

Management Letter

The Honorable Mayor
Members of the City Council
City of Freeport
Freeport, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Freeport (the City) as of and for the year ended April 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Additionally, we wish to make the following recommendations for improvement:

Cash Logs

We noted that library and police receipts are not supported by a cash log or any other signed documentation. The result of this is an inability for the City to verify that all receipts are deposited in their entirety to the Treasurer. We recommend implementation of a cash log which includes signatures, amounts, and dates of cash receipts at these two sites.

Negative Cash

During the audit, we noted that the Sewer cash account has a negative balance. Per our understanding, this is offset by the Water cash accounts. We recommend that the City authorize a transfer from the Water fund to the Sewer fund to properly state cash balances or consider consolidating those activities into one fund.

Positive Attributes

Although the general purpose of this letter is to cover only matters needing consideration, we believe it is also important to point out that there are many positive attributes of the City's financial management systems, which are not specifically covered herein.

Board of Trustees
City of Freeport

We would like to take this opportunity to thank the City and their personnel for the cooperation and courtesies extended to us during our audit.

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

A handwritten signature in cursive script that reads "Klein Hall CPAs".

Klein Hall CPAs
Aurora, Illinois
October 10, 2018