



Wipfli LLP  
215 East First Street  
Commerce Towers Suite 200  
Dixon, IL 61021-3166  
815.315.0854  
fax 815.288.0584  
www.wipfli.com

October 21, 2019

To the Mayor and Board of Commissioners  
City of Dixon, Illinois  
121 West Second Street  
Dixon, IL 61021

Dear Mayor and Board of Commissioners:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the remaining aggregate remaining fund information of the City of Dixon, Illinois (the "City") for the year ended April 30, 2019. Professional standards require that we provide you with the following information related to our audit:

***Our Responsibility Under Auditing Standards Generally Accepted in the United States and *Government Auditing Standards****

As stated in our engagement letter dated May 10, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we also performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Required Supplementary Information Accompanying Audited Financial Statements**

We applied certain limited procedures to the budgetary comparison schedules, multiyear schedule of changes in net pension liability and related ratios - Illinois Municipal Retirement Fund, Police Pension Fund and Fire Pension Fund and multiyear schedule of contributions (IMRF, Police Pension Fund, and Fire Pension Fund), and the schedule of funding progress and employer contributions – OPEB, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

### **Other Information in Documents Containing Audited Financial Statements**

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, appearing in the financial statements.

We are not aware of any documents or other information containing audited financial statements, and furthermore management has not requested us to devote attention to any documents containing audited financial statements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to your representative, Becky Fredericks, in our meeting about planning matters on July 15, 2019, in addition to our engagement letter dated May 10, 2019, accepted by Mayor Liandro Arellano Jr.

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- The method of determining fixed asset useful lives
- The method of determining accounts receivable and allowance for doubtful accounts
- The method of determining accounts payables
- The disclosure, accrual of pension plan information, and deferred inflows and deferred outflows are dependent upon actuarial assumptions used by the Illinois Municipal Retirement System, Police Pension and Fire Pension.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures of pension information in the notes to the financial statements because the disclosures are subject to actuarial methods and assumptions.

### **Difficulties Encountered in Performing the Audit**

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

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A listing of the adjusting journal entries is attached to this letter.

### **Disagreements With Management**

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

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated October 21, 2019, a copy of which accompanies this letter.

### **Management Consultations With Other Accountants**

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

### **Other Audit Findings or Issues**

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

### **Internal Control Matters**

In planning and performing our audit of the financial statements of the City of Dixon, Illinois (the "City") as of and for the year ended April 30, 2019, in accordance with auditing standards generally accepted in the United States, we considered the City of Dixon, Illinois' internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 did not identify any deficiencies in internal control that we consider 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 following deficiencies in internal control to be significant deficiencies:

### **Improper Segregation of Duties**

Criteria - Internal controls should be in place that provide reasonable assurance that not one individual handles a transaction from its inception to its completion.

Condition – Within the City's system of internal control, there are situations whereby there is not a complete or adequate segregation of duties that arise due to legal requirements or limited number of personnel.

Cause – The City has a limited number of staff to allow for adequate segregation of duties.

Effects or Potential Effects – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Recommendation – It does not appear to be economically feasible to hire additional personnel to help segregate the accounting functions. However, the Board's close supervision and review of accounting information appears to be the most economical and appropriate manner to help prevent and detect errors and irregularities in the City's accounting and financial reporting.

View of responsible officials and planned corrective actions – The City's management and Board of Commissioner's close supervision and review of accounting information is the most economical and appropriate manner to help prevent and detect errors and irregularities in the county's accounting and financial reporting. There is no anticipated completion date for this item.

### **Financial Statements Preparation**

Criteria – *Governmental Auditing Standards* require that management prepare the financial statements with footnote disclosures.

Condition – The City relies on the external auditors to prepare the financial statements with footnote disclosures.

Cause - The City does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and ensure related footnote disclosures are complete and presented in accordance with the modified accrual basis of accounting.

Effects or Potential Effects – The completeness of the financial statement disclosures and the accuracy of the overall financial presentation is negatively impacted as external auditors do not have the same comprehensive understanding of the City as its internal financial staff.

Recommendation - It does not appear to be economically feasible to hire additional personnel to help prepare the financial statements and required footnote disclosures in accordance with accounting principles generally accepted in the United States of America. However, the City's management and Board of Commissioner's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting.

View of responsible officials and planned corrective actions - The City's management and Board of Commissioner's close review of financial statements and required footnotes prepared by the external auditors appears to be the most economical and appropriate manner to help ensure complete and proper financial reporting. There is no anticipated completion date for this item.

We appreciate the opportunity to be of service to City of Dixon, Illinois.

This communication is intended solely for the information and use of management, Mayor and Board of Commissioners, and others within the City, and includes a description of the scope of our testing of internal control over financial reporting and the results of that testing. The communication related to considering the City's internal control over financial reporting is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP