

City of Newton  
Newton, Illinois

Financial Statements  
and Supplementary Information

For the Year Ended April 30, 2015

City of Newton  
Newton, Illinois  
Year Ended April 30, 2015

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Newton, Illinois  
Year Ended April 30, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Newton  
Newton, Illinois

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Newton, Illinois, as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, Illinois, as of April 30, 2015, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Newton, Illinois' basic financial statements. The Supplementary Information and Other Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

### *Supplementary Information*

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Information*

The budgetary comparison information on pages 32 – 34, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2015, on our consideration of the City of Newton, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Newton, Illinois' internal control over financial reporting and compliance.

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP  
Certified Public Accountants and Consultants

September 14, 2015

**CITY OF NEWTON, ILLINOIS**  
**Statement of Net Position - Modified Cash Basis**  
**April 30, 2015**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,814,707	\$ 4,250,293	\$ 6,065,000
Notes receivable	81,196	-	81,196
Miscellaneous receivable	5,481	-	5,481
Inventory	115,761	-	115,761
Internal balances	(232,008)	232,008	-
Restricted cash and cash equivalents	234,559	303,471	538,030
Capital assets, net of accumulated depreciation	5,730,396	11,036,466	16,766,862
Total assets	<u>\$ 7,750,092</u>	<u>\$ 15,822,238</u>	<u>\$ 23,572,330</u>
<b>LIABILITIES AND NET POSITION:</b>			
Liabilities:			
Sales tax payable	\$ 12	\$ -	\$ 12
Customer deposits	-	303,471	303,471
Due within one year:			
Notes payable	-	75,457	75,457
Bonds payable	90,000	-	90,000
Due in more than one year:			
Notes payable	-	1,693,077	1,693,077
Bonds payable	1,435,000	-	1,435,000
Total liabilities	<u>1,525,012</u>	<u>2,072,005</u>	<u>3,597,017</u>
Net Position:			
Invested in capital assets, net of related debt	4,205,396	9,267,932	13,473,328
Restricted for:			
Community development	315,756	-	315,756
DUI and drug equipment	23,877	-	23,877
Other purposes	782,207	-	782,207
Unrestricted	897,844	4,482,301	5,380,145
Total net position	<u>6,225,080</u>	<u>13,750,233</u>	<u>19,975,313</u>
Total liabilities and net position	<u>\$ 7,750,092</u>	<u>\$ 15,822,238</u>	<u>\$ 23,572,330</u>

**CITY OF NEWTON, ILLINOIS**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended April 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 285,488	\$ 103,835	\$ 3,671	\$ 394	\$ (177,588)	\$ -	\$ (177,588)
Public safety	893,581	-	-	-	(893,581)	-	(893,581)
Transportation and public works	471,368	-	95,103	-	(376,265)	-	(376,265)
Social services	34,968	3,425	-	-	(31,543)	-	(31,543)
Community development	207,719	-	-	-	(207,719)	-	(207,719)
Culture and recreation	446,308	70,658	-	75,264	(300,386)	-	(300,386)
Interest on long-term debt	73,229	-	-	-	(73,229)	-	(73,229)
Total governmental activities	<u>2,412,661</u>	<u>177,918</u>	<u>98,774</u>	<u>75,658</u>	<u>(2,060,311)</u>	<u>-</u>	<u>(2,060,311)</u>
Business-type activities:							
Electric	2,528,308	2,944,008	-	-	-	415,700	415,700
Water	547,099	640,424	-	-	-	93,325	93,325
Waste water treatment	640,873	581,554	-	-	-	(59,319)	(59,319)
Total business-type activities	<u>3,716,280</u>	<u>4,165,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>449,706</u>	<u>449,706</u>
Total primary government	<u>\$ 6,128,941</u>	<u>\$ 4,343,904</u>	<u>\$ 98,774</u>	<u>\$ 75,658</u>	<u>(2,060,311)</u>	<u>449,706</u>	<u>(1,610,605)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					734,154	-	734,154
Intergovernmental revenue:							
Sales tax					760,370	-	760,370
Income tax					276,653	-	276,653
Replacement tax					44,712	-	44,712
Township road and bridge					52,358	-	52,358
Pull tab and gaming					22,977	-	22,977
Interest and investment earnings					13,083	34,307	47,390
Miscellaneous					32,759	28,298	61,057
Transfers					249,097	(249,097)	-
Total general revenues and transfers					<u>2,186,163</u>	<u>(186,492)</u>	<u>1,999,671</u>
Change in net position					125,852	263,214	389,066
Net position - beginning					6,099,228	13,487,019	19,586,247
Net position - ending					<u>\$ 6,225,080</u>	<u>\$ 13,750,233</u>	<u>\$ 19,975,313</u>



**CITY OF NEWTON, ILLINOIS**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**April 30, 2015**

	<b>General</b>	<b>Insurance</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 678,923	\$ 266,363	\$ 678,319	\$ 1,623,605
Notes receivable	81,196	-	-	81,196
Due from other funds	-	-	13,289	13,289
Miscellaneous receivable	2,748	-	-	2,748
Inventory	-	-	115,761	115,761
Total current assets	762,867	266,363.0	807,369	1,836,599
Noncurrent assets:				
Restricted cash and cash equivalents	234,559	-	-	234,559
Total assets	\$ 997,426	\$ 266,363	\$ 807,369	\$ 2,071,158
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Sales tax payable	\$ 12	\$ -	\$ -	\$ 12
Due to other funds	-	-	150,289	150,289
Total liabilities	12	-	150,289	150,301
Fund balances:				
Nonspendable	-	-	115,761	115,761
Restricted:				
Community development	315,756	-	-	315,756
DUI and drug equipment	23,877	-	-	23,877
Other purposes	-	266,363	515,844	782,207
Committed	-	-	71,137	71,137
Assigned	194,241	-	-	194,241
Unassigned	463,540	-	(45,662)	417,878
Total fund balances	997,414	266,363	657,080	1,920,857
Total liabilities and fund balances	\$ 997,426	\$ 266,363	\$ 807,369	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 5,730,396

Internal service funds are used by management to charge health insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. 98,827

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (1,525,000)

Net position of governmental activities \$ 6,225,080

**CITY OF NEWTON, ILLINOIS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ended April 30, 2015**

	<u>General</u>	<u>Insurance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 78,380	\$ 361,869	\$ 293,905	\$ 734,154
Intergovernmental:				
Sales tax	760,370	-	-	760,370
Income tax	276,653	-	-	276,653
Replacement tax	44,712	-	-	44,712
Township road and bridge	52,358	-	-	52,358
Pull tab and gaming	22,977	-	-	22,977
Licenses and permits	21,677	-	-	21,677
Fees and fines	74,168	-	-	74,168
Charges for services	74,621	-	-	74,621
Revenue from the use of property and equipment	-	-	7,452	7,452
Interest and investment earnings	7,440	829	3,916	12,185
Operating grants and contributions	3,671	-	95,103	98,774
Capital grants and contributions	394	-	75,264	75,658
Miscellaneous	29,065	562	3,132	32,759
Total revenues	<u>1,446,486</u>	<u>363,260</u>	<u>478,772</u>	<u>2,288,518</u>
<b>EXPENDITURES</b>				
Current:				
General government	206,207	22,194	21,270	249,671
Public safety	688,362	66,194	100,974	855,530
Transportation and public works	181,608	38,146	144,804	364,558
Social services	34,430	-	-	34,430
Community development	-	-	171,116	171,116
Culture and recreation	243,285	20,995	27,818	292,098
Debt service:		-		
Principal	85,000	-	-	85,000
Interest	73,229	-	-	73,229
Capital outlay	14,931	-	410,204	425,135
Total expenditures	<u>1,527,052</u>	<u>147,529</u>	<u>876,186</u>	<u>2,550,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(80,566)</u>	<u>215,731</u>	<u>(397,414)</u>	<u>(262,249)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating transfers in	163,208	-	85,889	249,097
Total other financing sources	<u>163,208</u>	<u>-</u>	<u>85,889</u>	<u>249,097</u>
Net change in fund balance	82,642	215,731	(311,525)	(13,152)
Fund balances - beginning	<u>914,772</u>	<u>50,632</u>	<u>968,605</u>	<u>1,934,009</u>
Fund balances - ending	<u>\$ 997,414</u>	<u>\$ 266,363</u>	<u>\$ 657,080</u>	<u>\$ 1,920,857</u>

**CITY OF NEWTON, ILLINOIS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities - Modified Cash Basis**  
**For the Year Ended April 30, 2015**

Net change in fund balances - total governmental funds \$ (13,152)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

	Capital Outlay	425,135	
	Depreciation	<u>(342,262)</u>	82,873

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This is the amount by which repayments exceeded proceeds.

	Repayment	85,000	
	Proceeds	<u>-</u>	85,000

Internal service funds are used by management to charge health insurance to individual funds. The change in net position of certain activities of internal service funds is reported with governmental activities.

(28,869)

Change in net position of governmental activities

\$ 125,852

**CITY OF NEWTON, ILLINOIS**  
**Statement of Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**April 30, 2015**

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water		
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 3,860,554	\$ 172,006	\$ 217,733	\$ 4,250,293	\$ 191,102
Due from other funds	371,464	-	-	371,464	-
Miscellaneous receivable	-	-	-	-	2,733
Total current assets	<u>4,232,018</u>	<u>172,006</u>	<u>217,733</u>	<u>4,621,757</u>	<u>193,835</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,553,079	3,792,171	4,691,216	11,036,466	-
Restricted assets:					
Cash and cash equivalents	<u>303,471</u>	-	-	<u>303,471</u>	-
Total noncurrent assets	<u>2,856,550</u>	<u>3,792,171</u>	<u>4,691,216</u>	<u>11,339,937</u>	-
Total assets	<u>\$ 7,088,568</u>	<u>\$ 3,964,177</u>	<u>\$ 4,908,949</u>	<u>\$ 15,961,694</u>	<u>\$ 193,835</u>
<b>LIABILITIES AND NET POSITION</b>					
Liabilities:					
Current liabilities:					
Customer deposits	\$ 303,471	\$ -	\$ -	\$ 303,471	\$ -
Due to other funds	-	115,947	118,517	234,464	-
Current portion of notes payable	-	-	75,457	75,457	-
Total current liabilities	<u>303,471</u>	<u>115,947</u>	<u>193,974</u>	<u>613,392</u>	-
Noncurrent liabilities:					
Notes payable	-	-	1,693,077	1,693,077	-
Total long-term liabilities	-	-	<u>1,693,077</u>	<u>1,693,077</u>	-
Total liabilities	<u>303,471</u>	<u>115,947</u>	<u>1,887,051</u>	<u>2,306,469</u>	-
Net Position					
Invested in capital assets, net of related debt	2,553,079	3,792,171	2,922,682	9,267,932	-
Unrestricted	<u>4,232,018</u>	<u>56,059</u>	<u>99,216</u>	<u>4,387,293</u>	<u>193,835</u>
Total net position	<u>6,785,097</u>	<u>3,848,230</u>	<u>3,021,898</u>	<u>13,655,225</u>	<u>193,835</u>
Total liabilities and net position	<u>\$ 7,088,568</u>	<u>\$ 3,964,177</u>	<u>\$ 4,908,949</u>		<u>\$ 193,835</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				95,008	
Total net position of business-type activities				<u>\$ 13,750,233</u>	

**CITY OF NEWTON, ILLINOIS**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position -**  
**Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended April 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Waste Water</b>		
<b>Operating revenues:</b>					
Charges for services	\$ 2,944,008	\$ 640,424	\$ 581,554	\$ 4,165,986	\$ 199,357
Reinsurance reimbursements	-	-	-	-	70,083
Miscellaneous	5,141	11,664	11,493	28,298	-
Total operating revenues	<u>2,949,149</u>	<u>652,088</u>	<u>593,047</u>	<u>4,194,284</u>	<u>269,440</u>
<b>Operating expenses:</b>					
Personal services	360,158	169,642	231,144	760,944	-
Support services	7,457	5,447	4,813	17,717	-
Contractual services	1,791,625	22,708	14,821	1,829,154	39,773
Utilities	5,141	25,282	47,426	77,849	-
Repairs and maintenance	67,816	112,540	48,439	228,795	-
Other supplies and materials	119,874	48,440	13,070	181,384	-
Insurance	63,784	43,508	54,427	161,719	285,229
Depreciation	96,966	111,840	166,806	375,612	-
Miscellaneous	3,582	1,210	1,672	6,464	-
Total operating expenses	<u>2,516,403</u>	<u>540,617</u>	<u>582,618</u>	<u>3,639,638</u>	<u>325,002</u>
Operating income (loss)	<u>432,746</u>	<u>111,471</u>	<u>10,429</u>	<u>554,646</u>	<u>(55,562)</u>
<b>Nonoperating revenues:</b>					
Interest and investment revenue	30,818	1,705	1,784	34,307	898
Total non-operating revenues	<u>30,818</u>	<u>1,705</u>	<u>1,784</u>	<u>34,307</u>	<u>898</u>
<b>Nonoperating expenses:</b>					
Interest expense	-	(529)	(50,318)	(50,847)	-
Total non-operating expenses	<u>-</u>	<u>(529)</u>	<u>(50,318)</u>	<u>(50,847)</u>	<u>-</u>
Income (loss) before contributions and transfers	463,564	112,647	(38,105)	538,106	(54,664)
Transfers out	(200,407)	(25,506)	(23,184)	(249,097)	-
Change in net position	<u>263,157</u>	<u>87,141</u>	<u>(61,289)</u>	<u>289,009</u>	<u>(54,664)</u>
Total net position - beginning	6,521,940	3,761,089	3,083,187		248,499
Total net position - ending	<u>\$ 6,785,097</u>	<u>\$ 3,848,230</u>	<u>\$ 3,021,898</u>		<u>\$ 193,835</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(25,795)	
Change in net position of business-type activities				<u>\$ 263,214</u>	

**CITY OF NEWTON, ILLINOIS**  
**Statement of Cash Flows - Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended April 30, 2015**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Waste Water</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 2,948,691	\$ 640,424	\$ 581,554	\$ 4,170,669	\$ -
Receipts from interfund services provided	-	-	-	-	199,357
Payments to suppliers	(2,059,279)	(259,135)	(184,668)	(2,503,082)	(39,773)
Payments to employees	(328,453)	(153,792)	(210,009)	(692,254)	-
Payments for interfund services used	(31,705)	(15,850)	(21,135)	(68,690)	-
Payments for claims	-	-	-	-	(285,229)
Other receipts	5,141	11,664	11,493	28,298	80,106
Net cash provided by operating activities	<u>534,395</u>	<u>223,311</u>	<u>177,235</u>	<u>934,941</u>	<u>(45,539)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(200,407)	(25,506)	(23,184)	(249,097)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(745,689)	(214,370)	(163,257)	(1,123,316)	-
Receipts (payments) for interfund loans	(16,195)	(92,322)	118,517	10,000	-
Principal paid on notes	-	-	(85,543)	(85,543)	-
Interest paid on debt	-	(529)	(50,318)	(50,847)	-
Net cash used by capital and related financing activities	<u>(761,884)</u>	<u>(307,221)</u>	<u>(180,601)</u>	<u>(1,249,706)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	30,818	1,705	1,784	34,307	898
Net cash provided by investing activities	<u>30,818</u>	<u>1,705</u>	<u>1,784</u>	<u>34,307</u>	<u>898</u>
Net increase (decrease) in cash and cash equivalents	(397,078)	(107,711)	(24,766)	(529,555)	(44,641)
Cash and cash equivalents - beginning of year	4,561,103	279,717	242,499	5,083,319	235,743
Cash and cash equivalents - end of year	<u>\$ 4,164,025</u>	<u>\$ 172,006</u>	<u>\$ 217,733</u>	<u>\$ 4,553,764</u>	<u>\$ 191,102</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 432,746	\$ 111,471	\$ 10,429	\$ 554,646	\$ (55,562)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	96,966	111,840	166,806	375,612	-
Change in assets:					
Miscellaneous receivable	-	-	-	-	10,023
Change in liabilities:					
Customer deposits	4,683	-	-	4,683	-
Deferred revenue	-	-	-	-	-
Net cash provided (used) by operating activities	<u>\$ 534,395</u>	<u>\$ 223,311</u>	<u>\$ 177,235</u>	<u>\$ 934,941</u>	<u>\$ (45,539)</u>
<b>Reconciliation of cash on statement of net position to cash balance at year end:</b>					
Cash and cash equivalents	\$ 3,860,554	\$ 172,006	\$ 217,733	\$ 4,250,293	\$ 191,102
Restricted cash and cash equivalents	303,471	-	-	303,471	-
Cash and cash equivalents - end of year	<u>\$ 4,164,025</u>	<u>\$ 172,006</u>	<u>\$ 217,733</u>	<u>\$ 4,553,764</u>	<u>\$ 191,102</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015

Note 1: Summary of Significant Accounting Policies

The City of Newton, Illinois (the “City”) operates under the Illinois Municipal Code, Chapter 65 of the Illinois Compiled Statutes. It provides for the following services as authorized by statute: public safety and health, maintenance of highways and streets, recreation, zoning and planning, sanitation services, and general administration.

The accounting policies and presentation of the basic financial statements of the City have been prepared in conformity with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

A. Financial Reporting Entity

In conformance with the modified cash basis of accounting, the City is considered the primary governmental unit, and includes all funds, elected offices, and departments of the City.

Financial accountability is defined as the appointment of a voting majority of the component unit’s board, and either (1) the City’s ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit or impose a financial burden on the City. After applying the concept of financial accountability, scope of public service, or special financing relationship criteria, no organizations have been determined to be part of the reporting entity.

**Basis of Presentation**

The City’s basic financial statements consist of government-wide statements including the statement of net position and statement of activities and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The government-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The statement of net position and statement of activities display information about the City as a whole. These statements include financial activities of the primary government; fiduciary activities have been excluded. The effect of interfund activity has been removed from these statements. The government-wide statement of activities reflects both expenses and net cost of each function of the City’s governmental activities. Program revenues include charges paid by a recipient for the goods or services offered by the program, grants and contributions that are restricted to meet operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, such as property taxes, are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each function is self-financing or draws from the general revenues of the City.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Fund Financial Statements

The financial transactions of the City are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that is comprised of its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate. Fund financial statements are provided for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental and enterprise funds; therefore each is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and presented as nonmajor funds.

Funds are classified into the following categories: governmental and proprietary.

Governmental funds are used to account for all or most of a City's general activities, including the collection and disbursement of earmarked monies (special revenue funds).

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds*, the City has chosen to apply all GASB pronouncements as well as those pronouncements of the Financial Accounting Standards Board (FASB) issued on or after November 30, 1989, to account for its proprietary funds, unless those pronouncements conflict with or contradict GASB pronouncements.

**Measurement Focus**

The government-wide statements report using the economic resources measurement focus. Proprietary fund financial statements also report using this same focus. Governmental fund financial statements report using the current financial resources measurement focus. Since the governmental fund financial statements are presented on a different measurement focus than the government-wide statements' (due mainly to inclusion of capital assets and long-term debt activity in the government-wide presentation) a reconciliation is presented, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

**Basis of Accounting**

Basis of accounting refers to when revenues received and expenditures disbursed are recognized in the accounts and how they are reported on the financial statements. The City maintains its accounting records for all funds on the modified cash basis of accounting. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenditures are recognized and recorded upon the disbursement of cash. Assets of a fund are only recorded when a right to receive cash exists which arises from a previous cash transaction. Liabilities of a fund, similarly, result from previous cash transactions.



City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

Modified cash basis financial statements omit recognition of receivables and payables and other accrued and deferred items that do not arise from previous cash transactions.

In the governmental fund statements, proceeds from long-term debt borrowings are included as other financing sources in the appropriate fund on the date received.

Operating revenue reported in proprietary fund financial statements includes revenue and expenses related to the primary, continuing operations of the fund. Principal operating revenue for proprietary funds is charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

B. Fund Types and Major Funds

The City reports the following major governmental funds:

The General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Insurance fund is used to account for revenues and expenditures associated with providing liability and risk management functions to the City.

The City reports the following major proprietary funds:

The Electric fund is used to account for revenues and expenses associated with providing electric services to the City.

The Water fund is used to account for revenues and expenses associated with providing water services to the City.

The Waste Water Treatment fund is used to account for revenues and expenses associated with providing sewage services to the City.

The Health Insurance fund is used to account for the activities of the City's self-insured health plan for its employees.

C. Cash and Investments

The City maintains cash balances to meet current operating requirements. Cash in excess of current requirements is invested in interest bearing deposit accounts and included in the financial statements as cash and cash equivalents.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all passbook savings and non-negotiable certificates of deposit to be cash equivalents.

E. Inventory

Inventory consists of developed lots in the 5 Aprils Crossing subdivision held for sale by the City, which are valued at cost.

F. Internal Balances

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, right of ways, and bridges), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as individual assets with an initial, individual cost of more than \$5,000 and an estimated useful life of 1 year or more. Such assets are recorded at historical costs if purchased or constructed. Donated capital assets are not recorded because they did not result from a cash transaction. The City writes off fully depreciated capital assets.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements	10-20
Equipment	2-20

H. Compensated Absences

The City of Newton maintains policies governing vacation, sick, comp time, and personal time covering qualified employees. Under the modified cash basis of accounting, the City does not record any accrued compensated absences. Those benefits utilized in the current year are recorded through payroll.

The City pays out either 50% or 100% of unused sick time upon termination of police employees. As of April 30, 2015, the City's liability for unused sick time is estimated to be \$54,218.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

I. Fund Equity

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Invested in capital assets, net of related debt is the net cost (book value) of the capital assets, less principal on any long-term debt outstanding that was issued to construct, purchase or otherwise acquire the capital asset.

According to Government Auditing Standards, fund balances are to be classified into five major classifications: Non-spendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance based on the nature and extent of the constraints placed on a government's fund balances. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned fund balance – amounts that do not meet the criteria to be classified as restricted or committed but are intended to be used for a specific purpose. Only the City Council may assign amounts for specific purposes.

Unassigned fund balance – all other spendable amounts.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

J. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in August and are payable in two installments between July and September of the subsequent year. Property taxes are billed by the County, which remits payment to the City. Payments are typically made during the period August through November.

The 2013 tax year levy, received during fiscal year 2015, was adopted by the City Council on December 17, 2013.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

K. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the City's office. Program specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program, namely donations received from third-parties or state grants received for program operations.

L. Use of Estimates

The preparation of the financial statements requires the City's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and/or amounts of reported revenues and expenditures during the reporting period. Actual results could differ from those estimates.

M. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

N. Restricted Cash

Enterprise Funds hold customer deposits that will have to be refunded to the customer in the future.

In addition, the General Fund maintains a restricted cash account for its revolving loan fund. These funds are restricted by a grant agreement to be used again for certain economic development loans.

At April 30, 2015, the City maintained restricted cash of \$538,030 as follows:

<u>Business-type Activities</u>	
For customer utility deposits	\$ <u>303,471</u>
<u>Governmental Activities</u>	
For community development	\$ <u>234,559</u>

O. Concentration of Credit Risk

All users of the City's electric, water and waste water system are located within the same geographic area within Jasper County, Illinois.

P. Date of Management's Review

The City has evaluated subsequent events through September 14, 2015, the date which the financial statements were available to be issued.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 2: Cash and Investments

The City's cash deposits consist of checking, savings accounts, and non-negotiable certificates of deposit. These deposits are stated at cost. The City is authorized by state statute to invest in obligations of the U.S. Treasury, agencies, instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of state and their political subdivisions, savings accounts, credit union shares, and Illinois Public Treasurer's Investment Pool or such other officially recognized Illinois funds.

Cash Deposits

At April 30, 2015, the carrying amount and the bank balance of the City's cash deposits were \$6,601,730 and \$6,751,916, respectively. Cash deposits do not include petty cash of \$850 recorded in the General Fund, \$125 recorded in the Electric Fund, \$125 recorded in the Water Fund, and \$200 recorded in the Waste Water Fund. The City has a written investment policy.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2015, \$6,247,931 of the City's total bank balance of deposits at financial institutions of \$6,751,916 was exposed to custodial credit risk as follows:

Collateral held by pledging bank's trust department not in the City's name	\$ <u>6,247,931</u>
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Note 3: Common Bank Account

Separate bank accounts are not maintained for all of the City's funds. Certain funds maintain a portion of their cash balances in a common money market account, with accounting records being maintained to show the portion of the common bank account balance attributable to each participating fund. Occasionally, certain funds participating in the common bank account may incur an overdraft (deficit) in the account. The overdraft results from expenditures which have been approved by the City.

Note 4: Notes Receivable

The City of Newton is under a contractual agreement with the Illinois Department of Commerce and Community Affairs to implement an economic development program that significantly impacts its economic base. The loans have been recorded in the General Fund as a receivable and a restricted fund balance. Proceeds have been loaned to the following parties:

Name	Terms	Amount
Newton Hotel Group, LLC	3.5% interest, \$989 payable monthly, due February 5, 2023	\$ <u>81,196</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 5: Changes in Capital Assets

The following is a summary of changes in capital assets:

**Governmental Activities:**

	Balance May 01, 2014	Additions	Deletions	Balance April 30, 2015
<u>Assets Not Depreciated</u>				
Land	\$ 499,638	\$ 23,640	\$ -	\$ 523,278
Construction in progress	123,353	389,508	-	512,861
<u>Assets Depreciated</u>				
Buildings and improvements	4,227,982	-	-	4,227,982
Equipment, furniture, fixtures	616,098	11,988	(9,763)	618,323
Infrastructure	2,145,262	-	-	2,145,262
Total Capital Assets	7,612,333	425,136	(9,763)	8,027,706
Less: Accumulated depreciation				
Buildings and improvements	(1,022,979)	(170,227)	-	(1,193,206)
Equipment, furniture, fixtures	(380,096)	(64,772)	9,763	(435,105)
Infrastructure	(561,736)	(107,263)	-	(668,999)
Total Accumulated Depreciation	(1,964,811)	(342,262)	9,763	(2,297,310)
Capital Assets, net	<u>\$ 5,647,522</u>	<u>\$ 82,874</u>	<u>\$ -</u>	<u>\$ 5,730,396</u>

**Business-type Activities:**

	Balance May 01, 2014	Additions	Deletions	Balance April 30, 2015
<u>Assets Not Depreciated</u>				
Land	\$ 123,572	\$ -	\$ -	\$ 123,572
Construction in progress	16,068	906,610	-	922,678
<u>Assets Depreciated</u>				
Plant and equipment	15,417,808	216,707	(3,782)	15,630,733
Total Capital Assets	15,557,448	1,123,317	(3,782)	16,676,983
Less: Accumulated depreciation				
Capital Assets, net	<u>\$ 10,288,761</u>	<u>\$ 747,705</u>	<u>\$ -</u>	<u>\$ 11,036,466</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 5: Changes in Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:		
General government	\$	31,848
Public safety		22,101
Transportation and public works		100,931
Social services		538
Culture and recreation		150,241
Community development		36,603
	\$	342,262
Business-Type Activities:		
Electric	\$	96,967
Water		111,840
Waste Water		166,805
	\$	375,612

Note 6: Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at April 30, 2015 were as follows:

Fund	Receivable	Payable
Electric Fund:		
Water Fund	\$ 115,947	\$ -
Waste Water Fund	118,517	-
Nonmajor Governmental Funds	137,000	-
Water Fund:		
Electric Fund	-	115,947
Waste Water Fund:		
Electric Fund	-	118,517
Nonmajor Governmental Funds:		
Electric Fund	-	137,000
Nonmajor Governmental Funds	13,289	13,289
	\$ 384,753	\$ 384,753

Interfund balances resulted from cash shortfalls in the TIF and ITEP funds. An interfund loan was made from the Electric Fund to the Water Fund to finance the city square water main project. An interfund loan was also made from the Electric Fund to the Waste Water Fund to finance waste water improvements. They are expected to be repaid as cash balances in those funds allow, but may not be repaid within the next year.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 7: Long-Term Debt

The following is a summary of the City's long-term debt transactions for the year ended April 30, 2015:

**Governmental Funds:**

	Payable at May 1, 2014	Additions	Reductions	Payable at April 30, 2015
Aquatic Facility GO Bonds - Series 2008	\$ 1,610,000	\$ -	\$ (85,000)	\$ 1,525,000

**Bond Obligations**

The City has outstanding General Obligation (Revenue Sharing Receipts Alternate Revenue Source) Series 2008 Bonds in the original amount of \$1,975,000. Pursuant to the Local Government Debt Reform Act, the bonds are general obligations of the City, for which its full faith and credit has been irrevocably pledged. The bonds are payable from ad valorem taxes levied upon all the taxable property in the City without limitation as to rate or amount, all except as limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws relating to the enforcement of creditors' rights and subject to the exercise of judicial discretion. For the year ended April 30, 2015, the levy for such taxes was abated. The City has abated the levy for such taxes in the current and all previous years.

The Series 2008 Bonds are dated May 15, 2008, with interest payable on May 1 and November 1 of each year. The bonds are issued in \$5,000 multiples. The following is a maturity schedule of the 2008 bonds:

Fiscal Year	<b>Series 2008</b>		
	Principal Amount	Interest Amount	Total Funds Required
2016	\$ 90,000	\$ 71,508	\$ 161,508
2017	95,000	67,862	162,862
2018	95,000	64,016	159,016
2019	100,000	59,882	159,882
2020	105,000	55,532	160,532
2021-2025	600,000	200,402	800,402
2026-2027	440,000	44,750	484,750
	\$ 1,525,000	\$ 563,952	\$ 2,088,952

Total interest related to the bonds incurred and expensed for the year ended April 30, 2015 was \$73,229.



City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 7: Long-Term Debt (Continued)

***Enterprise Funds:***

	Payable at May 1, 2014	Additions	Reductions	Payable at April 30, 2015
Peoples State Bank	\$ 1,832,975	\$ -	\$ (79,567)	\$ 1,753,408
Illinois EPA Note - Imperial Acres	21,110	-	(5,984)	15,126
	<u>\$ 1,854,085</u>	<u>\$ -</u>	<u>\$ (85,551)</u>	<u>\$ 1,768,534</u>

**Illinois Environmental Protection Agency Wastewater Loan**

The City obtained a loan from the Illinois Environmental Protection Agency in order to extend a waste water collection system to the Imperial Acres subdivision. The loan was issued on November 1, 1997 in the amount of \$98,721 and installments are due semi-annually on March 1 and September 1 of each year. The loan has an interest rate of 2.865% and matures on March 1, 2018.

Presented below is a summary of debt service requirements to maturity by years for the Illinois Environmental Protection Agency wastewater loan:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2016	\$ 6,156	\$ 390	\$ 6,546
2017	6,335	211	6,546
2018	2,635	38	2,673
	<u>\$ 15,126</u>	<u>\$ 639</u>	<u>\$ 15,765</u>

**Peoples State Bank Loan**

The City obtained a loan from Peoples State Bank in order to pay off the 2005 Sewerage System Revenue Bonds. The loan was issued October 17, 2012 in the amount of \$1,982,500. Monthly payments of \$12,750 were made through August 2014 with interest at 2.79%.

On August 19, 2014 the loan was refinanced in the amount of \$1,798,951. Monthly payments under the refinanced loan of \$9,789 are due beginning September 17, 2014. The loan has an interest rate of 2.79% and matures on October 17, 2022, at which time a balloon payment of \$1,192,400 is due.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 7: Long-Term Debt (Continued)

Presented below is a summary of debt service requirements to maturity by years for the Peoples State Bank loan:

Fiscal Year	Principal Amount	Interest Amount	Total Funds Required
2016	\$ 69,301	\$ 48,171	\$ 117,471
2017	71,389	46,082	117,471
2018	73,406	44,065	117,471
2019	75,481	41,991	117,471
2020	77,507	39,965	117,471
2021-2023	1,386,324	89,963	1,476,287
	<u>\$ 1,753,408</u>	<u>\$ 310,237</u>	<u>\$ 2,063,642</u>

Total interest related to the loans incurred and expensed for the year ended April 30, 2015 was \$50,318.

Note 8: Fund Equity

The City's nonspendable fund balance consisted of the following:

***Governmental Activities***

Purpose	Amount
Inventory of lots in 5 Aprils Crossing subdivision	\$ <u>115,761</u>

The City's cumulative revenue for the following restricted purposes exceeded expenditures disbursed resulting in the following restricted balances:

***Governmental Activities***

Purpose	Amount
General Fund:	
Community development	\$ 315,756
DUI and drug equipment	23,877
Social Security Fund	103,523
IMRF Fund	71,773
Emergency Management Fund	26,847
Motor Fuel Tax Fund	216,710
Insurance Fund	266,363
Workmen's Compensation Fund	96,991
	<u>\$ 1,121,840</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 8: Fund Equity (Continued)

The City's cumulative revenue for the following purposes exceeded expenditures disbursed resulting in the following committed balances:

***Governmental Activities***

Purpose	Amount
Capital Development Fund	\$ <u><u>71,137</u></u>

The City reported the following assigned balances:

***Governmental Activities***

Purpose	Amount
Allocated Funds for Aquatic Facility Debt Payments	\$ <u><u>194,241</u></u>

Note 9: Interfund Transfers

For the year ended April 30, 2015, the following interfund transfers were made:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund	\$ 163,208	\$ -
Capital Development Fund	85,889	-
Electric Fund	-	200,407
Water Fund	-	25,506
Waste Water Fund	-	23,184
	\$ 249,097	\$ 249,097

The transfers from the Electric Fund to the Capital Development Fund were made pursuant to an ordinance passed by the City Council establishing a capital development fund. The transfers from the Electric Fund, Water Fund, and Waste Water Fund to the General Fund were made pursuant to a resolution passed by the City Council.

Note 10: Defined Benefit Pension Plan

ILLINOIS MUNICIPAL RETIREMENT PLAN

A. Plan Description:

The City's defined benefit pension plan for Regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information (RSI). That report may be obtained online at [www.imrf.org](http://www.imrf.org).

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 10: Defined Benefit Pension Plan (Continued)

ILLINOIS MUNICIPAL RETIREMENT PLAN (Continued)

B. Funding Policy:

As set by statute, the City's Regular plan members are required to contribute 4.50% of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual contribution rate for calendar year 2014 was 13.63%. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

For calendar year ending December 31, 2014 was \$162,510. The covered payroll for calendar year 2014 (annual payroll of active employees covered by the plan) was \$1,192,300.

FICA

Employees not qualifying for coverage under the Illinois Municipal Retirement Fund (IMRF) are considered "non-participating employees". These employees and those qualifying for coverage under IMRF are covered under FICA. The City paid the total required contribution of \$60,785 for the current fiscal year.

Note 11: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other governments to form the Illinois Municipal Risk League, a public entity risk pool currently operating as a common risk management and insurance program for Illinois municipalities. The City pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Illinois Municipal Risk League provides that the pool will be self-sustaining through member premiums. There have been no significant changes from the prior year and settlements have not exceeded coverage in any of the prior three years.

Note 12: Commitments and Contingencies

*Self-Insured Health Plan*

The City has purchased a reinsurance policy as a result of having a self-insured health plan. Once the City has paid health costs in excess of \$15,000 on an employee per year, the City is reimbursed by the policy.

*Insurance Coverage*

The City's insurance coverage does not adequately cover all the property of the Electric Fund. The underinsured property consists of the electric poles and lines. As a result, the City has set aside money in a money market account and certificate of deposit that would be available if significant damage was incurred to the electric poles and lines.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2015  
(Continued)

Note 12: Commitments and Contingencies

*Commitments*

The City has the following commitments on unpaid contracts as of April 30, 2015:

Bridge and streetscape projects	\$ 92,662
City square water main replacement	196,929
Eagle Trails project	354,445
Electric expansion	334,545
Total	<u>\$ 978,581</u>

Note 13: Post-Employment Health Care Benefits

COBRA Benefits – Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium and, if applicable, a 2% administration fee, is paid in full by the insured each month. This program is offered for a duration of 18 months after termination date, and is subject to extension. There is no associated cost to the City under this program.

In addition to COBRA Benefits, in accordance with rules established through participation in the Illinois Municipal Retirement Fund, the City offers health insurance coverage to retirees. The cost for retirees to purchase coverage is the same premium equivalent cost as active employees. Accounting standards require numerous disclosures about postemployment benefits, including amounts that can only be determined through an actuarial study. The City has elected not to incur the cost of having an actuarial study completed and therefore the amounts that should be disclosed are not known.

Note 14: Subsequent Events

On May 13, 2015, the City received approval from the Department of Commerce and Economic Opportunity for an award not to exceed \$314,226 to rehabilitate six owner-occupied single family homes in target areas as identified in the award.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Newton  
Newton, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, Illinois, as of and for the year ended April 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Newton, Illinois' basic financial statements and have issued our report thereon dated September 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Newton, Illinois' internal control over financial reporting (internal control) to determine the 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 Newton, Illinois' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Newton, Illinois'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. However, as described in the accompanying schedule of findings and responses, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 deficiencies 2015-001 and 2015-002 described in the accompanying schedule of findings and responses to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Newton, Illinois' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Newton, Illinois' Response to Finding**

The City of Newton, Illinois' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Newton, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants

September 14, 2015

City of Newton, Illinois  
Schedule of Findings and Responses  
Year Ended April 30, 2015

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2015-001 Ability to Draft Financial Statement Footnotes

*Deficiency:* The City does not have an individual with the pre-requisite technical expertise to draft the notes to the financial statements in accordance with the modified cash basis of accounting.

*Criteria:* The City should have at least one staff member with the technical expertise to properly prepare the notes to the financial statements.

*Effect:* The City cannot prepare the notes to the financial statements in accordance with the modified cash basis of accounting.

*Recommendation:* The City should provide the necessary training to personnel or contract with an independent contractor with the technical expertise to prepare the notes to the financial statements.

*Management Response:* The City plans to continue to utilize an independent contractor for the preparation of the notes to the financial statements. The City will continue to review and approve the notes to the financial statements.

2015-002 Approval of Bills

*Deficiency:* The City's process of obtaining council approval on bills and accounts payable does not ensure that all bills paid are included on the approved listing. Bills paid outside of the normal cycle are not always included.

*Criteria:* The bills and accounts payable report provided to the council should include all bills paid since the last council meeting so that all bills are approved by the council.

*Effect:* The City is currently issuing payment for bills that are not subsequently being reviewed and/or approved by the council

*Recommendation:* Rather than preparing a report from a manual spreadsheet, the City should consider preparing a report from its accounting software. This would ensure that all checks issued during the applicable time period would be included.

*Management Response:* The City remediated this finding in October 2015, as it began preparing a report that included all checks issued during the applicable time period, which the council approved.



**CITY OF NEWTON, ILLINOIS**  
**Combining Balance Sheet - Modified Cash Basis**  
**Nonmajor Governmental Funds**  
**April 30, 2015**

	<b>Special Revenue Funds</b>							<b>Total Nonmajor Governmental Funds</b>	
	<b>Social Security</b>	<b>IMRF</b>	<b>Emergency Management</b>	<b>Motor Fuel Tax</b>	<b>Workmen's Compensation</b>	<b>Capital Development</b>	<b>ITEP Eagle Trail</b>		<b>TIF</b>
<b>ASSETS</b>									
Cash and investments	\$ 103,523	\$ 71,773	\$ 26,847	\$ 216,710	\$ 96,991	\$ 57,848	\$ -	\$ 104,627	\$ 678,319
Due from other funds	-	-	-	-	-	13,289	-	-	13,289
Inventory	-	-	-	-	-	-	-	115,761	115,761
Total assets	<u>\$ 103,523</u>	<u>\$ 71,773</u>	<u>\$ 26,847</u>	<u>\$ 216,710</u>	<u>\$ 96,991</u>	<u>\$ 71,137</u>	<u>\$ -</u>	<u>\$ 220,388</u>	<u>\$ 807,369</u>
<b>LIABILITIES &amp; FUND BALANCE</b>									
Liabilities:									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,289	137,000	\$ 150,289
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,289</u>	<u>137,000</u>	<u>150,289</u>
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	115,761	115,761
Restricted									
Other purposes	103,523	71,773	26,847	216,710	96,991	-	-	-	515,844
Committed	-	-	-	-	-	71,137	-	-	71,137
Unassigned	-	-	-	-	-	-	(13,289)	(32,373)	(45,662)
Total fund balances	<u>103,523</u>	<u>71,773</u>	<u>26,847</u>	<u>216,710</u>	<u>96,991</u>	<u>71,137</u>	<u>(13,289)</u>	<u>83,388</u>	<u>657,080</u>
Total liabilities and fund balances	<u>\$ 103,523</u>	<u>\$ 71,773</u>	<u>\$ 26,847</u>	<u>\$ 216,710</u>	<u>\$ 96,991</u>	<u>\$ 71,137</u>	<u>\$ -</u>	<u>\$ 220,388</u>	<u>\$ 807,369</u>

**CITY OF NEWTON, ILLINOIS**  
**Combining Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Nonmajor Governmental Funds**  
**For the Year Ended April 30, 2015**

	<b>Special Revenue Funds</b>							<b>Total Nonmajor Governmental Funds</b>	
	<b>Social Security</b>	<b>IMRF</b>	<b>Emergency Management</b>	<b>Motor Fuel Tax</b>	<b>Workmen's Compensation</b>	<b>Capital Development</b>	<b>ITEP Eagle Trail</b>		<b>TIF</b>
<b>REVENUES</b>									
Property taxes	\$ 24,881	\$ 26,873	\$ 2,987	\$ -	\$ 9,952	\$ -	\$ -	\$ 229,212	\$ 293,905
Revenue from the use of property and equipment	-	-	-	-	-	7,452	-	-	7,452
Interest and investment earnings	492	418	167	1,441	444	197	-	757	3,916
Operating grants and contributions	-	-	-	95,103	-	-	-	-	95,103
Capital grants and contributions	-	-	-	-	-	-	75,264	-	75,264
Miscellaneous	-	-	-	-	-	226	-	2,906	3,132
Total revenues	<u>25,373</u>	<u>27,291</u>	<u>3,154</u>	<u>96,544</u>	<u>10,396</u>	<u>7,875</u>	<u>75,264</u>	<u>232,875</u>	<u>478,772</u>
<b>EXPENDITURES</b>									
Current:									
General government	9,604	11,118	-	-	548	-	-	-	21,270
Public safety	30,981	53,064	6,778	-	10,151	-	-	-	100,974
Transportation and public works	8,853	15,881	-	108,783	11,287	-	-	-	144,804
Community development	-	-	-	-	-	47,764	-	123,352	171,116
Culture and recreation	11,347	11,596	-	-	4,875	-	-	-	27,818
Capital outlay	-	-	-	201,433	-	23,640	85,131	100,000	410,204
Total expenditures	<u>60,785</u>	<u>91,659</u>	<u>6,778</u>	<u>310,216</u>	<u>26,861</u>	<u>71,404</u>	<u>85,131</u>	<u>223,352</u>	<u>876,186</u>
Excess (deficiency) of revenues over (under) expenditures	(35,412)	(64,368)	(3,624)	(213,672)	(16,465)	(63,529)	(9,867)	9,523	(397,414)
<b>OTHER FINANCING SOURCES(USES)</b>									
Operating transfers in	-	-	-	-	-	85,889	-	-	85,889
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,889</u>	<u>-</u>	<u>-</u>	<u>85,889</u>
Net change in fund balances	(35,412)	(64,368)	(3,624)	(213,672)	(16,465)	22,360	(9,867)	9,523	(311,525)
Fund balances - beginning	<u>138,935</u>	<u>136,141</u>	<u>30,471</u>	<u>430,382</u>	<u>113,456</u>	<u>48,777</u>	<u>(3,422)</u>	<u>73,865</u>	<u>968,605</u>
Fund balances - ending	<u>\$ 103,523</u>	<u>\$ 71,773</u>	<u>\$ 26,847</u>	<u>\$ 216,710</u>	<u>\$ 96,991</u>	<u>\$ 71,137</u>	<u>\$ (13,289)</u>	<u>\$ 83,388</u>	<u>\$ 657,080</u>

**CITY OF NEWTON, ILLINOIS**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**General Fund**  
**For the Year Ended April 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u> <u>Basis</u>	<u>Final Budget</u> <u>Over (Under)</u>
<b>REVENUES</b>				
Property taxes	\$ 76,900	\$ 76,900	\$ 78,380	\$ 1,480
Intergovernmental:				
Sales tax	750,000	750,000	760,370	10,370
Income tax	290,000	290,000	276,653	(13,347)
Replacement tax	44,000	44,000	44,712	712
Township road and bridge	48,000	48,000	52,358	4,358
Pull tab and gaming	16,300	16,300	22,977	6,677
Licenses and permits	20,800	20,800	21,677	877
Fees and fines	62,975	62,975	74,168	11,193
Charges for services	65,600	65,600	74,621	9,021
Interest and investment earnings	3,461	3,461	7,440	3,979
Operating grants and contributions	100	100	3,671	3,571
Capital grants and contributions	-	-	394	394
Miscellaneous	2,392	2,392	29,065	26,673
Total revenues	<u>1,380,528</u>	<u>1,380,528</u>	<u>1,446,486</u>	<u>65,958</u>
<b>EXPENDITURES</b>				
Current:				
General government	198,878	198,878	206,207	7,329
Public safety	657,375	657,375	688,362	30,987
Transportation and public works	217,350	217,350	181,608	(35,742)
Social services	28,050	28,050	34,430	6,380
Culture and recreation	435,075	435,075	243,285	(191,790)
Debt service:				
Principal	-	-	85,000	85,000
Interest	-	-	73,229	73,229
Capital outlay	14,500	14,500	14,931	431
Total expenditures	<u>1,551,228</u>	<u>1,551,228</u>	<u>1,527,052</u>	<u>(24,176)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(170,700)</u>	<u>(170,700)</u>	<u>(80,566)</u>	<u>90,134</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating transfers in	170,700	170,700	163,208	(7,492)
Total other financing sources	<u>170,700</u>	<u>170,700</u>	<u>163,208</u>	<u>(7,492)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>82,642</u>	<u>\$ 82,642</u>
Fund balance - beginning			<u>914,772</u>	
Fund balance - ending			<u>\$ 997,414</u>	

**CITY OF NEWTON, ILLINOIS**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**Insurance Fund**  
**For the Year Ended April 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary</b>	<b>Final Budget</b>
			<b>Basis</b>	<b>Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 356,300	\$ 356,300	\$ 361,869	\$ 5,569
Interest and investment earnings	430	430	829	399
Miscellaneous	-	-	562	562
Total revenues	<u>356,730</u>	<u>356,730</u>	<u>363,260</u>	<u>6,530</u>
<b>EXPENDITURES</b>				
Current:				
General government	356,730	356,730	22,194	(334,536)
Public safety	-	-	66,194	66,194
Transportation and public works	-	-	38,146	38,146
Culture and recreation	-	-	20,995	20,995
Total expenditures	<u>356,730</u>	<u>356,730</u>	<u>147,529</u>	<u>(209,201)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	215,731	<u>\$ 215,731</u>
Fund balance - beginning			<u>50,632</u>	
Fund balance - ending			<u>\$ 266,363</u>	

City of Newton, Illinois  
Notes to Other Information  
April 30, 2015

Note 1: Budgets, Appropriation Ordinance, and Budgetary Accounting

The City adopts its budget in accordance with a basis of accounting utilized by that fund. Annual appropriated budgets are adopted for general, special revenue, and proprietary funds. All annual appropriations lapse at fiscal year end. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to adoption, the City prepares and submits to the City Council a proposed operating budget, for the fiscal year commencing May 1st. The operating budget includes both proposed expenditures and the expected revenue for the fiscal year.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments on the appropriations ordinance.
3. Prior to July 31, the appropriations ordinance is legally enacted through passage of an ordinance.
4. The Annual Appropriation Ordinance was adopted on July 15, 2014.
5. Numerous transfers were made between line items in the Appropriation Ordinance during fiscal year 2015.
6. Budget amounts reflected in the financial statements are the amounts as originally adopted on April 15, 2014 adjusted for the line item transfers.

Note 2: Individual Fund Disclosures

No funds had an excess of expenditures over appropriations for the year ended April 30, 2015.

As of April 30, 2015, the ITEP Eagle Trail fund had a fund deficit of (\$13,289).

Note 3: Encumbrances

Encumbrance accounting is not used by the City.