

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022

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

Adverse 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, 2022, , which collectively comprise the City of Bellefontaine Neighbors, Missouri's basic financial statements as listed in the table of contents.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on the Financial Statements as a Whole section of our report, the financial statements referred to above do not present fairly the financial positions of the City of Bellefontaine Neighbors, Missouri, as of June 30, 2022 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Adverse Opinion on the Financial Statements as a Whole

Management did not prepare the financial statements using the fund accounting basis, as required under accounting principles generally accepted in the United States of America, as established by the Governmental Accounting Standards Board. The omission of fund-based financial reporting materially impairs the usefulness, transparency, and accountability of the financial statements, particularly for a governmental entity subject to budgetary and legal fund compliance.

The financial statements do not include the required note disclosures. Notes to the financial statements are an essential part of financial reporting under generally accepted accounting principles, as they provide necessary context and details about the entity's accounting policies, transactions, and balances. The omission of these disclosures results in financial statements that are not fairly presented in accordance with GAAP.

We were unable to obtain sufficient appropriate audit evidence to support several material account balances and transactions, including cash, receivables, capital assets, liabilities, revenues, and payroll, due to the absence of critical supporting documentation. This limitation significantly restricted the scope of our audit and prevented us from verifying the accuracy, existence, and completeness of these key financial statement components.

In addition, we identified material weaknesses in the City of Bellefontaine Neighbors, Missouri's internal control environment. These included inadequate documentation and record retention practices, lack of segregation of duties, and insufficient financial oversight. These deficiencies further impaired our ability to obtain reliable audit evidence and increased the risk of undetected material misstatements.

While we cannot reasonably quantify the full extent of the misstatements, the nature and pervasiveness of these issues lead us to conclude that the financial statements are materially misstated as a whole.

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INDEPENDENT AUDITOR'S REPORT – *Continued*

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 with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse 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.

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INDEPENDENT AUDITOR'S REPORT – *Continued*

- Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 August xx, 2025, on our consideration of the City of Bellefontaine Neighbors, Missouri's internal control over financial 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 reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 the City of Bellefontaine Neighbors, Missouri's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of management, Board of Aldermen, and others within the City of Bellefontaine Neighbors, Missouri and State of Missouri, and is not intended to be and should not be used by anyone other than these specified parties.

CRWilliams & Associates, LLC

St. Louis, Missouri
August XX, 2025

BASIC FINANCIAL STATEMENTS

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activites	Total Primary Government
ASSETS:		
Current Assets		
Cash	\$ 3,690,260	\$ 3,690,260
Investments	934,498	934,498
Receivables		
Municipal taxes	449,122	449,122
Gross receipts taxes	97,191	97,191
Court fines, net of allowance	51,203	51,203
Intergovernmental	-	-
Special assessments	41,616	41,616
Other	(39,705)	(39,705)
Due from other funds	(68,252)	(68,252)
Prepaid items	642,734	642,734
Total Current Assets	5,798,667	5,798,667
Non-current Assets		
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 Non-current Assets	18,547,885	18,547,885
Total Assets	24,346,552	24,346,552
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred amounts related to pension	321,038	321,038
LIABILITIES:		
Current liabilities		
Accounts payable	(1,159,149)	(1,159,149)
Accrued interest payable		
Accrued payroll	192,246	192,246
Due to other funds	68,746	68,746
Other liabilities	452,690	452,690
Long term liabilities - due within one year	725,667	725,667
Total current liabilities	280,200	280,200
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	9,685,522	9,685,522
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	48,753	48,753
Total unavailable revenue	248,926	248,926
Total deferred inflows of resources	1,185,990	1,185,990
NET POSITION:		
Net investment in capital assets	4,383,187	4,383,187
Restricted for		
Capital improvements	934,498	934,498
Pension	3,540,646	3,540,646
Unrestricted	4,937,747	4,937,747
TOTAL NET POSITION	\$ 13,796,078	\$ 13,796,078

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) And Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 506,759	\$ -	\$ 1,048,982	\$ -	\$ 542,223
Building	101,036	70,271	-	-	(30,765)
Police	2,483,666	-	20,364	-	(2,463,302)
Street	547,455	-	518,619	-	(28,836)
Recreation center	675,221	95,094	-	-	(580,127)
Court	94,553	84,394	-	-	(10,159)
Total Governmental Activities	4,408,690	249,759	1,587,965	-	(2,570,966)
General Revenues:					
					543,384
					2,272,984
					1,272,623
					44,445
					4,622
					143,578
					4,281,636
					CHANGE IN NET POSITION
					1,710,670
					NET POSITION-BEGINNING
					4,350,075
					PRIOR PERIOD ADJUSTMENTS
					7,735,333
					NET POSITION-BEGINNING, restated
					12,085,408
					NET POSITION-ENDING
					\$ 13,796,078

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Bond Fund	Total Governmental Funds
ASSETS			
Cash	\$ 3,690,260	\$ -	\$ 3,690,260
Investments	-	934,498	934,498
Receivables			
Municipal taxes	449,122	-	449,122
Gross receipts taxes	97,191	-	97,191
Court fines, net of allowance	51,203	-	51,203
Special assessments	41,616	-	41,616
Prepaid items	642,734	-	642,734
Other	(39,705)	-	(39,705)
Due from other funds	(68,252)	-	(68,252)
Total Assets	\$ 4,864,169	\$ 934,498	\$ 5,798,667
 LIABILITIES			
Accounts payable	\$ (1,159,149)	\$ -	\$ (1,159,149)
Accrued payroll	192,246	-	192,246
Due to other funds	68,746	-	68,746
Other liabilities	452,690	-	452,690
Total Liabilities	(445,467)	-	(445,467)
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Court fines	105,425	-	105,425
Property taxes	94,748	-	94,748
Special assessments	48,753	-	48,753
Total Deferred Inflows Of Resources	248,926	-	248,926
 FUND BALANCES			
Nonspendable			
Prepaid items	642,734	-	642,734
Restricted for:			
Capital improvement	-	934,498	934,498
Unassigned	4,417,976	-	4,417,976
Total Fund Balance	5,060,710	934,498	5,995,208
Total Liabilities, Deferred Inflows Of Resources, And Fund Balances	\$ 4,864,169	\$ 934,498	\$ 5,798,667

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds	\$ 5,995,208
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>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.</p>	14,391,213
<p>Certain items are not a financial resource and, therefore, are not reported in the governmental funds. These consist of:</p>	
Net pension asset	4,156,672
Deferred outflows related to pension	321,038
Deferred inflows related to pension	(937,064)
<p>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:</p>	
Accrued compensated absences	(122,963)
Compounded interest	(17,373)
General obligation bonds	(9,990,653)
	(10,130,989)
Total Net Position Of Governmental Activities	\$ 13,796,078

CITY OF BELLEFONTAINE NEIGHBORS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General	Bond	Total Governmental Funds
REVENUES			
Taxes	\$ 3,334,987	\$ -	\$ 3,334,987
Gross receipts taxes	1,272,623	-	1,272,623
Licenses and permits	114,716	-	114,716
Charges for services	95,094	-	95,094
Fines and forfeitures	84,394	-	84,394
Intergovernmental	1,069,346	-	1,069,346
Investment income	4,622	-	4,622
Other	143,578	-	143,578
Total Revenues	<u>6,119,360</u>	<u>-</u>	<u>6,119,360</u>
EXPENDITURES			
Current			
Administration	1,506,794	-	1,506,794
Building	101,036	-	101,036
Police	2,483,666	-	2,483,666
Street	547,455	-	547,455
Court	94,553	-	94,553
Recreation Center	675,221	-	675,221
Total Expenditures	<u>5,408,725</u>	<u>-</u>	<u>5,408,725</u>
NET CHANGE IN FUND BALANCE	710,635	-	710,635
FUND BALANCES, BEGINNING	4,350,075	-	4,350,075
PRIOR PERIOD ADJUSTMENTS	-	934,498	934,498
FUND BALANCES, BEGINNING, restated	<u>4,350,075</u>	<u>934,498</u>	<u>5,284,573</u>
FUND BALANCES, ENDING	<u>\$ 5,060,710</u>	<u>\$ 934,498</u>	<u>\$ 5,995,208</u>

**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, 2022**

Net Change In Fund Balances - Governmental Funds \$ 710,635

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.

The net changes of these items are:

Pension expense 1,000,035

Change In Net Position Of Governmental Activities \$ 1,710,670

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RATIOS
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 279,719	\$ 306,317	\$ 313,771	\$ 298,718	\$ 289,783	\$ 297,751	\$ 304,610	\$ 299,417
Interest on the total pension liability	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	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	(980,811)	(883,631)	(1,010,673)	(932,816)	(839,514)	(776,977)	(707,823)	(660,933)
Net Changes in Total pension liability	782,070	(606,599)	786,351	1,246,750	852,923	(153,071)	997,925	444,961
Total Pension Liability - Beginning	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	18,120,570	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	270,687	264,288	272,244	299,678	308,280	294,285	316,774	331,332
Net investment income (loss)	17,195	5,000,821	247,244	1,196,537	2,108,360	1,723,360	(28,528)	300,876
Benefit payments, including refunds	(980,811)	(883,631)	(1,010,673)	(932,816)	(839,514)	(776,977)	(707,823)	(660,933)
Administrative expense	(12,704)	(12,220)	(16,938)	(15,331)	(10,670)	(10,535)	(11,104)	(12,024)
Other	209,889	(364,690)	196,301	(45,082)	730,593	(294,418)	169,296	72,282
Net change in plan fiduciary net position	(495,744)	4,004,568	(311,822)	502,986	2,297,049	935,715	(261,385)	31,533
Plan Fiduciary Net Position - Beginning	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	22,277,242	22,772,986	18,768,418	19,080,240	18,577,254	16,280,205	15,344,490	15,605,875
Net Pension Liability (Asset) Ending (a)-(b)	(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	122.94%	131.34%	104.59%	111.20%	116.75%	108.11%	100.87%	109.79%
Covered Payroll (for February 28 Actuarial Valuation)	\$ 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	-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 TEN FISCAL YEARS
FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined pension contribution	298,635	280,115	275,297	294,539	311,609	294,286	346,821	372,050
Contributions in relation to the actuarially determined contribution	279,802	269,226	275,297	294,539	308,623	294,286	316,774	331,333
contribution Deficiency	18,833	10,888	(0)	0	2,986	(0)	30,047	40,717
Covered Payroll	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	12.79%	12.06%	11.65%	11.49%	12.69%	12.34%	12.45%	12.88%

Notes: The roll-forward of total pension liability from February 28, 2022 to June 30, 2022 reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates:

- a. Actuarial Cost Method
- b. Amortization Method
 - a. Entry Age Normal and Modified Terminal Funding
 - 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. Multiple bases from 9 to 15 years
 - d. 5-Year smoothed market; 20% corridor
 - e. 2.75% wage inflation; 2.25% price inflation
 - f. 2.75% to 6.55% including wage inflation
 - g. 7.00%, net of investment expenses
 - h. Experience-based table of rates that are specific to the type of eligibility condition.
 - 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.
- c. Remaining Amortization Period
- d. Asset Valuation Method
- e. Inflation
- f. Salary Increases
- g. Investment Rate of Return
- h. Retirement Age
- i. Mortality

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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 City Council
City of Bellefontaine Neighbors, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2022, which collectively comprise City of Bellefontaine Neighbors, Missouri's basic financial statements and have issued our report thereon dated August XX, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-002, 2022-003, 2022-04, 2022-05, 2022-006, 2022-08, 2022-09, 2022-10, 2022-0012, 2022-013, 2022-014 and 2022-015 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Bellefontaine Neighbors, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with

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 - Continued*

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 noncompliance 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 2022-01, 2022-007, 2022-011, 2022-016, 2022-017 and 2022-018.

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 audit and described in the accompanying schedule of findings and questioned costs City of Bellefontaine Neighbors, Missouri’s response was not subjected to the other auditing procedures applied in the audit of 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 audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CRWilliams & Associates, LLC

St. Louis, Missouri
August XX, 2025

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

2022-001 Lack of Fund-Basis Accounting Records

Criteria: GASB Statement No. 34 and the related authoritative guidance require state and local governments to maintain accounting records that support financial reporting on both a government-wide and fund basis. The general ledger and trial balance should be maintained for each fund to allow for proper classification of revenues, expenditures, assets, liabilities, and fund balance/net position.

Condition: The City does not maintain its accounting records on a fund basis. Instead, financial activity for all funds is recorded in a single consolidated general ledger, without separate trial balances for individual funds.

Cause: The City has not implemented an accounting system or procedures that track financial activity at the individual fund level.

Effect: Fund financial statements cannot be prepared in accordance with GASB requirements. There is an increased risk of errors, misstatements, or misclassification of transactions between funds. Users of the financial statements do not have accurate or complete fund-level financial information.

Recommendation: We recommend that the City implement accounting procedures and systems to record, maintain, and reconcile general ledger and trial balance data at the individual fund level in order to comply with GASB reporting requirements.

Management Response:

2022-002 Internal Control Deficiencies Over Cash and Investments

Criteria: In accordance with Generally Accepted Accounting Principles (GAAP) and sound internal control principles, the City is expected to maintain accurate and complete general ledger records for all cash accounts. Monthly bank reconciliations should be performed to compare general ledger balances to bank statements in order to identify and resolve any discrepancies in a timely manner. Additionally, management is responsible for providing the auditor with the necessary authorization to obtain confirmations and for providing adequate supporting records when confirmations cannot be obtained.

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

- a. The City did not perform reconciliations of bank and investment accounts to resolve differences between the general ledger and bank records
- b. Bank statements were not provided for the period under review.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022**

2022-002 Internal Control Deficiencies Over Cash and Investments - Continued

- c. The City's ending balance for cash and investments in the prior year's audited financial statements was \$4,010,846. However, the beginning balance recorded in the current year totals only \$2,942,251, resulting in an unreconciled variance of approximately \$1,068,595.

Upon further review, it was noted that three bank accounts included in the prior year's audited balances were not recorded in the current year's general ledger, as summarized below:

Bank Account	Purpose	Prior Year Audited Balance
CNB 6501	Capital Improvement	\$ 1,358,429
CNB 7801	Sewer Fund	409,665
CNB 4401	Bond Debt Service	250,849
Total		\$ 2,018,943

Additionally, a money market investment totaling \$934,498 was not recorded in the general ledger.

Further inconsistencies were identified in the cash accounts where beginning balances did not align with prior year audited amounts, as shown below:

Bank Account	Purpose	Prior Year Audited Balance	Beginning Balance per GL	Variance
Regions 9502	General Fund	\$ 200,696	\$ 211,276	\$ 10,580
CNB 8101	Payroll	116,209	1,606,879	1,490,670
CNB 3001	FSA	12,409	227,741	217,332
CNB 4601	General Fund	700,805	866,862	166,057
Total		\$ 1,030,119	\$ 2,914,758	\$ 1,884,639

- d. We requested bank confirmations from Citizens National Bank for certain cash accounts. The bank did not respond to the initial requests. We then sent confirmation authorization forms to the City on multiple occasions for signature, which were required to process the requests. Management did not return signed authorizations, and as a result, we were unable to obtain independent confirmation of these bank balances. No alternative procedures could be performed because complete bank statements were not provided for the period under audit.

Cause: Cash accounts are not properly maintained due to delays in recording and processing transactions. In addition, the City has not established adequate internal controls over cash management. These issues were further affected by the lack of management cooperation in

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
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2022-002 Internal Control Deficiencies Over Cash and Investments - Continued

providing the necessary authorizations for audit procedures and the non-response from the financial institution to confirmation requests.

Effect: The financial statements do not accurately reflect cash and related balances, resulting in a material misstatement. Due to the lack of management cooperation and insufficient supporting documentation, we were unable to obtain sufficient appropriate audit evidence for certain bank accounts. This limitation increases the risk of undetected errors or misappropriation and represents noncompliance with GAAP, significantly affecting the reliability of the financial statements.

Recommendation: We recommend that the City take immediate steps to strengthen its cash management practices and financial reporting processes. Specifically:

- a. Ensure all cash accounts are recorded in the general ledger and are updated on a timely basis to reflect all transactions.
- b. Establish and enforce procedures for monthly bank reconciliations for all accounts, with documented review and approval by a responsible official.
- c. Improve communication and cooperation with auditors, including timely provision of required authorizations and supporting documentation.
- d. Designate staff responsible for monitoring compliance with GAAP and implementing internal controls over financial reporting.
- e. Follow up with financial institutions to resolve outstanding confirmation requests and ensure that all account information is accessible for audit and oversight purposes.

Failure to address these issues may continue to impair the reliability of the City's financial statements and hinder transparency and accountability in financial management.

Management Response:

2022-003 Internal Control Deficiencies Over Capital Assets

Criteria: GASB Statement No. 34 and GAAP require governments to maintain detailed records for capital assets, including historical cost, accumulated depreciation, and annual activity such as additions, disposals, and depreciation expense. Capital asset records should be supported by schedules that reconcile to the general ledger and are updated regularly.

Condition: The City does not maintain separate schedules to track capital assets, including additions, disposals, and depreciation. Per the prior year audited financial statements as of June 30, 2021, total capital assets were reported at \$25,376,692, with accumulated depreciation of \$10,985,479. For the period under audit:

- a. Management did not provide detailed listings or schedules of capital assets.
- b. No records were available to substantiate the reported capital asset balances.

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

2022-003 Internal Control Deficiencies Over Capital Assets - Continued

- c. Movements or transactions for the year, including additions, disposals, or current-year depreciation, could not be identified or verified.

Cause: The City has not implemented adequate accounting procedures and controls to record and monitor capital asset transactions.

Effect: The City lacks adequate records to support the existence, valuation, and completeness of reported capital assets and accumulated depreciation. Additions and disposals during the year could not be verified. These deficiencies increase the risk of loss or misstatement of assets and result in financial statements that may be materially misstated and not in compliance with GAAP.

Recommendation: We recommend that the City implement and maintain a capital asset accounting system or detailed schedules that include asset descriptions, acquisition dates, original costs, accumulated depreciation, and annual changes (additions, disposals, depreciation). These schedules should be reconciled to the general ledger at least annually.

Management Response:

2022-004 Internal Control Deficiencies Over Accounts Receivable

Criteria: Under GAAP and GASB standards, governments must maintain accurate and complete accounts receivable records that reconcile to the general ledger, ensure beginning balances align with prior audited statements, and regularly update balances for billings, collections, and write-offs. They are also required to assess collectability, record allowances for doubtful accounts when necessary, and retain supporting documentation such as aging schedules to substantiate reported balances.

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

- a. Per the prior year audited financial statements, total accounts receivable was \$1,114,181 million. However, the balance recorded in the current year books was only \$599,427, resulting in an unexplained variance of \$514,754.
- b. Accounts receivable balances remained unchanged at \$599,427 as of June 30, 2022, with no recorded increases or decreases from billing, collections, adjustments, or write-offs. This absence of transactional activity is unusual for a functioning receivable account and raises significant concerns regarding the reliability of the reported balances.
- c. No evaluation of the adequacy of the allowance for doubtful accounts was performed, particularly for court receivables.
- d. Management did not provide schedules, aging reports, or other documentation to support the reported accounts receivable balances.

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2022-004 Internal Control Deficiencies Over Accounts Receivable - Continued

Cause: The City does not have adequate accounting procedures or controls to ensure that accounts receivable are properly recorded, monitored, and supported by documentation.

Effect: The accounts receivable balance may be materially misstated due to unexplained differences from prior year balances, lack of current-year activity, and missing supporting documentation. Without evaluating allowances for doubtful accounts—especially for court receivables—there is a significant risk of overstated and uncollectible amounts. The absence of detailed documentation prevents verification of receivables’ existence, completeness, and valuation. These deficiencies undermine the reliability of the financial statements, violate GAAP, and increase the risk of errors, irregularities, or misappropriation.

Recommendation: Management should reconcile beginning balances to prior year audited amounts before recording current activity. All receivable balances must be supported by subsidiary ledgers, billing reports, aging schedules, and collection records. Regular reconciliations and reviews should be carried out to ensure accuracy and reflect billing and payment changes. Additionally, aging schedules should be prepared and reviewed, with the allowance for doubtful accounts evaluated, especially for court receivables.

Management Response:

2022-005 Internal Control Deficiencies Over Current Liabilities

Criteria: Governmental accounting standards require that beginning balances agree with the prior year’s audited financial statements unless a restatement is disclosed and adequately supported. Furthermore, internal control standards require that entities maintain complete and accurate records, including supporting documentation for all material balances.

Condition: The City’s beginning balances for certain liability accounts recorded in the general ledger do not reconcile with the ending balances reported in the prior year’s audited financial statements. The following discrepancies were identified:

Account	Prior Year Audited Balance	Beginning Balance per GL	Variance
Accrued Payroll	\$ 146,255	\$ 65,598	\$ (80,657)
Accounts Payable and Other Liabilities	193,405	(1,057,870)	(1,251,275)
Deferred Liabilities	393,023	147,041	(245,982)
Total	\$ 732,683	\$ (845,231)	\$ (1,577,914)

The discrepancies between the prior year’s audited balances and the current year general ledger balances remain unresolved as of the completion of the audit.

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2022-005 Internal Control Deficiencies Over Current Liabilities – Continued

In addition, no supporting documentation such as subsidiary ledgers, aging reports, or reconciliations was provided to substantiate the current and deferred liability balance of \$265,287 recorded in the general ledger. Moreover, Accounts Payable reflected a negative balance of \$1,159,149 which is inconsistent with the normal credit balance expected for liabilities.

Cause: The City does not have adequate accounting controls or procedures to ensure that beginning balances are reconciled to prior year audited balances and that current year liabilities are supported by detailed documentation.

Effect: Liability balances may be materially misstated due to unresolved differences from prior year audited amounts. Lack of supporting documentation hinders verification of liabilities, resulting in GAAP noncompliance and reduced financial statement reliability, increasing the risk of errors or misappropriation.

Recommendation: We recommend that management implement and enforce year-end closing procedures that ensure all liability accounts are reconciled and documented. Beginning balances should be reviewed for consistency with the prior year's audited financial statements, and discrepancies should be promptly investigated and resolved. Supporting schedules such as aging reports and accrual reconciliations should be prepared and retained for audit and internal review.

Management Response:

2022-006 Internal Control Deficiencies Over Long Term Liabilities

Criteria: Under GAAP and GASB standards, governments must maintain accurate records of long-term liabilities. Debt service payments should be recorded in the general ledger and supported by bank statements and amortization schedules. Bond and compensated absences balances must be updated annually to reflect current year's activity.

Condition: The City does not have processes in place to monitor or review long-term liabilities for accuracy and completeness. Specific issues noted include:

- a. Debt confirmations indicated that principal payments of \$300,000 for General Obligation Bond Series 2017A and \$315,000 for Series 2017 were made during the year; however, these transactions were not recorded in the general ledger.
- b. Interest payments totaling \$78,900 for Series 2017A and \$262,025 for Series 2017 could not be traced to the general ledger.
- c. As of year-end, the City had not recorded accrued interest payable related to outstanding bonds, which may result in a material understatement of liabilities and related expenditures. Additionally, the bond premium was not amortized for the current fiscal year. As a result,

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2022-006 Internal Control Deficiencies Over Long Term Liabilities - Continued

the general obligation bond balances were not adjusted to reflect current-year principal and interest activity.

Cause: The City has not implemented adequate accounting procedures to monitor and record long-term liability activity and did not provide complete supporting documentation to substantiate debt service payments or compensated absence accruals.

Effect: Long-term liabilities and related expenses may be materially misstated. The absence of proper tracking and documentation increases the risk of errors, omissions, and noncompliance with GAAP, impairing the reliability of the financial statements.

Recommendation: We recommend that the City establish and maintain comprehensive long-term liability schedules, updated annually. All debt service transactions should be promptly recorded and reconciled against amortization schedules and bank statements. Compensated absences must be recalculated each year based on current leave balances. Additionally, the City should ensure that adequate supporting documentation is retained for all related transactions to support accurate financial reporting.

2022-007 Noncompliance with Bond Covenant – Timeliness of Audit

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 ended June 30, 2022, 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: We recommend the City implement procedures to ensure timely financial reporting and compliance with all requirements under its bond covenants, including prompt audit completion and filing.

Management Response:

2022-008 Inadequate Controls over Due To/From Other Funds and Interfund Transfers

Criteria: GASB requires governments to maintain fund-level records for due to/from balances, document and reconcile interfund transfers, and ensure general ledgers allow accurate tracking of interfund activity.

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2022-008 Inadequate Controls over Due To/From Other Funds and Interfund Transfers - Continued

Condition: The City does not maintain separate fund general ledgers for certain funds and cannot reconcile due to/from balances to fund activity. No documentation or schedules were provided for interfund transfers, which are therefore omitted from the financial statements.

Cause: The City’s accounting system lacks fund-level ledgers, reconciliation processes, and formal interfund transfer documentation requirements.

Effect: Interfund balances and transfers may be misstated or missing, resulting in GAAP noncompliance and increased risk of errors or unauthorized transactions.

Recommendation: The City should establish fund-level general ledgers, perform regular reconciliations of due to/from balances, maintain detailed transfer schedules with proper authorization, and reconcile transfers at year-end to ensure accurate financial reporting.⁴

Management Response:

2022-009 Internal Control Deficiencies Over Revenues

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 observed 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	Variance
Capital Improvement Fund	\$ -	\$ 822,778	\$ 822,778
Sales Tax	1,553,557	1,674,839	121,282
Real Estate	361,071	908,227	547,156
Personal Property Tax	31,323	193,430	162,107
Total	\$ 1,945,951	\$ 3,599,274	\$ 1,653,323

- b. Adequate supporting documentation for revenue transactions was not provided during the audit. Key records such as billing statements, official receipts, deposit slips, and reconciliation schedules were not made available. In addition, alternative audit procedures

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
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2022-009 Internal Control Deficiencies Over Revenues - Continued

could not be performed due to the absence of relevant bank statements. As a result, the audit team was unable to verify the accuracy, completeness, and validity of the following revenue items, which represent significant balances and lacked sufficient supporting documentation:

Revenue Account	Amount
American Rescue Plan Act Funds	\$ 1,048,982
Gross Receipts Taxes: Gas	323,143
Gross Receipts Taxes: Water	183,205
Taxes: Motor Vehicle	172,965
Other Income: Miscellaneous	142,720
Gross Receipts Taxes: Telephone – Regular	105,367
Gross Receipts Taxes: Cable Tax	93,056
Taxes: Road Fund	83,984
Court Fines and Fees: Fines	69,130
Total	\$ 2,222,552

- c. Erroneous entries were identified during the audit; however, necessary adjustments could not be made due to the inability to determine the correct fund allocation.

Effect: The noted deficiencies significantly impair the auditor’s ability to obtain sufficient appropriate audit evidence regarding the completeness, accuracy, and validity of revenue balances. This raises the risk of material misstatement in the financial statements.

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.

Recommendation: The City should strengthen internal controls over revenue recording and reconciliation processes. This includes investigating and resolving discrepancies, ensuring all revenue transactions are properly documented, and implementing clear policies for fund allocation.

Management Response:

2022-010 Internal Control Deficiencies Over Financial Close and Reporting Process

Criteria: GAAP and internal control standards require timely and accurate financial reporting, formal year-end closing procedures, reconciled financial records, proper segregation of duties, and qualified personnel to ensure reliable financial reporting.

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2022-010 Internal Control Deficiencies Over Financial Close and Reporting Process - Continued

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

- a. Transactions are not recorded or posted to the accounting system in a timely manner.
- b. The City does not have established year-end closing procedures to ensure that all accounts are properly reviewed, adjusted, and reconciled prior to the preparation of financial statements.
- c. Journal entries recorded in the general ledger lacked adequate supporting documentation.
- d. During our review of the Treasurer's financial report, we observed that it does not reconcile with the financial records maintained in the accounting books.
- e. Lack of segregation of duties in journal entry processing.
- f. The City lacks sufficient personnel with the requisite accounting expertise to effectively manage financial operations and ensure accurate financial reporting.

Cause: The City has not implemented adequate internal controls, procedures, or staffing to ensure timely, complete, and accurate financial recording and reporting. Additionally, formal year-end closing procedures and reconciliations are not in place, and there is insufficient management review and segregation of duties.

Effect: There is an increased risk that financial information may be incomplete, inaccurate, or misstated. As a result, the financial statements may not accurately reflect the City's financial position or operating results in accordance with GAAP. This also heightens the risk that errors or misappropriation of assets may occur and go undetected.

Recommendation: We recommend the City implement formal year-end closing procedures to ensure timely posting, review, adjustment, and reconciliation of all accounts. All funds should maintain current and complete accounting records. Financial reports, such as the Treasurer's report, must be regularly reconciled to the general ledger. Internal controls should be strengthened by segregating duties in journal entry processing and key accounting functions. Management should perform regular reviews of financial data for accuracy, and the City should hire or train qualified staff to improve financial reporting and oversight.

2022-011 Omission of Required Supplementary Information (RSI)

Criteria: Governmental Accounting Standards Board (GASB) Statement No. 34 requires governments to present certain Required Supplementary Information (RSI) as part of their annual financial statements. This includes Management's Discussion and Analysis (MD&A) and budgetary comparison schedules for the General Fund and any major special revenue funds with legally adopted annual budgets. These elements are intended to enhance transparency and support compliance with GAAP.

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2022-011 Omission of Required Supplementary Information (RSI) - Continued

Condition: The City did not prepare or include a Management’s Discussion and Analysis in its financial statements for the fiscal year ended June 30, 2022. In addition, although the City adopted annual budgets for the General Fund, Capital Improvement Fund, Bond Fund, Debt Service Fund, ARPA Fund and Sewer Lateral Fund, it was unable to produce budget-to-actual comparison schedules for these funds due to the lack of fund-based accounting records.

Cause: Management did not prepare or submit the required MD&A and budgetary comparison schedules during the audit period.

Effect: The omission of MD&A and budgetary comparison schedules results in noncompliance with GAAP and GASB 34.

Recommendation: We recommend that management prepare and include all GASB-required RSI in future financial reports.

Management Response:

2022-012 Internal Control Deficiency Over Payroll

Criteria: Effective internal controls dictate that key functions such as employee record maintenance, payroll processing, and payroll recording should be separated among different individuals to mitigate the risk of errors and fraud. Furthermore, it is required for the City to maintain accurate records and provide complete documentation to support payroll information.

Condition: During the audit and testing of payroll transactions, we noted the following:

- a. The City did not provide complete documentation related to Form 941, Employers Quarterly Federal Tax Return. As a result, the auditor was unable to fully reconcile payroll tax amounts reported in Form 941 with the City’s payroll records and general ledger.
- b. During the review of the payroll process, it was noted that the personnel responsible for updating employee records is also responsible for processing and recording payroll transactions, resulting in lack of segregation of duties.
- c. Testing of payroll transactions identified the following significant issues:
 1. Out of 35 samples, 23 personnel do not have pay rates on file
 2. 24 out of 35 samples are missing resumes or applications
 3. 12 out of 35 samples are missing I-9 forms
 4. 6 out of 35 samples do not have W-4 forms on file

Cause: The City has inadequate record-keeping practices and lack internal controls

Effect: The lack of segregation of duties and insufficient documentation increases the risk of errors in payroll processing, potential misstatements in financial reporting, and enhances the opportunity for fraudulent activities.

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2022-012 Internal Control Deficiency Over Payroll - Continued

Recommendation: It is recommended that the City implement a system of checks and balances by segregating duties related to employee file management and payroll processing and implement procedures for record-keeping and documentation.

2022- 013 Weak Oversight of Internal Controls Affecting Financial Reporting Accuracy

Criteria: Those charged with governance have a responsibility to provide oversight of the entity's financial reporting process and internal control systems to promote accuracy, reliability, and compliance with applicable standards and regulations.

Condition: The City's governance body has not effectively ensured the establishment and maintenance of a strong internal control environment. This includes insufficient oversight of key controls over financial reporting processes. During our review, we noted that numerous Board of Aldermen meetings were canceled due to lack of a quorum. This lack of consistent board engagement and participation contributes to a breakdown in governance and weakens the City's ability to provide adequate oversight of financial operations, policy implementation, and corrective actions. As a result, there is an increased risk that errors or irregularities in the financial statements may not be detected or prevented.

Cause: Limited engagement by the governing body in monitoring internal control activities and a lack of formal processes to review management's implementation of controls over significant financial reporting areas.

Effect: Due to weaknesses in internal controls, there is a heightened risk that the financial statements may contain material misstatements. Additionally, the presence of incomplete or inaccurate financial information could lead to delays or challenges in completing the audit process effectively.

Recommendation: Those charged with governance are encouraged to strengthen their oversight responsibilities by requesting regular updates from management regarding the effectiveness of internal controls and the accuracy of financial reporting. They should also actively support the development and continuous monitoring of key controls over essential financial processes. Furthermore, consideration should be given to establishing an oversight body or committee dedicated to addressing financial reporting risks and ensuring robust control environments.

Management Response:

2022-014 Inadequate Record Retention and Document Management

Criteria: The City should implement backup procedures to safeguard critical financial data against loss, corruption, or unauthorized access, ensuring availability and integrity of records.

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2022-014 Inadequate Record Retention and Document Management - Continued

Condition: The City does not maintain sufficient back-up copies of financial records and supporting documentation.

Cause: There are inadequate policies and procedures governing data management, coupled with a lack of oversight over backup and recovery processes.

Effect: The absence of adequate backup measures increases the risk of significant disruptions to financial operations and potential loss of critical information. It also raises the possibility of financial misstatements due to the unavailability of accurate historical records.

Recommendation: We recommend that the City establish and enforce a formal data retention and backup policy. This should include regular backups of application data and file servers, secure storage of backup data, and timely revocation or suspension of user access rights upon employee termination to protect sensitive information.

Management Response:

2022-015 Inadequate Coordination with Legal Counsel

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 material 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.

2022-016 Incomplete Financial Statements Due to Missing Notes

Condition: Management did not provide the required notes to the financial statements for the fiscal year ended June 30, 2022. The financial statements submitted for audit consisted only of the basic financial statements and excluded all accompanying note disclosures.

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2022-016 Incomplete Financial Statements Due to Missing Notes - Continued

Criteria: In accordance with GAAP as prescribed by GASB, a complete set of financial statements includes not only the basic financial statements but also the notes to the financial statements. The notes provide essential information on accounting policies, assumptions, and detailed explanations of significant balances and transactions.

Cause: Management did not prepare the note disclosures.

Effect: The financial statements are incomplete and not presented in accordance with GAAP. Users of the financial statements lack critical information necessary to understand the financial position and operations of the City.

Recommendation: We recommend that management prepare and include the required notes to the financial statements in accordance with GAAP. If additional expertise or resources are needed to complete this requirement, management should consider engaging a qualified consultant or external preparer.

Management Response:

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Section II – Federal Award Findings and Questioned Costs

Finding Number: 2022-017

Program Name/Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds

Federal Assistance Listing No.: 2021.027

Federal Agency: US Department of Treasury

Federal Award Identification: Unknown

Type of Finding: Material Weakness

Compliance Requirements: Reporting

Criteria: 2 CFR Part 200 outlines the Uniform Administrative Requirements for Federal Awards and emphasizes the need for effective internal controls and proper accounting practices, which include tracking and reporting on federal funds. The City is expected to establish a separate bank account for specific funding sources to ensure proper tracking and management of ARPA funds. Additionally, accurate financial reporting and documentation are essential for compliance with regulatory requirements and effective financial oversight.

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

- a. On August 18, 2021, the City received \$1,048,982 in American Rescue Plan Act (ARPA) funds, which were deposited into a bank account designated for the General Fund. However, as of June 30, 2022, these funds had neither been transferred to nor maintained in a separate bank account specifically dedicated to ARPA monies. Instead, the funds were commingled with the General Fund and were not separately recorded in the general ledger or tracked through dedicated schedules.
- b. The City failed to provide the required reports related to ARPA funds, as mandated by the Code of Federal Regulations and the U.S. Treasury’s *Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Compliance and Reporting Guidance*.
- c. The City did not prepare financial statements that accurately reflect its financial position.

Cause: The City lacks established policies and procedures for managing ARPA fund leading to insufficient management oversight and monitoring of financial processes. Furthermore, personnel involved in managing federal funds may not have received adequate proper training to ensure regulatory compliance.

Effect: The failure to properly track disbursements of ARPA funds increases the risk of mismanagement and misallocation of resources. Additionally, the lack of required reporting may lead to non-compliance with federal guidelines, potentially resulting in penalties or loss of funding.

Recommendation: We recommend that the City establish a separate bank account for ARPA funds to facilitate accurate tracking of disbursements. Furthermore, the City should implement a robust

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

Finding Number: 2022-017 – Continued

reporting process to ensure the timely submission of all required reports. It is also advisable to provide regular training for financial personnel on compliance and reporting obligations.

Questioned Costs: 0

View of Responsible Official:

Finding Number: 2022-018

Program Name/Assistance Listing Title: Coronavirus State and Local Fiscal Recovery Funds

Federal Assistance Listing No.: 2021.027

Federal Agency: US Department of Treasury

Federal Award Identification: Unknown

Type of Finding: Material Weakness

Compliance Requirements: Reporting

Criteria: Federal regulations require recipients of federal funds to maintain detailed records identifying the source and use of those funds (2 CFR §200.302). Additionally, entities must prepare a Schedule of Expenditures of Federal Awards (SEFA) that includes all federal awards expended during the fiscal year (2 CFR §200.510), and a Single Audit is required if total federal expenditures equal or exceed \$750,000 (2 CFR §200.501).

Condition: The City did not prepare or provide a Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year. In the absence of this required schedule, we were unable to determine whether the City met the \$750,000 federal expenditure threshold that would necessitate a Single Audit in accordance with 2 CFR §200.501.

Furthermore, because ARPA-related expenditures were not tracked through a dedicated general ledger or supported by detailed schedules, total federal expenditures could not be reliably identified. As a result, we were unable to determine which transactions were subject to federal compliance requirements.

Effect: The absence of a SEFA and separate accounting records prevented the auditor from determining whether a Single Audit was required. In addition, the auditor was unable to perform compliance testing for federal programs as required by the Uniform Guidance. This represents a significant scope limitation and a material noncompliance with federal reporting requirements. There is an increased risk of undetected noncompliance with federal statutes, regulations, and the terms and conditions of awards.

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2022

Finding Number: 2022-018 – Continued

Recommendation: The City should establish a system to track all federal expenditures by program and CFDA/Assistance Listing number, prepare an accurate SEFA in accordance with 2 CFR §200.510(b), and ensure records are sufficient to support compliance testing. Management should review annual federal expenditure totals to determine Single Audit applicability and take corrective action to ensure compliance with all Uniform Guidance requirements.

Questioned Cost: \$1,048,982

View of Responsible Official:

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2022

Findings for the year ended June 30, 2021:

1. CRITERIA

The City's bank accounts were not properly reconciled through June 30, 2021.

CONDITION

The City's bank reconciliations were completed improperly, reflecting outstanding items and recorded as reconciliation discrepancies that should have been corrected prior to closing the year.

EFFECT

Material misstatements may occur and not be detected in a timely manner.

CAUSE

The City did not have the expertise to complete the bank reconciliations accurately.

RECOMMENDATION

We recommend the City's personnel obtain the appropriate training to insure bank reconciliations can be completed accurately and in a timely matter.

CURRENT STATUS

Not Resolved. The City's bank accounts remained unreconciled as of June 30, 2022. The condition noted in the prior audit continues to exist, and a repeat finding has been issued. Management has not yet implemented a formal reconciliation process. *See audit findings 2022-02.*

2. CRITERIA

The City should have a proper approval process in place for payroll transactions.

CONDITION

Transactions recorded in various payroll liability accounts need to be researched to insure the amounts withheld from employees' pay are being treated properly.

EFFECT

Errors may occur and not be detected in a timely manner.

CAUSE

A review process for payroll and withholdings is not in place.

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2022

RECOMMENDATION

We recommend the payroll register be reviewed and approved by someone other than the person entering the payroll and the approval be documented. We also recommend the payroll liability accounts be reviewed and monitored to verify proper payments are made timely.

CURRENT STATUS

Not Resolved. While no formal approval process has been implemented for payroll transactions, the current year audit also identified a broader issue: lack of segregation of duties in payroll processing. Specifically, one individual is responsible for both updating employee records and processing payroll, increasing the risk of errors or fraud. A repeat and expanded finding has been issued in the current year. *See audit findings 2022-012.*

3. CRITERIA

As noted in the prior year, City personnel should review the financial statements to ensure amounts are fairly reported.

CONDITION

Material adjustments had to be made to correct the City's year-end financial statements. However, we understand the City personnel reviewed the final financial report in detail before accepting.

EFFECT

Material misstatements may occur and not be detected in a timely manner.

CAUSE

The City does not have controls to review the year-end financial statements in order to detect material misstatements.

RECOMMENDATION

We recommend the City's personnel obtain the appropriate training or form an audit/finance committee with this expertise and review reports to determine that they are free of material misstatement.

CURRENT STATUS

Not resolved. The City has not implemented sufficient controls to ensure timely, accurate financial reporting. The current year audit identified broader weaknesses, including untimely posting of transactions, lack of year-end closing procedures, unsupported journal entries, and insufficient accounting expertise. A repeat and expanded finding has been issued in the current year. *See audit findings 2022-010.*

CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2022

4. CRITERIA

As noted in the prior year, the City's personnel should have the expertise and experience related to accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

CONDITION

The City's personnel do not have the expertise and experience related to accounting principles generally accepted in the United States of America. However, we understand the City's personnel reviewed the final financial report in detail before accepting.

EFFECT

Material misstatements may occur and not be detected in a timely manner.

CAUSE

The City does not have expertise to review the financial statements in accordance with proper accounting principles.

RECOMMENDATION

We recommend the City's personnel obtain the appropriate training or form an audit/finance committee with this expertise and review reports to determine that they are free of material misstatement.

CURRENT STATUS

Not Resolved. *See audit findings 2022-010.*

5. CRITERIA

We noted the City had numerous Board of Aldermen meetings cancelled for lack of a quorum.

CONDITION

Oversight by the Board is imperative within a municipality.

EFFECT

Lack of regular city Board of Aldermen meetings may cause delays in completing City business.

CAUSE

The City would not be able to move forward with their agenda without Board approval.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI
STATUS OF PRIOR YEAR FINDINGS
JUNE 30, 2022**

RECOMMENDATION

We recommend the City work to insure meetings are properly attended by those charged with governance.

CURRENT STATUS

Not Resolved. *See audit findings 2022-013.*