

City of Newton  
Newton, Illinois

Financial Statements  
and Supplementary Information

For the Year Ended April 30, 2017

City of Newton  
Newton, Illinois  
Year Ended April 30, 2017

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Newton, Illinois  
Year Ended April 30, 2017

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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, 2017, 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, 2017, 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 34 – 36, 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.

To the City Council  
City of Newton  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, 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 11, 2017

**CITY OF NEWTON, ILLINOIS**  
**Statement of Net Position - Modified Cash Basis**  
**April 30, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,905,883	\$ 3,466,555	\$ 5,372,438
Miscellaneous receivable	296	-	296
Restricted cash and cash equivalents	5,935	326,425	332,360
Notes receivable	62,529	-	62,529
Inventory	115,761	-	115,761
Internal balances	(215,861)	215,861	-
Capital assets, net of accumulated depreciation	5,700,408	12,420,836	18,121,244
Total assets	<u>\$ 7,574,951</u>	<u>\$ 16,429,677</u>	<u>\$ 24,004,628</u>
<b>DEFERED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	<u>\$ 91,015</u>	<u>\$ -</u>	<u>\$ 91,015</u>
<b>LIABILITIES AND NET POSITION:</b>			
Liabilities:			
Sales tax payable	\$ 121	\$ -	\$ 121
Customer deposits	-	326,425	326,425
Due within one year:			
Notes payable	-	73,406	73,406
Bonds payable	115,000	-	115,000
Due in more than one year:			
Notes payable	-	1,539,623	1,539,623
Bonds payable	1,341,441	-	1,341,441
Total liabilities	<u>1,456,562</u>	<u>1,939,454</u>	<u>3,396,016</u>
Net Position:			
Net investment in capital assets	4,334,982	10,807,807	15,142,789
Restricted for:			
Community development	321,685	-	321,685
DUI and drug equipment	29,587	-	29,587
Other purposes	884,766	-	884,766
Unrestricted	<u>638,384</u>	<u>3,682,416</u>	<u>4,320,800</u>
Total net position	<u>6,209,404</u>	<u>14,490,223</u>	<u>20,699,627</u>
Total liabilities and net position	<u>\$ 7,665,966</u>	<u>\$ 16,429,677</u>	<u>\$ 24,095,643</u>

**CITY OF NEWTON, ILLINOIS**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended April 30, 2017**

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	\$ 270,462	\$ 60,755	\$ 13,792	\$ -	\$ (195,915)	\$ -	\$ (195,915)
Public safety	872,664	56,517	-	-	(816,147)	-	(816,147)
Transportation and public works	433,759	-	72,458	-	(361,301)	-	(361,301)
Social services	33,944	3,825	-	-	(30,119)	-	(30,119)
Community development	558,886	6,370	265,240	-	(287,276)	-	(287,276)
Culture and recreation	466,562	78,738	-	39,351	(348,473)	-	(348,473)
Interest on long-term debt	55,304	-	-	-	(55,304)	-	(55,304)
Loss on disposal of capital assets	44	-	-	-	(44)	-	(44)
Total governmental activities	<u>2,691,625</u>	<u>206,205</u>	<u>351,490</u>	<u>39,351</u>	<u>(2,094,579)</u>	<u>-</u>	<u>(2,094,579)</u>
Business-type activities:							
Electric	2,615,646	2,777,212	-	-	-	161,566	161,566
Water	565,381	674,820	-	-	-	109,439	109,439
Waste water treatment	585,805	646,165	-	-	-	60,360	60,360
Loss on disposal of capital assets	113	-	-	-	-	(113)	(113)
Total business-type activities	<u>3,766,945</u>	<u>4,098,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>331,252</u>	<u>331,252</u>
Total primary government	<u>\$ 6,458,570</u>	<u>\$ 4,304,402</u>	<u>\$ 351,490</u>	<u>\$ 39,351</u>	<u>(2,094,579)</u>	<u>331,252</u>	<u>(1,763,327)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purposes					928,604	-	928,604
Intergovernmental revenue:							
Sales tax					627,131	-	627,131
Income tax					271,261	-	271,261
Replacement tax					47,584	-	47,584
Township road and bridge					60,729	-	60,729
Pull tab and gaming					4,694	-	4,694
Interest and investment earnings					11,270	26,188	37,458
Miscellaneous					16,624	17,603	34,227
Transfers					(12,345)	12,345	-
Total general revenues and transfers					<u>1,955,552</u>	<u>56,136</u>	<u>2,011,688</u>
Change in net position					<u>(139,027)</u>	<u>387,388</u>	<u>248,361</u>
Net position - beginning					<u>6,348,431</u>	<u>14,102,835</u>	<u>20,451,266</u>
Net position - ending					<u>\$ 6,209,404</u>	<u>\$ 14,490,223</u>	<u>\$ 20,699,627</u>

The notes to the financial statements are an integral part of this statement.



**CITY OF NEWTON, ILLINOIS**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**April 30, 2017**

	<b>General</b>	<b>TIF</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 618,719	\$ 105,933	\$ 977,851	\$ 1,702,503
Restricted cash and cash equivalents	5,935	-	-	5,935
Notes receivable	62,529	-	-	62,529
Due from other funds	-	-	39,753	39,753
Miscellaneous receivable	296	-	-	296
Inventory	-	115,761	-	115,761
Total current assets	<u>\$ 687,479</u>	<u>\$ 221,694</u>	<u>\$ 1,017,604</u>	<u>\$ 1,926,777</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Sales tax payable	\$ 121	\$ -	\$ -	\$ 121
Due to other funds	-	117,000	39,753	156,753
Total liabilities	<u>121</u>	<u>117,000</u>	<u>39,753</u>	<u>156,874</u>
Fund balances:				
Nonspendable	-	115,761	-	115,761
Restricted:				
Community development	321,685	-	-	321,685
DUI and drug equipment	29,587	-	-	29,587
Other purposes	10,000	-	874,766	884,766
Committed	33,496	-	142,838	176,334
Assigned	209,583	-	-	209,583
Unassigned	83,007	(11,067)	(39,753)	32,187
Total fund balances	<u>687,358</u>	<u>104,694</u>	<u>977,851</u>	<u>1,769,903</u>
Total liabilities and fund balances	<u>\$ 687,479</u>	<u>\$ 221,694</u>	<u>\$ 1,017,604</u>	

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.

5,700,408

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.

104,519

Long-term liabilities, including bonds payable and deferred outflow on debt refunding, are not due and payable in the current period and therefore are not reported in the funds.

(1,365,426)

Net position of governmental activities

\$ 6,209,404

**CITY OF NEWTON, ILLINOIS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ended April 30, 2017**

	<u>General</u>	<u>TIF</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 81,376	\$ 337,310	\$ 509,918	\$ 928,604
Intergovernmental:				
Sales tax	627,131	-	-	627,131
Income tax	271,261	-	-	271,261
Replacement tax	47,584	-	-	47,584
Township road and bridge	60,729	-	-	60,729
Pull tab and gaming	4,694	-	-	4,694
Licenses and permits	22,800	-	-	22,800
Fees and fines	94,126	-	-	94,126
Charges for services	82,859	-	-	82,859
Revenue from the use of property and equipment	50	-	6,370	6,420
Interest and investment earnings	5,917	662	3,850	10,429
Operating grants and contributions	13,792	-	337,698	351,490
Capital grants and contributions	-	-	39,351	39,351
Miscellaneous	15,078	1,200	346	16,624
Total revenues	<u>1,327,397</u>	<u>339,172</u>	<u>897,533</u>	<u>2,564,102</u>
<b>EXPENDITURES</b>				
Current:				
General government	180,455	-	57,867	238,322
Public safety	694,116	-	167,987	862,103
Transportation and public works	180,477	-	151,126	331,603
Social services	33,649	-	-	33,649
Community development	-	188,963	331,320	520,283
Culture and recreation	233,179	-	53,055	286,234
Debt service:				
Principal	125,000	-	-	125,000
Interest	46,048	-	-	46,048
Capital outlay	11,025	284,574	143,935	439,534
Total expenditures	<u>1,503,949</u>	<u>473,537</u>	<u>905,290</u>	<u>2,882,776</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(176,552)</u>	<u>(134,365)</u>	<u>(7,757)</u>	<u>(318,674)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating transfers in	160,113	-	80,763	240,876
Operating transfers out	(253,221)	-	-	(253,221)
Total other financing sources (uses)	<u>(93,108)</u>	<u>-</u>	<u>80,763</u>	<u>(12,345)</u>
Net change in fund balance	(269,660)	(134,365)	73,006	(331,019)
Fund balances - beginning	<u>957,018</u>	<u>239,059</u>	<u>904,845</u>	<u>2,100,922</u>
Fund balances - ending	<u>\$ 687,358</u>	<u>\$ 104,694</u>	<u>\$ 977,851</u>	<u>\$ 1,769,903</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, 2017**

Net change in fund balances - total governmental funds \$ (331,019)

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 expense in the current period.

Capital Outlay	439,534	
Depreciation	<u>(367,342)</u>	72,192

In the statement of activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the asset sold. (44)

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. Also, the governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment	125,000	
Deferred charge on refunding amortization	(9,256)	
Bond discount amortization	<u>147</u>	115,891

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. 3,953

Change in net position of governmental activities \$ (139,027)

**CITY OF NEWTON, ILLINOIS**  
**Statement of Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**April 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Waste Water</b>	<b>Totals</b>	
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,800,077	\$ 255,953	\$ 410,525	\$ 3,466,555	\$ 203,380
Restricted cash and cash equivalents	326,425	-	-	326,425	-
Due from other funds	370,213	-	-	370,213	-
Total current assets	<u>3,496,715</u>	<u>255,953</u>	<u>410,525</u>	<u>4,163,193</u>	<u>203,380</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	3,865,751	3,928,414	4,626,671	12,420,836	-
Total noncurrent assets	<u>3,865,751</u>	<u>3,928,414</u>	<u>4,626,671</u>	<u>12,420,836</u>	<u>-</u>
Total assets	<u>\$ 7,362,466</u>	<u>\$ 4,184,367</u>	<u>\$ 5,037,196</u>	<u>\$ 16,584,029</u>	<u>\$ 203,380</u>
<b>LIABILITIES AND NET POSITION</b>					
Liabilities:					
Current liabilities:					
Customer deposits	\$ 326,425	\$ -	\$ -	\$ 326,425	\$ -
Due to other funds	-	152,571	100,642	253,213	-
Current portion of notes payable	-	-	73,406	73,406	-
Total current liabilities	<u>326,425</u>	<u>152,571</u>	<u>174,048</u>	<u>653,044</u>	<u>-</u>
Noncurrent liabilities:					
Notes payable	-	-	1,539,623	1,539,623	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>1,539,623</u>	<u>1,539,623</u>	<u>-</u>
Total liabilities	<u>326,425</u>	<u>152,571</u>	<u>1,713,671</u>	<u>2,192,667</u>	<u>-</u>
Net Position					
Net investment in capital assets	3,865,751	3,928,414	3,013,642	10,807,807	-
Unrestricted	<u>3,170,290</u>	<u>103,382</u>	<u>309,883</u>	<u>3,583,555</u>	<u>203,380</u>
Total net position	<u>7,036,041</u>	<u>4,031,796</u>	<u>3,323,525</u>	<u>14,391,362</u>	<u>203,380</u>
Total liabilities and net position	<u>\$ 7,362,466</u>	<u>\$ 4,184,367</u>	<u>\$ 5,037,196</u>		<u>\$ 203,380</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				98,861	
Total net position of business-type activities				<u>\$ 14,490,223</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, 2017**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Waste Water</b>	<b>Totals</b>	
<b>Operating revenues:</b>					
Charges for services	\$ 2,777,212	\$ 674,820	\$ 646,165	\$ 4,098,197	\$ 195,944
Reinsurance reimbursements	-	-	-	-	79,045
Miscellaneous	10,199	1,040	6,364	17,603	-
Total operating revenues	<u>2,787,411</u>	<u>675,860</u>	<u>652,529</u>	<u>4,115,800</u>	<u>274,989</u>
<b>Operating expenses:</b>					
Personal services	351,959	223,276	189,516	764,751	-
Support services	4,035	5,415	5,036	14,486	-
Contractual services	1,615,776	23,601	20,887	1,660,264	46,988
Utilities	5,964	24,681	34,474	65,119	-
Repairs and maintenance	189,626	64,366	47,822	301,814	-
Other supplies and materials	211,593	37,863	14,010	263,466	-
Insurance	64,088	61,231	54,008	179,327	221,731
Depreciation	172,791	123,847	172,973	469,611	-
Miscellaneous	1,204	1,081	1,162	3,447	-
Total operating expenses	<u>2,617,036</u>	<u>565,361</u>	<u>539,888</u>	<u>3,722,285</u>	<u>268,719</u>
Operating income	<u>170,375</u>	<u>110,499</u>	<u>112,641</u>	<u>393,515</u>	<u>6,270</u>
<b>Nonoperating revenues:</b>					
Interest and investment revenue	22,202	1,667	2,319	26,188	694
Total non-operating revenues	<u>22,202</u>	<u>1,667</u>	<u>2,319</u>	<u>26,188</u>	<u>694</u>
<b>Nonoperating expenses:</b>					
Interest expense	-	(946)	(46,612)	(47,558)	-
Loss on disposal of capital assets	-	-	(113)	(113)	-
Total non-operating expenses	<u>-</u>	<u>(946)</u>	<u>(46,725)</u>	<u>(47,671)</u>	<u>-</u>
Income before contributions and transfers	192,577	111,220	68,235	372,032	6,964
Transfers in	-	-	253,221	253,221	-
Transfers out	<u>(188,446)</u>	<u>(26,817)</u>	<u>(25,613)</u>	<u>(240,876)</u>	<u>-</u>
Change in net position	4,131	84,403	295,843	384,377	6,964
Total net position - beginning	7,031,910	3,947,393	3,027,682		196,416
Total net position - ending	<u>\$ 7,036,041</u>	<u>\$ 4,031,796</u>	<u>\$ 3,323,525</u>		<u>\$ 203,380</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				3,011	
Change in net position of business-type activities				<u>\$ 387,388</u>	

**CITY OF NEWTON, ILLINOIS**  
**Statement of Cash Flows - Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended April 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Waste Water</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 2,784,035	\$ 674,820	\$ 646,165	\$ 4,105,020	\$ -
Receipts from interfund services provided	-	-	-	-	195,944
Payments to suppliers	(2,092,286)	(218,238)	(177,399)	(2,487,923)	(46,988)
Payments to employees	(319,710)	(201,777)	(173,391)	(694,878)	-
Payments for interfund services used	(32,249)	(21,499)	(16,125)	(69,873)	-
Payments for claims	-	-	-	-	(221,731)
Other receipts	10,199	1,040	6,364	17,603	80,925
Net cash provided by operating activities	<u>349,989</u>	<u>234,346</u>	<u>285,614</u>	<u>869,949</u>	<u>8,150</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers from other funds	-	-	253,221	253,221	-
Transfers to other funds	(188,446)	(26,817)	(25,613)	(240,876)	-
Net cash provided (used) by noncapital financing activities	<u>(188,446)</u>	<u>(26,817)</u>	<u>227,608</u>	<u>12,345</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(418,019)	(62,564)	(268,987)	(749,570)	-
Receipts (payments) for interfund loans	184,192	(161,554)	(12,571)	10,067	-
Principal paid on notes	-	-	(80,474)	(80,474)	-
Interest paid on notes/interfund loans	-	(946)	(46,612)	(47,558)	-
Net cash used by capital and related financing activities	<u>(233,827)</u>	<u>(225,064)</u>	<u>(408,644)</u>	<u>(867,535)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	22,202	1,667	2,319	26,188	694
Net cash provided by investing activities	<u>22,202</u>	<u>1,667</u>	<u>2,319</u>	<u>26,188</u>	<u>694</u>
Net increase (decrease) in cash and cash equivalents	(50,082)	(15,868)	106,897	40,947	8,844
Cash and cash equivalents - beginning of year	3,176,584	271,821	303,628	3,752,033	194,536
Cash and cash equivalents - end of year	<u>\$ 3,126,502</u>	<u>\$ 255,953</u>	<u>\$ 410,525</u>	<u>\$ 3,792,980</u>	<u>\$ 203,380</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 170,375	\$ 110,499	\$ 112,641	\$ 393,515	\$ 6,270
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	172,791	123,847	172,973	469,611	-
Change in assets:					
Miscellaneous receivable	-	-	-	-	1,880
Change in liabilities:					
Customer deposits	6,823	-	-	6,823	-
Net cash provided by operating activities	<u>\$ 349,989</u>	<u>\$ 234,346</u>	<u>\$ 285,614</u>	<u>\$ 869,949</u>	<u>\$ 8,150</u>
<b>Reconciliation of cash on statement of net position to cash balance at year end:</b>					
Cash and cash equivalents	\$ 2,800,077	\$ 255,953	\$ 410,525	\$ 3,466,555	\$ 203,380
Restricted cash and cash equivalents	326,425	-	-	326,425	-
Cash and cash equivalents - end of year	<u>\$ 3,126,502</u>	<u>\$ 255,953</u>	<u>\$ 410,525</u>	<u>\$ 3,792,980</u>	<u>\$ 203,380</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017

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, 2017  
(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.

**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, 2017  
(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 TIF fund is used to account for the revenues and expenditures of the Tax Increment Financing District of 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, 2017  
(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 assets' 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:

Assets	Years
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 an employee's termination. As of April 30, 2017, the City's liability for unused sick time is estimated to be \$224,647.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

I. Bonds and Related Premiums, Discounts, and Issuance Costs

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs, are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums and discounts received on debt issuance are also reported as other financing sources/(uses). Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

J. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future periods and thus, will not be recognized as an outflow of resources (expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

K. Fund Equity

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets 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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

K. Fund Equity (Continued)

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.

L. Property Taxes

The City's property tax is levied each year on all taxable real estate located in the City. The local taxing authority for the City of Newton is Jasper County. 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 and collected by the County, which in turn, remits them to the City. Payments are typically made during the period August through November. The 2015 tax year levy, received during fiscal year 2017, was adopted by the City Council on December 15, 2015.

M. 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.

N. 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.

O. 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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

P. 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, 2017, the City maintained restricted cash of \$332,360 as follows:

<u>Business-type Activities</u>	
For customer utility deposits	\$ <u>326,425</u>
<u>Governmental Activities</u>	
For community development	\$ <u>5,935</u>

Q. 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.

R. Date of Management's Review

The City has evaluated subsequent events through September 11, 2017, the date which the financial statements were available to be issued.

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, 2017, the carrying amount and the bank balance of the City's cash deposits were \$5,703,498 and \$5,730,498, 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.

The City's cash deposits are fully insured by the Federal Deposit Insurance Corporation and an irrevocable fluctuating letter of credit from the Federal Home Loan Bank.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

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	\$ 62,529

Note 5: Changes in Capital Assets

The following is a summary of changes in capital assets:

**Governmental Activities:**

	Balance May 01, 2016	Additions	Deletions/ Reclassifications	Balance April 30, 2017
<u>Assets Not Depreciated</u>				
Land	\$ 558,574	\$ -	\$ -	\$ 558,574
Construction in progress	48,301	-	(48,301)	-
<u>Assets Depreciated</u>				
Buildings and improvements	4,280,347	11,025	-	4,291,372
Equipment, furniture, fixtures	599,912	-	(188,508)	411,404
Infrastructure	2,782,151	428,509	48,301	3,258,961
Total Capital Assets	8,269,285	439,534	(188,508)	8,520,311
Less: Accumulated depreciation				
Buildings and improvements	(1,364,743)	(173,120)	-	(1,537,863)
Equipment, furniture, fixtures	(476,990)	(38,247)	188,464	(326,773)
Infrastructure	(799,292)	(155,975)	-	(955,267)
Total Accumulated Depreciation	(2,641,025)	(367,342)	188,464	(2,819,903)
Capital Assets, net	\$ 5,628,260	\$ 72,192	\$ (44)	\$ 5,700,408

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 5: Changes in Capital Assets (Continued)

**Business-type Activities:**

	Balance May 01, 2016	Additions	Deletions/ Reclassifications	Balance April 30, 2017
<u>Assets Not Depreciated</u>				
Land	\$ 123,572	\$ -	\$ -	\$ 123,572
Construction in progress	-	26,554	-	26,554
<u>Assets Depreciated</u>				
Plant and equipment	17,895,527	723,016	(44,595)	18,573,948
Total Capital Assets	18,019,099	749,570	(44,595)	18,724,074
Less: Accumulated depreciation	(5,878,109)	(469,611)	44,482	(6,303,238)
Capital Assets, net	<u>\$ 12,140,990</u>	<u>\$ 279,959</u>	<u>\$ (113)</u>	<u>\$ 12,420,836</u>

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

Governmental activities:

General government	\$ 32,563
Public safety	12,278
Transportation and public works	102,812
Social services	295
Community development	38,603
Culture and recreation	180,791
	<u>\$ 367,342</u>

Business-Type Activities:

Electric	\$ 172,791
Water	123,847
Waste Water	172,973
	<u>\$ 469,611</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 6: Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at April 30, 2017 were as follows:

Fund	Receivable	Payable
Electric Fund:		
Water Fund	\$ 152,571	\$ -
Waste Water Fund	100,642	-
TIF Fund	117,000	-
Water Fund:		
Electric Fund	-	152,571
Waste Water Fund:		
Electric Fund	-	100,642
TIF Fund:		
Electric Fund	-	117,000
Capital Development Fund:		
ITEP Eagle Trail Fund	39,753	-
ITEP Eagle Trail Fund:		
Capital Development Fund	-	39,753
	<u>\$ 409,966</u>	<u>\$ 409,966</u>

Interfund balances between the Electric Fund and the TIF Fund resulted from cash shortfalls in the TIF Fund. 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. An interfund loan was also made from the Capital Development Fund to the ITEP Eagle Trail Fund to finance the sidewalk beautification project. 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, 2017  
(Continued)

Note 7: Long-Term Debt

**Bond Obligations**

The City has outstanding General Obligation (Revenue Sharing Receipts Alternate Revenue Source) Series 2008 and 2016 Bonds in the original amount of \$1,975,000 and \$1,485,000, respectively. The Series 2016 bonds refunded \$1,340,000 of future principal payments on the Series 2008 bonds. 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, 2017, the levy for such taxes was abated. The City also abated the levy for such taxes in 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 Series 2016 Bonds are dated February 17, 2016, with interest payable on May 1 and November 1 of each year. The bonds are issued in \$5,000 multiples.

**Advanced Refunding**

On February 17, 2016, the City issued \$1,485,000 of general obligation refunding bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$1,340,000 of the Series 2008 general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$101,814. This amount is reflected as a deferred outflow and is being amortized over the remaining life of the refunded debt which is the same life as the new debt issued. This advanced refunding was undertaken to reduce total debt service payments over the next eleven years.

The advanced refunding resulted in a reduction of cash flow, over the life of the bonds, of \$70,045 and an economic gain of \$56,454.

The following is a summary of the City's long-term debt transactions for the year ended April 30, 2017:

***Governmental Funds:***

	Payable at May 1, 2016	Retired/ Defeased	Payable at April 30, 2017	Unamortized Bond Premium	Net Carrying Amount at April 30, 2017
Aquatic Facility GO Bonds - Series 2008	\$ 95,000	\$ (95,000)	\$ -	\$ -	\$ -
Advance Refunding Bonds - Series 2016	1,485,000	(30,000)	1,455,000	1,441	1,456,441
Total Long-Term Bonds	<u>\$1,580,000</u>	<u>\$ (125,000)</u>	<u>\$ 1,455,000</u>	<u>\$ 1,441</u>	<u>\$ 1,456,441</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 7: Long-Term Debt (Continued)

The following is a maturity schedule of the bonds:

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Funds Required</u>
2018	\$ 115,000	\$ 18,168	\$ 133,168
2019	120,000	34,035	154,035
2020	125,000	31,875	156,875
2021	125,000	29,625	154,625
2022	130,000	26,875	156,875
2023-2027	690,000	84,197	774,197
2028	150,000	4,650	154,650
	<u>\$ 1,455,000</u>	<u>\$ 229,425</u>	<u>\$ 1,684,425</u>

Total interest related to the bonds incurred and expensed for the year ended April 30, 2017 was \$46,048.

***Enterprise Funds:***

	<u>Payable at May 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable at April 30, 2017</u>
Peoples State Bank	\$ 1,684,534	\$ -	\$ (71,505)	\$ 1,613,029
Illinois EPA Note - Imperial Acres	8,969	-	(8,969)	-
	<u>\$ 1,693,503</u>	<u>\$ -</u>	<u>\$ (80,474)</u>	<u>\$ 1,613,029</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. The City repaid the loan in full prior to April 30, 2017.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 7: Long-Term Debt (Continued)

**Peoples State Bank Loan**

On August 19, 2014, the City obtained a loan from Peoples State Bank in the amount of \$1,798,951. Monthly payments under the refinanced loan of \$9,789 were 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.

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

<u>Fiscal Year</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Funds Required</u>
2018	\$ 73,406	\$ 44,065	\$ 117,471
2019	75,481	41,990	117,471
2020	77,507	39,964	117,471
2021	79,804	37,667	117,471
2022	82,059	35,412	117,471
2023	1,224,772	16,884	1,241,656
	<u>\$1,613,029</u>	<u>\$ 215,982</u>	<u>\$ 1,829,011</u>

Total interest related to the loans incurred and expensed for the year ended April 30, 2017 was \$46,729.

Note 8: Fund Equity

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

***Governmental Activities***

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

The City's cumulative revenue for restricted purposes exceeded expenditures disbursed resulting in restricted balances. The following balances are restricted by enabling legislation, with the exception of the General Fund, whose balances are restricted by grants and contributions.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 8: Fund Equity (Continued)

***Governmental Activities***

Purpose	Amount
General Fund:	
Community development	\$ 321,685
DUI and drug equipment	29,587
Aquatic Center	10,000
Social Security Fund	157,500
IMRF Fund	113,301
Emergency Management Fund	23,716
Motor Fuel Tax Fund	50,188
Insurance Fund	342,576
Workmen's Compensation Fund	187,485
	\$ 1,236,038

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	\$ 142,838
Sidewalk replacement	9,547
Police safety	4,627
Firing range repairs	19,322
	\$ 176,334

The City reported the following assigned balances:

***Governmental Activities***

Purpose	Amount
Allocated Funds for Aquatic Facility Debt Payments	\$ 209,583

Note 9: Deficit Fund Balances

The ITEP Eagle Trail Fund had a deficit fund balance at April 30, 2017 of (\$39,753). This deficit will be financed through future revenues of the fund.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 9: Interfund Transfers

For the year ended April 30, 2017, the following interfund transfers were made:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund	\$ 160,113	\$ 253,221
Capital Development Fund	80,763	-
Electric Fund	-	188,446
Water Fund	-	26,817
Waste Water Fund	253,221	25,613
	<u>\$ 494,097</u>	<u>\$ 494,097</u>

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. The transfer from the General Fund to the Waste Water Fund was made pursuant to a resolution passed by the City Council for lift station improvements.

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).

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 2016 was 13.08%. 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.

The required contribution for calendar year ending December 31, 2016 was \$162,239. The covered payroll for calendar year 2016 (annual payroll of active employees covered by the plan) was \$1,240,356.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 10: Defined Benefit Pension Plan (Continued)

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 \$59,428 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.

*Commitments*

The City has the following commitments on unpaid contracts as of April 30, 2017:

Streetscape projects	<u>\$ 154,552</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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2017  
(Continued)

Note 13: Post-Employment Health Care Benefits (Continued)

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: Tax Abatements

The City currently has one tax increment financing district. Within this district, the City has entered into a redevelopment agreement with the developer whereby the City will reimburse a certain percentage of property taxes generated by the property in the tax increment financing district and received by the City up to the lesser of either a set cumulative dollar amount or the total of all eligible redevelopment project costs. For the fiscal year ended April 30, 2017, the City abated property taxes totaling \$68,212 as follows:

- A 100 percent property tax abatement for the construction of a hotel. The abatement amounted to \$56,602.
- A 100 percent property tax abatement for the construction of an industrial building. The abatement amounted to \$1,234.
- A 50 percent property tax abatement for the construction of a retail store. The abatement amounted to \$10,376.



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, 2017, 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 11, 2017.

**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' internal control.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. We consider deficiency 2017-001 described in the accompanying schedule of findings and responses to be a material weakness.



## **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 finding 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 11, 2017

City of Newton, Illinois  
Schedule of Findings and Responses  
Year Ended April 30, April 30, 2017

**FINDINGS – FINANCIAL STATEMENT AUDIT**

2017-001      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.

**CITY OF NEWTON, ILLINOIS**  
**Combining Balance Sheet - Modified Cash Basis**  
**Nonmajor Governmental Funds**  
**April 30, 2017**

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Social Security	IMRF	Emergency Management	Motor Fuel Tax	Insurance	Workmen's Compensation	Capital Development	ITEP Eagle Trail	CDAP Housing	
ASSETS										
Cash and investments	\$ 157,500	\$ 113,301	\$ 23,716	\$ 50,188	\$ 342,576	\$ 187,485	\$ 103,085	\$ -	\$ -	\$ 977,851
Due from other funds	-	-	-	-	-	-	39,753	-	-	39,753
Total assets	<u>\$ 157,500</u>	<u>\$ 113,301</u>	<u>\$ 23,716</u>	<u>\$ 50,188</u>	<u>\$ 342,576</u>	<u>\$ 187,485</u>	<u>\$ 142,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,604</u>
LIABILITIES & FUND BALANCE										
Liabilities:										
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,753	\$ -	\$ 39,753
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,753</u>	<u>-</u>	<u>39,753</u>
Fund balances:										
Restricted										
Other purposes	157,500	113,301	23,716	50,188	342,576	187,485	-	-	-	874,766
Committed	-	-	-	-	-	-	142,838	-	-	142,838
Unassigned	-	-	-	-	-	-	-	(39,753)	-	(39,753)
Total fund balances	<u>157,500</u>	<u>113,301</u>	<u>23,716</u>	<u>50,188</u>	<u>342,576</u>	<u>187,485</u>	<u>142,838</u>	<u>(39,753)</u>	<u>-</u>	<u>977,851</u>
Total liabilities and fund balances	<u>\$ 157,500</u>	<u>\$ 113,301</u>	<u>\$ 23,716</u>	<u>\$ 50,188</u>	<u>\$ 342,576</u>	<u>\$ 187,485</u>	<u>\$ 142,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,604</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, 2017**

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Social Security	IMRF	Emergency Management	Motor Fuel Tax	Insurance	Workmen's Compensation	Capital Development	ITEP Eagle Trail	CDAP Housing	
<b>REVENUES</b>										
Property taxes	\$ 122,473	\$ 153,092	\$ 5,105	\$ -	\$ 102,061	\$ 102,061	25,126	\$ -	\$ -	\$ 509,918
Revenue from the use of property and equipment	-	-	-	-	-	-	6,370	-	-	6,370
Interest and investment earnings	568	399	142	206	1,568	669	298	-	-	3,850
Operating grants and contributions	-	-	-	72,458	-	-	-	-	265,240	337,698
Capital grants and contributions	-	-	-	-	-	-	-	39,351	-	39,351
Miscellaneous	-	-	-	-	-	-	346	-	-	346
Total revenues	<u>123,041</u>	<u>153,491</u>	<u>5,247</u>	<u>72,664</u>	<u>103,629</u>	<u>102,730</u>	<u>32,140</u>	<u>39,351</u>	<u>265,240</u>	<u>897,533</u>
<b>EXPENDITURES</b>										
Current:										
General government	8,770	9,712	-	-	38,668	717	-	-	-	57,867
Public safety	31,026	50,385	6,192	-	70,550	9,834	-	-	-	167,987
Transportation and public works	8,209	14,191	-	80,567	37,953	10,206	-	-	-	151,126
Community development	-	-	-	-	-	-	66,080	-	265,240	331,320
Culture and recreation	11,423	11,063	-	-	25,214	5,355	-	-	-	53,055
Capital outlay	-	-	-	52,831	-	-	12,000	79,104	-	143,935
Total expenditures	<u>59,428</u>	<u>85,351</u>	<u>6,192</u>	<u>133,398</u>	<u>172,385</u>	<u>26,112</u>	<u>78,080</u>	<u>79,104</u>	<u>265,240</u>	<u>905,290</u>
Excess (deficiency) of revenues over (under) expenditures	63,613	68,140	(945)	(60,734)	(68,756)	76,618	(45,940)	(39,753)	-	(7,757)
<b>OTHER FINANCING SOURCES(USES)</b>										
Operating transfers in	-	-	-	-	-	-	80,763	-	-	80,763
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,763</u>	<u>-</u>	<u>-</u>	<u>80,763</u>
Net change in fund balances	63,613	68,140	(945)	(60,734)	(68,756)	76,618	34,823	(39,753)	-	73,006
Fund balances - beginning	<u>93,887</u>	<u>45,161</u>	<u>24,661</u>	<u>110,922</u>	<u>411,332</u>	<u>110,867</u>	<u>108,015</u>	<u>-</u>	<u>-</u>	<u>904,845</u>
Fund balances - ending	<u>\$ 157,500</u>	<u>\$ 113,301</u>	<u>\$ 23,716</u>	<u>\$ 50,188</u>	<u>\$ 342,576</u>	<u>\$ 187,485</u>	<u>\$ 142,838</u>	<u>\$ (39,753)</u>	<u>\$ -</u>	<u>\$ 977,851</u>

**CITY OF NEWTON, ILLINOIS**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**General Fund**  
**For the Year Ended April 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 83,000	\$ 83,000	\$ 81,376	\$ (1,624)
Intergovernmental:				
Sales tax	650,000	650,000	627,131	(22,869)
Income tax	310,000	310,000	271,261	(38,739)
Replacement tax	41,000	41,000	47,584	6,584
Township road and bridge	52,000	52,000	60,729	8,729
Pull tab and gaming	-	-	4,694	4,694
Licenses and permits	19,800	19,800	22,800	3,000
Fees and fines	74,205	74,205	94,126	19,921
Charges for services	81,150	81,150	82,859	1,709
Revenue from the use of property and equipment	-	-	50	50
Interest and investment earnings	3,590	3,590	5,917	2,327
Operating grants and contributions	1,650	1,650	13,792	12,142
Miscellaneous	8,600	8,600	15,078	6,478
Total revenues	<u>1,324,995</u>	<u>1,324,995</u>	<u>1,327,397</u>	<u>2,402</u>
<b>EXPENDITURES</b>				
Current:				
General government	193,140	193,140	180,455	(12,685)
Public safety	663,450	663,450	694,116	30,666
Transportation and public works	188,050	188,050	180,477	(7,573)
Social services	27,050	27,050	33,649	6,599
Culture and recreation	242,875	242,875	233,179	(9,696)
Debt service:				
Principal	125,000	125,000	125,000	-
Interest	46,050	46,050	46,048	(2)
Capital outlay	2,780	2,780	11,025	8,245
Total expenditures	<u>1,488,395</u>	<u>1,488,395</u>	<u>1,503,949</u>	<u>15,554</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(163,400)</u>	<u>(163,400)</u>	<u>(176,552)</u>	<u>(13,152)</u>
<b>OTHER FINANCING SOURCES(USES)</b>				
Operating transfers in	163,400	163,400	160,113	(3,287)
Operating transfers out	-	-	(253,221)	(253,221)
Total other financing sources (uses)	<u>163,400</u>	<u>163,400</u>	<u>(93,108)</u>	<u>(256,508)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(269,660)</u>	<u>\$ (269,660)</u>
Fund balance - beginning			<u>957,018</u>	
Fund balance - ending			<u>\$ 687,358</u>	

**CITY OF NEWTON, ILLINOIS**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**TIF Fund**  
**For the Year Ended April 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget Over (Under)</b>
<b>REVENUES</b>				
Property taxes	\$ 320,000	\$ 320,000	\$ 337,310	\$ 17,310
Interest and investment earnings	800	800	662	(138)
Miscellaneous	-	-	1,200	1,200
Total revenues	<u>320,800</u>	<u>320,800</u>	<u>339,172</u>	<u>18,372</u>
<b>EXPENDITURES</b>				
Current:				
Community development	270,800	270,800	188,963	(81,837)
Capital outlay	50,000	50,000	284,574	234,574
Total expenditures	<u>320,800</u>	<u>320,800</u>	<u>473,537</u>	<u>152,737</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(134,365)	<u>\$ (134,365)</u>
Fund balance - beginning			<u>239,059</u>	
Fund balance - ending			<u>\$ 104,694</u>	

City of Newton, Illinois  
Notes to Other Information  
April 30, 2017

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 19, 2016.
5. Numerous transfers were made between line items in the Appropriation Ordinance during fiscal year 2017.
6. Budget amounts reflected in the financial statements are the amounts as originally adopted on April 19, 2016 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, 2017.

Note 3: Encumbrances

Encumbrance accounting is not used by the City.

September 11, 2017

To the City Council  
City of Newton, 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 Newton, Illinois for the year ended April 30, 2017. 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 letter to you dated May 30, 2017. 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 Newton, 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 during 2017. We noted no transactions entered into by the City of Newton, Illinois 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 estimate affecting the City of Newton, Illinois' financial statements was:

Management's estimate of depreciation expense is based on estimated useful lives of the assets.  
We evaluated the key factors and assumptions used to develop the estimated useful lives of the assets in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

##### *Corrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures and corrected by management are included in the attached schedules.



### *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 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 September 11, 2017.

### *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 of Newton, Illinois' 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 City of Newton, Illinois' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We were engaged to report on the combining nonmajor fund financial statements, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, 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.

We were not engaged to report on the budgetary comparison schedules, which accompany the financial statements but are not required supplementary information. 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.

### Restriction on Use

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

Very truly yours,



KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-01 - General**  
Workpaper: **AJE-01 - Adjusting Journal Entries Report - General Fund**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 5</b>				
To reclass items below capitalization threshold to R&M expense.				
5530-23	Tool Purchase		435.00	
5530-28	Tool Purchase		707.96	
5540-28	MerchandisePurchase		516.00	
5600-27	Equipment Repair		728.00	
5640-25	Park Maintenance		807.05	
5500-23	Equipment Purchase			435.00
5500-27	Equipment Purchase			728.00
5500-28	Equipment Purchase			707.96
5550-28	Park Machine Purchase			516.00
5710-25	Construction Facilities			807.05
<b>Total</b>			<b>3,194.01</b>	<b>3,194.01</b>
<b>Adjusting Journal Entries JE # 6</b>				
To adjust beginning restricted fund balance to actual.				
3002	Restricted Equity-Canine Equipment	<b>S-01</b>	6,865.16	
3000	Retained Earnings-General Fund			6,865.16
<b>Total</b>			<b>6,865.16</b>	<b>6,865.16</b>
<b>Adjusting Journal Entries JE # 7</b>				
To record transfer from General Fund to WWTF for plant improvements.				
5145-29	Transfer Out	<b>F-05; W-01</b>	253,221.38	
9410-29	Engineering			33,800.00
9425-29	Contractor Expense			219,421.38
<b>Total</b>			<b>253,221.38</b>	<b>253,221.38</b>

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-02 - Specials**  
Workpaper: **AJE-02 - Adjusting Journal Entries Report - Specials**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>		<b>TB</b>		
To reclass fund balances				
00-3000-00	Fund Balance		220,460.46	
50-3000-50	Fund Balance-Social Security		9,636.37	
51-3000-51	Fund Balance -IMRF		26,612.36	
52-3000-52	Fund Balance-EMA		2,186.22	
53-3000-53	Fund Balance-MFT		105,787.17	
70-3000-70	Fund Balance - ITEP		39,092.19	
71-3000-71	Fund Balance ITEP II		39,350.93	
54-3000-54	Fund Balance-Tort			144,968.66
55-3000-55	Fund Balance-Workmen's Comp			13,875.51
56-3000-56	Fund Balance-Capital Development			36,877.62
57-3000-57	Fund Balance-TIF			155,671.30
70-3000-70	Fund Balance - ITEP			39,350.93
71-3000-71	Fund Balance ITEP II			52,381.68
<b>Total</b>			<b>443,125.70</b>	<b>443,125.70</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>F-05</b>		
To reclass items above capital threshold.				
56-7065-56	Community Development Capital Outlay		10,000.00	
57-7060-57	Capital Expense TIF		284,573.76	
56-7053-56	Beautification Expense			10,000.00
57-7065-57	Public Works & Improvements			284,573.76
<b>Total</b>			<b>294,573.76</b>	<b>294,573.76</b>

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-03 - Electric**  
Workpaper: **AJE-03 - Adjusting Journal Entries Report - Electric**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To capitalize fixed assets.				
		<b>F-06a</b>		
1710	Distribution Plant		9,320.85	
1710	Distribution Plant		172,910.03	
1710	Distribution Plant		209,234.65	
1750	Construction in Process		26,553.57	
5410-30	Engineering			9,320.85
5640-30	System Repair			209,234.65
5800-30	System Improvements			199,463.60
<b>Total</b>			<b>418,019.10</b>	<b>418,019.10</b>
<b>Adjusting Journal Entries JE # 2</b>				
To adjust Depreciation expense to actual				
		<b>F-04</b>		
5900-30	Depreciation Expense		4,358.60	
1760	Reserve for Depreciation			4,358.60
<b>Total</b>			<b>4,358.60</b>	<b>4,358.60</b>
<b>Adjusting Journal Entries JE # 3</b>				
To reclass expense				
		<b>TB</b>		
5630-30	Building Repair		9,905.04	
5720-30	Construction-Industrial Park			9,905.04
<b>Total</b>			<b>9,905.04</b>	<b>9,905.04</b>
<b>Adjusting Journal Entries JE # 4</b>				
To remove fully depreciated equipment from books				
		<b>F-03</b>		
1760	Reserve for Depreciation		32,192.00	
1730	General Plant Equipment			32,192.00
<b>Total</b>			<b>32,192.00</b>	<b>32,192.00</b>

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-04 - Water**  
Workpaper: **AJE-04 - Adjusting Journal Entries Report - Water**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To capitalize fixed assets.				
1710-40	Distribution System		7,403.52	
1710-40	Distribution System		55,160.65	
5410-40	Engineering			7,150.00
5410-40	Engineering			7,403.52
5640-40	System Repair			40,732.00
5745-40	Town Square Water Main Upgrade			7,278.65
<b>Total</b>			<b>62,564.17</b>	<b>62,564.17</b>
<b>Adjusting Journal Entries JE # 2</b>				
To adjust depreciation expense to actual				
5900-40	Depreciation Expense	F-04	823.32	
1765-40	Reserve for Depreciation			823.32
<b>Total</b>			<b>823.32</b>	<b>823.32</b>
<b>Adjusting Journal Entries JE # 3</b>				
To remove fully depreciated equipment from books				
1765-40	Reserve for Depreciation	F-03	4,495.70	
1730-40	Equipment			4,495.70
<b>Total</b>			<b>4,495.70</b>	<b>4,495.70</b>

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-05 - Waste Water**  
Workpaper: **AJE-05 - Adjusting Journal Entries Report - Waste Water**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To reclass current portion of long term debt				
2251-43	Peoples State Bank - loan		73,406.28	
2252-43	Current Portion of PSB Loan Payable			73,406.28
<b>Total</b>			<b>73,406.28</b>	<b>73,406.28</b>
<b>Adjusting Journal Entries JE # 2</b>				
To reclass lift station and digesters to capital assets.				
1740-43	Wastewater Treatment & Lift Station		15,766.00	
5640-43	System Repair			15,766.00
<b>Total</b>			<b>15,766.00</b>	<b>15,766.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To adjust beginning fund balance to actual.				
3002-46	Imperial Acres restricted fund		364.13	
3000-43	Retained Earnings			364.13
<b>Total</b>			<b>364.13</b>	<b>364.13</b>
<b>Adjusting Journal Entries JE # 4</b>				
To record transfer from General Fund.				
1740-43	Wastewater Treatment & Lift Station		253,221.38	
4040-43	Transfer In			253,221.38
<b>Total</b>			<b>253,221.38</b>	<b>253,221.38</b>
<b>Adjusting Journal Entries JE # 5</b>				
To adjust depreciation to actual				
5900-43	Depreciation Expense		2,693.45	
1760-43	Reserve for Depreciation			2,693.45
<b>Total</b>			<b>2,693.45</b>	<b>2,693.45</b>
<b>Adjusting Journal Entries JE # 6</b>				
To remove fully depreciated equipment and disposed assets from books				
1760-43	Reserve for Depreciation		7,794.68	
5905-43	Gain/Loss on Asset Disposal		112.67	
1730-43	Equipment			7,907.35
<b>Total</b>			<b>7,907.35</b>	<b>7,907.35</b>
<b>Adjusting Journal Entries JE # 7</b>				
To adjust loan balance to amount confirmed by PSB.				
2251-43	Peoples State Bank - loan		116.35	
5807-43	Sewer Plant Interest PSB			116.35
<b>Total</b>			<b>116.35</b>	<b>116.35</b>

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-01 - General**  
Workpaper: **GASB-01 - GASB 34 AJE Report - General**

Account	Description	W/P Ref	Debit	Credit
<b>GASB 34 AJE JE # 1</b>				
To record beginning loan balances.				
		H-01		
3000	Retained Earnings-General Fund		1,580,000.00	
2650-28	Bonds Payable			95,000.00
2660-28	2010 Bonds Payable - LT			1,485,000.00
<b>Total</b>			<b>1,580,000.00</b>	<b>1,580,000.00</b>
<b>GASB 34 AJE JE # 2</b>				
To record aquatic general obligation bond payments.				
		H-01		
2650-28	Bonds Payable		95,000.00	
2660-28	2010 Bonds Payable - LT		30,000.00	
5712-28	Bond Principal Payment			125,000.00
<b>Total</b>			<b>125,000.00</b>	<b>125,000.00</b>
<b>GASB 34 AJE JE # 3</b>				
To reclass current portion of long term debt.				
		H-01		
2660-28	2010 Bonds Payable - LT		115,000.00	
2661-28	2010 Bonds Payable - Current Portion			115,000.00
<b>Total</b>			<b>115,000.00</b>	<b>115,000.00</b>
<b>GASB 34 AJE JE # 4</b>				
To record amortization of deferred outflow.				
		H-01		
1801	Unamortized Bond Premium, Net		146.57	
5711-28	Bond Interest		9,255.81	
1800	Deferred Outflows of Advance Refunding of			9,255.81
4010	Int. Earned-Gen. Fund M-Market			146.57
<b>Total</b>			<b>9,402.38</b>	<b>9,402.38</b>
<b>GASB 34 AJE JE # 8</b>				
To record beginning fixed assets				
		F-02		
1700	Land		558,573.87	
1705	Building & Improvements		4,280,347.02	
1710	Equipment, Furniture, & Fixtures		599,912.06	
1715	Infrastructure		2,782,150.30	
1720	Construction in Progress		48,301.10	
1795	Accumulated Depreciation			2,641,024.23
3000	Retained Earnings-General Fund			5,628,260.12
<b>Total</b>			<b>8,269,284.35</b>	<b>8,269,284.35</b>
<b>GASB 34 AJE JE # 9</b>				
To capitalize current year capital outlays				
		F-02		
1705	Building & Improvements		11,025.00	
1715	Infrastructure		428,508.91	
5500-22	Equipment Purchase			439,533.91
<b>Total</b>			<b>439,533.91</b>	<b>439,533.91</b>

Client: **137474.01 - City of Newton**  
Engagement: **2017 - City of Newton**  
Period Ending: **4/30/2017**  
Trial Balance: **TB-01 - General**  
Workpaper: **GASB-01 - GASB 34 AJE Report - General**

Account	Description	W/P Ref	Debit	Credit
<b>GASB 34 AJE JE # 10</b>				
		<b>F-02</b>		
To reclassify CIP to active asset				
1715	Infrastructure		48,301.10	
1720	Construction in Progress			48,301.10
<b>Total</b>			<b>48,301.10</b>	<b>48,301.10</b>
<b>GASB 34 AJE JE # 11</b>				
		<b>F-02</b>		
To record current year depreciation				
9900-22	Depreciation-Streets & Alleys		102,812.24	
9900-23	Depreciation-Public Safety		12,277.62	
9900-24	Depreciation-Cemetery		295.00	
9900-25	Depreciation-Culture & Recreation		180,791.34	
9900-27	Depreciation-General Administration		32,563.30	
9900-56	Depreciation-Capital Development		38,602.60	
1795	Accumulated Depreciation			367,342.10
<b>Total</b>			<b>367,342.10</b>	<b>367,342.10</b>
<b>GASB 34 AJE JE # 12</b>				
		<b>F-02</b>		
To record asset disposals and remove any fully depreciated assets				
1795	Accumulated Depreciation		188,464.20	
4999-23	Gain/Loss on Sale of Assets		44.27	
1710	Equipment, Furniture, & Fixtures			188,508.47
<b>Total</b>			<b>188,508.47</b>	<b>188,508.47</b>
<b>GASB 34 AJE JE # 13</b>				
		<b>H-01</b>		
To record beginning balance of deferred debt.				
1800	Deferred Outflows of Advance Refunding of Bonds		100,271.27	
3000	Retained Earnings-General Fund		1,587.87	
1801	Unamortized Bond Premium, Net			1,587.87
3000	Retained Earnings-General Fund			100,271.27
<b>Total</b>			<b>101,859.14</b>	<b>101,859.14</b>





To the City Council  
City of Newton  
Newton, Illinois

In planning and performing our audit of the financial statements of the City of Newton, 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's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the City's internal control in our report dated September 11, 2017. This letter does not affect our report dated September 11, 2017, on the financial statements of the City of Newton.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City 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.

Very truly yours,

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP  
Certified Public Accountants and Consultants

September 11, 2017

**Current Year Comments:**

**Billing Adjustments**

During our audit we noted the City does not have a formal policy to review and document the review of billing adjustments on a monthly basis. We recommend that management perform a review of the adjustment reports to detect manual errors in the process and maintain documentation of this review. We also recommend management retain documentation to evidence how significant adjustments are calculated.

**Utility Funds**

Attached is a statistical analysis of the City's utility funds.

**Legal Debt Limitation**

Attached is an analysis of the City's legal debt limitation.

City of Newton  
Electric Fund Statistical Analysis  
For the Years Ending April 30, 2017 & 2016

**Electric Fund:**

	<b>2017</b>		<b>2016</b>		<b>Change from prior year</b>	
	<b>Residential</b>	<b>Commercial</b>	<b>Residential</b>	<b>Commercial</b>	<b>Residential</b>	<b>Commercial</b>
<b>Customer Recap:</b>						
Average Customers Per Month	1,356	295	1,376	302	(20)	(7)
Highest Month	1,363	298	1,385	304	(22)	(6)
Lowest Month	1,352	293	1,349	298	3	(5)
<b>Average Billing Per Customer:</b>						
	<b>Per Month</b>	<b>Per Year</b>	<b>Per Month</b>	<b>Per Year</b>	<b>Per Month</b>	<b>Per Year</b>
Residential	\$ 72.69	\$ 872	\$ 72.40	\$ 869	\$ 0.29	\$ 3
Commercial	\$ 329	\$ 3,944	\$ 324	\$ 3,893	\$ 4	\$ 52
<b>Purchases vs. Billings:</b>						
	<b>Quantity</b>	<b>% of Purchased</b>	<b>Quantity</b>	<b>% of Purchased</b>	<b>Quantity</b>	<b>% of Purchased</b>
KW Hours Purchased	28,002,000	100.0%	27,555,070	100.0%	446,930	0.0%
KW Hours Billed	25,828,000	92.2%	25,335,150	91.9%	492,850	0.3%
KW Hours Unbilled (City/Government/Security Light/Lost)	2,174,000	7.9%	2,219,920	8.1%	(45,920)	-0.2%
<b>Billings Breakdown:</b>						
	<b>Billings</b>	<b>% of Billings</b>	<b>Billings</b>	<b>% of Billings</b>	<b>Billings</b>	<b>% of Billings</b>
Residential	\$ 1,182,882	43.7%	\$ 1,195,530	45.3%	\$ (12,648)	-1.6%
Commercial	\$ 1,163,576	43.0%	\$ 1,175,601	44.5%	\$ (12,025)	-1.6%
City	\$ 61,377	2.3%	\$ 60,257	2.3%	\$ 1,120	0.0%
Government	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Security Light	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Purchase Cost Adjustment	\$ 300,924	11.1%	\$ 129,683	4.9%	\$ 171,241	6.2%
Tax	\$ -	0.0%	\$ 78,787	3.0%	\$ (78,787)	-3.0%
Total	\$ 2,708,759	100.0%	\$ 2,639,858	100.0%	\$ 68,901	0.0%

City of Newton  
Water Fund Statistical Analysis  
For the Years Ending April 30, 2017 & 2016

	2017		2016		Change from prior year	
<b>Water Fund:</b>						
<b>Customer Recap:</b>						
Average Customers Per Month	1,617		1,540		77	
Highest Month	1,628		1,597		31	
Lowest Month	1,604		1,506		98	
<b>Average Billing Per Customer:</b>	<b>Per Month</b>	<b>Per Year</b>	<b>Per Month</b>	<b>Per Year</b>	<b>Per Month</b>	<b>Per Year</b>
Metered Sales	\$ 34	\$ 412	\$ 36	\$ 430	\$ (2)	\$ (18)
<b>Gallons Pumped vs. Billed:</b>	<b>Quantity</b>	<b>% of Pumped</b>	<b>Quantity</b>	<b>% of Pumped</b>	<b>Quantity</b>	<b>% of Pumped</b>
Gallons Pumped	99,454,000	100.0%	102,283,000	100.0%	(2,829,000)	-2.8%
Gallons Billed - Metered Sales	93,529,945	94.0%	89,665,372	87.7%	3,864,573	3.9%
Gallons Billed - Bulk Meter	-	0.0%	2,764,000	2.7%	(2,764,000)	-2.8%
Gallons Billed - Material Sales	-	0.0%	-	0.0%	-	0.0%
Waste Water Plant Operations	- A	0.0%	2,748,000	2.7%	(2,748,000)	-2.8%
Water Plant Chlorinator	-	0.0%	-	0.0%	-	0.0%
Backwash	- B	0.0%	138,600	0.1%	(138,600)	-0.1%
Fire Protection	500,000	0.5%	500,000	0.5%	-	0.0%
Boring	-	0.0%	20,000	0.0%	(20,000)	0.0%
Leak Adjustments	100,000	0.1%	92,000	0.1%	8,000	0.0%
St. Thomas	257,224	0.3%	215,040	0.2%	42,184	0.0%
Truck Wash	-	0.0%	-	0.0%	-	0.0%
Water Plant Analyzer	- A	0.0%	240,000	0.2%	(240,000)	-0.2%
Gallons Unaccounted For	5,066,831	5.1%	5,899,988	5.8%	(833,157)	-0.8%
<b>Billings Breakdown:</b>	<b>Billings</b>	<b>% of Billings</b>	<b>Billings</b>	<b>% of Billings</b>	<b>Billings</b>	<b>% of Billings</b>
Metered Sales	\$ 666,730	100.0%	\$ 662,707	99.5%	\$ 4,023	0.6%
Bulk Metered Sales	\$ -	0.0%	\$ 3,648	0.5%	\$ (3,648)	-0.5%
Billed Material Sales	\$ -	0.0%	\$ -	0.0%	\$ -	0.0%
Total	\$ 666,730	100.0%	\$ 666,355	100.0%	\$ 375	0.1%

A Amount is included in Gallons Billed - Metered Sales in FY17

B Amount is not included in Gallons Pumped in FY17

City of Newton  
Waste Water Fund Statistical Analysis  
For the Years Ending April 30, 2017 & 2016

<b>Waste Water Fund:</b>	<b>2017</b>		<b>2016</b>		<b>Change from prior year</b>	
<b>Customer Recap:</b>						
Average Customers Per Month	1,399		1,399		-	
Highest Month	1,465		1,465		-	
Lowest Month	1,355		1,355		-	
<b>Average Billing Per Customer:</b>	<b>Per Month</b>	<b>Per Year</b>	<b>Per Month</b>	<b>Per Year</b>	<b>Per Month</b>	<b>Per Year</b>
Metered Sales	\$ 39	\$ 463	\$ 37	\$ 444	\$ 2	\$ 18
<b>Billings Breakdown:</b>	<b>Billings</b>	<b>% of Billings</b>	<b>Billings</b>	<b>% of Billings</b>	<b>Billings</b>	<b>% of Billings</b>
Metered Sales	\$ 647,226	100.0%	\$ 621,841	100.0%	\$ 25,385	0.0%

City of Newton  
Legal Debt Limitation Analysis  
April 30, 2017

Total assessed value	<u>\$ 24,292,530</u>
Legal debt margin:	
Debt limitation - 8.625% of total assessed value	<u>2,095,231</u>
Debt applicable to limitation:	
Waste Water - PSB Loan	<u>1,613,029</u>
	<u>1,613,029</u>
Legal debt margin available	<u><u>\$ 482,202</u></u>
Actual debt percentage	<u><u>6.64%</u></u>

The City's indebtedness is limited to 8.625% of the value of the taxable property located within the City's boundaries. The revenue bonds are not included in the debt applicable to the limitation per 65 ILCS 5/8-5-16.

**CITY OF NEWTON  
NEWTON, ILLINOIS**

**TAX INCREMENT FINANCING FUND  
AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED APRIL 30, 2017**

**CITY OF NEWTON  
TAX INCREMENT FINANCING FUND  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED APRIL 30, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Newton  
Newton, Illinois

We have audited the financial statements of the Tax Increment Financing Fund of the City of Newton, Illinois as of and for the year ended April 30, 2017, and the related notes to the 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 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 an opinion 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. 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of the Tax Increment Financing Fund of the City of Newton, Illinois, as of April 30, 2017, and the respective changes in modified cash basis financial position thereof and the respective budgetary comparison 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 opinion is not modified with respect to this matter.

**Emphasis-of-matter**

As discussed in Note 1, the financial statements present only the Tax Increment Financing Fund and do not purport to, and do not present fairly the financial position of the City of Newton, Illinois, as of April 30, 2017, or the changes in its financial position for the year then ended in accordance with the modified cash basis of accounting. Our opinion is not modified with respect to this matter.

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants

September 11, 2017



## INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Mayor and City Council  
City of Newton, Illinois

We have examined the City of Newton, Illinois' Tax Increment Financing Fund's compliance with the requirements of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1417) during the year ended April 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on management's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Newton, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Newton, Illinois' compliance with specified requirements.

In our opinion, the City of Newton, Illinois, complied in all material respects with the aforementioned requirements during the year ended April 30, 2017.

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

*Kemper CPA Group LLP*

KEMPER CPA GROUP LLP  
Certified Public Accountants and Consultants

September 11, 2017

**CITY OF NEWTON, ILLINOIS**  
**TAX INCREMENT FINANCING FUND**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**  
**ARISING FROM CASH TRANSACTIONS**  
**APRIL 30, 2017**

Assets:

Cash and equivalents	\$ 105,933
Inventory	115,761
Total Assets	<u>\$ 221,694</u>

Liabilities and Fund Balance:

Liabilities:

Due to other funds	\$ 117,000
Total Liabilities	<u>117,000</u>

Fund Balance:

Nonspendable	115,761
Unassigned	<u>(11,067)</u>
Total Fund Balance	<u>104,694</u>
Total Liabilities and Fund Balance	<u>\$ 221,694</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWTON, ILLINOIS  
TAX INCREMENT FINANCING FUND  
STATEMENT OF CASH REVENUE, CASH EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED APRIL 30, 2017**

Cash Revenue:	
Taxes	\$ 337,310
Interest income	662
Miscellaneous income	1,200
Total Cash Revenue	<u>339,172</u>
Cash Expenditures:	
Administration	9,860
Rehabilitation and demolition	176,086
Interest expense	3,017
Capital outlay	284,574
Total Cash Expenditures	<u>473,537</u>
Excess of Expenditures over Revenues	(134,365)
Fund Balance - Beginning of Year	<u>239,059</u>
Fund Balance - End of Year	<u><u>\$ 104,694</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWTON, ILLINOIS**  
**TAX INCREMENT FINANCING FUND**  
**STATEMENT OF CASH REVENUE, CASH EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2017**

	Budget	Actual	Actual Over (Under)
Cash Revenue:			
Taxes	\$ 320,000	\$ 337,310	\$ 17,310
Interest income	800	662	(138)
Miscellaneous income	-	1,200	1,200
Total Cash Revenue	<u>320,800</u>	<u>339,172</u>	<u>18,372</u>
Cash Expenditures:			
Administration	14,200	9,860	(4,340)
Rehabilitation and demolition	233,100	176,086	(57,014)
Interest expense	8,500	3,017	(5,483)
Loan repayments	15,000	-	(15,000)
Capital outlay	50,000	284,574	234,574
Total Cash Expenditures	<u>320,800</u>	<u>473,537</u>	<u>152,737</u>
Excess of Expenditures over Revenue	<u>\$ -</u>	(134,365)	<u>\$ (134,365)</u>
Fund Balance - Beginning of Year		<u>239,059</u>	
Fund Balance - End of Year		<u>\$ 104,694</u>	

The accompanying notes are an integral part of these financial statements.

**CITY OF NEWTON, ILLINOIS  
TAX INCREMENT FINANCING FUND  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The accompanying financial statements present only financial position and the results of operations for the Tax Increment Financing Fund and do not contain financial data for any other fund of the City of Newton, Illinois.

**B. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Tax Increment Financing Fund, a special revenue fund, is the only fund presented in these financial statements. A special revenue fund is a governmental fund and is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**C. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The City maintains its accounting records for the Tax Increment Financing Fund on the modified cash basis. Accordingly, revenue and expenditures or expenses are recorded when received and disbursed. This differs from the generally accepted accounting principle of recording revenues and expenditures of governmental funds when they become measurable and available and when the related liability is incurred. As a result these statements are not intended to and do not present financial position and results of operations in conformity with generally accepted accounting principles.

**D. Budgets, Appropriation Ordinance, and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing May 1. 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 19, 2016 and the budget amounts reflected in the financial statements were adopted on April 19, 2016.

For the year ended April 30, 2017, actual expenditures did not exceed appropriated expenditures.

**CITY OF NEWTON, ILLINOIS  
TAX INCREMENT FINANCING FUND  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Deposits & Investments

For purposes of the Statement of Assets, Liabilities, and Fund Balance, the City considers all checking, savings, certificates of deposits, and money market accounts, which are highly liquid investments to be cash equivalents.

F. Fund Equity

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 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.

**NOTE 2 – CASH AND INVESTMENTS**

A. Cash

The City maintains its' Tax Increment Financing Fund operating cash account at one bank. At April 30, 2017, the carrying amount and bank balance of the Tax Increment Financing Fund cash deposits were \$105,933 and \$105,933, respectively.



**CITY OF NEWTON, ILLINOIS  
TAX INCREMENT FINANCING FUND  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2017**

**NOTE 2 – CASH AND INVESTMENTS (CONTINUED)**

B. Investments

The City is authorized by state statute and its own local ordinances to invest in obligations of the U.S. Treasury, agencies and instrumentalities, commercial paper noted within the three highest classifications by at least two standard rating services, obligations of states and their political subdivisions, savings accounts and certificates of deposit, credit union shares, and the Illinois Funds Money Market Fund (IFMMF).

**NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES**

As of April 30, 2017, the Tax Increment Financing Fund had an interfund loan from the Electric Fund of the City of Newton, Illinois in the amount of \$117,000. The loan was made to cover cash shortfalls and is not expected to be repaid within the next year.

**NOTE 4 – FUND EQUITY**

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

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