



CITY OF WASHINGTON, ILLINOIS
City Council Agenda Communication

Meeting Date: December 6, 2021

Prepared By: Joanie Baxter, CPA – Finance Director *QJB*

Agenda Item: Accept and Place on File: Audited Financial Statements, Year Ending April 30, 2021

Explanation: The annual financial statements will be presented by Tom Burroughs, Audit Manager of Phillips-Salmi & Associates and the report will need to be accepted, by motion. Included in the packet is the Audited Financial Statements, the Annual Federal Compliance Audit which represents the grant reporting as covered by the Single Audit, the Tax Increment Financing Financial Statements and the Governance Letter. A hard copy of the Audited Financial Statements will also be distributed at the meeting Monday evening. There were no Management Letter Comments included for FY2020-21.

Fiscal Impact: N/A

Recommendation/

Committee Discussion Summary: An audit exit interview is scheduled for Monday with City Treasurer Strubhar, Finance Director Baxter and Lori Salmi and Tom Burroughs of Phillips-Salmi to discuss any auditor comments and review upcoming GASB pronouncements.

Action Requested: City Council needs to accept the financial statements, by motion following the presentation. Following approval, there are several annual reports, including TIF and Police Pension that are still awaiting filing of the audit to be complete and the Comprehensive Year-End Financial Report for GATA must also be finalized which is due January 2022.



PHILLIPS, SALMI + ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

December 3, 2021

To the City Council
City of Washington

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 Washington, Illinois as of and for the year ended April 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our original letter to you dated February 3, 2021, and our updated letter to you on November 17, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

No new accounting policies were adopted and the application of existing policies was not changed for the year ended April 30, 2021.

We noted no transactions entered into by the governmental unit 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 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. The most sensitive estimates affecting the financial statements were management's estimates of the net pension liability, total OPEB liability, useful lives of capital assets and collectability of receivables. The net pension liability is estimated by an actuary based on projected investment returns, plan contributions and plan distributions. The total OPEB liability is estimated by an actuary based on projected future premiums paid to eligible retirees. The useful lives are based on the expected future years of service. The collectability of receivables is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the disclosure of retirement plans and other post employment benefits in Note 5 to the financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was an uncorrected misstatements noted for \$6,438 for interest that was improperly allocated. In addition, all adjustments posted as a part of the audit were requested by management, there were no adjustments found as a direct result of the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated .

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 governmental unit's financial statements or a determination of the type of auditor's 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.

Other Audit Findings or Issues

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

Supplementary Information

With respect to the supplementary information accompanying the financial statements, 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, 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.

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

Very truly yours,

Phillips, Salmi & Associates, LLC

Phillips, Salmi + Associates, LLC