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October 31, 2022

Effingham City Council  
Effingham, IL 62401

We have audited the financial statements of the City of Effingham as of and for the year ended April 30, 2022, and have issued our report thereon dated October 31, 2022. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated October 25, 2022, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of City of Effingham solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our findings regarding significant control deficiencies and material weaknesses over financial reporting, material noncompliance, and other matters noted during our audit in a separate letter dated October 31, 2022.

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

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Performing multiple non-attest services including preparation of the financial statements creates a self-review and management participation threat. Performing an independent review of the financial statements is the safeguard we have applied to reduce this threat to an acceptable level.

## **Significant Risks Identified**

We have identified the following significant risks:

- *Management override of internal controls* - there is a risk that management could override internal controls inconsistent with the City Council's intent.
- *Improper revenue recognition* - there is a potential risk for misstatement related to revenue recognition, either intentional or unintentional.
- *Lack of sufficient internal controls over the financial reporting process* – there is a risk that the financial statements will be misstated, as the City does not employ or train accounting personnel to prepare the financial statements.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Effingham is included in Note 1 to the financial statements. There have been no initial selection of accounting policies during the year ended April 30, 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive estimates affecting the financial statements are:

- Management's estimate of property taxes receivable is calculated by rounding the extensions down to the nearest thousand, due to the fact that some taxes will not be collected.
- Management's estimate of the accrued compensated absences is based on historical analysis of employee absences.

We evaluated the key factors and assumptions used to develop these estimates at year end and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the City of Effingham's financial statements is the disclosure about the City's accounting basis in Note 1 to the financial statements. Financial statement disclosures are neutral, consistent, and clear.

### **Significant Difficulties Encountered During the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transaction, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention to management as a result of our audit procedures. The following material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management: American Rescue Plan Act funds of \$851,278 were recorded as revenue instead of unearned revenue and fund balance was overstated by \$314,418, as intergovernmental revenues were recorded incorrectly in the prior year. There were also various adjustments made to tax receivables/revenues and pension liabilities.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting,

or auditing matter, which could be significant to the City of Effingham's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 31, 2022.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no such consultations with other accountants.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the City of Effingham, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Effingham's auditors.

Pursuant to professional standards, our responsibility as auditors for other information in documents containing City of Effingham's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have read the information and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

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

Sincerely,

*West & Company, LLC*

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