



The Honorable Mayor and
Members of the City Council
City of Sandwich
Sandwich, Illinois

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sandwich, Illinois (the City) as of and for the year ended April 30, 2016, 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.

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, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis.

Material weaknesses

We consider the following deficiencies in the City's internal control to be material weaknesses.

- **Financial Statement Preparation and Audit Adjustments**

The City Council and management share the ultimate responsibility for the City's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The City engages CliftonLarsonAllen LLP (CLA) to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the City's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the City reviews the financial statements and disclosures to ensure they are complete and accurate. The City's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the City's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Additionally, during the course of our audit we proposed several adjustments that had material effects on the City's financial statements. A significant portion of the adjustments related to transfers, capital asset and long-term liability activity.

Material weaknesses (continued)

- **Financial Statement Preparation and Audit Adjustments (Continued)**

Additionally, during the course of our audit we proposed several adjustments that had material effects on the City's financial statements. A significant portion of the adjustments related to transfers, capital asset and long-term liability activity.

- **Segregation of Duties**

Due to the size of the City's finance department and for sound economic reasons, it functions with a limited number of office personnel. The limited number of personnel makes it difficult to achieve ideal internal control at all times through the segregation of employee duties. Examples include no review of journal entries by a separate individual from the preparer and the utility clerk has the ability to record and mail out bills, receive payments, and record receipts. Additionally, there is no separate review of any receipts, disbursements, or cash and investment balances in the police pension fund. The concentration of closely related duties and responsibilities, by a limited number of individuals makes it difficult to establish, at all times, an ideal system of automatic internal checks on accounting record accuracy and reliability. We realize that with a limited number of office employees, segregation of duties is difficult. However, a lack of proper segregation of duties could allow errors or irregularities to occur and go undetected. Currently, management's and the City Council's close oversight and review of accounting information are the best means of preventing and detecting errors and irregularities. As part of this oversight function, known control deficiencies should be re-evaluated periodically in order to determine if the internal control system can be changed to better segregate duties.

Other deficiencies in internal control and other matters

During our audit, we became aware of other deficiencies in internal control and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. While the nature and magnitude of the other deficiencies in internal control were not considered important enough to merit the attention of the City Council, they are considered of sufficient importance to merit management's attention and are included herein to provide a single, comprehensive communication for both those charged with governance and management.

- **Policies and information technology procedures**

We have also noted there are no formal policies and procedures related to the City's information technology (IT). Regarding information technology procedures specifically, we noted there is no periodic review of access performed, and no offsite storage of backup data.

We recommend that management assign responsibility to ensure that user access privileges are reviewed at least annually to ensure they are appropriate.

We also recommend that management develop a plan for offsite storage of data. Such a plan will provide for necessary financial data in the event of a disaster.

* * *

This communication is intended solely for the information and use of management, members of 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.



CliftonLarsonAllen LLP

Peoria, Illinois
October 25, 2016



The Honorable Mayor and
Members of the City Council
City of Sandwich
Sandwich, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandwich, Illinois (the City) as of and for the year ended April 30, 2016, and have issued our report thereon dated October 25, 2016. 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 are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year.

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

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

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. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

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 25, 2016.

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 City'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 City'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 25, 2016, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the combining and individual fund financial statements and schedules, and schedule of legal debt margin (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 accounting principles generally accepted in the United States of America, 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 25, 2016.

The Schedule of Revenues Collected, Expenditures Paid, and Changes in Fund Balances (Cash Basis) – Budget and Actual for the General Fund and Motor Fuel Tax Fund, respectively, and the Schedule of Assessed Valuation, Tax Rates, Tax Extensions, and Tax Collections 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 City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Peoria, Illinois
October 25, 2016

Client: 001-03389100 - City of Sandwich, Illinois
 Engagement: AUD - City of Sandwich, Illinois
 Period Ending: 4/30/2016
 Trial Balance: 0900 - TB- NFP
 Workpaper: 0920.10 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		2210.00		
To adjust bonds payable				
300.0000.00.2850	BONDS PAYABLE		520,000.00	
300.0000.00.2850	BONDS PAYABLE			
300.0000.00.2851	Bonds Payable - Current			520,000.00
300.0000.95.6900	DEBT RETIREMENT			
Total			520,000.00	520,000.00
Adjusting Journal Entries JE # 2		1706.00		
To record CY fixed asset activity in gov't funds				
500.0000.00.1000	LAND		39,816.00	
500.0000.00.1090	CONSTRUCTION IN PROGRESS		689,698.60	
500.0000.00.1150	EQUIPMENT		133,494.65	
500.0000.00.1250	VEHICLES & MOTORIZED EQUIP		146,238.41	
500.0000.00.1300	STREETS		255,000.00	
500.0000.00.1005	LAND RIGHT OF WAYS			
500.0000.00.1100	BUILDINGS			255,000.00
500.0000.00.1300	STREETS			
500.0000.00.4910	CAP ASSETS PURCH-GEN GOVT			
500.0000.00.4911	CAP ASSETS PURCH-PUB SAFETY			59,219.50
500.0000.00.4912	CAP ASSETS PURCH-ST & HWY			895,168.16
500.0000.00.4922	GAIN/LOSS DIS CAP A ST & HI			54,860.00
Total			1,264,247.66	1,264,247.66
Adjusting Journal Entries JE # 3		1706.00		
To record fixed asset additions in business-type funds				
300.0000.00.1200	VEHICLES & MOTORIZED EQUIP			
300.0000.00.1500	TREATMENT FACILITIES			
300.0000.35.4850	IFT FROM OTHER FUNDS			
300.0000.65.5382	MATERIAL - LIFT STAT REPAIRS			
300.0050.00.7100	CONTINGENCY EXPENDITURES			
350.0000.90.6800	CAPITAL IMPROVEMENTS			
350.0000.90.6850	IMPROVEMENTS			
350.0000.90.6850	IMPROVEMENTS			
350.0000.97.7000	IFT TRANSFER OUT			
450.0000.90.6875	WATER IMPROVEMENTS			
450.0000.97.7000	IFT TRANSFER OUT			
Total			0.00	0.00
Adjusting Journal Entries JE # 4		1705.00		
To record CY depreciation expense for business -type activities				
300.0000.00.7125	DEPRECIATION EXPENSE		597,162.87	
400.0000.00.7125	DEPRECIATION EXPENSE		95,918.70	
300.0000.00.2200	ACCUM DEPR - VEHICLES			21,504.27
300.0000.00.2450	ACCUM DEPR - SEWER LINES			122,470.38
300.0000.00.2500	ACCUM DEPR - TREATMENT FACIL			453,188.22
400.0000.00.2500	Accum Depr- Treatment Facility			44,028.40
400.0000.00.2550	ACCUM DEPR - STORAGE FACILI			15,492.50
400.0000.00.2600	ACCUM DEPR - WATER LINES			36,397.80

Client: 001-03389100 - City of Sandwich, Illinois
 Engagement: AUD - City of Sandwich, Illinois
 Period Ending: 4/30/2016
 Trial Balance: 0900 - TB- NFP
 Workpaper: 0920.10 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Total			<u><u>693,081.57</u></u>	<u><u>693,081.57</u></u>
Adjusting Journal Entries JE # 5		1710.00 & 1705.00		
To record CY depreciation expense for governmental activities				
500.0000.00.2100	ACCUM DEPR - BUILDINGS		82,875.00	
500.0000.00.7150	DEPRECIATION-GEN GOVERNMENT		77,108.32	
500.0000.00.7175	DEPRECIATION-HWYS & STREETS		209,100.40	
500.0000.00.7200	DEPRECIATION-PUBLIC SAFETY		65,633.15	
500.0000.00.2100	ACCUM DEPR - BUILDINGS			26,350.80
500.0000.00.2150	ACCUM DEPR - EQUIPMENT			69,443.66
500.0000.00.2200	ACCUM DEPR - VEHICLES			126,344.07
500.0000.00.2300	ACCUM DEPR - STREETS			82,875.00
500.0000.00.2300	ACCUM DEPR - STREETS			119,675.81
500.0000.00.2350	ACCUM DEPR - BRIDGES			4,826.79
500.0000.00.2400	ACCUM DEPR - STORM SEWER			5,200.74
Total			<u><u>434,716.87</u></u>	<u><u>434,716.87</u></u>
Adjusting Journal Entries JE # 8		2210.00		
To record bond premium & amortization				
300.0000.95.6920	BOND PREMIUM		9,624.12	
300.0000.00.2995	FUND BALANCE			
300.0000.40.4900	BOND AMORTIZATION			9,624.12
300.0000.95.6920	BOND PREMIUM			
Total			<u><u>9,624.12</u></u>	<u><u>9,624.12</u></u>
Adjusting Journal Entries JE # 12		PY 0705.00		
To adjust for PY "appropriations" entry so that fund balances roll properly				
001.0005.50.5040	EMPLOYEE INSURANCE BENEFITS		5,118.64	
001.0005.50.5075	OTHER-INSURANCE BENEFIT		4,550.10	
001.0005.55.5100	TRAINING/TRAVEL/MEETING EXP		62.60	
001.0005.60.5210	UTILITIES - TELEPHONE		284.42	
001.0005.60.5215	UTILITIES - CABLE/INTERNET		102.85	
001.0005.65.5300	OFFICE SUPPLIES		1,199.60	
001.0005.65.5305	OPERATING/CLEANING SUPPLIES		281.25	
001.0005.65.5315	POSTAGE		3.08	
001.0005.70.5450	CONTRACTUAL SERVICES		728.00	
001.0005.70.5485	LEGAL NOTICES & ADVERTISING		101.80	
001.0005.80.5705	OFFICE EQUIPMENT		259.90	
001.0010.50.5040	EMPLOYEE INSURANCE BENEFITS		1,247.23	
001.0010.60.5210	UTILITIES - TELEPHONE		124.68	
001.0010.70.5450	CONTRACTUAL SERVICES		459.00	
001.0015.50.5040	EMPLOYEE INSURANCE BENEFITS		6,276.43	
001.0015.60.5210	UTILITIES - TELEPHONE		87.82	
001.0015.65.5305	OPERATING/CLEANING SUPPLIES		85.00	
001.0015.65.5310	CLOTHING-UNIFORMS/SUPPLIES		728.38	
001.0015.65.5350	VEHICLES & EQUIPMENT		241.59	

Client: **001-03389100 - City of Sandwich, Illinois**
 Engagement: **AUD - City of Sandwich, Illinois**
 Period Ending: **4/30/2016**
 Trial Balance: **0900 - TB- NFP**
 Workpaper: **0920.10 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
001.0015.65.5360	STREETS		698.00	
001.0015.70.5450	CONTRACTUAL SERVICES		348.03	
001.0015.70.5560	STREETS		192.30	
001.0020.50.5040	EMPLOYEE INSURANCE BENEFITS		24,484.97	
001.0020.55.5100	TRAINING/TRAVEL/MEETING EXP		41.59	
001.0020.60.5210	UTILITIES - TELEPHONE		841.38	
001.0020.60.5215	UTILITIES - CABLE/INTERNET		112.35	
001.0020.65.5300	OFFICE SUPPLIES		329.71	
001.0020.65.5305	OPERATING/CLEANING SUPPLIES		108.97	
001.0020.65.5310	CLOTHING-UNIFORMS/SUPPLIES		93.00	
001.0020.65.5320	PRINTING EXPENSE		241.70	
001.0020.65.5335	SUPPLIES - OFFICER		41.98	
001.0020.70.5450	CONTRACTUAL SERVICES		807.09	
001.0020.70.5550	VEHICLES & EQUIPMENT		25.00	
001.0020.70.5575	BUILDING MAINTENANCE		17.35	
001.0020.75.5695	MISC EXPENSE		644.43	
001.0020.80.5720	POLICE EQUIPMENT		905.00	
001.0025.60.5210	UTILITIES - TELEPHONE		185.20	
001.0025.60.5215	UTILITIES - CABLE/INTERNET		76.95	
010.0107.90.6800	CAPITAL IMPROVEMENTS		1,182.68	
104.0000.50.5042	EMP INS BENEFITS-OTHER DEPTS		72.00	
300.0000.50.5040	EMPLOYEE INSURANCE BENEFITS		757.98	
300.0000.50.5042	EMP INS BENEFITS-OTHER DEPTS		2,221.09	
300.0000.55.5100	TRAINING/TRAVEL/MEETING EXP		126.54	
300.0000.60.5210	UTILITIES - TELEPHONE		534.87	
300.0000.65.5315	POSTAGE		36.65	
300.0000.65.5320	PRINTING EXPENSE		98.00	
300.0000.65.5340	SAFETY EQUIPMENT		12.43	
300.0000.65.5355	CHEMICALS- SW & WA TREATMENT		34.92	
300.0000.65.5380	SEWER		106.41	
300.0000.70.5450	CONTRACTUAL SERVICES		188.49	
300.0000.70.5555	TESTING INCLUDING POSTAGE		180.00	
300.0000.85.5830	EQUIPMENT		630.00	
400.0000.50.5040	EMPLOYEE INSURANCE BENEFITS		2,326.19	
400.0000.50.5042	EMP INS BENEFITS-OTHER DEPTS		1,492.16	
400.0000.55.5100	TRAINING/TRAVEL/MEETING EXP		18.79	
400.0000.60.5210	UTILITIES - TELEPHONE		79.42	
400.0000.65.5320	PRINTING EXPENSE		42.00	
400.0000.65.5355	CHEMICALS- SW & WA TREATMENT		204.50	
400.0000.65.5390	MATERIAL - WATERLINE REPAIR		145.00	
001.0000.00.2995	FUND BALANCE			52,137.37
010.0000.00.2995	FUND BALANCE			1,182.68
104.0000.00.2995	FUND BALANCE			72.00
300.0000.00.2995	FUND BALANCE			4,927.38
400.0000.00.2995	FUND BALANCE			4,308.06
Total			62,627.49	62,627.49
Adjusting Journal Entries JE # 13		2230.00		
To record capital lease obligation				
500.0000.00.2860	Capital lease obligation		29,894.97	
500.0000.00.2861	Capital lease obligation, current			1,678.86
500.0000.00.6001	Debt service - principal payments			28,216.11
Total			29,894.97	29,894.97

Client: 001-03389100 - City of Sandwich, Illinois
 Engagement: AUD - City of Sandwich, Illinois
 Period Ending: 4/30/2016
 Trial Balance: 0900 - TB- NFP
 Workpaper: 0920.10 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 17		TB		
To adjust for bond premium so that net assets roll properly				
300.0000.00.2995	FUND BALANCE		72,581.92	
300.0000.95.6920	BOND PREMIUM			72,581.92
Total			72,581.92	72,581.92
Adjusting Journal Entries JE # 18		1707.00		
To record governmental activities disposals				
500.0000.00.2150	ACCUM DEPR - EQUIPMENT		36,612.13	
500.0000.00.2200	ACCUM DEPR - VEHICLES		14,892.00	
500.0000.00.4922	GAIN/LOSS DIS CAP A ST & HI		59,368.67	
500.0000.00.4923	Gain/ Loss Dis Cap Asset- Public Safety		199,471.41	
500.0000.00.1090	CONSTRUCTION IN PROGRESS			199,471.41
500.0000.00.1150	EQUIPMENT			95,980.80
500.0000.00.1250	VEHICLES & MOTORIZED EQUIP			14,892.00
Total			310,344.21	310,344.21
Adjusting Journal Entries JE # 19		6000.10		
To adjust transfers in/out				
001.0005.97.7000	IFT TRANSFER OUT		28,736.00	
110.0000.90.6860	STREET IMPROVEMENTS		216,065.71	
350.0000.97.7000	IFT TRANSFER OUT		105,090.00	
450.0000.97.7000	IFT TRANSFER OUT		155,701.00	
001.0000.10.4210	STATE GRANTS			28,736.00
110.0000.97.7000	IFT TRANSFER OUT			216,065.71
350.0000.90.6850	IMPROVEMENTS			105,090.00
450.0000.90.6865	WATER MAIN REPLACEMENT			155,701.00
Total			505,592.71	505,592.71
Adjusting Journal Entries JE # 20				
To reclass extra liability property tax revenue as a transfer in				
001.0040.97.7000	IFT TRANSFER OUT		13,000.00	
103.0000.35.4858	IFT-CO TAX TORT LIABILITY		13,000.00	
001.0005.97.7035	IFT FUND 103 TORT-LIAB			13,000.00
103.0000.35.4850	IFT FROM OTHER FUNDS			13,000.00
Total			26,000.00	26,000.00
Adjusting Journal Entries JE # 21		1705.00		
To transfer capital assets between water & sewer				
300.0000.00.2200	ACCUM DEPR - VEHICLES		13,628.00	
300.0000.00.2500	ACCUM DEPR - TREATMENT FACIL		916,326.21	
300.0000.97.7000	IFT TRANSFER OUT		453,181.60	
400.0000.00.1000	Land		1,893.00	
400.0000.00.1200	Vehicles & Motorized Equip		13,628.00	
400.0000.00.1500	Treatment Facilities		1,367,614.81	
300.0000.00.1000	LAND			1,893.00
300.0000.00.1200	VEHICLES & MOTORIZED EQUIP			13,628.00
300.0000.00.1500	TREATMENT FACILITIES			1,367,614.81
400.0000.00.2200	Accum Depr- Vehicles			13,628.00
400.0000.00.2500	Accum Depr- Treatment Facility			916,326.21
400.0000.35.4850	IFT FROM OTHER FUNDS			453,181.60

Client: 001-03389100 - City of Sandwich, Illinois
Engagement: AUD - City of Sandwich, Illinois
Period Ending: 4/30/2016
Trial Balance: 0900 - TB- NFP
Workpaper: 0920.10 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Total			<u>2,766,271.62</u>	<u>2,766,271.62</u>