

September 10, 2018

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, 2018. 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 4, 2018. 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 fiscal year 2018. 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 and Uncorrected 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 10, 2018.

### *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*

KEMPER CPA GROUP LLP  
Certified Public Accountants and Consultants

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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>		<b>W-01</b>		
To record disbursement to the State of Illinois For CDAP Closing of Funds/loans.				
9200-29	Miscellaneous Expense - DCEO		70,185.15	
5145-29	Transfer Out			70,185.15
<b>Total</b>			<b>70,185.15</b>	<b>70,185.15</b>
<b>Adjusting Journal Entries JE # 8</b>		<b>F-05</b>		
To reclass items below capital threshold.				
5210-28	Office Supplies		608.00	
5530-22	Tool Purchase		3,979.00	
5530-28	Tool Purchase		1,261.70	
5620-23	Radio Repair		1,091.00	
5630-22	Building Repair		108.54	
5630-23	Building Repair		1,111.59	
5500-22	Equipment Purchase			3,979.00
5500-28	Equipment Purchase			1,261.70
5520-23	Radio Purchase			1,091.00
5550-28	Park Machine Purchase			608.00
5560-22	Building Imp. & Additions			108.54
5560-23	Building Improvements			1,111.59
<b>Total</b>			<b>8,159.83</b>	<b>8,159.83</b>
<b>Adjusting Journal Entries JE # 13</b>		<b>S-01</b>		
To adjust beginng restricted fund balance to actual.				
3000	Retained Earnings-General Fund		12,921.95	
3002	Restricted Equity-Canine Equipment		1,023.43	
3001	Restricted Equity-Drugs & DUI			11,436.62
3010-29	Restricted DCEO Equity			2,508.76
<b>Total</b>			<b>13,945.38</b>	<b>13,945.38</b>
<b>Adjusting Journal Entries JE # 14</b>		<b>S-01</b>		
To adjust ending fund balance to actual for DCEO Funds.				
3010-29	Restricted DCEO Equity		321,685.41	
3000	Retained Earnings-General Fund			321,685.41
<b>Total</b>			<b>321,685.41</b>	<b>321,685.41</b>

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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-02</b>		
To reclass fund balances.				
52-3000-52	Fund Balance-EMA		944.86	
53-3000-53	Fund Balance-MFT		60,734.08	
54-3000-54	Fund Balance-Tort		68,755.75	
57-3000-57	Fund Balance-TIF		134,364.80	
70-3000-70	Fund Balance - ITEP		39,752.93	
00-3000-00	Fund Balance			61,357.88
50-3000-50	Fund Balance-Social Security			63,613.32
51-3000-51	Fund Balance -IMRF			68,140.13
55-3000-55	Fund Balance-Workmen's Comp			76,618.48
56-3000-56	Fund Balance-Capital Development			34,822.61
<b>Total</b>			<b>304,552.42</b>	<b>304,552.42</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>O-01, F-05</b>		
To adjust TB's to actual for interfund loan recorded by the client.				
71-5410-71	Engineering Fees-ITEP Grant Phase2		17,160.59	
56-7050-56	Community Development Exp.			7,566.38
56-7065-56	Community Development Capital Outlay			9,594.21
<b>Total</b>			<b>17,160.59</b>	<b>17,160.59</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>F-05</b>		
To recalss purchase of 506 S Van Buren St to R&M.				
57-8000-57	Property Demolition, Site Preparation		805.00	
57-7060-57	Capital Expense TIF			805.00
<b>Total</b>			<b>805.00</b>	<b>805.00</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>F-05</b>		
To reclass engineering fees for Phase IV Eagle trails.				
56-2000-56	Due From ITEP		3,713.05	
71-5410-71	Engineering Fees-ITEP Grant Phase2		3,713.05	
56-7065-56	Community Development Capital Outlay			3,713.05
72-2000-72	Due to Community Development - Phase III			3,713.05
<b>Total</b>			<b>7,426.10</b>	<b>7,426.10</b>
<b>Adjusting Journal Entries JE # 5</b>		<b>F-05</b>		
To reclass Van Buren water system replacement to capital outlay.				
57-7060-57	Capital Expense TIF		119,116.00	
57-7065-57	Public Works & Improvements			119,116.00
<b>Total</b>			<b>119,116.00</b>	<b>119,116.00</b>
<b>Adjusting Journal Entries JE # 6</b>		<b>F-05</b>		
To reclass items below capital threshold to R&M.				
56-7000-56	Capital Dev. Misc. Expense		354.08	
56-7000-56	Capital Dev. Misc. Expense		664.63	
57-8000-57	Property Demolition, Site Preparation		1,000.00	
56-7065-56	Community Development Capital Outlay			664.63
56-7078-56	ITEP Phase 3 Riverwalk-Matching Funds			354.08
57-7060-57	Capital Expense TIF			1,000.00
<b>Total</b>			<b>2,018.71</b>	<b>2,018.71</b>

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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 # 7</b>		<b>C-01</b>		
To record the disposition of subdivision lot sold in FY18.				
57-7001-57	Cost of Lot Sales		7,717.39	
57-1600-57	Inventory			7,717.39
<b>Total</b>			<b><u>7,717.39</u></b>	<b><u>7,717.39</u></b>

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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>		<b>F-06</b>		
To recalss CIP to Distribution Plant.				
1710	Distribution Plant		26,553.57	
1750	Construction in Process			26,553.57
<b>Total</b>			<b><u>26,553.57</u></b>	<b><u>26,553.57</u></b>
<b>Adjusting Journal Entries JE # 2</b>		<b>F-06a</b>		
To capitalize truck purchases.				
1730	General Plant Equipment		141,502.24	
5510-30	Vehicle Purchase			141,502.24
<b>Total</b>			<b><u>141,502.24</u></b>	<b><u>141,502.24</u></b>
<b>Adjusting Journal Entries JE # 3</b>		<b>F-06a</b>		
To capitalize pole replacement project and 69K volt project.				
1710	Distribution Plant		83,881.44	
1710	Distribution Plant		487,895.96	
5640-30	System Repair			35,791.49
5640-30	System Repair			276,559.89
5800-30	System Improvements			48,089.95
5800-30	System Improvements			211,336.07
<b>Total</b>			<b><u>571,777.40</u></b>	<b><u>571,777.40</u></b>
<b>Adjusting Journal Entries JE # 4</b>		<b>A-01</b>		
To reclass closed Chase bank account to misc exp.				
7000-30	Miscellaneous Expense		14.04	
1096	JP Morgan Money Market Shares			14.04
<b>Total</b>			<b><u>14.04</u></b>	<b><u>14.04</u></b>
<b>Adjusting Journal Entries JE # 5</b>		<b>F-06a</b>		
To capitalize JS Hydraulic Hammer.				
1730	General Plant Equipment		3,896.67	
5500-30	Equipment Purchase			3,896.67
<b>Total</b>			<b><u>3,896.67</u></b>	<b><u>3,896.67</u></b>
<b>Adjusting Journal Entries JE # 6</b>		<b>F-03</b>		
To dispose of fully depreciated assets.				
1760	Reserve for Depreciation		13,455.00	
1730	General Plant Equipment			13,455.00
<b>Total</b>			<b><u>13,455.00</u></b>	<b><u>13,455.00</u></b>
<b>Adjusting Journal Entries JE # 7</b>		<b>F-03</b>		
To adjust depreciation to actual.				
5900-30	Depreciation Expense		9,007.71	
1760	Reserve for Depreciation			9,007.71
<b>Total</b>			<b><u>9,007.71</u></b>	<b><u>9,007.71</u></b>

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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>		<b>F-07a</b>		
To capitalize new software and installation.				
1755-40	Capital Improvement		11,250.00	
5640-40	System Repair			11,250.00
<b>Total</b>			<b>11,250.00</b>	<b>11,250.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>F-07a</b>		
To reclass 1/3 John Deere Hammer				
1730-40	Equipment		3,896.67	
5500-40	Equipment Purchase			3,896.67
<b>Total</b>			<b>3,896.67</b>	<b>3,896.67</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>F-03</b>		
To adjust depreciation to actual.				
5900-40	Depreciation Expense		226.98	
1765-40	Reserve for Depreciation			226.98
<b>Total</b>			<b>226.98</b>	<b>226.98</b>

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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>		<b>F-03</b>		
To adjust depreciation to actual.				
5900-43	Depreciation Expense		3.33	
1760-43	Reserve for Depreciation			3.33
<b>Total</b>			<u><u>3.33</u></u>	<u><u>3.33</u></u>
<b>Adjusting Journal Entries JE # 2</b>		<b>H-01</b>		
To reclass current portion of long term debt.				
2251-43	Peoples State Bank - loan		75,480.71	
2252-43	Current Portion of PSB Loan Payable			75,480.71
<b>Total</b>			<u><u>75,480.71</u></u>	<u><u>75,480.71</u></u>
<b>Adjusting Journal Entries JE # 3</b>		<b>H-01</b>		
To adjust PSB loan to match confirmation.				
5807-43	Sewer Plant Interest PSB		15.36	
2251-43	Peoples State Bank - loan			15.36
<b>Total</b>			<u><u>15.36</u></u>	<u><u>15.36</u></u>
<b>Adjusting Journal Entries JE # 4</b>		<b>S-01</b>		
To adjust beginnind fund balance classification to actual.				
3002-46	Imperial Acres restricted fund		2,961.53	
3000-43	Retained Earnings			2,961.53
<b>Total</b>			<u><u>2,961.53</u></u>	<u><u>2,961.53</u></u>



Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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 # 2</b>		<b>H-01</b>		
To record beginning debt balances				
3000	Retained Earnings-General Fund		1,455,000.00	
2660-28	2010 Bonds Payable - LT			1,455,000.00
<b>Total</b>			<b>1,455,000.00</b>	<b>1,455,000.00</b>
<b>GASB 34 AJE JE # 3</b>		<b>H-01</b>		
To reclass debt payments				
2660-28	2010 Bonds Payable - LT		115,000.00	
5712-28	Bond Principal Payment			115,000.00
<b>Total</b>			<b>115,000.00</b>	<b>115,000.00</b>
<b>GASB 34 AJE JE # 4</b>		<b>H-01</b>		
To reclass current portion of LTD				
2660-28	2010 Bonds Payable - LT		120,000.00	
2661-28	2010 Bonds Payable - Current Portion			120,000.00
<b>Total</b>			<b>120,000.00</b>	<b>120,000.00</b>
<b>GASB 34 AJE JE # 6</b>		<b>H-01</b>		
To record beginning balance of deferred debt				
1800	Deferred Outflows of Advance Refunding of Bonds		91,015.46	
1801	Unamortized Bond Premium, Net			1,441.30
3000	Retained Earnings-General Fund			89,574.16
<b>Total</b>			<b>91,015.46</b>	<b>91,015.46</b>
<b>GASB 34 AJE JE # 7</b>		<b>H-01</b>		
To record current year amortization of deferred outflows				
1801	Unamortized Bond Premium, Net		146.57	
5711-28	Bond Interest		9,255.81	
1800	Deferred Outflows of Advance Refunding of Bonds			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 # 9</b>		<b>F-02</b>		
to record beginning GASB 34 fixed assets				
1700	Land		558,573.87	
1705	Building & Improvements		4,291,372.02	
1710	Equipment, Furniture, & Fixtures		411,403.59	
1715	Infrastructure		3,258,960.31	
1795	Accumulated Depreciation			2,819,902.13
3000	Retained Earnings-General Fund			5,700,407.66
<b>Total</b>			<b>8,520,309.79</b>	<b>8,520,309.79</b>

Client: **137474.01 - City of Newton**  
 Engagement: **2018 - City of Newton**  
 Period Ending: **4/30/2018**  
 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 capitalize current year capital outlays				
1710	Equipment, Furniture, & Fixtures		3,896.66	
1715	Infrastructure		119,116.00	
1720	Construction in Progress		26,092.04	
5500-22	Equipment Purchase			149,104.70
<b>Total</b>			<b><u>149,104.70</u></b>	<b><u>149,104.70</u></b>
<b>GASB 34 AJE JE # 11</b>		<b>F-02</b>		
to remove any fully depreciated assets				
1795	Accumulated Depreciation		103,162.21	
1710	Equipment, Furniture, & Fixtures			103,162.21
<b>Total</b>			<b><u>103,162.21</u></b>	<b><u>103,162.21</u></b>
<b>GASB 34 AJE JE # 12</b>		<b>F-02</b>		
to record CY depreciation expense				
9900-22	Depreciation-Streets & Alleys		98,674.84	
9900-23	Depreciation-Public Safety		10,658.14	
9900-24	Depreciation-Cemetery		270.42	
9900-25	Depreciation-Culture & Recreation		178,882.76	
9900-27	Depreciation-General Administration		32,616.94	
9900-56	Depreciation-Capital Development		39,595.23	
1795	Accumulated Depreciation			360,698.33
<b>Total</b>			<b><u>360,698.33</u></b>	<b><u>360,698.33</u></b>