CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

PREPARED BY:
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CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Bellefontaine Neighbors, Missouri

Disclaimer Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2023, which collectively comprise the City of Bellefontaine Neighbors, Missouri's basic financial statements as listed in the table of contents.

We do not express an opinion on the Financial Statements as a Whole of the City of Bellefontaine Neighbors, Missouri. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on the Financial Statements as a Whole of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units

Basis for Disclaimer Opinion on the Financial Statements as a Whole

As described in accompanying Schedules of Findings and Responses, the City did not prepare complete GAAP financial statements and did not maintain complete and accurate accounting records to support amounts reported in the financial statements. The City's accounting records were not maintained on a fund-by-fund basis, certain funds were not established in the accounting system, interfund balances and transfers were unsupported, and required financial statement disclosures were not prepared.

In addition, the City did not prepare bank reconciliations and significant variances existed between confirmed bank balances and the general ledger. The City also did not maintain adequate records for significant financial statement areas, including capital assets, receivables, current liabilities, long-term debt, revenues, expenses, payroll, and federal award activity.

Because of these conditions, we were unable to obtain sufficient appropriate audit evidence to determine whether the financial statements were free from material misstatement. The possible effects of these matters could be both material and pervasive to the financial statements, including but not limited to cash and investments, capital assets, receivables, liabilities, revenues, expenses, fund balances, and related disclosures. Accordingly, we were unable to form an opinion on the financial statements.

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 Bellefontaine Neighbors, Missouri, and to meet our other ethical responsibilities, in accordance

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INDEPENDENT AUDITOR'S REPORT – *Continued*

with the relevant ethical requirements relating to our audit. Because of the significance of the matters described above, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 the City of Bellefontaine Neighbors, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any 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 opinion. 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 risks 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

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INDEPENDENT AUDITOR'S REPORT – *Continued*

opinion on the effectiveness of the City of Bellefontaine Neighbors, 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 Bellefontaine Neighbors, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Management has omitted the Management's Discussion and Analysis and the budgetary comparison schedule for the General Fund, Capital Improvement Fund, Bond Fund, Debt Service Fund, ARPA Fund and Sewer Lateral Fund, which are required supplementary information. This omission results in a departure from accounting principles generally accepted in the United States of America. We do not express an opinion or provide any assurance on this missing information.

We have applied certain limited procedures to Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and Schedule of Pension Contributions in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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INDEPENDENT AUDITOR'S REPORT – *Continued*

Other Reporting Required by Governmental Auditing Standards

In accordance with the Government Auditing Standards, we have also issued our dated April 03, 2026, on our consideration of the City of Bellefontaine Neighbors, 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 Bellefontaine Neighbors, 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 City of Bellefontaine Neighbors, Missouri's internal control over financial reporting and compliance.

CRWilliams & Associates, LLC

St. Louis, Missouri
April 03, 2026

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activites	Total Primary Government
ASSETS:		
Cash	$ 6,330,249	$ 6,330,249
Investments	934,498	934,498
Receivables		
Municipal taxes	418,795	418,795
Gross receipts taxes	126,263	126,263
Court fines, net of allowance	52,458	52,458
Special assessments	41,616	41,616
Other	126,647	126,647
Prepaid items	977,880	977,880
Due from other funds	(437,736)	(437,736)
Net pension asset	4,156,672	4,156,672
Capital assets:		
Land and construction in progress	467,275	467,275
Other capital assets, net of accumulated depreciation	13,923,938	13,923,938
Total Assets	27,118,555	27,118,555
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts related to pension	321,038	321,038
Total Assets and Deferred Outflows of Resources	**$ 27,439,593**	**$ 27,439,593**
LIABILITIES:		
Current liabilities		
Accounts payable	(1,227,744)	(1,227,744)
Accrued payroll	252,468	252,468
Due to other funds	126,275	126,275
Other liabilities	499,680	499,680
Long term liabilities - due within one year	725,667	725,667
Total current liabilities	376,346	376,346
Noncurrent liabilities:		
Long term liabilities - due in more than one year	9,405,322	9,405,322
Total non-current liabilities	9,405,322	9,405,322
Total liabilities	9,781,668	9,781,668
DEFERRED INFLOWS OF RESOURCES:		
Deferred amounts related to pension	937,064	937,064
Unavailable Revenue		
Court fines	105,425	105,425
Property taxes	94,748	94,748
Special assessments	54,073	54,073
Total unavailable revenue	254,246	254,246
Total deferred inflows of resources	1,191,310	1,191,310
NET POSITION:		
Net investment in capital assets	4,383,187	4,383,187
Restricted for		
Federal forfeitures	934,498	934,498
Pension	3,540,646	3,540,646
Unrestricted	7,608,284	7,608,284
Total Net Position	16,466,615	16,466,615
Total Liabilities and Net Position	**$ 27,439,593**	**$ 27,439,593**

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) And Changes in Net Position: Governmental Activities	Total
Governmental Activities						
General government	$ 2,280,949	$ -	$ 1,048,982	$ -	$ (1,231,967)	(1,231,967)
Building	65,894	104,455		-	38,561	38,561
Police	1,514,627	-	17,044	-	(1,497,583)	(1,497,583)
Street	518,439	-	538,757	-	20,318	20,318
Recreation center	1,427,657	137,607	-	-	(1,290,050)	(1,290,050)
Court	43,044	34,327	-	-	(8,717)	(8,717)
Interest and other fiscal charges on long-term debt	-	-	-	-	-	-
Total Governmental Activities	5,850,610	276,389	1,604,783	-	(3,969,438)	(3,969,438)
General Revenues:						
Property taxes					1,191,448	1,191,448
Sales taxes					3,060,910	3,060,910
Gross receipts taxes					1,835,063	1,835,063
Licenses					24,563	24,563
Investment income					2,117	2,117
Other					289,163	289,163
Total General Revenues					6,403,264	6,403,264
Change in Net Position					2,433,826	2,433,826
NET POSITION-BEGINNING					13,796,078	13,796,078
PRIOR PERIOD ADJUSTMENTS					236,711	236,711
NET POSITION-BEGINNING, restated					14,032,789	14,032,789
NET POSITION-ENDING					$ 16,466,615	$ 16,466,615

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	Governmental Funds	Capital Improvement	Debt Service	Bond	Nonmajor Sewer Lateral	Total Governmental Funds
ASSETS						
Cash	$ 6,330,249	$ -	$ -	$ -	$ -	$ 6,330,249
Investments	-	-	-	934,498	-	934,498
Receivables						
Municipal taxes	418,795	-	-	-	-	418,795
Gross receipts taxes	126,263	-	-	-	-	126,263
Court fines, net of allowance	52,458	-	-	-	-	52,458
Special assessments	41,616	-	-	-	-	41,616
Other	126,647	-	-	-	-	126,647
Prepaid items	977,880	-	-	-	-	977,880
Due from other funds	(437,736)	-	-	-	-	(437,736)
Total Assets	**7,636,172**	-	-	**934,498**	-	**8,570,670**
LIABILITIES						
Accounts payable	(1,227,744)	-	-	-	-	(1,227,744)
Accrued payroll	252,468	-	-	-	-	252,468
Due to other funds	126,275	-	-	-	-	126,275
Other liabilities	499,680	-	-	-	-	499,680
Total Liabilities	(349,321)	-	-	-	-	(349,321)
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue						
Court fines	105,425	-	-	-	-	105,425
Property taxes	94,748	-	-	-	-	94,748
Special assessments	54,073	-	-	-	-	54,073
Total Deferred Inflows Of Resources	254,246	-	-	-	-	254,246
FUND BALANCES						
Nonspendable						
Prepaid items	977,880	-	-	-	-	977,880
Restricted for:						
Capital improvement	-	-	-	934,498	-	934,498
Unassigned	6,753,367	-	-	-	-	6,753,367
Total Fund Balance	7,731,247	-	-	934,498	-	8,665,745
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	**$ 7,636,172**	$ -	$ -	**$ 934,498**	$ -	**$ 8,570,670**

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balances - Governmental Funds	$	8,665,745
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of the assets is $25,376,692 and the accumulated depreciation is $10,985,479.		14,391,213
Certain items are not a financial resource and, therefore, are not reported in the governmental funds. These consist of:		
Net pension asset		4,156,672
Deferred outflows related to pension		321,038
Deferred inflows related to pension		(937,064)
Certain long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:		
Accrued compensated absences		(122,963)
Compounded interest		(17,373)
General obligation bonds		(9,990,653)
Total Net Position Of Governmental Activities	$	16,466,615

CITY OF BELLEFONTAINE NEIGHBORS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Funds	Capital Improvement	Debt Service	Bond	Nonmajor Sewer Lateral	Total Governmental Funds
REVENUES						
Taxes	$ 4,791,115	$ -	$ -	$ -	$ -	$ 4,791,115
Gross receipts taxes	1,841,728	-	-	-	-	1,841,728
Licenses and permits	129,018	-	-	-	-	129,018
Charges for services	131,307	-	-	-	-	131,307
Fines and forfeitures	34,327	-	-	-	-	34,327
Intergovernmental	1,328,679	-	-	-	-	1,328,679
Investment income	2,117	-	-	-	-	2,117
Other	26,145	-	-	-	-	26,145
Total Revenues	8,284,436	-	-	-	-	8,284,436
EXPENDITURES						
Current						
Administration	2,280,949	-	-	-	-	2,280,949
Building	65,894	-	-	-	-	65,894
Police	1,514,627	-	-	-	-	1,514,627
Street	518,439	-	-	-	-	518,439
Court	43,044	-	-	-	-	43,044
Recreation Center	1,427,657	-	-	-	-	1,427,657
Total Expenditures	5,850,610	-	-	-	-	5,850,610
NET CHANGE IN FUND BALANCE	2,433,826	-	-	-	-	2,433,826
FUND BALANCES, BEGINNING	5,060,710	-	-	934,498	-	5,995,208
PRIOR PERIOD ADJUSTMENTS	236,711	-	-	-	-	236,711
FUND BALANCES, BEGINNING, restated	5,297,421	-	-	934,498	-	6,231,919
FUND BALANCES, ENDING	$ 7,731,247	$ -	$ -	$ 934,498	$ -	$ 8,665,745

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net Change In Fund Balances - Governmental Funds	$	2,433,826
Change In Net Position Of Governmental Activities	$	2,433,826

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service cost	$ 245,786	$ 279,719	$ 306,317	$ 313,771	$ 298,718	$ 289,783	$ 297,751	$ 304,610	$ 299,417
Interest on the total pension liability	1,239,338	1,189,572	1,280,458	1,219,189	1,131,036	1,072,204	1,085,812	1,016,170	985,396
Difference between expected and actual experience	307,648	293,590	(1,046,401)	264,064	749,812	330,450	(759,657)	(245,736)	(178,919)
Changes of assumptions	-	-	(263,342)	-	-	-	-	630,704	-
Benefit payments , including refunds	(1,091,601)	(980,811)	(883,631)	(1,010,673)	(932,816)	(839,514)	(776,977)	(707,823)	(660,933)
Net Changes in Total pension liability	701,171	782,070	(606,599)	786,351	1,246,750	852,923	(153,071)	997,925	444,961
Total Pension Liability - Beginning	18,120,570	17,338,500	17,945,099	17,158,748	15,911,998	15,059,075	15,212,146	14,214,221	13,769,260
Total Pension Liability - Ending	18,821,741	18,120,570	17,338,500	17,945,099	17,158,748	15,911,998	15,059,075	15,212,146	14,214,221
Plan Fiduciary Net Position									
Contributions - employer	241,075	270,687	264,288	272,244	299,678	308,280	294,285	316,774	331,332
Contributions - employee	54,508	-	-	-	-	-	-	-	-
Net investment income (loss)	762,395	17,195	5,000,821	247,244	1,196,537	2,108,360	1,723,360	(28,528)	300,876
Benefit payments , including refunds	(1,091,601)	(980,811)	(883,631)	(1,010,673)	(932,816)	(839,514)	(776,977)	(707,823)	(660,933)
Administrative expense	(18,568)	(12,704)	(12,220)	(16,938)	(15,331)	(10,670)	(10,535)	(11,104)	(12,024)
Other	9,309	209,889	(364,690)	196,301	(45,082)	730,593	(294,418)	169,296	72,282
Net change in plan fudiciary net position	(42,882)	(495,744)	4,004,568	(311,822)	502,986	2,297,049	935,715	(261,385)	31,533
Plan Fiduciary Net Position - Beginning	22,277,242	22,772,986	18,768,418	19,080,240	18,577,254	16,280,205	15,344,490	15,605,875	15,574,342
Plan Fiduciary Net Position - Ending	22,234,360	22,277,242	22,772,986	18,768,418	19,080,240	18,577,254	16,280,205	15,344,490	15,605,875
Net Pention Liability (Asset) Ending (a)-(b)	(3,412,619)	(4,156,672)	(5,434,486)	(823,319)	(1,921,492)	(2,665,256)	(1,221,130)	(132,344)	(1,391,654)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	118.13%	122.94%	131.34%	104.59%	111.20%	116.75%	108.11%	100.87%	109.79%
Covered Payroll (for February 28 Actuarial Valuation)	$ 1,556,993	$ 2,035,614	$ 2,194,799	$ 2,442,493	$ 2,504,479	$ 2,390,313	$ 2,391,504	$ 2,483,202	$ 2,591,495
Net Pension Liability (Asset) as a Percentage of Covered Payroll	-219.18%	-204.20%	-247.61%	-33.71%	-76.72%	-111.50%	-51.06%	-5.33%	-53.70%

Notes:
Information is not available for fiscal years prior to 2015
The amounts noted above are as of the measurement date which is June 30 prior to the end of the fiscal year.

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF PENSION CONTRIBUTION FOR LAST NINE FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined pension contribution	220,144	298,635	280,115	275,297	294,539	311,609	294,286	346,821	372,050
Contributions in relation to the actuarially determined contribution	220,144	279,802	269,226	275,297	294,539	308,623	294,286	316,774	331,333
contribution Deficiency	0.18	18,833	10,888	(0.25)	0.39	2,986	(0.14)	30,047	40,717
Covered Payroll	1,921,180	2,188,264	2,233,209	2,363,285	2,562,627	2,432,351	2,384,722	2,544,802	2,571,924
Contribution as a Percentage of Covered Payroll	11.46%	12.79%	12.06%	11.65%	11.49%	12.69%	12.34%	12.45%	12.88%

Valuation date: February 28, 2023

The roll-forward of total pension liability from February 28, 2023 to June 30, 2023 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

a. Actuarial Cost Method — a. Entry Age Normal and Modified Terminal Funding

b. Amortization Method — b. A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.

c. Remaining Amortization Period — c. Multiple bases from 8 to 15 years

d. Asset Valuation Method — d. 5-Year smoothed market; 20% corridor

e. Inflation — e. 2.75% wage inflation; 2.25% price inflation

f. Salary Increases — f. 2.75% to 6.75% including wage inflation

g. Investment Rate of Return — g. 7.00%, net of investment expenses

h. Retirement Age — h. Experience-based table of rates that are specific to the type of eligibility condition.

i. Mortality — i. The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The preretirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups. Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

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

To the Board of Aldermen
City of Bellefontaine Neighbors, Missouri

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Bellefontaine Neighbors, Missouri, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively City of Bellefontaine Neighbors, Missouri's basic financial statements and have issued our report thereon dated April 03, 2026. Our report disclaims an opinion on such financial statements because of material and pervasive scope limitations resulting from the City's failure to maintain complete and accurate accounting records, prepare GAAP-compliant financial statements, and provide sufficient appropriate audit evidence to support significant financial statement balances, including cash and investments, capital assets, receivables, liabilities, revenues, expenses, interfund activity, and federal award activity.

Report on Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of City of Bellefontaine Neighbors, Missouri, we considered City of Bellefontaine Neighbors, Missouri's internal control over financial reporting (internal control) as a basis for designing 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 Bellefontaine Neighbors, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bellefontaine Neighbors, Missouri 's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, 2023-003-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, 2023-010, 2023-011, 2023-012, 2023-13, 2023-014, 2023-015, 2023-017, 2023-018, 2023-019 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-016 to be significant deficiencies.

Report on Compliance and Other Matters

In connection with our engagement to audit the financial statements of City of Bellefontaine Neighbors, Missouri, 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 statements. 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 instances of compliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-017, 2023-018 and 2023-019. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City of Bellefontaine Neighbors, Missouri's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Bellefontaine Neighbors, Missouri's response to the findings identified in our engagement and described in the accompanying schedule of findings and questioned costs. the City of Bellefontaine Neighbors, Missouri's response was not subjected to the other auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on the response.

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 engagement to perform an audit 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.

CR Williams & Associates, LLC

St. Louis, Missouri

April 03, 2026

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2023

2023-001 Failure to Prepare Complete GAAP Financial Statements

Criteria: Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), including all required basic financial statements, notes to the financial statements, and required supplementary information. Management is also responsible for establishing and maintaining effective internal control over financial reporting to ensure financial statements are complete and accurate.

Condition: The City did not prepare complete financial statements and disclosures in accordance with GAAP. Specifically, required components, including Management's Discussion and Analysis (MD&A), budget-to-actual comparisons, and notes to the financial statements, were not prepared by management. As a result, the financial statements were incomplete and the disclosure checklist was not satisfied.

Cause: The deficiency resulted from management's failure to establish and implement adequate policies, procedures, and internal controls over the preparation and review of financial statements and related disclosures to ensure compliance with GAAP.

Effect: As a result, the financial statements were incomplete and not prepared in accordance with GAAP. Required components, including MD&A, budget-to-actual comparisons, and notes to the financial statements, were not prepared. Consequently, we were unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements, and the possible effects of these matters are material and pervasive.

Recommendation: We recommend that management establish formal financial reporting procedures and ensure personnel with appropriate governmental accounting expertise are assigned responsibility for preparing complete GAAP financial statements, including all required disclosures and supplementary information.

Management Response and Corrective Action Plan: In 2025, the City engaged Deletra Hudson, LLC to assist with strengthening its financial management processes, procedures, and reporting practices. As part of this engagement, the City implemented a formal financial reporting process designed to improve the accuracy, transparency, and timeliness of financial information

Under the current process, financial transactions are entered into the City's QuickBooks accounting system on a regular basis and shared with the City Treasurer for review and oversight. The City Treasurer utilizes this information to prepare and present financial statements to the Mayor and Board of Aldermen on a monthly, quarterly, and annual basis. In addition, the financial information is used to support the development and monitoring of the City's annual operating budget.

The City believes that the implementation of these procedures will significantly improve financial reporting and management oversight and will continue to strengthen its financial reporting practices to ensure accurate and timely information is available for decision-making purposes.

2023-001 Failure to Prepare Complete GAAP Financial Statements - Continued

Responsible Party: City Treasurer and Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-002 Internal Control Deficiencies Over Financial Close and Reporting Process (repeated findings 2022-010)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and for preparing financial statements in accordance with GAAP. Effective internal control over financial reporting includes the design and implementation of appropriate closing procedures, adequate segregation of duties, competent personnel, management review controls, and properly maintained accounting records and systems to ensure financial information is complete, accurate, and timely.

Condition: During the review of the financial statements, we noted the following:

a. The City does not have established year-end closing procedures to ensure that all transactions are complete, reconciled and reviewed prior to the preparation of the financial statements.
b. The City lacks sufficient personnel with the requisite accounting expertise to effectively manage financial operations and ensure accurate and reliable financial reporting.
c. The City does not have adequate segregation of duties within its financial processes to ensure that individuals responsible for recording transactions are not also responsible for reviewing them.
d. Management did not perform reviews of significant or unusual year-over-year or period-to-period movements in account balances during the close process. As a result, errors or misclassifications were not identified or resolved on a timely basis.
e. The accounting system is not properly configured, maintained, and utilized to support the preparation of complete, accurate, and reliable financial statements and an effective financial reporting and closing process.

Cause: These deficiencies were caused by a lack of sufficient accounting personnel with the necessary knowledge and experience in governmental accounting and financial reporting, as well as the absence of formalized financial closing procedures and internal control policies. As a result, the accounting system was not properly configured or maintained, and key review and monitoring controls were not consistently performed.

Effect: As a result of these deficiencies, the City's financial statements were at risk of material misstatements, including errors and misclassifications, that were not identified or corrected in a timely manner. These weaknesses increase the risk that material misstatements may occur and not be prevented, detected, or corrected on a timely basis.

2023-002 Internal Control Deficiencies Over Financial Close and Reporting Process (repeated findings 2022-010) - Continued

Recommendation: We recommend that management establish and implement formal year-end closing procedures and strengthen internal controls over financial reporting. This should include assigning qualified personnel with appropriate governmental accounting expertise, ensuring adequate segregation of duties to the extent possible, performing timely reconciliations and management reviews of financial information, and properly configuring and maintaining the accounting system to support the preparation of complete, accurate, and reliable financial statements in accordance with GAAP.

Management Response and Corrective Action Plan: In 2025, the City engaged Deletra Hudson, LLC to assist with financial management operations and to strengthen internal controls throughout the finance function. Deletra Hudson, LLC brings more than thirty years of government finance experience and has worked with the City to establish processes that improve accountability, oversight, and segregation of duties.

As part of the corrective action, the City has implemented a financial management structure that separates key financial responsibilities among multiple parties. Payroll processing responsibilities have been assigned to Leslie Blackshear, who is responsible for payroll administration and bank reconciliations. Deletra Hudson, LLC provides financial management oversight, accounts payable administration, financial reporting support, and implementation of internal control procedures. In addition, Richard Rognan of Rognan & Associates serves as the City's Treasurer and Certified Public Accountant and is responsible for reviewing financial reports, financial statements, budgeting and other accounting records.

This structure provides greater separation of duties between the collection, deposit, disbursement, payroll, reconciliation, and financial reporting functions. Management believes that the implementation of these procedures has significantly strengthened internal controls and reduced the risk associated with concentrating multiple financial responsibilities within a single position.

Responsible Party: City Treasurer, Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-003 Lack of Fund-Basis Accounting Records (repeated findings 2022-001)

Criteria: GAAP, as established by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 34, require governments to maintain accounting records on a fund-by-fund basis. Each fund must be established as a separate accounting entity with its own self-balancing accounts to record financial position and results of operations. Maintaining fund-level accounting records is necessary to ensure transactions and balances are properly recorded and to support the preparation of complete and GAAP-compliant fund financial statements and government-wide financial statements.

2023-003 Lack of Fund-Basis Accounting Records (repeated findings 2022-001) - Continued

Condition: The City's accounting records, including the general ledger and trial balance, are not maintained on a fund-by-fund basis and reflect commingled financial activity across multiple funds. In addition, the Capital Improvement, Debt Service, and Sewer Lateral Funds were not formally established in the accounting system, despite financial activity occurring related to these funds. As a result, transactions related to the Capital Improvement, Debt Service, and Sewer Lateral Funds were not recorded in the accounting system, while activity related to other funds was commingled and not separately identifiable by fund.

Cause: These conditions resulted from deficiencies in internal controls over financial reporting, including the failure to establish required funds in the accounting system and inadequate procedures to ensure that transactions and balances are recorded and maintained on a fund-specific basis. In addition, there was insufficient oversight to ensure that accounting records supported accurate fund-level reporting.

Effect: Because the City does not maintain accounting records on a fund-by-fund basis as required by GAAP and GASB Statement No. 34, the City is unable to prepare complete and reliable GAAP-compliant fund financial statements. Transactions related to the Capital Improvement, Debt Service, and Sewer Lateral Funds were not recorded, and financial activity related to other funds was commingled and not separately identifiable. Consequently, fund-level information is incomplete and unreliable, and amounts reported in both the fund financial statements and the government-wide financial statements are materially misstated. In addition, the lack of complete and accurate fund-level accounting records resulted in a scope limitation, as sufficient appropriate audit evidence could not be obtained to support the financial statements. This deficiency contributed to the auditor's inability to express an opinion on the financial statements.

Recommendation: The City should establish all required funds in the accounting system and maintain accounting records on a fund-by-fund basis. Procedures should be implemented to ensure transactions are recorded in the appropriate fund and accounting records support the preparation of GAAP-compliant financial statements.

Management Response and Corrective Action Plan: With the City's engagement with Deletra Hudson, LLC to assist with improving financial reporting, the City has worked to ensure that financial transactions are properly recorded and classified by fund within the QuickBooks accounting system.

The City is actively updating and maintaining its accounting records to ensure that revenues, expenditures, assets, liabilities, and fund balances are accurately reported within the appropriate funds. By recording transactions by fund, the City is able to generate financial reports that provide greater transparency regarding the financial position and activity of each individual fund.

2023-003 Lack of Fund-Basis Accounting Records (repeated findings 2022-001) - Continued

Management believes that the implementation of fund-based accounting and reporting practices will improve the accuracy of financial reporting, strengthen financial oversight, and provide the Mayor, Board of Aldermen, Treasurer, and management team with more meaningful financial information for decision-making purposes.

Responsible Party: Finance Director

Anticipated Completion Date: Ongoing

2023-004 Inadequate Controls over Due To/From Other Funds and Interfund Transfers (repeated findings 2022-008)

Criteria: GAAP, as established by GASB, requires interfund receivables, payables, and transfers to be properly identified, recorded, and supported by underlying transactions between funds. Interfund balances and transfers should be recorded in the appropriate funds and reconciled to ensure accurate reporting in the fund financial statements and government-wide financial statements.

Condition: The City reported interfund receivable, payable, and transfer balances in the financial statements; however, these balances and transfers could not be supported or reconciled to underlying accounting records or identifiable interfund transactions. As described in Finding 2023-003, the City's accounting records were not maintained on a fund-by-fund basis and certain funds were not established in the accounting system, preventing proper identification, recording, and reconciliation of interfund balances and transfers.

Cause: This condition resulted from the failure to maintain accounting records on a fund-by-fund basis and to establish all required funds in the accounting system. As a result, interfund transactions were commingled and not recorded in a manner that allows identification or reconciliation of due to/from balances.

Effect: As a result, interfund receivable, payable, and transfer balances are unsupported and may be materially misstated. In addition, sufficient appropriate audit evidence was not available to verify the accuracy and completeness of interfund balances and transfers, contributing to a scope limitation affecting the auditor's opinion.

Recommendation: We recommend that management implement procedures to properly identify, record, and reconcile interfund transactions and transfers in the accounting system. Interfund receivable and payable balances should be supported by underlying documentation and reconciled at year-end to ensure completeness and accuracy. Management should also review interfund activity and balances for validity and consistency prior to the preparation of the financial statements to ensure compliance with GAAP and GASB reporting requirements.

2023-004 Inadequate Controls over Due To/From Other Funds and Interfund Transfers (repeated findings 2022-008) - Continued

Management Response and Corrective Action Plan: To address this finding, the City contracted with Leslie Blackshire to perform monthly bank reconciliations and assist with identifying and recording necessary accounting adjustments. As part of the reconciliation process, outstanding items, interfund activity, and required journal entries are reviewed and recorded in the QuickBooks accounting system to ensure that financial records accurately reflect the City's financial position.

In addition, the City has implemented procedures to properly record due to/from transactions and interfund transfers within the accounting records. To strengthen internal controls and improve accountability, all transfers between funds are initiated by one member of the finance team and independently reviewed and approved by a separate member of the Deletra Hudson, LLC team prior to processing.

To further formalize this process, Deletra Hudson, LLC developed and implemented a Transfer of Funds Authorization Form. This form documents the purpose of the transfer, identifies the funds involved, requires supporting documentation, and includes the appropriate approvals before any transfer is completed. The implementation of these procedures has strengthened the City's internal controls over fund transfers, reconciliations, and financial reporting and provides a documented audit trail for future review.

Responsible Party: Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-005 Internal Control Deficiencies Over Cash and Investments (repeated findings 2022-002)

Criteria: Generally accepted accounting principles require that all cash and investment balances be completely and accurately recorded in the general ledger and reconciled at year-end. Management is responsible for establishing effective internal controls to ensure that all funds, bank accounts, and investment accounts are properly established in the accounting system and that financial records are complete, accurate, and adequately supported.

Condition: A significant variance was noted between the City’s bank-confirmed cash balances and the general ledger cash balances at year-end. Based on bank confirmations, total cash amounted to $5,831,578.57, while the general ledger reflected $6,330,249.98, resulting in a variance of $498,671.41. The City did not prepare year-end bank reconciliations, nor were reconciliations provided for audit, to identify or explain the cause of this variance.

Audit procedures identified that this variance includes, in part, unrecorded cash totaling approximately $165,352.76 related to the Capital Improvement, Debt Service, and Sewer Lateral Funds, as well as general ledger cash balances totaling $347,721.58 that could not be traced to identifiable bank accounts and lacked adequate supporting documentation.

2023-005 Internal Control Deficiencies Over Cash and Investments (repeated findings 2022-02) - Continued

Because bank reconciliations were not prepared and sufficient supporting documentation was not maintained, the variance and unrecorded balances described above remain unreconciled and unadjusted in the accounting records as of the date of the audit

Separately from cash, unrecorded investment totaling approximately $961,229.34 related to the Bond Fund were identified. This unrecorded investment was originally proposed in the prior year audit but was not recorded in the City's accounting records. Management did not record proposed audit adjustments related to this variance.

During the current year, no investment activity was recorded, including dividend income. As a result, investments and related revenue remain understated.

Cause: These conditions resulted from deficiencies in internal controls over financial reporting, including the failure to ensure that all funds, bank accounts, and investment accounts were properly established and recorded in the accounting system and that year-end reconciliations were prepared, reviewed, and retained. In addition, there was insufficient oversight to identify and correct unrecorded, unreconciled, or unsupported balances on a timely basis.

Effect: As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether cash and investment balances were complete, accurate, or properly recorded. Because cash and investments are significant and pervasive to the financial statements, the lack of reconciliations, unsupported balances, and unrecorded amounts resulted in a scope limitation. Accordingly, we were unable to determine the effect of these matters on the financial statements.

Recommendation: We recommend that the City strengthen internal controls over cash and investment accounting by ensuring that all funds, bank accounts, and investment accounts are formally established and recorded in the accounting system; that all cash and investment activity is recorded completely and accurately; and that timely year-end reconciliations are prepared, reviewed, and retained for all accounts. Management should also implement procedures to promptly identify, investigate, and correct unreconciled or unsupported balances prior to financial statement preparation.

Management Response and Corrective Action Plan: To address this finding, the City has implemented a collaborative financial management structure that incorporates multiple levels of review and oversight throughout the financial reporting process. The City's finance team consists of Leslie Blackshire, who is responsible for payroll processing and monthly bank reconciliations; Deletra Hudson, LLC, which provides financial management consulting and internal control implementation; and Richard Rognan of Rognan & Associates, who serves as the City's Treasurer, accountant, and Certified Public Accountant accounts for the accuracy of financial reporting.

2023-005 Internal Control Deficiencies Over Cash and Investments (repeated findings 2022-02) - Continued

Under the current process, monthly reconciliations are performed by the individual assigned responsibility for that function. The reconciliations, supporting documentation, and related financial information are then reviewed by a separate member of the finance team to ensure accuracy and completeness. A final review of financial reports, account balances, and supporting schedules is subsequently performed by another member of the team before financial information is presented to City officials.

The addition of Deletra Hudson, LLC has strengthened the City's financial management structure by providing experienced governmental finance expertise and additional oversight. This collaborative approach establishes checks and balances throughout the financial reporting process, improves accountability, and reduces the risk of errors or omissions in the preparation and presentation of the City's financial records and reports.

Responsible Party: Finance Director and City Treasurer

Anticipated Completion Date: Implemented (ongoing)

2023-006 Internal Control Deficiencies Over Capital Assets (repeated findings 2022-003)

Criteria: In accordance with GAAP specifically GASB Statement No. 34, management is responsible for maintaining complete and accurate capital asset records to support the amounts reported in the government-wide financial statements. This includes maintaining detailed capital asset schedules that reflect beginning balances, additions, disposals, accumulated depreciation, and ending balances.

Management is also responsible for implementing internal controls to ensure that capital asset activity and depreciation are properly recorded, supported, and updated each reporting period.

Condition: The City does not maintain detailed capital asset schedules to monitor additions, disposals, and depreciation.

Capital asset balances reported in the prior year audited financial statements as of June 30, 2021 totaling $25,376,692 with accumulated depreciation of $10,985,479 were carried forward without update and do not reflect current-year capital asset activity.

Board minutes document capital improvement projects and capital asset disposals during the year; however, no corresponding updates to capital asset records or depreciation were identified.

In addition, the City did not provide capital asset schedules or supporting documentation sufficient to substantiate capital asset additions, disposals, or depreciation, or ending balances.

As a result, auditors were unable to perform rollforward procedures to reconcile prior-year capital asset balances to current-year balances or verify the completeness, existence, valuation, and depreciation of capital assets reported in the government-wide financial statements.

2023-006 Internal Control Deficiencies Over Capital Assets (repeated findings 2022-003)-Continued

Cause: These conditions resulted from deficiencies in internal controls over capital asset, including the absence of procedures to maintain and update capital asset schedules used in preparing the government-wide financial statements and insufficient oversight to ensure that capital asset activity and depreciation were recorded and supported on a timely basis.

Effect: As a result, the City did not maintain adequate capital asset records or supporting documentation to support the capital asset balances and related depreciation reported in the government-wide financial statements. Because capital assets and depreciation are material to the government-wide financial statements, and sufficient appropriate audit evidence could not be obtained, this condition resulted in a scope limitation over capital assets and related depreciation and contributed to the issuance of a disclaimer of opinion on the City's financial statements.

Recommendation: We recommend that the City establish and maintain detailed capital asset schedules specifically for government-wide financial reporting; record all capital asset additions, disposals, and depreciation on a timely basis; and retain adequate supporting documentation. Management should also implement review procedures to ensure that capital asset balances and depreciation reported in the government-wide financial statements are complete, accurate, and adequately supported prior to issuance.

Management Response and Corrective Action Plan: To address this finding, the City has engaged Deletra Hudson, LLC to assist with the development and implementation of procedures related to the acquisition, tracking, inventory, and disposal of capital assets. As part of this process, the City is working to identify and document its existing capital assets to ensure that complete and accurate records are maintained.

The City is also collaborating with its insurance broker to obtain and review existing asset schedules and insured property listings. This information will be used to assist in the creation of a comprehensive capital asset inventory and to verify that asse ts are appropriately recorded and insured.

In addition, management is developing procedures to ensure that future capital asset purchases are properly documented, recorded in the appropriate funds, tracked throughout their useful lives, and removed from inventory when disposed of or no longer in service. These procedures will improve accountability, strengthen internal controls over City property, and support more accurate financial reporting of capital assets.

Responsible Party: Finance Director

Anticipated Completion Date: Ongoing

2023-007 Internal Control Deficiencies Over Accounts Receivable (repeated findings 2022-004)

Criteria: Management is responsible for maintaining complete and accurate accounting records and supporting documentation for receivables in accordance with GAAP and GASB standards. Receivable balances should be reconciled, supported by subsidiary records, and evaluated for collectability, including recording an allowance for uncollectible accounts, when necessary. Effective internal controls require periodic review and reconciliation of receivable balances to ensure accuracy and completeness.

Condition: During the audit of receivables, we noted the following:

a. Beginning receivable balances did not agree with the prior year ending balances, resulting in a variance of $96,792.
b. Receivable balances were not reviewed, reconciled, or updated during the current year. No activity or adjustments were recorded during the period, despite the existence of ongoing transactions that should have affected receivable balances.
c. Certain receivable accounts reflected negative balances.
d. Management did not perform an evaluation of the collectability of certain receivable balances to determine whether an allowance for uncollectible amounts was necessary.
e. Management was unable to provide adequate supporting documentation, such as detailed schedules, subsidiary ledgers, or other records, to substantiate the existence, accuracy, and completeness of receivable balances recorded in the general ledger.

Because beginning balances did not agree, receivables were not reconciled or supported, and adequate documentation was not available, sufficient appropriate audit evidence was not available to determine the accuracy, completeness, and collectability of receivable balances.

Cause: This condition resulted from deficiencies in financial reporting controls, specifically management's failure to maintain supporting schedules, reconcile receivable balances, and perform periodic review and collectability assessments.

Effect: As a result, receivable balances reported in the financial statements may be misstated and unsupported. The lack of reconciliation, supporting documentation, and collectability evaluation increases the risk of overstatement or understatement of receivables and related revenues. Additionally, sufficient appropriate audit evidence was not available to support the reported receivable balances, resulting in a scope limitation over receivables.

Recommendation: Management should maintain detailed supporting schedules for receivables, reconcile balances to the general ledger, investigate and resolve variances, evaluate collectability, and record an allowance for uncollectible accounts, when necessary, in accordance with GAAP.

2023-007 Internal Control Deficiencies Over Accounts Receivable (repeated findings 2022-004) - Continued

Management Response and Corrective Action Plan: In fiscal year 2026, the City of Bellefontaine Neighbors strengthened its financial management structure by implementing additional segregation of duties and accountability measures within the finance function. To support these efforts, the City engaged Deletra Hudson, LLC to provide financial management consulting services and contracted with Leslie Blackshire to perform payroll processing and monthly bank reconciliations.

Under the current structure, financial responsibilities are divided among multiple members of the finance team to ensure appropriate oversight and reduce the risk associated with concentrating financial duties within a single position.

Responsibilities for the collection, recording, reconciliation, review, and analysis of financial transactions are assigned to different individuals, creating multiple levels of accountability throughout the financial reporting process.

These new procedures include monthly bank reconciliations are performed on a regular basis and reviewed as part of the City's financial oversight procedures. The reconciliation process assists management in identifying discrepancies, recording necessary adjustments, and ensuring that financial records accurately reflect the City's cash balances and financial activity.

Management believes that the implementation of these procedures, combined with the addition of experienced financial professionals to the City's finance team, has significantly strengthened internal controls, improved accountability, and reduced the likelihood of similar deficiencies occurring in the future.

Responsible Party: Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-008 Internal Control Deficiencies Over Current Liabilities (repeated findings 2022-005)

Criteria: In accordance with GAAP and GASB Statement No. 34 and GASB Statement No. 62, management is responsible for maintaining complete, accurate, and current accounting records and for ensuring that liability balances are properly reconciled, supported by adequate documentation, and reflect the government’s actual obligations as of the reporting date. Financial records must be reviewed periodically to ensure the accuracy, completeness, and reliability of amounts reported in the financial statements.

2023-008 Internal Control Deficiencies Over Current Liabilities (repeated findings 2022-005)

Condition: During the audit of current liabilities, we noted that liability balances were not properly reviewed, reconciled, supported, or updated to reflect current-year obligations. Specifically:

1. Accounts payable reflected an abnormal balance of $1,227,744, which was not reconciled.
2. Payroll-related liabilities totaling $94,681 were unsupported, and management was unable to provide sufficient documentation to substantiate that the balances are accurate and reflect current obligations.
3. Accrued payroll totaling $157,787 has remained unchanged from prior years, indicating that the balance has not been reviewed or adjusted to reflect actual current-year obligations.
4. Deferred liabilities totaling $254,246 were carried forward from prior periods without reconciliation, adjustment, or evaluation to determine whether the balances remain accurate and valid.
5. Other liabilities totaling $499,680 remained significantly unchanged during the current year, and management did not perform sufficient reconciliation or review to ensure the balances reflect current obligations.

Due to the lack of reconciliations, review, and supporting documentation, we were unable to substantiate the accuracy and completeness of current liabilities. As a result, we cannot place reliance on the reported liability balances

Cause: These deficiencies were caused by management's failure to implement and perform adequate procedures to reconcile, review, and support liability accounts and to ensure balances were properly evaluated and updated to reflect current obligations.

Effect: As a result, we were unable to obtain sufficient appropriate audit evidence to determine whether current liabilities were fairly stated. Liability balances may be misstated, and adjustments may be necessary. Because liabilities are significant to the financial statements, this condition contributed to a material scope limitation and the issuance of a disclaimer of opinion.

Recommendation: Management should implement procedures to ensure liability accounts are properly reconciled, reviewed, and supported by adequate documentation, and that balances are periodically evaluated and adjusted to reflect accurate and current obligations in accordance with GAAP and GASB standards.

Management Response and Corrective Action Plan: To address this finding, the City strengthened its financial management structure through the addition of personnel and the implementation of greater segregation of duties within the finance function. The City contracted with Leslie Blackshire to perform payroll processing, maintain payroll records, prepare payroll journal entries, and perform monthly bank reconciliations.

2023-008 Internal Control Deficiencies Over Current Liabilities (repeated findings 2022-005) - Continued

In addition, the City engaged Deletra Hudson, LLC to provide financial management consulting services and oversight of financial operations. Deletra Hudson, LLC assists with accounts payable processing, financial recordkeeping, document management, and the review of financial transactions and supporting documentation.

The division of responsibilities between Leslie Blackshire, Deletra Hudson, LLC, and the City Treasurer has created additional checks and balances within the financial management process. Duties related to accounts payable, payroll processing, journal entry preparation, bank reconciliations, record maintenance, and financial reporting are now performed and reviewed by different individuals, reducing the risk associated with concentrating incompatible duties within a single position.

Management believes that these changes have significantly improved internal controls, strengthened accountability, and enhanced the overall integrity of the City's financial operations.

Responsible Party: Finance Director and City Treasurer

Anticipated Completion Date: Implemented (ongoing)

2023-009 Internal Control Deficiencies Over Long Term Liabilities (repeated findings 2022-006)

Criteria: GASB Statement No. 34 requires governments to report long-term liabilities, including general obligation bonds, in the government-wide financial statements using the full accrual basis of accounting. Management is responsible for maintaining complete and accurate debt records, including amortization schedules or subsidiary ledgers, and performing periodic reconciliations to supporting documentation to ensure long-term debt balances are accurate and properly reported.

Condition: The following issues were identified in our audit of long-term liabilities:

- The City does not maintain amortization schedules or a subsidiary ledger to track long-term liabilities and did not reconcile long-term debt balances to bond statements or the amounts required for government-wide financial reporting under the full accrual basis of accounting. Based on debt confirmations, the outstanding balance of general obligation bonds was $8,200,000.
- General obligation bonds are expected to be repaid from the Debt Service Fund; however, as noted in Finding 2023-003, the Debt Service Fund was not formally established in the accounting system. As a result, debt service activity was not properly recorded or tracked in a separate fund.

2023-009 Internal Control Deficiencies Over Long Term Liabilities (repeated findings 2022-006) - Continued

- Principal and interest payments were erroneously recorded as office expense, rather than being properly recorded as debt service expenditures in the fund statements and as reductions of long-term debt and interest expense in the government-wide financial statements.
- Bond premiums and accrued interest balances were carried forward from prior years without adjustment to current year amounts.
- Compensated absences were not updated to reflect current-year activity and continued to reflect outdated balances.

Because the City does not maintain complete and accurate records of long-term liabilities and does not perform reconciliations to supporting documentation, sufficient appropriate audit evidence was not available to determine the accuracy and completeness of long-term liabilities required for government-wide financial statement reporting.

Cause: The City does not maintain amortization schedules or a separate subsidiary ledger to track long-term liabilities and does not perform reconciliations of debt balances to bond statements or confirmations. In addition, fund activity is not reconciled to the amounts required for government-wide reporting.

Effect: As a result, long-term debt balances were not properly monitored, verified, or adjusted to reflect the correct outstanding obligation. This increases the risk that long-term liabilities are misstated.

Recommendation: The City should establish and maintain detailed amortization schedules or subsidiary ledgers for all long-term debt and perform periodic reconciliations to bond statements and confirmations. Reconciled balances should be used to ensure accurate reporting of long-term liabilities in accordance with GASB 34.

Management Response and Corrective Action Plan: To address this finding, the City of Bellefontaine Neighbors has incorporated additional financial oversight through the collaboration of its finance team, which includes Richard Rognan of Rognan & Associates, the City's Treasurer and Certified Public Accountant, and Deletra Hudson, LLC, the City's financial management consultant.

The City will work with Rognan & Associates to develop and maintain long-term debt amortization schedules for all applicable debt obligations. These schedules will be utilized to track principal and interest payments, monitor outstanding debt balances, and ensure that long-term debt activity is accurately recorded and reported within the City's financial records.

2023-009 Internal Control Deficiencies Over Long Term Liabilities (repeated findings 2022-006) - Continued

In addition, the amortization schedules will be reconciled periodically to the City's accounting records to verify accuracy and ensure that debt balances reported in the financial statements agree with supporting documentation. This process will provide management with a reliable tool for monitoring debt obligations and will strengthen internal controls over the recording and reporting of long-term liabilities.

Responsible Party: Finance Director and City Treasurer

Anticipated Completion Date: Ongoing

2023-010 Internal Control Deficiencies Over Revenues (repeated findings 2022-009)

Criteria: Revenue transactions should be accurately recorded, properly supported, and reconciled in accordance with applicable accounting standards and internal controls. Adequate documentation must be maintained to ensure the validity, completeness, and accuracy of reported revenue.

Condition: During the audit revenue, we noted the following:

a. During the audit, third-party confirmation responses revealed significant discrepancies between the amounts recorded in the City's general ledger and the balances reported by the confirming agency. The following differences were noted:

Revenue Account	Per GL	Per Confirmation	Overstated/ (Understated)
Capital Improvement Tax	$ -	$ 842,057.72	($ 842,057.72)
Sales - County Public Safety	650,155.93	744,003.70	($93,847.77)
Motor Sales Tax and Fee	167,474.37	181,529.68	($14,055.31)
Motor Fuel	371,283.40	403,942.02	($32,658.62)
Real Estate	1,037,517.32	908,094.29	129,423.03
Personal Property	4,462.80	240,245.01	(235,782.21)
Sewer Lateral	-	122,693.13	(122,693.13)
Gross Receipt: Electric	644,145.39	622,586.73	21,558.66
Gross Receipt: Gas Utility Tax	367,282.83	380,329.92	($13,047.09)
Sales Tax	2,390,417.24	1,969,380.48	421,036.76
Total	**$ 5,632,739.28**	**$ 6,414,862.68**	**($782,123.40)**

b. A fund transfer amounting to $413,440.76 from Citizens National Bank to Simmons Bank for the Sewer Fund was erroneously recorded as gross receipts tax.
c. Certain revenues were improperly recorded in multiple revenue accounts. Specifically, motor fuel tax and property tax collections were also recorded as sales - county public safety. In addition, instances of double recordings of some revenue accounts were identified, resulting in misstated revenue balances.

2023-010 Internal Control Deficiencies Over Revenues (repeated findings 2022-009) - Continued

d. Property tax revenues were not allocated to the appropriate funds in accordance with the approved tax levy.
e. Significant revenues, including grants, gross receipts taxes (cable and water), court revenues, and permits and licenses, were either not supported with schedules or adequate supporting documentation. In addition, management did not provide analyses or explanations for significant fluctuations in these revenue accounts during the year. As a result, the completeness, accuracy, and validity of these recorded revenues could not be verified.

Cause: These issues appear to result from inadequate internal controls, poor record-keeping practices, lack of timely reconciliations, and insufficient oversight of the revenue recognition and reporting process.

Effect: As a result, revenues may be materially misstated and unsupported in the general ledger, fund balances may be incorrect, and the financial statements may not reliably reflect the City's financial position

Recommendation: It is recommended that the City reconcile general ledger balances with third-party confirmations, reclassify misrecorded transactions, implement fund-based reporting, prepare supporting schedules and analyses for all significant revenues, and strengthen internal controls and review processes to ensure accurate, complete, and reliable revenue reporting.

Management Response and Corrective Action Plan: To address this finding, the City engaged Deletra Hudson, LLC to assist with strengthening financial reporting procedures and ensuring that revenues are accurately recorded within the City's accounting system. As part of this process, monthly revenue transactions are entered into the QuickBooks accounting system using supporting documentation obtained from third-party sources, including reports, statements, and other records that substantiate the receipt of funds.

The recorded revenue activity is then compared to bank statements and verified through the monthly bank reconciliation process. In addition, financial reports are reviewed and analyzed on a monthly basis to identify discrepancies, confirm the completeness and accuracy of recorded transactions, and ensure that revenues are properly reported within the appropriate funds and accounts.

Management believes that the implementation of these procedures has strengthened internal controls over revenue recognition and financial reporting. The combination of third-party source documentation, bank reconciliations, and monthly financial analysis provides multiple levels of verification designed to improve accuracy and reduce the risk of reporting errors or omissions.

Responsible Party: Finance Director

2023-010 Internal Control Deficiencies Over Revenues (repeated findings 2022-009) - Continued

Anticipated Completion Date: Implemented (ongoing)

2023-011 Internal Control Deficiencies Over Expenses

Criteria: In accordance with GAAP and standards issued by GASB, governments are responsible for maintaining complete and accurate accounting records and for properly recognizing and classifying expenditures in the correct period and account. Expenditures should be supported by adequate documentation and subject to appropriate review to ensure the accuracy and reliability of financial reporting.

Condition: During the audit of the expenses, we noted the following:

a. Certain expenditures were misclassified and recorded in incorrect accounts or expense categories, resulting in inaccurate financial reporting.
b. Supporting documentation for significant nonrecurring expenses, specifically major repair expenditures, was not provided.
c. Salaries and related payroll expenses totaling approximately $1,003,371.24 for the months of February through June were not recorded in the accounting records, resulting in incomplete expense balances and understatement of expenditures.
d. Filed Forms 941 (Employer's Quarterly Federal Tax Returns) for the fiscal year were not provided. Accordingly, we were unable to determine whether payroll tax filings were accurately prepared, timely filed, and reconciled to payroll expense and related payroll tax liabilities recorded in the general ledger.

Cause: These deficiencies resulted from inadequate accounting procedures and lack of effective review and reconciliation controls to ensure that all expenses were properly recorded, classified, and supported by appropriate documentation.

Effect: As a result, expenses may be materially misstated due to unrecorded payroll expenses, unsupported transactions, and improper classification of expenditures. The lack of complete and reliable accounting records resulted in a scope limitation over expenses.

Recommendation: Management should strengthen its accounting procedures and internal controls to ensure that all expenditures, including payroll, are completely and accurately recorded in the proper accounts and reporting period. Supporting documentation should be maintained for all transactions, and periodic reconciliations and supervisory reviews should be performed to ensure the completeness, accuracy, and proper classification of expenses in accordance with GASB and GAAP requirements.

2023-011 Internal Control Deficiencies Over Expenses- Continued

Management Response and Corrective Action Plan: To address this finding, the City strengthened its financial management operations through the engagement of Deletra Hudson, LLC and the implementation of enhanced financial processes and procedures. The City has established procedures designed to improve the timely recording of financial transactions, the accurate processing of expenditures, and the overall monitoring of financial activity.

Under the current process, expenditures are reviewed and recorded on a regular basis within the City's accounting system to ensure that financial activity is properly documented and reported. The processes established under the new financial team documents that financial reports are reviewed monthly to analyze expenditure trends, verify the accuracy of recorded transactions, and identify any discrepancies requiring correction.

In addition, the City has improved coordination among members of the finance team to ensure payroll expenses are accurately recorded and reconciled in a timely manner. Payroll processing, payroll journal entries, bank reconciliations, and financial reporting functions are performed and reviewed by separate individuals to provide additional oversight and strengthen internal controls.

We believe that the implementation of these procedures, combined with the expertise provided by Deletra Hudson, LLC, has significantly improved the City's ability to accurately record expenses, reconcile payroll-related transactions, and maintain reliable financial records. These measures provide greater accountability and reduce the risk of errors or omissions in financial reporting.

Responsible Party: Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-012 Internal Control Deficiencies Over Payroll (Repeated Finding 2022-012)

Criteria: Management is responsible for establishing and maintaining effective internal controls over payroll processing and financial reporting. Effective internal controls require proper segregation of duties over employee record maintenance, payroll authorization, payroll processing, and payroll recording. Additionally, payroll records must be complete, accurate, and adequately supported, including documentation of authorized pay rates and required employment forms (e.g., I-9, W-4, and other personnel documentation). Payroll-related liabilities and tax filings should be properly supported and reconcilable to the general ledger.

Condition: During our audit and testing of payroll transactions for the year ended June 30, 2023, we noted the following deficiencies:

a. The City did not maintain complete payroll documentation for employees selected for testing.
b. Authorized pay rates were not consistently documented in personnel files.
c. Required employee documentation (including employment applications/resumes, I-9 forms, and W-4 forms) was missing for multiple employees tested.

2023-012 Internal Control Deficiencies Over Payroll (Repeated Finding 2022-012) - Continued

d. Segregation of duties deficiencies continued, as personnel responsible for maintaining employee records also participated in payroll processing and recording functions.
e. Supporting documentation necessary to reconcile payroll tax filings to the general ledger was incomplete.

Cause: These deficiencies resulted from inadequate internal controls over payroll administration and record retention, including the absence of formalized procedures to ensure proper documentation, segregation of duties, and reconciliation of payroll-related accounts. Additionally, management oversight over payroll compliance and documentation requirements was insufficient.

Effect: As a result of these deficiencies:

a. There is an increased risk of payroll errors or unauthorized compensation.
b. Payroll expenses and related liabilities may be misstated.
c. Required tax filings may not be fully supported or reconciled.
d. The lack of segregation of duties increases the risk of fraud or improper payroll transactions.

These deficiencies constitute a material weakness in internal control over financial reporting.

Recommendation: We recommend that the City:

1. Implement formal payroll documentation procedures to ensure all required employment and tax forms are maintained in personnel files.
2. Maintain written documentation of authorized pay rates and approvals.
3. Strengthen segregation of duties by separating employee record maintenance, payroll processing, and payroll recording functions where feasible.
4. Prepare and retain payroll tax reconciliations between Form 941 filings and the general ledger on a quarterly basis.
5. Establish a periodic supervisory review of payroll records and documentation to ensure completeness and compliance.

Management Response and Corrective Action Plan: To address this finding, the City implemented significant improvements to its payroll and human resources administration processes through the engagement of Leslie Blackshear and Deletra Hudson, LLC. Leslie Blackshear was contracted to perform payroll processing and bank reconciliations, while Deletra Hudson, LLC was engaged to provide human resources management services and oversight of personnel administration processes.

As part of these efforts, Deletra Hudson, LLC developed and implemented standardized onboarding procedures and personnel recordkeeping practices. A comprehensive new hire packet was created that includes employment applications, resumes, tax forms, benefit enrollment forms,

2023-012 Internal Control Deficiencies Over Payroll (Repeated Finding 2022-012) - Continued

emergency contact information, acknowledgments, and other required employment documentation. Procedures were also established to maintain employee records in a centralized location to improve organization, accessibility, and compliance with personnel record retention requirements.

The City has also implemented formal hiring procedures that require documentation of employee pay rates, compensation approvals, and employment terms through offer letters, personnel action forms, and supporting employment records. These procedures provide a documented audit trail supporting compensation decisions and employment actions.

Payroll tax filings and related compliance reporting are performed through Paycom, the City's payroll service provider, and supporting payroll documentation is maintained within the payroll records. In addition, Deletra Hudson, LLC provides secondary review of payroll processes performed by the payroll contractor to help ensure accuracy, completeness, and compliance with established procedures.

Management believes that the implementation of these human resources and payroll controls has significantly strengthened documentation practices, improved employee record management, enhanced payroll oversight, and reduced the risk of errors or deficiencies related to personnel and payroll administration.

Responsible Party: Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-013 Weak Oversight of Internal Controls Affecting Financial Reporting Accuracy (repeated findings 2022- 013)

Criteria: Those charged with governance are responsible for providing oversight of the financial reporting process, including reviewing financial information at the fund level to ensure completeness, accuracy, and reliability. Effective governance oversight includes periodic review of fund-level financial reports to monitor financial activity, identify unusual transactions or variances, and ensure the integrity of financial reporting in accordance with GAAP and standards issued by the GASB.

Condition: Based on our audit procedures, the Board of Aldermen did not consistently receive or review complete and reliable financial information for oversight purposes. Financial reports provided were incomplete or inaccurate, limiting the ability of governance to effectively monitor financial activity and identify errors or irregularities in a timely manner.

Cause: This condition resulted from the lack of formal governance-level procedures requiring regular review and monitoring of fund-level financial information as part of the City’s oversight responsibilities.

2023-013 Weak Oversight of Internal Controls Affecting Financial Reporting Accuracy (repeated findings 2022- 013) - Continued

Effect: Without effective governance oversight of fund-level financial reporting, errors, misstatements, or irregularities may not be identified and corrected in a timely manner. This increases the risk of misstatements in the financial statements and reduces the effectiveness of governance monitoring over the City's financial reporting process.

Recommendation: The Board of Aldermen should strengthen their oversight of the financial reporting process by requiring regular review of complete and accurate fund-level financial reports and following up with management regarding significant variances, unusual transactions, or reporting deficiencies. This oversight will help ensure the reliability of financial information and improve accountability over financial reporting.

Management Response and Corrective Action Plan: To address this finding, the City implemented enhanced financial reporting and oversight procedures through the collaboration of Deletra Hudson, LLC and Rognan & Associates. As part of these efforts, formal procedures were established to ensure that financial information is regularly prepared, reviewed, and presented to City officials for oversight and decision-making purposes.

Under the current process, monthly financial reports are prepared and presented to the Mayor and Board of Aldermen to provide timely information regarding the City's financial position, revenues, expenditures, fund balances, and overall financial activity. In addition, accounts payable reports and vendor payment listings are prepared and provided to the Board to support its oversight responsibilities and increase transparency regarding City expenditures.

The City has also implemented procedures requiring regular review of financial reports by members of the finance team, including Deletra Hudson, LLC and Rognan & Associates, to help ensure the accuracy and completeness of financial information prior to presentation. These reviews provide an additional level of oversight and accountability within the financial reporting process.

Responsible Party: Finance Director and City Treasurer

Anticipated Completion Date: Implemented (ongoing)

2023-014 Inadequate Record Retention and Document Management (repeated findings 2022-014)

Criteria: In accordance with GAAP, standards issued by the GASB, and sound internal control principles, the City is responsible for maintaining complete, accurate, and accessible financial records and implementing appropriate backup and record retention procedures. These procedures should ensure that financial data is preserved and available to support financial reporting, audit requirements, and operational continuity, including during employee transitions.

2023-014 Inadequate Record Retention and Document Management (repeated findings 2022-014)- Continued

Condition: The City lacks formal backup, record retention, and data handover procedures to ensure that critical financial records are properly preserved and accessible when employees resign. As a result, certain financial records and supporting documentation were not readily available during the audit, limiting our ability to obtain sufficient appropriate audit evidence to verify certain account balances and transactions.

Cause: This condition resulted from the absence of centralized data management, formal backup procedures, and established employee exit and handover protocols to ensure continuity and preservation of financial records.

Effect: As a result, critical financial records may be lost, incomplete, or inaccessible, resulting in incomplete audit trails and impairing the City's ability to support financial reporting. Additionally, the lack of available records resulting in a scope limitation over certain account balances.

Recommendation: The City should implement formal record retention, backup, and data handover procedures to ensure that all financial records are centrally maintained, securely backed up, and accessible. Management should also establish formal employee exit procedures requiring transfer and verification of all financial records and periodically monitor backup and recovery processes to ensure compliance and data integrity.

Management Response and Corrective Action Plan: To address this finding, the City strengthened its record retention and accountability procedures through the engagement of Deletra Hudson, LLC to provide financial management and human resources services. As part of these efforts, systems and procedures are being implemented to improve the organization, maintenance, and monitoring of personnel records and City-owned property.

Through the Human Resources Services contract, Deletra Hudson, LLC has developed and implemented standardized forms and procedures, including employee onboarding packets, personnel files, payroll change documentation, employee inventory tracking forms, and exit interview procedures. These processes are designed to ensure that employee information is properly maintained, employment-related changes are documented, and City-owned property assigned to employees is tracked and accounted for throughout the employment lifecycle.

The implementation of inventory tracking and exit procedures provides additional accountability by documenting the issuance and return of City property upon an employee's separation from service. These procedures also assist management in maintaining accurate records and reducing the risk of lost or unaccounted-for assets.

While certain records and property maintained by the Police Department continue

2023-014 Inadequate Record Retention and Document Management (repeated findings 2022-014)- Continued

to be managed separately due to operational requirements, the majority of employee personnel records and related documentation are maintained within the Human Resources files managed by Deletra Hudson, LLC. Management believes these improvements have strengthened record retention practices, enhanced accountability for City assets, and improved documentation of personnel-related activities.

Responsible Party: Finance Director

Anticipated Completion Date: Implemented (ongoing)

2023-015 Deficiencies in Financial Reporting Controls Over Changes in Accounting Basis

Criteria: Management is responsible for preparing financial statements in accordance with accounting principles generally accepted in the United States of America, as required by the engagement terms. Any change in accounting basis or financial reporting framework must be formally approved by those charged with governance, clearly documented, properly implemented, and fully disclosed in the financial statements.

Condition: During the audit, management indicated an intention to change the City's basis of accounting from accrual (GAAP) to a modified cash basis. However:

a. No formal approval of such change was documented in governing body minutes.
b. The engagement terms were not amended to reflect a change in financial reporting framework.
c. The financial statements were not converted to a modified cash basis.
d. No disclosure was provided describing a change in accounting basis or its impact.

Accordingly, the financial statements were evaluated under GAAP in accordance with the engagement terms; however, management did not formally adopt or implement a change in accounting basis.

Cause: This condition resulted from deficiencies in the financial close and reporting process, including the absence of documented policies and governance oversight regarding significant financial reporting decisions and changes in accounting framework.

Effect: Because no formal change in accounting basis was approved or implemented, and the financial statements were not prepared in accordance with either a properly adopted modified cash framework or GAAP-compliant requirements, confusion existed regarding the applicable financial reporting framework. This contributed to incomplete and unreliable financial reporting and impaired the clarity and transparency of the financial statements presented to users.

2023-015 Deficiencies in Financial Reporting Controls Over Changes in Accounting Basis - Continued

Recommendation: We recommend that any future change in accounting basis be formally approved by those charged with governance, documented in official meeting minutes, reflected in revised engagement terms, properly implemented throughout the accounting records, and clearly disclosed in the notes to the financial statements in accordance with the applicable financial reporting framework.

Management Response and Corrective Action Plan: To address this finding, the City of Bellefontaine Neighbors will work closely with its Treasurer and Certified Public Accountant, Richard Rognan of Rognan & Associates, to formally evaluate, document, and implement the appropriate accounting basis for the City's financial reporting. As part of this process, management will ensure that the City's accounting records, financial reports, policies, and procedures accurately reflect the accounting methodology utilized by the City.

The City will coordinate with Rognan & Associates to prepare the necessary documentation for the Board's approval to support the transition from accrual-based accounting to cash-based accounting.

Responsible Party: City Treasurer and Finance Director

Anticipated Completion Date: Ongoing

2023-016 Inadequate Coordination with Legal Counsel (repeated findings 2022-019)

Criteria: Auditing standards require obtaining written legal confirmations to assess potential liabilities and disclosures. The entity must have controls to ensure timely communication with legal counsel and maintain documentation to support the audit. Proper accounting and disclosure of legal contingencies are required under GAAP and applicable regulations

Condition: The City did not obtain or provide a legal representation letter from its legal counsel as required during the audit.

Effect: This limited the auditor's ability to assess the completeness of legal liabilities and potential claims, increasing the risk of undetected misstatements.

Cause: There appears to be a lack of formal procedures to coordinate audit requests with legal counsel in a timely manner.

Recommendation: The City should implement procedures to ensure timely communication with legal counsel during the audit process and designate responsibility for obtaining legal responses as part of audit readiness.

2023-016 Inadequate Coordination with Legal Counsel (repeated findings 2022-019)

Management Response and Corrective Action Plan: To address this finding, the City of Bellefontaine Neighbors will coordinate with its City Attorney and any other legal counsel representing the City to obtain the appropriate legal representation letters and supporting documentation required for audit purposes.

Responsible Party: City Attorney

Anticipated Completion Date: Ongoing

2023-017 Internal Control Deficiencies over Grant Requirements (repeated findings 2022-017)

Criteria: 2 CFR Part 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) requires non-Federal entities to establish and maintain effective internal controls over Federal awards, including proper accounting records that adequately identify the source and application of funds. Specifically, 2 CFR §200.302 requires financial management systems to provide accurate, current, and complete disclosure of financial results and records that identify Federal awards separately from other activities.

Additionally, the U.S. Treasury's Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Compliance and Reporting Guidance requires recipients to maintain adequate records and submit required reports to demonstrate compliance with program requirements.

Condition: During the review of the financial records, we observed the following:

a. The City did not maintain separate accounting records for ARPA activity. An ARPA fund was not established in the general ledger to track ARPA revenues and expenditures, and such activity may have been commingled with other operating activity. As a result, we were unable to determine the completeness, accuracy, and proper reporting of ARPA expenditures for the fiscal year.
b. In addition, the City did not provide sufficient supporting documentation for SLFRF compliance and performance reports submitted to the U.S. Treasury. As a result, we were unable to determine whether required federal reports were properly prepared, accurately reported, or submitted in accordance with U.S. Treasury Compliance and Reporting Guidance.

Cause: The City does not have adequate policies and procedures in place to ensure proper accounting, tracking, and reporting of ARPA funds. In addition, personnel responsible for managing Federal funds may not have received sufficient training regarding Federal compliance and reporting requirements.

2023-017 Internal Control Deficiencies over Grant Requirements (repeated findings 2022-017) – Continued

Effect: The lack of proper accounting and reporting controls increases the risk that ARPA funds may not be accurately tracked, reported, or monitored. This condition may result in inaccurate financial reporting, inability to demonstrate compliance with Federal requirements, and potential noncompliance with SLFRF reporting obligations.

Recommendation: We recommend that the City establish separate accounts within the general ledger to properly track ARPA revenues and expenditures. The City should also implement formal policies and procedures to ensure ARPA activity is properly recorded, reconciled, and reported in accordance with Federal requirements. Additionally, the City should ensure that required SLFRF reports are prepared, reviewed, and retained, and that personnel responsible for Federal fund administration receive appropriate training regarding compliance and reporting requirements.

Management Response and Corrective Action Plan: To address this finding, the City administration is actively researching and documenting the intended uses of the American Rescue Plan Act (ARPA) funds received by the City. As part of this effort, management is reviewing available records, agreements, expenditures, and supporting documentation to determine how the funds were allocated and whether the expenditures align with the applicable federal requirements and guidance.

The City is also working to organize and maintain these records in a centralized manner to ensure that documentation is readily available for future reporting, monitoring, and audit purposes.

Management believes that these efforts will strengthen the City's documentation practices, improve compliance with ARPA requirements, and provide a more complete record of the City's use and obligation of federal funds.

Responsible Party: City Administrator

Anticipated Completion Date: Ongoing

2023-018 Failure to Prepare Schedule of Expenditures of Federal Awards (repeated findings 2022-018)

Criteria: 2 CFR §200.510(b) requires the auditee to prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the financial statements when a Single Audit is required. The SEFA must include total Federal expenditures by Federal program and Assistance Listing number. Additionally, 2 CFR §200.501 requires non-Federal entities that expend $750,000 or more in Federal awards during the fiscal year to undergo a Single Audit.

Condition: Due to the absence of a Schedule of Expenditures of Federal Awards (SEFA) and incomplete federal expenditure records, we were unable to determine whether the City was subject to the Single Audit requirements under 2 CFR §200.501.

2023-018 Failure to Prepare Schedule of Expenditures of Federal Awards (repeated findings 2022-018)

Cause: The City has not yet established formal procedures to accumulate Federal expenditures and prepare the SEFA as part of its annual financial reporting process.

Effect: The absence of a SEFA prevented the auditor from determining whether the City was subject to Single Audit requirements under Uniform Guidance. This resulted in a scope limitation that prevented the performance of required compliance testing of Federal programs. In addition, the lack of a SEFA increases the risk that Federal expenditures may not be completely and accurately reported.

Recommendation: We recommend that the City establish procedures to accumulate and report Federal expenditures by Assistance Listing number and prepare a SEFA annually in accordance with 2 CFR §200.510(b). Management should also implement procedures to review total Federal expenditures each year to determine whether Single Audit requirements apply.

Management Response and Corrective Action Plan: Due to the amount of American Rescue Plan Act (ARPA) funds received by the City, management understands that the City may be subject to a Single Audit related to the expenditure and administration of federal funds. To address this finding, the City is continuing its efforts to research, document, and validate the intended uses and obligations of ARPA funds, as described in Finding No. 17.

Responsible Party: City Administrator

Anticipated Completion Date: Ongoing

2023-019 Noncompliance with Bond Covenant – Timeliness of Audit (repeated findings 2022-007)

Criteria: Section 802 of the City's debt covenant requires that an independent audit be conducted promptly after fiscal year-end, filed with the City Clerk within 30 days of completion, and that findings be reviewed and deficiencies addressed without delay.

Condition: The City's audited financial statements for the fiscal year ending June 30, 2023, were not completed and filed in a timely manner, as required by the bond covenant.

Cause: Delays in financial reporting and audit readiness contributed to the late completion of the audit.

Effect: Failure to comply with bond covenant requirements may impact the City's standing with bondholders and reduce confidence in the City's financial oversight.

Recommendation: The City should strengthen its year-end financial reporting process to ensure the financial statements are complete and audit-ready. This includes implementing a structured closing process with timely account reconciliations and preparation of supporting schedules and clearly assigning responsibility for financial statement preparation. Improved coordination with

2023-019 Noncompliance with Bond Covenant – Timeliness of Audit (repeated findings 2022-007)

the external auditors will further support timely completion and filing of the audited financial statements in accordance with bond covenant requirements.

Management Response and Corrective Action Plan: To address this finding, the City has transformed and strengthened its finance team through the engagement of Deletra Hudson, LLC, the addition of dedicated payroll and reconciliation services, and the continued oversight of the City's Treasurer and Certified Public Accountant, Richard Rognan of Rognan & Associates. These changes were implemented to improve financial management operations, strengthen internal controls, and enhance the overall quality of financial reporting.

The City has established procedures for the timely recording of financial transactions, monthly bank reconciliations, financial analysis, accounts payable processing, and the preparation and review of financial reports. Responsibilities are now divided among multiple members of the finance team to provide additional oversight, accountability, and segregation of duties throughout the financial reporting process.

Management believes that the implementation and transformation of the finance team will significantly improve the accuracy, completeness, and timeliness of the City's financial reporting. These improvements are expected to strengthen decision-making, enhance transparency for elected officials and residents, and reduce the likelihood of future financial reporting deficiencies.

Responsible Party: City Treasurer and Finance Director

Anticipated Completion Date: Implemented (ongoing)

CITY OF BELLEFONTAINE NEIGBORS, MISSOURI
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2023

Finding No.	Description	Status Update	Root Cause and Reason Analysis	Impact Assessment
2022-001	Lack of Fund-Basis Accounting Records	Not corrected / Repeated (2023-003)	Accounting system and processes not configured for fund accounting; required funds not established; transactions commingled.	Fund financial statements and interfund activity remain unreliable; increases risk of material misstatement; contributes to scope limitation.
2022-002	Internal Control Deficiencies over Cash and Investments	Not corrected / Repeated (2023-005)	Bank reconciliations not prepared and reviewed; incomplete recording of accounts and transactions; unsupported balances not investigated.	Cash and investments not verifiable; confirmed-to-GL variances and unrecorded and unsupported balances; pervasive scope limitation.
2022-003	Internal Control Deficiencies over Capital Assets	Not corrected / Repeated (2023-006)	No capital asset schedules; no roll forward process; lack of monitoring of additions, disposals, and depreciation.	Capital assets and depreciation cannot be substantiated; material to government-wide statements; scope limitation contributing to disclaimer.
2022-004	Internal Control Deficiencies over Accounts Receivable	Not corrected / Repeated (2023-007)	No subsidiary ledger or aging; no reconciliation or periodic review; collectability not assessed.	Receivables and related revenues may be materially misstated; audit evidence insufficient; scope limitation.
2022-005	Internal Control Deficiencies over Current Liabilities	Not corrected / Repeated (2023-008)	Liabilities not reconciled or supported; beginning balances not tied out; accounts not updated for current-year obligations.	Liabilities may be materially misstated; inability to substantiate obligations; scope limitation affecting opinion.
2022-006	Internal Control Deficiencies over Long-term Liabilities	Not corrected / Repeated (2023-009)	No amortization schedules; debt service not tracked in appropriate fund; misclassification of transactions.	Long-term liabilities may be misstated; government-wide reporting unreliable; increased risk of noncompliance with debt requirements.

2022-007	Noncompliance with Bond Covenant – Timeliness of Audit	Not corrected / Repeated (2023-019)	Audit readiness delays due to incomplete records and late financial reporting; weak close process and oversight.	Potential covenant violation.
2022-008	Internal Control Deficiencies over Due to/From Other Funds and Interfund Transfers	Not corrected / Repeated (2023-004)	Lack of fund accounting and documentation; no interfund schedules and reconciliation procedures.	Interfund balances and transfers unsupported and potentially misstated; contributes to inability to present accurate fund statements.
2022-009	Internal Control Deficiencies over Revenues	Not corrected / Repeated (2023-010)	Weak revenue reconciliation and documentation; errors or misclassifications not reviewed; lack of oversight of revenue posting and allocation.	Revenue and fund balances may be materially misstated; significant confirmation differences; audit evidence limitations.
2022-010	Internal Control Deficiencies over Financial Close and Reporting Process	Not corrected / Repeated (2023-002)	No formal close calendar, reconciliations, or management review controls; staffing and competency limitations; system not properly maintained.	Material misstatements not prevented and detected timely; pervasive impact across financial statements; supports disclaimer conditions.
2022-011	Omission of Required Supplementary Information	Not corrected / Repeated (2023-001)	GAAP reporting process not established; RSI not prepared; inability to produce budgetary schedules due to lack of fund records.	GAAP noncompliance: incomplete basic financial statements.
2022-012	Internal Control Deficiencies over Payroll	Not corrected / Repeated (2023-012 and 2023-011)	Documentation and segregation issues persist; payroll reconciliations and tax support not maintained; controls not consistently performed.	Increased risk of payroll errors and unauthorized payments; incomplete support for payroll taxes and liabilities; contributes to expense reliability issues.
2022-013	Weak Oversight of Internal Controls Affecting Financial Reporting Accuracy	Not corrected / Repeated (2023-013)	Governance-level review of complete and accurate financial information not consistently performed; corrective actions not enforced.	Control environment remains weak; errors and noncompliance may persist undetected; increases risk of material misstatement.

CITY OF BELLEFONTAINE NEIGBORS, MISSOURI
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2023

2022-014	Inadequate Record Retention and Management	Not corrected / Repeated (2023-014)	No centralized retention and backup and handover procedures; weak documentation and continuity controls.	Audit evidence unavailable for key areas; increases risk of unsupported balances and scope limitations.
2022-015	Inadequate Coordination with Legal Counsel	Not corrected / Repeated (2022-016 / 2023-016)	No formal process or assigned responsibility to obtain legal responses; audit requests not tracked to completion.	Auditor unable to obtain evidence regarding contingencies; disclosure risk; scope limitation over legal matters.
2022-016	Incomplete Financial Statements Due to Missing Notes	Not corrected / Repeated (2023-001)	Notes preparation process not established; GAAP reporting responsibilities not assigned or reviewed.	Financial statements incomplete and not GAAP-compliant; contributes to disclaimer.
2022-017	Material Weakness on Grant Compliance: Reporting	Not corrected / Repeated (2023-017)	ARPA not tracked separately in GL; reporting support not retained; limited monitoring of federal compliance requirements.	Risk of noncompliance with Uniform Guidance and Treasury reporting; inability to support federal reporting and expenditures.
2022-018	Material Weakness on Grant Compliance: Reporting – Non-preparation of SEFA	Not corrected / Repeated (2023-018)	No process to accumulate federal expenditures; SEFA not prepared; federal activity not identifiable due to commingling.	Cannot determine Single Audit applicability; compliance testing not performed; scope limitation and federal reporting noncompliance risk.