

**CITY OF NEWTON  
NEWTON, ILLINOIS**

**TAX INCREMENT FINANCING FUND  
AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED APRIL 30, 2016**

**CITY OF NEWTON  
TAX INCREMENT FINANCING FUND  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED APRIL 30, 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>TAX INCREMENT FINANCING FUND</b>	
INDEPENDENT AUDITOR’S REPORT	1 – 2
INDEPENDENT ACCOUNTANT’S REPORT	3
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE ARISING FROM CASH TRANSACTIONS	4
STATEMENT OF CASH REVENUE, CASH EXPENDITURES, AND CHANGES IN FUND BALANCE	5
STATEMENT OF CASH REVENUE, CASH EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL	6
NOTES TO FINANCIAL STATEMENTS	7 – 9



## 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, 2016, 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, 2016, and the respective changes in modified cash basis financial position 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 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, 2016, 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 15, 2016



## 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, 2016. 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, 2016.

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 15, 2016

**CITY OF NEWTON, ILLINOIS**  
**TAX INCREMENT FINANCING FUND**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE**  
**ARISING FROM CASH TRANSACTIONS**  
**APRIL 30, 2016**

Assets:	
Cash and equivalents	\$ 250,298
Inventory	115,761
Total Assets	<u>\$ 366,059</u>
Liabilities and Fund Balance:	
Liabilities:	
Due to other funds	\$ 127,000
Total Liabilities	<u>127,000</u>
Fund Balance:	
Nonspendable	115,761
Restricted	123,298
Total Fund Balance	<u>239,059</u>
Total Liabilities and Fund Balance	<u>\$ 366,059</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, 2016**

Cash Revenue:	
Taxes	\$ 338,979
Interest income	911
Total Cash Revenue	339,890
Cash Expenditures:	
Administration	7,209
Rehabilitation and demolition	102,778
Interest expense	7,113
Capital outlay	67,118
Total Cash Expenditures	184,218
Excess of Revenues over Expenditures	155,672
Fund Balance - Beginning of Year	83,387
Fund Balance - End of Year	\$ 239,059

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, 2016**

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under)</u>
Cash Revenue:			
Taxes	\$ 215,000	\$ 338,979	\$ 123,979
Interest income	700	911	211
Total Cash Revenue	<u>215,700</u>	<u>339,890</u>	<u>124,190</u>
 Cash Expenditures:			
Administration	17,400	7,209	(10,191)
Rehabilitation and demolition	160,300	102,778	(57,522)
Interest expense	19,000	7,113	(11,887)
Loan repayments	15,000	-	(15,000)
Capital outlay	4,000	67,118	63,118
Total Cash Expenditures	<u>215,700</u>	<u>184,218</u>	<u>(31,482)</u>
 Excess of Revenue over Expenditures	<u>\$ -</u>	155,672	<u>\$ 155,672</u>
 Fund Balance - Beginning of Year		<u>83,387</u>	
 Fund Balance - End of Year		<u>\$ 239,059</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, 2016**

**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 in the financial statements in this report. 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 or expenses 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 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 21, 2015 and the budget amounts reflected in the financial statements were adopted on April 21, 2015.

For the year ended April 30, 2016, actual expenditures did not exceed appropriated expenditures.

**CITY OF NEWTON, ILLINOIS  
TAX INCREMENT FINANCING FUND  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016**

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

E. Deposits & Investments

For purposes of the Statement of Assets, 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, 2016, the carrying amount and bank balance of the Tax Increment Financing Fund cash deposits were \$250,298 and \$250,298, respectively. As of April 30, 2016, \$298 of the Tax Increment Financing Fund's total bank balance of deposits at financial institutions of \$250,298 was exposed to custodial credit risk as follows:

Collateral held by pledging bank's trust department not in the Tax Increment Financing Fund's	\$ <u>298</u>
--	---------------

**CITY OF NEWTON, ILLINOIS  
TAX INCREMENT FINANCING FUND  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 2016**

**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, 2016, the Tax Increment Financing Fund had an interfund loan from the Electric Fund of the City of Newton, Illinois in the amount of \$127,000. 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>