

Honorable Mayor, City Council, and Management
City of Kewanee, Illinois
Kewanee, Illinois

We have audited the cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Kewanee, Illinois as of and for the year ended April 30, 2017, and have issued our report thereon dated October 31, 2017. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

During fiscal year ended April 30, 2017, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*.

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

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. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

The completion of our audit was delayed due to delays in receiving fully reconciled bank accounts from the City. We previously communicated these delays verbally on August 16, 2017, to the Mayor and City management.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

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 auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated October 31, 2017.

Management consultations with other independent 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 application of an accounting principle to the entity's financial statements or a determination of the type of auditors' 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 the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

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

Other audit findings or issues

We have provided a separate letter to you dated October 31, 2017, communicating internal control related matters identified during the audit.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other information in documents containing audited financial statements

With respect to the combining schedules of cash transactions (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated October 31, 2017.

The schedules of cash transactions – budget to actual accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis, and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the mayor, city council, and management of the City of Kewanee, Illinois 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 "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Peoria, Illinois
October 31, 2017

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT

City of Kewanee, Illinois

Business-Type Activities

Year Ended April 30, 2017

UNCORRECTED ADJUSTMENTS

Effect of misstatements on:

Description	Assets	Liabilities	Net Position	Change in Net Position
To reduce expenses for check disbursed after year end.	\$ 20,000		\$ (20,000)	\$ (20,000)
Net current year misstatements (Iron Curtain Method)	20,000	-	(20,000)	(20,000)
Net prior year misstatements	-	-		-
Combined current and prior year misstatements (Rollover Method)	\$ 20,000	\$ -	\$ (20,000)	\$ (20,000)
Financial statement totals	<u>\$ 5,449,332</u>	<u>\$ -</u>	<u>\$ (5,449,332)</u>	<u>\$ 711,985</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)	0%	#DIV/0!	0%	-3%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)	0%	#DIV/0!	0%	-3%

INADEQUATE DISCLOSURES

Description	Amount (If Applicable)
None	

SUMMARY OF UNCORRECTED MISSTATEMENTS - AUDIT
City of Kewanee, Illinois
Sewer Fund
Year Ended April 30, 2017

UNCORRECTED ADJUSTMENTS

Effect of misstatements on:

Description	Assets	Liabilities	Net Position	Change in Net Position
To reduce expenses for check disbursed after year end.	\$ 20,000		\$ (20,000)	\$ (20,000)
Net current year misstatements (Iron Curtain Method)	20,000	-	(20,000)	(20,000)
Net prior year misstatements	-	-		-
Combined current and prior year misstatements (Rollover Method)	\$ 20,000	\$ -	\$ (20,000)	\$ (20,000)
Financial statement totals	<u>\$ 1,265,598</u>	<u>\$ -</u>	<u>\$ (1,265,598)</u>	<u>\$ 545,839</u>
Current year misstatement as a % of financial statement totals (Iron Curtain Method)	2%	#DIV/0!	2%	-4%
Current and prior year misstatement as a % of financial statement totals (Rollover Method)	2%	#DIV/0!	2%	-4%

INADEQUATE DISCLOSURES

Description	Amount (If Applicable)
None	

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.01 - General Fund
Workpaper: 0921.01 - General Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		3010.00		
To correct beginning fund balance.				
01-00-114	SBT-GENERAL FUND		28,627.00	
01-21-159.7	PRE-PAID RECOVERY		7,304.00	
01-00-292	FUND BALANCE UNRESERVED			35,931.00
Total			35,931.00	35,931.00
Adjusting Journal Entries JE # 7		1120.00		
To record foreign fire tax expenses.				
01-22-915	FOREIGN FIRE INS. TAX		1,464.00	
01-00-119.2	FIRST FEDERAL/FOREIGN FIRE TAX F			1,464.00
Total			1,464.00	1,464.00
Adjusting Journal Entries JE # 8		1120.00		
To reverse miscellaneous revenue that was recorded twice.				
01-21-389	MISCELLANEOUS INCOME		723.00	
01-00-114.5	EBAY/SBT			723.00
Total			723.00	723.00
Adjusting Journal Entries JE # 9		PBC		
To correct CYE cash balances.				
01-00-114	SBT-GENERAL FUND		250,000.00	
01-00-114.00	SBT-OPERATIONS			250,000.00
Total			250,000.00	250,000.00
Adjusting Journal Entries JE # 10		PBC		
To correct CYE cash balances.				
01-00-114.00	SBT-OPERATIONS		269,529.00	
01-00-111	PNB			269,529.00
Total			269,529.00	269,529.00
Adjusting Journal Entries JE # 11		PBC		
To correct CYE cash balances.				
01-00-114.00	SBT-OPERATIONS		3,951.00	
01-00-111	PNB			3,951.00
Total			3,951.00	3,951.00
Adjusting Journal Entries JE # 12		1125.00		
To adjust CY revenue and expenditures out of a prepaid recovery "cash" account.				
01-00-159.7	PRE-PAID RECOVERY		2,592.00	
01-22-590	Prepaid Recovery Expenditures		66,024.00	
01-11-385	Contributions			68,616.00
Total			68,616.00	68,616.00
Adjusting Journal Entries JE # 13		1125.00		
To adjust CY revenue and expenditures out of a prepaid recovery "cash" account.				

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.01 - General Fund
Workpaper: 0921.01 - General Fund AJEs

Account	Description	W/P Ref	Debit	Credit
01-22-590	Prepaid Recovery Expenditures		10,374.00	
01-11-385	Contributions			2,944.00
01-21-159.7	PRE-PAID RECOVERY			7,430.00
Total			10,374.00	10,374.00

Adjusting Journal Entries JE # 14 1120.00

To transfer CYE cash to the correct account.

01-11-999	INTERFUND TRANSFER		28,627.00	
01-00-114	SBT-GENERAL FUND			28,627.00
Total			28,627.00	28,627.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.15 - Motor Fuel Tax Fund
Workpaper: 0921.15 - Motor Fuel Tax Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		4030.05		
To reverse March 2017 revenue that was recorded twice.				
15-41-343	MOTOR FUEL TAX ALLOTMENT		23,678.00	
15-00-111.2	PNB/MOTOR FUEL TAX			23,678.00
Total			23,678.00	23,678.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.31 - NHR Sales Tax Infrastructure Improvement Fund
Workpaper: 0921.31 - NHR Sales Tax Infrastructure Improvement Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		4030.01		
To reverse a PY audit adjustment recorded during the CY. Also see AJE #1 in the General Fund.				
31-71-345.1	SALES TAX (LOCAL USE)		28,627.00	
31-00-114.55	SBT 2012 DEBT SERVICE			28,627.00
Total			28,627.00	28,627.00
Adjusting Journal Entries JE # 2		1120.00		
To transfer CYE cash to the correct account.				
31-00-114.55	SBT 2012 DEBT SERVICE		28,627.00	
31-71-399	INTERFUND TRANSFER			28,627.00
Total			28,627.00	28,627.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.32 - Water Improvement Fund
Workpaper: 0921.32 - Water Improvement Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		PBC		
To correct CYE cash balances.				
32-00-111	PNB		400,000.00	
32-00-114.00	SBT-OPERATIONS			400,000.00
Total			400,000.00	400,000.00
Adjusting Journal Entries JE # 2		PBC		
To correct CYE cash balances.				
32-00-114.6	SBT/ICS WATER IMPROVEMENT		40.00	
32-42-381	INTEREST INCOME			40.00
Total			40.00	40.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.33 - Sewer Improvement Fund
Workpaper: 0921.33 - Sewer Improvement Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		PBC		
To correct CYE cash balances.				
33-00-114.00	SBT-OPERATIONS		400,000.00	
33-00-111	PNB			400,000.00
Total			400,000.00	400,000.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.39 - Acquisition Fund
Workpaper: 0921.39 - Acquisition Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		PBC		
To correct CYE cash balances.				
39-00-114.00	SBT-OPERATIONS		49,280.00	
39-00-111	PNB			
39-00-114.01	SBT SAVINGS			49,280.00
Total			49,280.00	49,280.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.47 - 2015 Bond Fund
Workpaper: 0921.47 - 2015 Bond Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		PBC		
To correct CYE cash balances.				
47-00-114	SBT-2015 DEBT SERVICE FUND		10.00	
47-81-730	FISCAL AGENT FEES			10.00
Total			10.00	10.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.51 - Water Fund
Workpaper: 0921.51 - Water Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		PBC		
To correct CYE cash balances.				
51-00-111	PNB		14,211.00	
51-00-114.00	SBT-OPERATIONS			14,211.00
Total			14,211.00	14,211.00
Adjusting Journal Entries JE # 2		PBC		
To correct CYE cash balances.				
51-00-114.00	SBT-OPERATIONS		862.00	
51-00-114	SBT - WATER DEPOSIT FUND			862.00
Total			862.00	862.00
Adjusting Journal Entries JE # 3		PBC		
To record CY interest income.				
51-00-111.6	PNB/WATER DEPOSIT FUND		193.00	
51-42-381	INTEREST INCOME			193.00
Total			193.00	193.00
Adjusting Journal Entries JE # 4		PBC		
To reverse journal entries made in LOCIS system.				
51-00-114	SBT - WATER DEPOSIT FUND		1,950.00	
51-00-114	SBT - WATER DEPOSIT FUND		2,775.00	
51-00-114	SBT - WATER DEPOSIT FUND		3,225.00	
51-42-389	MISCELLANEOUS INCOME			1,950.00
51-42-389	MISCELLANEOUS INCOME			2,775.00
51-42-389	MISCELLANEOUS INCOME			3,225.00
Total			7,950.00	7,950.00
Adjusting Journal Entries JE # 5		PBC		
To correct CYE cash balances.				
51-00-111.6	PNB/WATER DEPOSIT FUND		4,654.00	
51-00-114	SBT - WATER DEPOSIT FUND			4,654.00
Total			4,654.00	4,654.00
Adjusting Journal Entries JE # 6		PBC		
To correct various CY balances.				
51-42-361	WATER SALES		32,474.00	
51-42-376	PENALTY & DELINQUENT		351.00	
51-00-114.00	SBT-OPERATIONS			32,825.00
Total			32,825.00	32,825.00
Adjusting Journal Entries JE # 7		WTB		
To remove CY customer deposits from the balance sheet.				
51-42-389	MISCELLANEOUS INCOME		125.00	
51-42-389	MISCELLANEOUS INCOME		2,800.00	
51-00-257	CUSTOMER DEPOSITS/WATER/METER			125.00
51-00-257	CUSTOMER DEPOSITS/WATER/METER			2,800.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.51 - Water Fund
Workpaper: 0921.51 - Water Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Total			2,925.00	2,925.00
Adjusting Journal Entries JE # 8				
To correct CYE cash balances.				
51-00-257	CUSTOMER DEPOSITS/WATER/METER		125.00	
51-00-111.6	PNB/WATER DEPOSIT FUND			125.00
Total			125.00	125.00

PBC

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.52 - Sewer Fund
Workpaper: 0921.52 - Sewer Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		PBC		
To correct CYE cash balances.				
52-00-111	PNB		10,803.00	
52-00-114.00	SBT-OPERATIONS			10,803.00
Total			10,803.00	10,803.00
Adjusting Journal Entries JE # 2		PBC		
To correct various CY balances.				
52-43-362	SEWER CHARGES		7,262.00	
52-43-376	PENALTY & DELINQUENT		236.00	
52-00-114.00	SBT-OPERATIONS			7,498.00
Total			7,498.00	7,498.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.57 - Sanitation Fund
Workpaper: 0921.57 - Sanitation Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		PBC		
To correct CYE cash balances.				
57-00-111	PNB		12,059.00	
57-00-114.00	SBT-OPERATIONS			12,059.00
Total			12,059.00	12,059.00
Adjusting Journal Entries JE # 3		PBC		
To correct various CY balances.				
57-44-368	GARBAGE CHARGES		2,864.00	
57-44-376	PENALTY & DELINQUENT		36.00	
57-00-114.00	SBT-OPERATIONS			2,900.00
Total			2,900.00	2,900.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.74 - Health Insurance Fund
Workpaper: 0921.74 - Health Insurance Fund AJEs

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		PBC		
To correct CYE cash balances.				
74-14-549	OTHER FEES		12.00	
74-00-114	SBT-HEALTH INSURANCE			12.00
Total			12.00	12.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.01 - General Fund
Workpaper: 0922.01 - General Fund RJE's

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 2		6005.00		
To reclassify contribution revenue				
CLA-4A	LIABILITY INSURANCE		4,499.00	
01-21-999	INTERFUND TRANSFER			4,499.00
Total			4,499.00	4,499.00
Reclassifying Journal Entries JE # 3		6005.00		
To reclassify contribution revenue				
CLA-4E	RETIREMENT CONTRIBUTION		4,127.00	
01-22-999	INTERFUND TRANSFER			4,127.00
Total			4,127.00	4,127.00
Reclassifying Journal Entries JE # 6		2505.00		
To reclassify principal and interest payments into debt service accounts.				
CLA-6A	PRINCIPAL PAYMENTS		10,000.00	
CLA-6A	PRINCIPAL PAYMENTS		17,500.00	
CLA-6B	INTEREST PAYMENTS		6,466.00	
01-22-840	VEHICLE			33,966.00
Total			33,966.00	33,966.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.57 - Sanitation Fund
Workpaper: 0922.57 - Sanitation Fund RJE

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 1		PBC		
To correct CY garbage revenue incorrectly recorded as CY tipping revenue.				
57-44-363	TIPPING FEES		3,338.00	
57-44-368	GARBAGE CHARGES			3,338.00
Total			3,338.00	3,338.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.71 - Firefighters Pension Agency Fund
Workpaper: 0922.71 - Firefighters Pension Agency Fund RJE's

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 1		6005.00		
To reclassify revenue contribution				
71-14-399	INTERFUND TRANSFER		4,127.00	
CLA-4G	RETIREMENT CONTRIBUTION			4,127.00
Total			4,127.00	4,127.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.72 - Police Pension Agency Fund
Workpaper: 0922.72 - Police Pension Agency Fund RJE's

Account	Description	W/P Ref	Debit	Credit
Reclassifying Journal Entries JE # 1		6005.00		
To reclassify contribution revenue				
72-14-399	INTERFUND TRANSFER		4,499.00	
CLA-4F	RETIREMENT CONTRIBUTION			4,499.00
Total			4,499.00	4,499.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.74 - Health Insurance Fund
Workpaper: 0922.74 - Health Insurance Fund RJE

Account	Description	W/P Ref	Debit	Credit
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Reclassifying Journal Entries JE # 1

6005.00

To reclassify contribution revenue.

74-14-399	INTERFUND TRANSFER		1,229,099.00	
CLA-3B	HEALTH INSURANCE			1,229,099.00
Total			1,229,099.00	1,229,099.00

Client: 001-02587101 - City of Kewanee, Illinois
Engagement: AUD - City of Kewanee, Illinois
Period Ending: 4/30/2017
Trial Balance: 0910.77 - Cemetary Board of Managers Fund
Workpaper: 0922.77 - Cemetary Board of Managers Fund RJE

Account	Description	W/P Ref	Debit	Credit
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Reclassifying Journal Entries JE # 1

To record closing of cd accounts

77-00-111.10	PNB		90,000.00	
77-00-112	ILLINOIS FUNDS			90,000.00
Total			90,000.00	90,000.00



401 E. Third St.
Kewanee, IL 61443
Phone: 309-852-2611
Fax: 309-856-6001

October 31, 2017

CliftonLarsonAllen LLP
301 SW Adams Street, Suite 1000
Peoria, Illinois 61602

This representation letter is provided in connection with your audit of the cash basis financial statements of the City of Kewanee, Illinois, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of April 30, 2017, and the respective changes in financial position for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with the cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of October 31, 2017, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 23, 2017, for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge and have fulfilled our responsibility 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.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates are reasonable.
- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable

from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of the cash basis of accounting.

- No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with the cash basis of accounting, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the entity's name" during the period significantly exceeded the amounts in those categories as of the financial statement date was properly disclosed in the financial statements.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, or equity.
- Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
- We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with the cash basis of accounting, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with the cash basis of accounting.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
- We have a process to track the status of audit findings and recommendations.
- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the City of Kewanee, Illinois, including tax or debt limits and debt contracts;

and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit. No federal award, received directly from federal agencies or indirectly as a subrecipient, was expended in an amount that cumulatively totals from all sources \$750,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors.
- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- The financial statements include all component units.
- The financial statements properly classify all funds and activities.
- All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- Components of net position (restricted and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- We acknowledge our responsibility for presenting the other supplementary information in accordance with the cash basis of accounting, and we believe the supplementary information, including its form and content, is fairly presented in accordance with the cash basis of accounting. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Signature: _____



Title: City Manager

Signature: _____



Title: City Clerk

Signature: _____



Title: Director of Finance and Administrative Services