



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, 2018, 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 10, 2018. This letter does not affect our report dated September 10, 2018, 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 10, 2018

Prior Year Comments:

Billing Adjustments (2017)

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.

Current Year Comments:

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, 2018 & 2017

Electric Fund:

	2018		2017		Change from Prior Year	
	Residential	Commercial	Residential	Commercial	Residential	Commercial
Customer Recap:						
Average Customers Per Month	1,350	296	1,356	295	(6)	1
Highest Month	1,362	299	1,363	298	(1)	1
Lowest Month	1,344	294	1,352	293	(8)	1
Average Billing Per Customer:						
	Per Month	Per Year	Per Month	Per Year	Per Month	Per Year
Residential	\$ 79.25	\$ 951	\$ 72.69	\$ 872	\$ 6.56	\$ 79
Commercial	\$ 347.58	\$ 4,171	\$ 329	\$ 3,944	\$ 19	\$ 227
Purchases vs. Billings:						
	Quantity	% of Purchased	Quantity	% of Purchased	Quantity	% of Purchased
KW Hours Purchased	27,305,000	100.0%	28,002,000	100.0%	(697,000)	0.0%
KW Hours Billed	25,147,000	92.1%	25,828,000	92.2%	(681,000)	-0.1%
KW Hours Unbilled (City/Government/Security Light/Lost)	2,158,000	7.7%	2,174,000	7.8%	(16,000)	-0.1%
Billings Analysis:						
	Billings	% of Billings	Billings	% of Billings	Billings	% of Billings
Residential	\$ 1,283,842	42.7%	\$ 1,182,882	43.7%	\$ 100,960	-1.0%
Commercial	\$ 1,234,604	41.0%	\$ 1,163,576	43.0%	\$ 71,028	-1.9%
City	\$ 58,958	2.0%	\$ 61,377	2.3%	\$ (2,419)	-0.3%
Security Light	\$ 303	0.0%	\$ -	0.0%	\$ 303	0.0%
Purchase Cost Adjustment	\$ 348,184	11.6%	\$ 300,924	11.1%	\$ 47,260	0.5%
Tax	\$ 83,386	2.8%	\$ -	0.0%	\$ 83,386	2.8%
Total	\$ 3,009,277	100.0%	\$ 2,708,759	100.0%	\$ 300,518	0.0%

City of Newton
Water Fund Statistical Analysis
For the Years Ending April 30, 2018 & 2017

	<u>2018</u>		<u>2017</u>		<u>Change from Prior Year</u>	
Water Fund:						
Customer Recap:						
Average Customers Per Month	1,618		1,617		1	
Highest Month	1,638		1,628		10	
Lowest Month	1,599		1,604		(5)	
Average Billing Per Customer:						
	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>
Metered Sales	\$ 34.06	\$ 409	\$ 34.36	\$ 412	\$ (0.26)	\$ (3)
Gallons Pumped vs. Billed:						
	<u>Quantity</u>	<u>% of Pumped</u>	<u>Quantity</u>	<u>% of Pumped</u>	<u>Quantity</u>	<u>% of Pumped</u>
Gallons Pumped	98,771,000	100.0%	99,454,000	100.0%	(683,000)	-0.7%
Gallons Billed - Metered Sales	89,042,804	90.2%	93,529,945	94.0%	(4,487,141)	-4.5%
Fire Protection	500,000	0.5%	500,000	0.5%	-	0.0%
Leak Adjustments	303,242	0.3%	100,000	0.1%	203,242	0.2%
St. Thomas	225,455	0.2%	257,224	0.3%	(31,769)	0.0%
Gallons Unaccounted For	8,699,499	8.8%	5,066,831	5.1%	3,632,668	3.7%
Billings Analysis:						
	<u>Billings</u>	<u>% of Billings</u>	<u>Billings</u>	<u>% of Billings</u>	<u>Billings</u>	<u>% of Billings</u>
Metered Sales	\$ 661,345	100.0%	\$ 666,730	100.0%	\$ (5,385)	-0.8%
Total	\$ 661,345	100.0%	\$ 666,730	100.0%	\$ (5,385)	-0.8%

City of Newton
Waste Water Fund Statistical Analysis
For the Years Ending April 30, 2018 & 2017

<u>Waste Water Fund:</u>	<u>2018</u>		<u>2017</u>		<u>Change from Prior Year</u>	
Customer Recap:						
Average Customers Per Month	1,444		1,399		45	
Highest Month	1,460		1,465		(5)	
Lowest Month	1,431		1,355		76	
Average Billing Per Customer:	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>
Metered Sales	<u>\$ 37.15</u>	<u>\$ 446</u>	<u>\$ 38.55</u>	<u>\$ 463</u>	<u>\$ (1.90)</u>	<u>\$ (17)</u>
Billings Analysis:	<u>Billings</u>		<u>Billings</u>		<u>Billings</u>	
Metered Sales	<u>\$ 643,745</u>		<u>\$ 647,226</u>		<u>\$ (3,481)</u>	

City of Newton
Legal Debt Limitation Analysis
April 30, 2018

Total assessed value	<u>\$ 25,533,497</u>
Legal debt margin:	
Debt limitation - 8.625% of total assessed value	<u>2,202,264</u>
Debt applicable to limitation:	
Waste Water - PSB Loan	<u>1,539,638</u>
Total debt applicable to limitation	<u>1,539,638</u>
Legal debt margin available	<u><u>\$ 662,626</u></u>
Actual debt percentage	<u><u>6.03%</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.