenditures) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
Administration	\$ 258,476	\$ 33,413	\$ 4,140	\$ -	\$ (220,923)	\$ -	\$ (220,923)
Public safety	204,213	27,841	1,302	-	(175,070)	-	(175,070)
Streets and roads	52,530	-	-	-	(52,530)	-	(52,530)
Community center	3,505	3,650	-	-	145	-	145
Park board	12,399	120	-	-	(12,279)	-	(12,279)
Historical society	992	-	-	-	(992)	-	(992)
Debt service:							
Principal	85,998	-	-	-	(85,998)	-	(85,998)
Interest	18,432	-	-	-	(18,432)	-	(18,432)
Total governmental activities	<u>\$ 636,545</u>	<u>\$ 65,024</u>	<u>\$ 5,442</u>	<u>\$ -</u>	<u>\$ (566,079)</u>	<u>\$ -</u>	<u>\$ (566,079)</u>
Business-type activities							
Water	\$ 225,182	\$ 199,912	\$ -	\$ -	\$ -	\$ (25,270)	\$ (25,270)
Sewer operation and maintenance	249,105	284,092	-	-	-	34,987	34,987
Solid waste	139,916	142,970	-	-	-	3,054	3,054
Total business-type activities	<u>\$ 614,203</u>	<u>\$ 626,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,771</u>	<u>\$ 12,771</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					\$ 160,962	\$ -	\$ 160,962
Sales taxes					165,023	-	165,023
Franchise taxes					97,615	-	97,615
Motor vehicle and gas taxes					58,805	-	58,805
Interest income					723	635	1,358
Miscellaneous					1,364	70	1,434
Transfers in (out)					(32,312)	32,312	-
Total general revenues					<u>452,180</u>	<u>33,017</u>	<u>485,197</u>
Change in net position					(113,899)	45,788	(68,111)
Net position, June 30, 2019					<u>342,020</u>	<u>259,492</u>	<u>601,512</u>
Net position, June 30, 2020					<u>\$ 228,121</u>	<u>\$ 305,280</u>	<u>\$ 533,401</u>

See Notes to the Financial Statements

City of Hallsville, Missouri
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>Road Grant Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and certificates of deposit	\$ 177,554	\$ 42,532	\$ 1,995	\$ 6,040	\$ 228,121
Total assets	<u>\$ 177,554</u>	<u>\$ 42,532</u>	<u>\$ 1,995</u>	<u>\$ 6,040</u>	<u>\$ 228,121</u>
 Fund balances:					
Assigned	\$ -	\$ 42,532	\$ 1,995	\$ 6,040	\$ 50,567
Unassigned:	177,554	-	-	-	177,554
Total fund balances	<u>\$ 177,554</u>	<u>\$ 42,532</u>	<u>\$ 1,995</u>	<u>\$ 6,040</u>	<u>\$ 228,121</u>

City of Hallsville, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances
Modified Cash Basis - Governmental Funds
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>Road Grant Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 111,781	\$ 43,787	\$ -	\$ 5,394	\$ 160,962
Sales taxes	101,576	-	50,757	12,689	165,022
Franchise taxes	97,615	-	-	-	97,615
Motor vehicle and gasoline taxes	58,805	-	-	-	58,805
Bonds, fees, fines and court costs	15,174	-	-	-	15,174
Charges for services	26,587	-	-	-	26,587
Rental income	23,264	-	-	-	23,264
Interest income	43	-	-	679	722
Grants	5,442	-	-	-	5,442
Miscellaneous	1,364	-	-	-	1,364
Total revenues	<u>441,651</u>	<u>43,787</u>	<u>50,757</u>	<u>18,762</u>	<u>554,957</u>
EXPENDITURES					
Administration	194,874	-	-	54	194,928
System improvements and repairs	-	-	-	29,530	29,530
Capital improvements	-	-	34,017	-	34,017
Public safety	204,213	-	-	-	204,213
Streets and roads	46,303	6,227	-	-	52,530
Community Center	3,505	-	-	-	3,505
Park board	12,399	-	-	-	12,399
Historical society	992	-	-	-	992
Debt Service:					
Principal	-	-	25,998	60,000	85,998
Interest and fees	-	-	16,750	1,682	18,432
Total expenditures	<u>462,286</u>	<u>6,227</u>	<u>76,765</u>	<u>91,266</u>	<u>636,544</u>
Excess (deficiency) of revenues over expenditures	(20,635)	37,560	(26,008)	(72,504)	(81,587)
OTHER FINANCING SOURCES (USES)					
Transfers in/(out)	7,837	-	-	(40,149)	(32,312)
Fund balances - beginning	<u>190,352</u>	<u>4,972</u>	<u>28,003</u>	<u>118,693</u>	<u>342,020</u>
Fund balances - ending	<u>\$ 177,554</u>	<u>\$ 42,532</u>	<u>\$ 1,995</u>	<u>\$ 6,040</u>	<u>\$ 228,121</u>

See Notes to Financial Statements

City of Hallsville, Missouri
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2020

	Enterprise Funds			Total
	Water Fund	Sewer Operation and Maintenance Fund	Solid Waste Fund	
ASSETS				
Current assets:				
Cash	\$ 93,060	\$ 76,952	\$ 24,911	\$ 194,923
Restricted Cash	41,288	55,067	-	96,355
Investments	14,002	-	-	14,002
Total assets	\$ 148,350	\$ 132,019	\$ 24,911	\$ 305,280
 NET POSITION				
Restricted	\$ 55,290	\$ 55,067	\$ -	\$ 110,357
Unrestricted	93,060	76,952	24,911	194,923
Total net assets	\$ 148,350	\$ 132,019	\$ 24,911	\$ 305,280

See Notes to Financial Statements

City of Hallsville, Missouri
Statement of Revenues, Expenses and Changes in Fund Net Position
Modified Cash Basis - Proprietary Funds
For the Year Ended June 30, 2020

	Enterprise Funds			Total
	Water Fund	Sewer Operation and Maintenance Fund	Solid Waste Fund	
REVENUES				
Charges for services				
Water	\$ 199,912	\$ -	\$ -	\$ 199,912
Trash	-	-	142,970	142,970
Sewer	-	284,092	-	284,092
Total operating revenues	<u>199,912</u>	<u>284,092</u>	<u>142,970</u>	<u>626,974</u>
OPERATING EXPENSES				
Salaries and payroll taxes	109,943	44,288	8,309	162,540
Trash hauling	-	-	128,468	128,468
Trash maintenance	-	-	2,931	2,931
Water purchase	64,981	-	-	64,981
Water maintenance	9,008	-	-	9,008
Sewer maintenance and other	-	6,845	-	6,845
Lease agreement	-	15,000	-	15,000
Administration/general	29,163	50,363	208	79,734
Total Operating Expenses	<u>213,095</u>	<u>116,496</u>	<u>139,916</u>	<u>469,507</u>
Operating income (loss)	<u>(13,183)</u>	<u>167,596</u>	<u>3,054</u>	<u>157,467</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	635	-	635
Miscellaneous revenue	70	-	-	70
Capital outlay	(12,087)	(264)	-	(12,351)
Debt service:				
Principal	-	(65,000)	-	(65,000)
Interest and fees	-	(67,345)	-	(67,345)
Total non-operating revenue (expenses)	<u>(12,017)</u>	<u>(131,974)</u>	<u>-</u>	<u>(143,991)</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in/(out)	32,312	-	-	32,312
Change in net position	7,112	35,622	3,054	45,788
Net position beginning of year	141,236	96,396	21,860	259,492
Net position end of year	<u>\$ 148,348</u>	<u>\$ 132,018</u>	<u>\$ 24,914</u>	<u>\$ 305,280</u>

See Notes to Financial Statements

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Financial Reporting Entity

The accompanying financial statements present the activity of the City of Hallsville. The City of Hallsville, Missouri, (the “City”) is a general purpose local government that is incorporated as a fourth-class city located in Boone County, Missouri. The City operates under a Mayor/Board of Aldermen form of government under the laws of the state and is exempt from federal and state income taxes as a political subdivision of the state of Missouri. The City has no component units and is not a component unit of any other governmental entity. The City operates the general government activities of the community, including police protection, water and sewer maintenance, street and road maintenance, parks and other culture and recreation, and various administrative functions.

Basis of Accounting

As discussed further in Note 1, these financial statements are presented on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash basis financial statements are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

The modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the City utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Measurement Focus

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements.

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), and financial position. All assets associated with their activities are reported within the limitations of the modified cash basis of accounting.

Basis of Presentation

Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate reporting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, net position or fund balance, revenues, and expenditures within the limitations of the modified cash basis of accounting. The City's funds are organized into two major categories; governmental and proprietary. The City has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund: The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund. The General Fund includes the activities related to administration as well as the police department and for the repair, maintenance, and improvement of streets. The General Fund also includes the activities related to the Community Center, Park Board, and Court Education.

Debt-Service Fund: The Debt-Service Fund is used to account for and report the accumulation of resources that are legally restricted to expenditures for general long-term debt (principal and interest), and related costs. The reporting entity includes the Debt-Service Fund as a major fund.

Special Revenue Funds: Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are legally restricted to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds that are reported as major funds:

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Capital Improvement Sales Tax Fund: Accounts for revenues received and expenditures paid for capital improvements.

Road Grant Fund: Accounts for revenues received and expenditures paid for the upkeep of roads.

The reporting entity includes the following special revenue fund that is reported as a non-major fund:

Park and Storm Water Sales Tax Fund: Accounts for revenues received and expenditures paid for storm water control and local parks.

Proprietary Funds

Enterprise Funds: Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's Water Fund, Solid Waste Fund, and Sewer Operation and Maintenance Fund operate as enterprise funds that are reported as a major proprietary fund. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Cash and Investments

For the purpose of financial reporting cash includes all demand and savings accounts, money market accounts, and short-term investments with an original maturity of three months or less. At June 30, 2020, the City has two checking accounts (one interest-bearing and one non-interest-bearing). Details of cash balances are presented in Note 3 to the financial statements. Petty cash of \$200 is also included in the cash balance.

Investments classified in the financial statements consist of U. S. Agency Securities for the Debt Service Fund. Details of investment balances are presented in Note 3 to the financial statements.

Capital Assets

Capital outlays are charged to expenditures as they are paid. Capital outlays represent the cost of property, plant, and equipment.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental and business-type resources is not reported as a liability in the fund financial statements but is reported as restricted net position in the government-wide statements.

Net Position and Fund Balance Classifications

Government-Wide Statements:

Net position is classified and displayed in two components:

Restricted: Consists of restricted assets with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.

Unrestricted: Net amount of assets that are not included in the determination of net investment in capital assets or the restricted component of net position.

The City does not capitalize its capital assets and, therefore, does not display net position into net investment in capital assets.

The amounts reported as restricted net position are composed of the following: 1) amount held for debt service fund requirements; 2) amount held for sewer repair and replacement and the sewer reserve amount, and 3) amounts held for water meter deposits (refunded upon termination of service or applied to final bill).

It is the City's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Fund Financial Statements:

The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statement. The reporting standard establishes a hierarchy for fund balance classification and the constraints imposed on the uses of those resources. GASB 54 provides for two major types of fund balances, which are non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. The City has no non-spendable fund balances.

GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints. Governmental fund equity is classified as fund balance with further classifications of restricted, committed, assigned, or unassigned based on the respective level of constraint.

- *Restricted Fund Balance*-Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*-Represent amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (legislation, resolution, ordinance) it employed to previously commit those amounts.
- *Assigned Fund Balance*-Represent amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed.
- *Unassigned Fund Balance*-Unassigned fund balance is the residual classification for the general fund. The classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

At June 30, 2020, the City had a restricted fund balance in the business-type activities, for sewer and water replacements, for meter deposits refundable, and a restricted investment account.

Revenues and Expenditures

Program Revenues: In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

Administration-Intergovernmental revenues, charges for services, and bonds, fees, fines and court costs.

Police-Intergovernmental revenues and grants.

Public Works-Intergovernmental revenues.

Capital Outlay-Intergovernmental revenues from Boone County.

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses-Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a governmental unit, the City is subject to various federal, state, and local laws and contractual regulations. The City had no noncompliance issues material to the financial statements.

Publication of Financial Statements-For the year ended June 30, 2020, the City of Hallsville published its semi-annual financial statements in a local newspaper in accordance with applicable state law.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Insured and Collateralized Deposits-In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U. S. Government or Government Agency securities, certain state or political subdivision debt obligations, surety bonds, or certain letters of credit. Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2020, the City's bank deposits and investments held by its funds were entirely insured and collateralized.

Budgetary Compliance-The City of Hallsville's Board of Aldermen is responsible for preparation and approval of the City's budget in accordance with RSMo, Section 67.010. The Board holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the Board. The lowest level at which appropriations are adopted is the Board. Expenditures may not legally exceed budgeted appropriations at the fund level. The Board must approve any revisions that alter the total appropriated expenditures. The Board of Aldermen approved the fiscal year 2020 budget document in the June 2019 board meeting. On June 8, 2020, the Board of Aldermen approved the 2020-2021 (FY 21) budget. At the June 8, 2020 meeting, the Board of Aldermen also approved amending any expenditure line items in the 2019-2020 budget where actual amounts exceeded budgeted amounts.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits:

At June 30, 2020, the carrying value of the City's deposits was \$519,399 , and the bank balance was \$536,663 .

In accordance with state law, funds in the form of cash on deposit are required to be insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by authorized investments held in the City's name at third-party banking institutions. Acceptable collateral includes certain U.S. Government or government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2020, all the City's deposits were adequately secured with acceptable collateral.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments:

The City may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities; obligations guaranteed by the full faith and credit of the State of Missouri; repurchase agreement, certificates of deposit; banker's acceptances, and commercial paper.

Interest Rate Risk-Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. At June 30, 2020, the City was not exposed to interest rate risk.

Credit Risk-Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the City was not exposed to credit risk.

Concentration of Credit Risk-Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2020, the City was not exposed to credit risk concentration.

Custodial Credit Risk-Custodial credit risk is the risk that, in the event of a depositor financial institution failure, the City will not be able to recover its deposits or recover collateral securities that are in an outside party's possession. The City's total deposits at June 30, 2020, were not exposed to custodial credit risk because they were entirely covered by federal depository insurance or by collateral securities held by the City's custodial banks in the City's name.

The City categorizes its fair value measurements in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2020, the City had the following deposits and investments:

<u>Investment Type</u>	<u>Carrying Value</u>
Cash and equivalents	\$ 13,836
U.S. Agency (Level 1)	166
Corporate guaranteed investment contracts (Level 2)	-
Total investments	14,002
Deposits	519,399
Total investments and deposits	\$ 533,401

NOTE 4: LONG-TERM DEBT

The reporting entity’s long-term debt arising from modified cash transactions is reported as amounts to be repaid from governmental activities as follows:

Refundable Deposits-Refundable deposits reported as restricted assets within the Statement of Net Position are composed of Water Meter Deposits – Refundable in the amount of \$40,383 at June 30, 2020.

Certificates of Participation-The City’s water COP issue is part of a program through the Missouri State Environmental Improvement and Energy Resources Authority. As such, the state has set aside a “reserve fund” which serves as a compensating balance for the City’s COP issue. At June 30, 2020, the balance of the reserve fund was zero. The reserve fund’s investment earnings reduce the City’s interest obligation on the COP issue. As the COP issue is repaid, the reserve fund is repaid to the state proportionally with the principal paid on the COP issue. The City has reserved a cash balance of \$36,669, as required by the COP issue, and reported as a restricted net asset.

The following is a summary of Certificates of Participation (COP) transactions for the year ended June 30, 2020:

<u>Sewer COP</u>	
COPs payable, July 1, 2019	\$ 1,320,000
COPs issued	-
COPs retired	(65,000)
COPs payable, June 30, 2020	\$ 1,255,000

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 4: LONG-TERM DEBT (Continued)

Water COP

COPs payable, July 1, 2019	\$	60,000
COPs issued		-
COPs retired		<u>(60,000)</u>
COPs payable, June 30, 2020	\$	<u>-</u>

COPs payable:

Certificates of Participation (series 2013) dated September 1, 2015, due in varying annual installments through September 1, 2033, with varying interest rates of 1.70% to 5.875%		<u>\$ 1,255,000</u>
--	--	---------------------

The City has pledged future sewer and water revenues, net of operating expenses, and property tax collections to repay the COPs. Proceeds from the COPs provided financing for water and sewer system improvements. Principal and interest payments in 2020 on the COPs required 79% and 0% of sewer and water net revenues, respectively. Principal and interest paid for the current year for sewer and water were \$132,345 and \$61,682 (\$0 paid by water and \$61,682 paid by Debt Service), respectively. Total sewer and water net revenues for the current year were \$168,230 and \$(13,115), respectively. The COPs do not constitute a general obligation for the City.

The debt service requirements to maturity for the sewer bond are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 65,000	\$ 63,588	\$ 128,588
2022	65,000	61,150	126,150
2023	70,000	58,531	128,531
2024	75,000	55,631	130,631
2025	75,000	52,163	127,163
2026-2030	450,000	194,344	644,344
2031-2034	455,000	54,828	509,828
Total	<u>\$ 1,255,000</u>	<u>\$ 540,235</u>	<u>\$ 1,795,235</u>

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 4: LONG-TERM DEBT (Continued)

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for “city purposes” not to exceed 10% of the assessed value of taxable tangible property. The State Constitution also permits a city, by vote of two-thirds of the voting electorate, to incur additional assessed value of taxable tangible property, for the purpose of acquiring right-of-way, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric or other light and plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

At June 30, 2020, based on the total assessed valuation as of December 31, 2019, of \$19,758,133 the constitutional general obligation debt limit was \$3,951,627 .

NOTE 5: LEASES

The City has entered into agreements with its local banking facility for lease of land and paid on leases for a dump truck and two patrol cars. Lease expense was \$42,748 for the year ended June 30, 2020. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 27,611	\$ 15,663	\$ 43,274
2022	13,671	14,516	28,187
2023	14,257	13,930	28,187
2024	14,868	13,319	28,187
2025	15,505	12,682	28,187
2026-2030	88,082	52,857	140,939
2031-2035	108,645	32,300	140,945
2036-2038	90,669	7,850	98,519
Total	<u>\$ 373,308</u>	<u>\$163,117</u>	<u>\$ 536,425</u>

NOTE 6: RETIREMENT PLAN

The City, as the employer, participates in a cost-sharing retirement plan (Section 457b) on behalf of the employees of the City. The City contributes 2 percent of each employee’s gross pay for each pay period while the employee must withhold 1 percent but can elect to withhold more. During the year ended June 30, 2020, the City contributed a total of \$3,252 to this retirement plan.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 7: TAXES

The City’s *ad valorem* property tax is levied in August by the City’s Board of Aldermen on the assessed value listed as of the prior January 1 for all real and personal property located in the City of Hallsville in Boone County. The Boone County Collector collects the property taxes and disburses the tax monies to the City. The City receives its property taxes monthly from the County Collector.

The assessed valuation of the tangible property in the City of Hallsville in Boone County for the year 2020 for purposes of local taxation was \$19,758,133 as provided by Boone County. The tax levy per \$100 of the assessed valuation of tangible property for the year 2020 for purposes of local taxation was \$0.5593 for the General tax levy and \$0 for the Debt Service tax levy, or a total of \$0.5593.

NOTE 8: FINES

Fines and penalties revenues as shown in the Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances – Modified Cash Basis is \$14,674 for the year ended June 30, 2020, which is 3% of general funds revenues.

NOTE 9: INTERFUND TRANSFERS

Interfund transfers during the period ended June 30, 2020 were as follows:

	Transfers In/(Out)
General Fund	\$ 7,837
Debt Service Fund	(40,149)
Water Fund	32,312
Total	<u>\$ -</u>

Amounts were transferred from the Debt Service Fund to the General Fund and Water Fund to cover principal and interest payments related to the certificates of participation.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT

The City carries commercial insurance for various risks of loss to which it is exposed, including risks related to torts, theft of, damage to, or destruction of assets; natural disasters; errors and omissions; injuries to employees; and employees' health and life.

The City is a participant in the Missouri Public Entity Risk Management Fund (MoPERM), a body corporate and politic created and governed by Sections 537.700-537.756, RSMo. The purpose of the fund is to provide liability protection to participating public entities and their officials and employees. Annual contributions are collected based on actuarial projections sufficient to pay losses and expenses.

Should contributions not be sufficient to meet the fund's obligations, the fund's board can make special assessments. Participants are jointly and severally liable for all claims against the fund. City management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three years.

NOTE 11: COMMITMENTS AND CONTINGENCIES

The City renewed its contract on February 14, 2018, for a period of 10 years with the Public Water Supply District Number 4 for the purchase of water by the City. This contract expires on February 29, 2028.

The City entered into a contract on April 24, 2013, for a period of 10 years with Hallsville Holdings, LLC for the use of land for wastewater irrigation. This contract expires on September 15, 2023. Annual payments under this contract total \$15,000.

NOTE 12: SUBSEQUENT EVENT

On November 5, 2019, qualified voters approved a resolution authorizing the City to sell certain assets associated with its wastewater system. As of December 2, 2020, the City has not entered a sales contract.

The City has an agreement with Red Top Ranch, LLC for an easement that the City will have to pay \$5,000 to Red Top Ranch, LLC. The City is waiting on the signed agreement before issuing payment.

On September 15, 2020, the City signed two lease purchase agreements for two vehicles – each lease amount for \$45,000, with interest rate at 4.2% and annual payments of \$12,473.

Subsequent events have been evaluated through December 2, 2020, the date the financial statements were available to be issued.

SUPPLEMENTARY
INFORMATION

City of Hallsville, Missouri
Budgetary Comparison Schedule
Modified Cash Basis - General Fund
For the year ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 111,100	\$ 111,100	\$ 111,781	\$ 681
Sales taxes	110,000	110,000	101,576	(8,424)
Franchise taxes	112,945	113,390	97,615	(15,775)
Motor vehicle and gasoline taxes	60,750	60,750	58,805	(1,945)
Bonds, fees, fines and court costs	20,500	20,500	15,174	(5,326)
Rental income	25,640	25,640	23,264	(2,376)
Charges for services	23,695	23,945	26,587	2,642
Interest income	75	75	43	(32)
Grants	-	-	5,442	5,442
Miscellaneous	500	4,390	1,364	(3,026)
Total revenues	<u>465,205</u>	<u>469,790</u>	<u>441,651</u>	<u>(28,139)</u>
EXPENDITURES				
Personnel Services				
Salaries	233,043	231,593	218,373	13,220
Insurance - health	8,667	8,667	4,159	4,508
Payroll taxes	17,829	17,687	15,480	2,207
Retirement	2,487	2,487	1,924	563
Training, travel, and mileage	3,500	3,250	3,142	108
Insurance	19,659	19,747	19,747	-
Maintenance	102,773	118,170	118,170	-
Service				
Professional services	35,150	31,269	31,269	-
Dues and memberships	1,200	2,700	1,426	1,274
Advertising	725	725	601	124
Election costs	1,200	1,424	1,424	-
Utilities	44,242	44,242	40,009	4,233
Miscellaneous	4,730	6,562	6,562	-
Total Expenditures	<u>475,205</u>	<u>488,523</u>	<u>462,286</u>	<u>26,237</u>
Excess (deficiency) of revenues over expenditures	(10,000)	(18,733)	(20,635)	(1,902)
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	-	-	7,837	7,837
Fund balances - beginning	190,352	190,352	190,352	-
Fund balances - ending	<u>\$ 180,352</u>	<u>\$ 171,619</u>	<u>\$ 177,554</u>	<u>\$ 5,935</u>

City of Hallsville, Missouri
Budgetary Comparison Schedule
Modified Cash Basis - Capital Improvement Sales Tax Fund
For the year ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 55,000	\$ 55,000	\$ 50,757	\$ (4,243)
Interest income	-	-	-	-
Total revenues	<u>55,000</u>	<u>55,000</u>	<u>50,757</u>	<u>(4,243)</u>
EXPENDITURES				
Equipment, vehicle purchases, fees	39,693	39,693	34,017	5,676
Debt service				
Principal	25,999	25,999	25,998	1
Interest and fees	16,750	16,750	16,750	-
Total Expenditures	<u>82,442</u>	<u>82,442</u>	<u>76,765</u>	<u>5,677</u>
Excess (deficiency) of revenues over expenditures	(27,442)	(27,442)	(26,008)	1,434
Fund balances - beginning	<u>28,003</u>	<u>28,003</u>	<u>28,003</u>	-
Fund balances - ending	<u>\$ 561</u>	<u>\$ 561</u>	<u>\$ 1,995</u>	<u>\$ 1,434</u>

City of Hallsville, Missouri
Budgetary Comparison Schedule
Modified Cash Basis - Road Grant Fund
For the year ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 43,787	\$ 43,787	\$ 43,787	\$ -
Total revenues	<u>43,787</u>	<u>43,787</u>	<u>43,787</u>	<u>-</u>
EXPENDITURES				
Maintenance	8,500	8,500	6,227	2,273
Debt service				
Principal	-	-	-	-
Interest and fees	-	-	-	-
Total Expenditures	<u>8,500</u>	<u>8,500</u>	<u>6,227</u>	<u>2,273</u>
Excess (deficiency) of revenues over expenditures	35,287	35,287	37,560	2,273
Fund balances - beginning	<u>4,972</u>	<u>4,972</u>	<u>4,972</u>	<u>-</u>
Fund balances - ending	<u><u>\$ 40,259</u></u>	<u><u>\$ 40,259</u></u>	<u><u>\$ 42,532</u></u>	<u><u>\$ 2,273</u></u>

City of Hallsville, Missouri
Combining Balance Sheet - Modified Cash Basis
Non-Major Governmental Funds
June 30, 2020

		<u>Special Revenue Funds</u>		<u>Total Non-Major</u>
		<u>Park & Storm Water</u>	<u>Debt Service</u>	<u>Governmental</u>
		<u>Sales Tax Fund</u>	<u>Fund</u>	<u>Funds</u>
ASSETS				
Cash		\$ 6,040	\$ -	\$ 6,040
Total assets		<u>\$ 6,040</u>	<u>\$ -</u>	<u>\$ 6,040</u>
FUND BALANCES				
Assigned		\$ 6,040	\$ -	\$ 6,040
Total fund balances		<u>\$ 6,040</u>	<u>\$ -</u>	<u>\$ 6,040</u>

City of Hallsville, Missouri
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Non-Major Governmental Funds
For the Year Ended June 30, 2020

	<u>Special Revenue Fund</u>		<u>Total Non-Major Governmental Funds</u>
	<u>Park & Storm Water Sales Tax Fund</u>	<u>Debt Service Fund</u>	
REVENUES			
Property taxes	\$ -	\$ 5,394	\$ 5,394
Sales taxes	12,689	-	12,689
Interest income	-	679	679
Total revenues	<u>12,689</u>	<u>6,073</u>	<u>18,762</u>
EXPENDITURES			
Administration	-	54	54
System improvements and repairs	29,530	-	29,530
Capital improvements	-	-	-
Debt Service			
Principal	-	60,000	60,000
Interest and fees	-	1,682	1,682
Total expenditures	<u>29,530</u>	<u>61,736</u>	<u>91,266</u>
Excess (deficiency) of revenues over expenditures	(16,841)	(55,663)	(72,504)
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	-	(40,149)	(40,149)
Fund balances - beginning	<u>22,881</u>	<u>95,812</u>	<u>118,693</u>
Fund balances - ending	<u>\$ 6,040</u>	<u>\$ -</u>	<u>\$ 6,040</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*

To the Board of Alderman
 City of Hallsville
 Hallsville, Missouri

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We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hallsville as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hallsville’s basic financial statements and have issued our report thereon dated December 2, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

PARTNERS

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not been identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency, as follows:

- 2020-001 Segregation of Duties over Financial Reporting

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hallsville'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 is required to be reported under *Government Auditing Standards*.

City of Hallsville's Responses to Findings

City of Hallsville's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. City of Hallsville's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Gerding, Korte & Chitwood

December 2, 2020

Gerding, Korte and Chitwood
Certified Public Accountants

CITY OF HALLSVILLE
SCHEDULE OF FINDINGS AND RESPONSES

SECTION I: FINANCIAL STATEMENT FINDINGS

Finding 2020-001: Segregation of Duties over Financial Reporting

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and the financial statements are reliable. When the duties of one employee involve complete control over most, or all, aspects of an accounting cycle, without the involvement of other intervening employees, conflicts with the internal control objective may arise. This kind of conflict is generally referred to as a lack of segregation of duties.

Condition: City of Hallsville has potential conflicts with personnel who have the ability to adjust, record, reconcile and report financial activity.

Cause: The City lacks the personnel necessary to adequately segregate accounting and financial duties.

Effect: Financial records and assets without adequate segregation of duties are at more risk for misstatement due to fraud or errors.

Recommendation: The City may consider and implement additional internal control procedures to ensure adequate segregation of duties.

View of Responsible Official and Corrective Action Plan: The Deputy Clerk has been given more financial duties including accounts receivable, deposits and cash reconciliations. The City has an independent CPA perform semi-annual reviews of the finances and annually prepare W-2s and Form 1099s.

Official Responsible for Ensuring the Corrective Action Plan: Kenyetta Ridgway-Sample, City Administrator/City Clerk

Planned Completion Date for the Corrective Action Plan: The City will continue to work on implementing additional internal control procedures on an on-going basis.