

FINANCIAL REPORT OF
CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
FOR THE YEAR ENDED
JUNE 30, 2023



CITY OF HALLSVILLE
HALLSVILLE, MISSOURI

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INDEPENDENT AUDITOR’S REPORT

To the Board of Alderman
City of Hallsville, Missouri

Report on the Audit of the Financial Statements

20 South Fifth Street
Columbia, MO 65201
(573) 449-1599
Fax: (573) 443-8603
www.gkccpas.com

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

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, 2023, 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 for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hallsville, Missouri and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter -- 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.

PARTNERS
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Benjamin E. Carrier

PARTNERS EMERITI
Robert A. Gerding
Fred W. Korte, Jr.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hallsville, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Hallsville, Missouri's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hallsville, Missouri's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hallsville, Missouri’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 non-major fund financial statements are presented on pages 22–26. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023 on our consideration of the City of Hallsville, Missouri’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 solely 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, Missouri’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, Missouri’s internal control over financial reporting and compliance.

November 15, 2023

Gerding, Korte & Chitwood
Gerding, Korte & Chitwood
Certified Public Accountant
Columbia, Missouri

City of Hallsville, Missouri
Statement of Net Position - Modified Cash Basis
June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 336,378	\$ 158,494	\$ 494,872
Investments	1,002,773	-	1,002,773
Restricted assets:			
Cash	149,876	49,201	199,077
Total assets	<u>\$ 1,489,027</u>	<u>\$ 207,695</u>	<u>\$ 1,696,722</u>
NET ASSETS			
Restricted for:			
Water replacement	\$ -	\$ 5,506	\$ 5,506
Meter deposits refundable	-	43,695	43,695
ARPA funds	149,876	-	149,876
Unrestricted	1,339,151	158,494	1,497,645
Total net position	<u>\$ 1,489,027</u>	<u>\$ 207,695</u>	<u>\$ 1,696,722</u>

See Notes to Financial Statements

City of Hallsville, Missouri
Statement of Activities - Modified Cash Basis
For the Year Ended June 30, 2023

	<u>Program Revenue</u>			<u>Net (Expenditures) Revenue and Changes in Net Assets</u>		
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>						
Primary government						
Governmental Activities						
Administration	\$ 417,429	\$ 30,395	\$ -	\$ (225,953)	\$ -	\$ (225,953)
Public safety	321,482	57,198	4,822	(259,462)	-	(259,462)
Streets and roads	66,476	-	-	(66,476)	-	(66,476)
Community center	4,818	5,600	-	782	-	782
Park board	25,027	200	-	(24,827)	-	(24,827)
Historical society	1,946	-	-	(1,946)	-	(1,946)
Total governmental activities	\$ 837,178	\$ 93,393	\$ -	\$ (577,882)	\$ -	\$ (577,882)
Business-type activities						
Water	\$ 253,747	\$ 257,787	\$ -	\$ -	\$ 4,040	\$ 4,040
Sewer operation and maintenance	84,122	-	-	-	(84,122)	(84,122)
Solid waste	164,571	180,095	-	-	15,524	15,524
Total business-type activities	\$ 502,440	\$ 437,882	\$ -	\$ -	\$ (64,558)	\$ (64,558)
General revenues:						
Taxes:						
Property taxes, levied for general purposes		\$ 195,662		\$ 195,662	\$ -	\$ 195,662
Sales taxes		216,850		216,850	-	216,850
Franchise taxes		115,680		115,680	-	115,680
Motor vehicle and gas taxes		77,372		77,372	-	77,372
Interest income		30,350		30,350	-	30,350
Miscellaneous		817		817	87	904
Transfers in (out)		54,050		54,050	(54,050)	-
Total general revenues		690,781		690,781	(53,963)	636,818
Change in net position		112,899		112,899	(118,521)	(5,622)
Net position, June 30, 2022		1,376,128		1,376,128	326,216	1,702,344
Net position, June 30, 2023		\$ 1,489,027		\$ 1,489,027	\$ 207,695	\$ 1,696,722

City of Hallsville, Missouri
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2023

	<u>General</u> <u>Fund</u>	<u>ARPA Funds</u>	<u>Road Grant</u> <u>Fund</u>	<u>Non-Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and certificates of deposit	\$ 67,206	\$ 149,876	\$ 161,458	\$ 107,714	\$ 486,254
Investments	1,002,773	-	-	-	1,002,773
Total assets	<u>\$ 1,069,979</u>	<u>\$ 149,876</u>	<u>\$ 161,458</u>	<u>\$ 107,714</u>	<u>\$ 1,489,027</u>
FUND BALANCES:					
Restricted	\$ -	\$ 149,876	\$ -	\$ -	\$ 149,876
Assigned	1,002,773	-	161,458	107,714	1,271,945
Unassigned	67,206	-	-	-	67,206
Total fund balances	<u>\$ 1,069,979</u>	<u>\$ 149,876</u>	<u>\$ 161,458</u>	<u>\$ 107,714</u>	<u>\$ 1,489,027</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, 2023

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Road Grant Fund</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 137,652	\$ -	\$ 58,010	\$ -	\$ 195,662
Sales taxes	134,039	-	-	82,811	216,850
Franchise taxes	115,680	-	-	-	115,680
Motor vehicle and gasoline taxes	77,372	-	-	-	77,372
Bonds, fees, fines and court costs	12,028	-	-	-	12,028
Charges for services	55,954	-	-	-	55,954
Rental income	25,411	-	-	-	25,411
Interest income	28,815	1,535	-	-	30,350
Grants	5,262	160,641	-	-	165,903
Miscellaneous	817	-	-	-	817
Total revenues	593,030	162,176	58,010	82,811	896,027
EXPENDITURES					
Administration	253,538	147,912	2,023	13,956	417,429
Public safety	321,482	-	-	-	321,482
Streets and roads	64,140	-	2,336	-	66,476
Community Center	4,818	-	-	-	4,818
Park board	25,027	-	-	-	25,027
Historical society	1,946	-	-	-	1,946
Total expenditures	670,951	147,912	4,359	13,956	837,178
Excess (deficiency) of revenues over expenditures	(77,921)	14,264	53,651	68,855	58,849
OTHER FINANCING SOURCES (USES)					
Transfers in/(out)	54,050	-	-	-	54,050
Fund balances - beginning	1,093,850	135,612	107,807	38,859	1,376,128
Fund balances - ending	\$ 1,069,979	\$ 149,876	\$ 161,458	\$ 107,714	\$ 1,489,027

See Notes to Financial Statements

City of Hallsville, Missouri
Statement of Net Position - Modified Cash Basis
Proprietary Funds
June 30, 2023

	Enterprise Funds			
	Water Fund	Sewer Operation and Maintenance Fund	Solid Waste Fund	Total
ASSETS				
Current assets:				
Cash	\$ 105,442	\$ -	\$ 53,052	\$ 158,494
Restricted Cash	49,201	-	-	49,201
Total assets	\$ 154,643	\$ -	\$ 53,052	\$ 207,695
 NET POSITION				
Restricted	\$ 49,201	\$ -	\$ -	\$ 49,201
Unrestricted	105,442	-	53,052	158,494
Total net assets	\$ 154,643	\$ -	\$ 53,052	\$ 207,695

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, 2023

	Enterprise Funds			Total
	Water Fund	Sewer Operation and Maintenance Fund	Solid Waste Fund	
REVENUES				
Charges for services				
Water	\$ 257,787	\$ -	\$ -	\$ 257,787
Trash	-	-	180,096	180,096
Total operating revenues	<u>257,787</u>	<u>-</u>	<u>180,096</u>	<u>437,883</u>
OPERATING EXPENSES				
Salaries and payroll taxes	113,272	-	31,966	145,238
Trash hauling	-	-	124,016	124,016
Trash maintenance	-	-	3,007	3,007
Water purchase	85,946	-	-	85,946
Water maintenance	6,145	-	-	6,145
Administration/general	35,658	5	5,583	41,246
Total Operating Expenses	<u>241,021</u>	<u>5</u>	<u>164,572</u>	<u>405,598</u>
Operating income (loss)	<u>16,766</u>	<u>(5)</u>	<u>15,524</u>	<u>32,285</u>
NON-OPERATING REVENUES (EXPENSES)				
Miscellaneous revenue	87	-	-	87
Capital outlay	(12,726)	(84,117)	-	(96,843)
Total non-operating revenue (expenses)	<u>(12,639)</u>	<u>(84,117)</u>	<u>-</u>	<u>(96,756)</u>
OTHER FINANCING SOURCES/(USES)				
Transfers in/(out)	-	(54,050)	-	(54,050)
Change in net position	4,127	(138,172)	15,524	(118,521)
Net position beginning of year	150,516	138,172	37,528	326,216
Net position end of year	<u>\$ 154,643</u>	<u>\$ -</u>	<u>\$ 53,052</u>	<u>\$ 207,695</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.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

Measurement Focus

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.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

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.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Program revenues include (a) fees, fines and charges paid by recipients for goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may, or must, be used. Current liabilities (if any) are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major 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.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

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:

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

ARPA Fund: Accounts for revenues received and expenditures paid for American Rescue Plan Act funds.

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

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

Park Sales Tax Fund: Accounts for revenues received and expenditures paid for local parks.

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

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.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

At June 30, 2023, the City has a checking account and a money market account. 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 of the pooled accounts consist primarily of money market accounts. Interest income earned is allocated to contributing funds based on cash and temporary investments balances.

Capital Assets

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

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. The City did not have long-term debt at June 30, 2023.

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, 2023, the City had a restricted fund balance in the business-type activities, for water replacements and for meter deposits refundable. The City had a restricted fund balance in the governmental activities for ARPA funds.

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, 2023, the City of Hallsville published its semi-annual financial statements in a local newspaper in accordance with applicable state law.

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.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Missouri statutes also require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. At June 30, 2023, the City's bank deposits 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 2023 budget document in the June 2022 board meeting.

On June 28, 2023, the Board of Aldermen approved the 2023-2024 (FY 24) budget. At the July 10, 2023 meeting, the Board of Aldermen also approved amending any expenditure line items in the 2022-2023 budget where actual amounts exceeded budgeted amounts.

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits:

At June 30, 2023, the carrying value of the City's deposits was \$693,949, and the bank balance was \$708,944.

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, 2023, all the City's deposits were adequately secured with acceptable collateral.

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; bankers' acceptances; and commercial paper. The Missouri Securities Investment Program also operate under state law. Details of investment balances are presented in Note 3 to the financial statements.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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, 2023, 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. The Missouri Securities Investment Program (MOSIP) is rated AAA by Standard & Poor’s. At June 30, 2023, 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, 2023, the City was not exposed to credit risk concentration.

Custodial Credit Risk – deposits-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, 2023, 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.

Custodial Credit Risk – investments-For an investment, this is the risk that, in the event the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City categorizes its fair value measurements in accordance with Governmental Accounting Standards Board Statement No. 72, *Fair Value 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.

As of June 30, 2023, the City had the following deposits and investments:

<u>Investment Type</u>	<u>Carrying Value</u>
MOSIP external investment pool (Level 1)	<u>\$ 1,002,773</u>
Total investments	1,002,773
Deposits	<u>693,949</u>
Total investments and deposits	<u><u>\$ 1,696,722</u></u>

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

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 business-type 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 \$43,695 at June 30, 2023.

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, 2023, based on the total assessed valuation as of December 31, 2022, of \$26,045,332 the constitutional general obligation debt limit was \$5,209,066.

NOTE 5: 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, 2023, the City contributed a total of \$6,685 to this retirement plan.

NOTE 6: 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 2022 for purposes of local taxation was \$26,045,332 as provided by Boone County. The tax levy per \$100 of the assessed valuation of tangible property for the year 2022 for purposes of local taxation was \$0.5399 for the General tax levy and \$0 for the Debt Service tax levy, or a total of \$0.5399.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 7: FINES

Fines and penalties revenues as shown in the Statement of Revenues Collected, Expenditures Paid, and Changes in Fund Balances – Modified Cash Basis is \$11,528 for the year ended June 30, 2023, which is 2% of general funds revenues.

NOTE 8: INTERFUND TRANSFERS

Interfund transfers during the period ended June 30, 2023 were as follows:

	Transfers In/(Out)
General Fund	\$ 54,050
Sewer Fund	(54,050)
Total	\$ -

Amounts were transferred from the Sewer funds to the General fund to move excess funds from the Sewer fund.

NOTE 9: 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 10: 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.

CITY OF HALLSVILLE
HALLSVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 11: GROW HALLSVILLE PARKS FOUNDATION

The Grow Hallsville Parks Foundation is a non-profit organization that was formed in fiscal year 2022. The Organization's Board of Directors are made up of the City of Hallsville Mayor, a member of the Board of Aldermen, a City of Hallsville employee and members of the City of Hallsville community.

The purpose of the Organization is for the development of parks and programs, and other public facilities, furnishings and equipment for the benefit or use of the City of city purposes. The Grow Hallsville Parks Foundation did not have material financial activity in fiscal year 2023.

NOTE 12: SUBSEQUENT EVENT

Subsequent events have been evaluated through November 15, 2023, the date the financial statements were available to be issued.

On October 16, 2023, the City signed a new agreement with PWSD #4 to continue furnishing water to the City for an initial term of 3 years and automatically renew for successive 3 year terms thereafter until a party provides written notice of termination.

SUPPLEMENTARY
INFORMATION

City of Hallsville, Missouri
Budgetary Comparison Schedule
Modified Cash Basis - General Fund
For the year ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Property Taxes	\$ 136,400	\$ 136,400	137,652	\$ 1,252
Sales taxes	120,000	120,000	134,039	14,039
Franchise taxes	128,400	128,400	115,680	(12,720)
Motor vehicle and gasoline taxes	72,900	72,900	77,372	4,472
Bonds, fees, fines and court costs	20,500	20,500	12,028	(8,472)
Rental income	26,660	26,660	25,411	(1,249)
Charges for services	76,756	76,756	55,954	(20,802)
Interest income	-	-	28,815	28,815
Grants	5,000	5,000	5,262	262
Miscellaneous	500	500	817	317
Total revenues	<u>587,116</u>	<u>587,116</u>	<u>593,030</u>	<u>5,914</u>
EXPENDITURES				
Personnel Services				
Salaries	319,938	339,072	339,072	-
Insurance - health	10,765	10,765	8,077	2,688
Payroll taxes	24,476	25,687	25,687	-
Retirement	5,546	5,546	4,892	654
Training, travel, and mileage	5,400	5,400	2,575	2,825
Insurance	44,980	44,980	43,155	1,825
Maintenance	116,072	118,583	118,583	-
Service				
Professional services	43,375	53,962	53,962	-
Dues and memberships	2,590	2,590	1,490	1,100
Advertising	1,000	2,787	2,787	-
Election costs	1,200	1,458	1,458	-
Utilities	51,225	56,499	56,499	-
Miscellaneous	3,550	3,550	2,714	836
System improvements	11,000	11,000	10,000	1,000
Total Expenditures	<u>641,117</u>	<u>681,879</u>	<u>670,951</u>	<u>10,928</u>
Excess (deficiency) of revenues over expenditures	(54,001)	(94,763)	(77,921)	16,842
OTHER FINANCING SOURCES (USES)				
Transfers in/(out)	-	-	54,050	54,050
Fund balances - beginning	1,093,850	1,093,850	1,093,850	-
Fund balances - ending	<u>\$ 1,039,849</u>	<u>\$ 999,087</u>	<u>\$ 1,069,979</u>	<u>\$ 70,892</u>

City of Hallsville, Missouri
Budgetary Comparison Schedule
Modified Cash Basis - Road Grant Fund
For the year ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 58,009	\$ 58,009	\$ 58,010	\$ 1
Total revenues	<u>58,009</u>	<u>58,009</u>	<u>58,010</u>	<u>1</u>
EXPENDITURES				
Maintenance	13,500	2,336	2,336	-
Street improvement	-	2,023	2,023	-
Total Expenditures	<u>13,500</u>	<u>4,359</u>	<u>4,359</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	44,509	53,650	53,651	1
Fund balances - beginning	<u>107,807</u>	<u>107,807</u>	<u>107,807</u>	<u>-</u>
Fund balances - ending	<u>\$ 152,316</u>	<u>\$ 161,457</u>	<u>\$ 161,458</u>	<u>\$ 1</u>

City of Hallsville, Missouri
Budgetary Comparison Schedule
Modified Cash Basis - ARPA Fund
For the year ended June 30, 2023

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget
REVENUES				
Grants	\$ 159,108	\$ 159,108	\$ 160,641	\$ 1,533
Interest income	-	-	1,535	1,535
Total revenues	<u>159,108</u>	<u>159,108</u>	<u>162,176</u>	<u>3,068</u>
EXPENDITURES				
Administration	<u>42,593</u>	<u>147,912</u>	<u>147,912</u>	-
Total Expenditures	<u>42,593</u>	<u>147,912</u>	<u>147,912</u>	-
Excess (deficiency) of revenues over expenditures	116,515	11,196	14,264	3,068
Fund balances - beginning	<u>135,612</u>	<u>135,612</u>	<u>135,612</u>	-
Fund balances - ending	<u><u>\$ 252,127</u></u>	<u><u>\$ 146,808</u></u>	<u><u>\$ 149,876</u></u>	<u><u>\$ 3,068</u></u>

City of Hallsville, Missouri
Combining Balance Sheet - Modified Cash Basis
Non-Major Governmental Funds
June 30, 2023

	Special Revenue Funds			<u>Total Non-Major Governmental Funds</u>
	<u>Park Sales Tax Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Storm Water Sales Tax Fund</u>	
ASSETS				
Cash	\$ 2,154	\$ 72,112	\$ 33,448	\$ 107,714
Total assets	\$ 2,154	\$ 72,112	\$ 33,448	\$ 107,714
 FUND BALANCES				
Assigned	\$ 2,154	\$ 72,112	\$ 33,448	\$ 107,714
Total fund balances	\$ 2,154	\$ 72,112	\$ 33,448	\$ 107,714

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, 2023

	Special Revenue Fund			<u>Total Non-Major Governmental Funds</u>
	<u>Park Sales Tax Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Storm Water Sales Tax Fund</u>	
REVENUES				
Sales taxes	\$ 8,281	\$ 66,249	\$ 8,281	\$ 82,811
Total revenues	8,281	66,249	8,281	82,811
EXPENDITURES				
Administration	12,207	1,749	-	13,956
Total expenditures	12,207	1,749	-	13,956
Excess (deficiency) of revenues over expenditures	(3,926)	64,500	8,281	68,855
Fund balances - beginning	6,080	7,612	25,167	38,859
Fund balances - ending	\$ 2,154	\$ 72,112	\$ 33,448	\$ 107,714

COMPLIANCE
AND
INTERNAL CONTROL

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, Missouri

20 South Fifth Street
Columbia, MO 65201
(573) 449-1599
Fax: (573) 443-8603
www.gkccpas.com

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Hallsville, Missouri as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Hallsville, Missouri's basic financial statements and have issued our report thereon dated November 15, 2023.

PARTNERS

Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Benjamin E. Carrier

Report on Internal Control over Financial Reporting

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

PARTNERS EMERITI

Robert A. Gerding
Fred W. Korte, Jr.

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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hallsville, Missouri'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 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*.

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.

November 15, 2023

Gerding, Korte & Chitwood

Gerding, Korte and Chitwood
Certified Public Accountants
Columbia, Missouri

CITY OF HALLSVILLE, MISSOURI
SCHEDULE OF FINDING AND RESPONSE

SECTION I: FINANCIAL STATEMENT FINDING

None Reported