

**CITY OF JOPLIN, MISSOURI**

**Required Communications and Management Letter**

**For the Year Ended October 31, 2020**



# COCHRAN HEAD VICK & CO., P.C.

& Co

*Certified Public Accountants*

April 13, 2021

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To the Honorable Mayor and City Council  
City of Joplin, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Joplin, Missouri (the City) for the year ended October 31, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 7, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant Audit Findings**

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant accounting estimates affecting the City's financial statements were management's estimates of the allowance for doubtful accounts, the estimated historical cost of infrastructure and the related estimated useful lives used in recording depreciation and accumulated depreciation for capital assets, actuarial valuations associated with the City's pension and other post-employment plans, and self-insurance claims payable amounts. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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

### *Difficulties Encountered in Performing the Audit*

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

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatement detected as a result of our procedures was corrected by management:

- Adjustment to reverse pension payable accrual in the amount of \$929,828.

### *Disagreements with Management*

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

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated April 13, 2021.

### *Management Consultations with Other Independent Accountants*

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

### *Other Audit Findings or Issues*

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

### *Other Matters*

We applied certain limited procedures to management's discussion & analysis, the budgetary comparison information for the general fund and major special revenue funds, the schedule of changes in total OPEB liability and related ratios, schedules of changes in net pension liabilities/ (assets) and related ratios and schedules of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide assurance on it.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City for the year ended October 31, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of our annual audit, we try to identify opportunities for improving the management of financial resources and for improving the internal controls over financial reporting. We are submitting, for your consideration, our observations, and recommendations with regard to these matters.

## **CURRENT YEAR COMMENTS**

### **Liability and Property Claims**

The City prepares an estimated claims liability for outstanding liability and property cases based on the status and facts known at the time of financial reporting. While performing our audit procedures and making inquiries of City personnel, it was noted that a claim that had settled but remained unpaid was omitted from the estimated claims liability at yearend. We also noted that certain claims included in the estimated claims liability amount needed updated based on current status of the claim. While the items identified did not result in an overall change to the estimated claims liability, we recommend that the City review is process for preparing the estimated claims liability.

#### Management's Response

The City will review the process for estimating the liability and ensure proper recognition of the outstanding claims.

### **Account Reconciliations**

As part of our auditing procedures, we were provided with audit schedules related to disposals of capital assets and hotel/motel tax revenues however, the schedules did not agree to the general ledger. After inquiry of City personnel, we were provided with updated schedules and the related journal entries. We recommend that the City review its reconciliation process and include management review and verification that the schedules prepared agree to the general ledger.

#### Management's Response

The City will review the reconciliation process and ensure proper recognition of receivables and capital assets, including management verification that the schedules agree to the general ledger.

## **OTHER COMMENTS**

### **Future Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has recently issued the following statements which may impact the City's financial reporting requirements. In May 2020, in response to COVID-19 pandemic, GASB issued Statement No. 95 - Postponement of the Effective Dates of Certain Authoritative Guidance.

- GASB Statement 84 – Fiduciary Activities, effective for the fiscal year beginning on October 1, 2020.
- GASB Statement No.87, Leases, effective for the fiscal year beginning November 1, 2022.
- GASB Statement No.88 Certain Disclosures Related to Debt, effective for the fiscal year beginning November 1, 2020.
- GASB Statement No. 89 – Accounting for Interest Cost Incurred before the End of a Construction Period, effective for the fiscal year beginning November 1, 2021.
- GASB Statement No. 90 – Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61, effective for the fiscal year beginning November 1, 2020.
- GASB Statement No. 91 – Conduit Debt Obligations, effective for the fiscal year beginning November 1, 2022.
- GASB Statement No. 92 – Omnibus 2020, generally effective for the fiscal year beginning November 1, 2022.
- GASB Statement No. 93 - Replacement of Interbank Offered Rates effective for the fiscal year beginning November 1, 2022.
- GASB Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for the fiscal year beginning November 1, 2023.
- GASB Statement No. 96 Subscription-Based Information Technology Arrangements, effective for the fiscal year beginning November 1, 2023.
- GASB Statement No. 97 Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32, generally effective for the fiscal year beginning November 1, 2021.

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

Management's Response

The City will review these upcoming standards to determine the impact and they will be implemented in a timely manner as set forth in each standard.

The City's written response to the recommendation identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Prior Comments**

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

<b>Prior Year Comment Description</b>	<b>Significance</b>	<b>Current Period Status</b>
Personnel Files	During our testing, we noted that 8 of the 40 payroll files tested did not have current pay rate support in the file. During our testing, the City was able to locate alternative supporting documentation for the rates. However, we believe that each employee's personnel file should contain all documentation necessary to recalculate the employee's current pay rate along with appropriate documentation of review and approval. Accordingly, we recommend that City management review and update policies and procedures regarding pay rate documentation to ensure that all pay rate forms are appropriately reviewed, approved and maintained in the employee's file.	Recommendation implemented
Future Accounting Pronouncements	We recommended that management review upcoming standards to determine what impact they may have on the City's financial reporting.	The City implemented all applicable standards that became effective during fiscal year 2020. See the current comments section for additional upcoming accounting standards.

**CONCLUSION**

This information is intended solely for the use of the Mayor, City Council and management of the City of Joplin, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

*Cochran Head View & Co., P.C.*