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CERTIFIED PUBLIC ACCOUNTANTS

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Honorable Mayor and City Officials
City of Neoga
Neoga, 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 the City of Neoga, Illinois as of and for the year ended April 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Neoga, Illinois' 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 of Neoga, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Neoga, Illinois' 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 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 consider the following deficiency in internal control to be a material weakness:

2017-001 Financial Statement Preparation:

The City is required to maintain a system of controls over the preparation of financial statements, including the related notes, in accordance with accounting principles generally accepted in the United States of America, which should include adequately trained personnel with the knowledge and expertise to prepare and or thoroughly review the financial statements to ensure they are free of material misstatements and include all required disclosures. Although management reviews the financial statements prior to their issuance, management does not possess adequate expertise and the potential exists that a material misstatement of the financial statements or disclosure omissions could occur and not be prevented or detected by the City's internal control. Management has chosen to accept that degree of risk because of cost and other considerations for an entity of their size and structure.

A significant deficiency is a deficiency, or 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 deficiency in internal control to be a significant deficiency:

2017-002 Organizational Structure:

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the governmental unit was large enough to provide optimum segregation of duties. This situation dictates that the Mayor and Council remain involved in the financial affairs of the City to provide oversight and independent review functions.

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

Gilbert, Metzger & Madigan, LLP

December 18, 2017