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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, 2021, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, 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.

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

- **TIF District #1 Surplus** – TIF District #1 continues to generate a surplus balance even after considering amounts designated for project costs. According to the state statutes and TIF reporting instructions, if a surplus is calculated, the municipality may be required to repay the amount to overlapping taxing districts. The City Council should consult with their attorney and determine the appropriate course of action.
- **Bank Statements and Reconciliations** – Due to the size of the City's accounting and administrative staff and lack of optimum segregation of duties, the monthly bank statements and reconciliations should be reviewed by an independent third party, such as the Finance Commissioner or Mayor.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

October 29, 2021