

City of Newton
Newton, Illinois

Financial Statements
and Supplementary Information

For the Year Ended April 30, 2016

City of Newton
Newton, Illinois
Year Ended April 30, 2016

Table of Contents

	<u>Page</u>
Introductory Section	
Title Page	
Table of Contents	
Financial Section	
Independent Auditor's Report	1-3
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position – Modified Cash Basis	4
Statement of Activities – Modified Cash Basis	5
Fund Financial Statements:	
Balance Sheet – Modified Cash Basis – Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Modified Cash Basis	8
Statement of Net Position – Modified Cash Basis – Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis – Proprietary Funds	10
Statement of Cash Flows – Modified Cash Basis – Proprietary Funds	11
Notes to Financial Statements	12-27

City of Newton
Newton, Illinois
Year Ended April 30, 2016

Table of Contents
(Continued)

	<u>Page</u>
Federal Compliance Section	
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 <i>Government Auditing Standards</i>	28-29
Schedule of Findings and Responses	30
Supplementary Information	
Nonmajor Governmental Funds:	
Combining Balance Sheet – Modified Cash Basis	31
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis	32
Other Information	
Budgetary Comparison Schedule – Modified Cash Basis General Fund	33
Notes to Other Information	34



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, 2016, 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, 2016, 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 33 – 34, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the City Council
City of Newton
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, 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 15, 2016

CITY OF NEWTON, ILLINOIS
Statement of Net Position - Modified Cash Basis
April 30, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,987,275	\$ 3,432,431	\$ 5,419,706
Miscellaneous receivable	2,253	67	2,320
Restricted cash and cash equivalents	247,151	319,602	566,753
Notes receivable	72,026	-	72,026
Inventory	115,761	-	115,761
Internal balances	(222,850)	222,850	-
Capital assets, net of accumulated depreciation	5,628,260	12,140,990	17,769,250
Total assets	<u>\$ 7,829,876</u>	<u>\$ 16,115,940</u>	<u>\$ 23,945,816</u>
DEFERED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>\$ 100,271</u>	<u>\$ -</u>	<u>\$ 100,271</u>
LIABILITIES AND NET POSITION:			
Liabilities:			
Payroll withholdings	\$ 117	\$ -	\$ 117
Sales tax payable	12	-	12
Customer deposits	-	319,602	319,602
Due within one year:			
Notes payable	-	77,723	77,723
Bonds payable	125,000	-	125,000
Due in more than one year:			
Notes payable	-	1,615,780	1,615,780
Bonds payable	1,456,588	-	1,456,588
Total liabilities	<u>1,581,717</u>	<u>2,013,105</u>	<u>3,594,822</u>
Net Position:			
Invested in capital assets, net of related debt	4,146,943	10,447,487	14,594,430
Restricted for:			
Community development	319,177	-	319,177
DUI and drug equipment	19,174	-	19,174
Other purposes	920,128	-	920,128
Unrestricted	<u>943,008</u>	<u>3,655,348</u>	<u>4,598,356</u>
Total net position	<u>6,348,430</u>	<u>14,102,835</u>	<u>20,451,265</u>
Total liabilities and net position	<u>\$ 7,930,147</u>	<u>\$ 16,115,940</u>	<u>\$ 24,046,087</u>

CITY OF NEWTON, ILLINOIS
Statement of Activities - Modified Cash Basis
For the Year Ended April 30, 2016

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
Primary government:							
Governmental activities:							
General government	\$ 268,152	\$ 110,364	\$ 4,540	\$ 400	\$ (152,848)	\$ -	\$ (152,848)
Public safety	917,058	-	-	-	(917,058)	-	(917,058)
Transportation and public works	453,233	-	73,017	-	(380,216)	-	(380,216)
Social services	28,809	3,200	-	-	(25,609)	-	(25,609)
Community development	226,203	-	-	-	(226,203)	-	(226,203)
Culture and recreation	456,559	84,552	-	73,720	(298,287)	-	(298,287)
Interest on long-term debt	89,211	-	-	-	(89,211)	-	(89,211)
Total governmental activities	<u>2,439,225</u>	<u>198,116</u>	<u>77,557</u>	<u>74,120</u>	<u>(2,089,432)</u>	<u>-</u>	<u>(2,089,432)</u>
Business-type activities:							
Electric	2,334,747	2,726,458	-	-	-	391,711	391,711
Water	543,947	668,510	-	-	-	124,563	124,563
Waste water treatment	594,177	612,988	-	-	-	18,811	18,811
Total business-type activities	<u>3,472,871</u>	<u>4,007,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>535,085</u>	<u>535,085</u>
Total primary government	<u>\$ 5,912,096</u>	<u>\$ 4,206,072</u>	<u>\$ 77,557</u>	<u>\$ 74,120</u>	(2,089,432)	535,085	(1,554,347)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					892,837	-	892,837
Intergovernmental revenue:							
Sales tax					641,103	-	641,103
Income tax					304,211	-	304,211
Replacement tax					45,299	-	45,299
Township road and bridge					54,364	-	54,364
Interest and investment earnings					12,305	26,215	38,520
Miscellaneous					27,061	26,905	53,966
Transfers					235,603	(235,603)	-
Total general revenues and transfers					<u>2,212,783</u>	<u>(182,483)</u>	<u>2,030,300</u>
Change in net position					123,351	352,602	475,953
Net position - beginning					6,225,079	13,750,233	19,975,312
Net position - ending					<u>\$ 6,348,430</u>	<u>\$ 14,102,835</u>	<u>\$ 20,451,265</u>

CITY OF NEWTON, ILLINOIS
Balance Sheet - Modified Cash Basis
Governmental Funds
April 30, 2016

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 637,596	\$ 1,155,143	\$ 1,792,739
Restricted cash and cash equivalents	247,151	-	247,151
Notes receivable	72,026	-	72,026
Miscellaneous receivable	374	-	374
Inventory	-	115,761	115,761
Total current assets	<u>\$ 957,147</u>	<u>\$ 1,270,904</u>	<u>\$ 2,228,051</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payroll withholdings	\$ 117	\$ -	\$ 117
Sales tax payable	12	-	12
Due to other funds	-	127,000	127,000
Total liabilities	<u>129</u>	<u>127,000</u>	<u>127,129</u>
Fund balances:			
Nonspendable	-	115,761	115,761
Restricted:			
Community development	319,177	-	319,177
DUI and drug equipment	19,174	-	19,174
Other purposes	-	920,128	920,128
Committed	17,840	108,015	125,855
Assigned	219,273	-	219,273
Unassigned	<u>381,554</u>	<u>-</u>	<u>381,554</u>
Total fund balances	<u>957,018</u>	<u>1,143,904</u>	<u>2,100,922</u>
Total liabilities and fund balances	<u>\$ 957,147</u>	<u>\$ 1,270,904</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. 5,628,260

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. 100,565

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. (1,481,317)

Net position of governmental activities \$ 6,348,430

CITY OF NEWTON, ILLINOIS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended April 30, 2016

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 78,973	\$ 813,864	\$ 892,837
Intergovernmental:			
Sales tax	641,103	-	641,103
Income tax	304,211	-	304,211
Replacement tax	45,299	-	45,299
Township road and bridge	54,364	-	54,364
Licenses and permits	20,245	-	20,245
Fees and fines	84,407	-	84,407
Charges for services	87,929	-	87,929
Revenue from the use of property and equipment	235	5,300	5,535
Interest and investment earnings	7,068	4,446	11,514
Operating grants and contributions	4,540	73,017	77,557
Capital grants and contributions	400	73,720	74,120
Miscellaneous	26,258	803	27,061
Total revenues	<u>1,355,032</u>	<u>971,150</u>	<u>2,326,182</u>
EXPENDITURES			
Current:			
General government	195,404	40,196	235,600
Public safety	718,378	173,968	892,346
Transportation and public works	176,577	166,430	343,007
Social services	28,514	-	28,514
Community development	-	188,267	188,267
Culture and recreation	247,989	50,193	298,182
Debt service:			
Principal	90,000	-	90,000
Interest	37,678	-	37,678
Bond issuance costs	49,991	-	49,991
Capital outlay	52,365	210,569	262,934
Total expenditures	<u>1,596,896</u>	<u>829,623</u>	<u>2,426,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(241,864)</u>	<u>141,527</u>	<u>(100,337)</u>
OTHER FINANCING SOURCES(USES)			
Proceeds of refunding bonds	1,485,000	-	1,485,000
Payment to refunded bond escrow agent	(1,441,814)	-	(1,441,814)
Discount on refunding bonds	1,612	-	1,612
Operating transfers in	156,669	78,934	235,603
Total other financing sources	<u>201,467</u>	<u>78,934</u>	<u>280,401</u>
Net change in fund balance	(40,397)	220,461	180,064
Fund balances - beginning	<u>997,415</u>	<u>923,443</u>	<u>1,920,858</u>
Fund balances - ending	<u>\$ 957,018</u>	<u>\$ 1,143,904</u>	<u>\$ 2,100,922</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, 2016

Net change in fund balances - total governmental funds	\$	180,064
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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 depreciation exceeded capital outlay in the current period.

Capital Outlay	262,934	
Depreciation	<u>(358,856)</u>	(95,922)

In the statement of activities, only the gain 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.

(6,215)

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	1,531,817	
Proceeds	(1,485,000)	
Discount on bond issue	(1,612)	
Deferred charge on refunding amortization	(1,543)	
Bond discount amortization	<u>24</u>	43,686

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.

1,738

Change in net position of governmental activities	\$	<u><u>123,351</u></u>
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CITY OF NEWTON, ILLINOIS
Statement of Net Position - Modified Cash Basis
Proprietary Funds
April 30, 2016

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,856,982	\$ 271,821	\$ 303,628	\$ 3,432,431
Restricted cash and cash equivalents	319,602	-	-	319,602
Due from other funds	554,338	-	-	554,338
Miscellaneous receivable	67	-	-	67
Total current assets	<u>3,730,989</u>	<u>271,821</u>	<u>303,628</u>	<u>4,306,438</u>
Noncurrent assets:				
Capital assets, net of accumulated depreciation	<u>3,620,523</u>	<u>3,989,697</u>	<u>4,530,770</u>	<u>12,140,990</u>
Total noncurrent assets	<u>3,620,523</u>	<u>3,989,697</u>	<u>4,530,770</u>	<u>12,140,990</u>
Total assets	<u>\$ 7,351,512</u>	<u>\$ 4,261,518</u>	<u>\$ 4,834,398</u>	<u>\$ 16,447,428</u>
LIABILITIES AND NET POSITION				
Liabilities:				
Current liabilities:				
Customer deposits	\$ 319,602	\$ -	\$ -	\$ 319,602
Due to other funds	-	314,125	113,213	427,338
Current portion of notes payable	-	-	77,723	77,723
Total current liabilities	<u>319,602</u>	<u>314,125</u>	<u>190,936</u>	<u>824,663</u>
Noncurrent liabilities:				
Notes payable	<u>-</u>	<u>-</u>	<u>1,615,780</u>	<u>1,615,780</u>
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>1,615,780</u>	<u>1,615,780</u>
Total liabilities	<u>319,602</u>	<u>314,125</u>	<u>1,806,716</u>	<u>2,440,443</u>
Net Position				
Invested in capital assets, net of related debt	3,620,523	3,989,697	2,837,267	10,447,487
Unrestricted	<u>3,411,387</u>	<u>(42,304)</u>	<u>190,415</u>	<u>3,559,498</u>
Total net position	<u>7,031,910</u>	<u>3,947,393</u>	<u>3,027,682</u>	<u>14,006,985</u>
Total liabilities and net position	<u>\$ 7,351,512</u>	<u>\$ 4,261,518</u>	<u>\$ 4,834,398</u>	<u>\$ 196,415</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			95,850	
Total net position of business-type activities			<u>\$ 14,102,835</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, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water	Totals	
Operating revenues:					
Charges for services	\$ 2,726,458	\$ 668,510	\$ 612,988	\$ 4,007,956	\$ 200,186
Reinsurance reimbursements	-	-	-	-	120,907
Miscellaneous	16,868	767	9,270	26,905	-
Total operating revenues	<u>2,743,326</u>	<u>669,277</u>	<u>622,258</u>	<u>4,034,861</u>	<u>321,093</u>
Operating expenses:					
Personal services	360,247	214,162	183,421	757,830	-
Support services	8,105	4,373	4,424	16,902	-
Contractual services	1,424,119	9,571	16,817	1,450,507	44,860
Utilities	5,381	26,830	40,602	72,813	-
Repairs and maintenance	118,152	64,404	60,641	243,197	-
Other supplies and materials	204,854	47,524	15,287	267,665	-
Insurance	66,856	54,724	51,748	173,328	274,419
Depreciation	145,677	120,012	170,218	435,907	-
Miscellaneous	1,745	1,278	1,645	4,668	-
Total operating expenses	<u>2,335,136</u>	<u>542,878</u>	<u>544,803</u>	<u>3,422,817</u>	<u>319,279</u>
Operating income (loss)	<u>408,190</u>	<u>126,399</u>	<u>77,455</u>	<u>612,044</u>	<u>1,814</u>
Nonoperating revenues:					
Interest and investment revenue	22,802	1,553	1,860	26,215	766
Total non-operating revenues	<u>22,802</u>	<u>1,553</u>	<u>1,860</u>	<u>26,215</u>	<u>766</u>
Nonoperating expenses:					
Interest expense	-	(1,328)	(49,568)	(50,896)	-
Total non-operating expenses	<u>-</u>	<u>(1,328)</u>	<u>(49,568)</u>	<u>(50,896)</u>	<u>-</u>
Income (loss) before contributions and transfers	430,992	126,624	29,747	587,363	2,580
Transfers out	<u>(184,179)</u>	<u>(27,461)</u>	<u>(23,963)</u>	<u>(235,603)</u>	<u>-</u>
Change in net position	246,813	99,163	5,784	351,760	2,580
Total net position - beginning	6,785,097	3,848,230	3,021,898		193,835
Total net position - ending	<u>\$ 7,031,910</u>	<u>\$ 3,947,393</u>	<u>\$ 3,027,682</u>		<u>\$ 196,415</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				842	
Change in net position of business-type activities				<u>\$ 352,602</u>	

CITY OF NEWTON, ILLINOIS
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Electric	Water	Waste Water	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,742,522	\$ 668,510	\$ 612,988	\$ 4,024,020	\$ -
Receipts from interfund services provided	-	-	-	-	200,186
Payments to suppliers	(1,829,212)	(208,704)	(191,164)	(2,229,080)	(44,860)
Payments to employees	(328,542)	(193,025)	(167,573)	(689,140)	-
Payments for interfund services used	(31,705)	(21,137)	(15,848)	(68,690)	-
Payments for claims	-	-	-	-	(274,419)
Other receipts	16,868	767	9,270	26,905	121,761
Net cash provided by operating activities	<u>569,931</u>	<u>246,411</u>	<u>247,673</u>	<u>1,064,015</u>	<u>2,668</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	<u>(184,179)</u>	<u>(27,461)</u>	<u>(23,963)</u>	<u>(235,603)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(1,213,121)	(317,538)	(9,772)	(1,540,431)	-
Receipts (payments) for interfund loans	(182,875)	198,178	(5,445)	9,858	-
Principal paid on notes	-	-	(74,890)	(74,890)	-
Interest paid on debt	-	(1,328)	(49,568)	(50,896)	-
Net cash used by capital and related financing activities	<u>(1,395,996)</u>	<u>(120,688)</u>	<u>(139,675)</u>	<u>(1,656,359)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	22,802	1,553	1,860	26,215	766
Net cash provided by investing activities	<u>22,802</u>	<u>1,553</u>	<u>1,860</u>	<u>26,215</u>	<u>766</u>
Net increase (decrease) in cash and cash equivalents	(987,442)	99,815	85,895	(801,732)	3,434
Cash and cash equivalents - beginning of year	4,164,026	172,006	217,733	4,553,765	191,102
Cash and cash equivalents - end of year	<u>\$ 3,176,584</u>	<u>\$ 271,821</u>	<u>\$ 303,628</u>	<u>\$ 3,752,033</u>	<u>\$ 194,536</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 408,190	\$ 126,399	\$ 77,455	\$ 612,044	\$ 1,814
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	145,677	120,012	170,218	435,907	-
Change in assets:					
Miscellaneous receivable	(67)	-	-	(67)	854
Change in liabilities:					
Customer deposits	16,131	-	-	16,131	-
Net cash provided (used) by operating activities	<u>\$ 569,931</u>	<u>\$ 246,411</u>	<u>\$ 247,673</u>	<u>\$ 1,064,015</u>	<u>\$ 2,668</u>
Reconciliation of cash on statement of net position to cash balance at year end:					
Cash and cash equivalents	\$ 2,856,982	\$ 271,821	\$ 303,628	\$ 3,432,431	\$ 194,536
Restricted cash and cash equivalents	319,602	-	-	319,602	-
Cash and cash equivalents - end of year	<u>\$ 3,176,584</u>	<u>\$ 271,821</u>	<u>\$ 303,628</u>	<u>\$ 3,752,033</u>	<u>\$ 194,536</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016

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, 2016
(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, 2016
(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 fund:

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 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, 2016
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

E. Inventory

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

F. Internal Balances

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

G. Capital Assets

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

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

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 termination of police employees. As of April 30, 2016, the City's liability for unused sick time is estimated to be \$64,073.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(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 financial position will sometimes report 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. Invested in capital assets, net of related debt is the net cost (book value) of the capital assets, less principal on any long-term debt outstanding that was issued to construct, purchase or otherwise acquire the capital asset.

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

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

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

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

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(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

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

The 2014 tax year levy, received during fiscal year 2016, was adopted by the City Council on December 16, 2014.

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, 2016
(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, 2016, the City maintained restricted cash of \$566,753 as follows:

<u>Business-type Activities</u>	
For customer utility deposits	\$ <u>319,602</u>
<u>Governmental Activities</u>	
For community development	\$ <u>247,151</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 15, 2016, 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, 2016, the carrying amount and the bank balance of the City's cash deposits were \$5,985,159 and \$6,056,352, 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.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(Continued)

Note 2: Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of April 30, 2016, \$5,551,340 of the City's total bank balance of deposits at financial institutions of \$6,056,352 was exposed to custodial credit risk as follows:

Collateral held by pledging bank's trust department not in the City's name	\$ <u>5,551,340</u>
---	---------------------

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:

<u>Name</u>	<u>Terms</u>	<u>Amount</u>
Newton Hotel Group, LLC	3.5% interest, \$989 payable monthly, due February 5, 2023	<u>\$ 72,026</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(Continued)

Note 5: Changes in Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities:

	Balance May 01, 2015	Additions	Deletions	Balance April 30, 2016
<u>Assets Not Depreciated</u>				
Land	\$ 523,278	\$ 35,296	\$ -	\$ 558,574
Construction in progress	512,861	48,301	-	48,301
<u>Assets Depreciated</u>				
Buildings and improvements	4,227,982	52,365	-	4,280,347
Equipment, furniture, fixtures	618,323	-	(21,355)	599,912
Infrastructure	2,145,262	126,972	-	2,782,151
Total Capital Assets	8,027,706	262,934	(21,355)	8,269,285
Less: Accumulated depreciation				
Buildings and improvements	(1,193,206)	(171,537)	-	(1,364,743)
Equipment, furniture, fixtures	(435,104)	(57,026)	15,140	(476,990)
Infrastructure	(668,999)	(130,293)	-	(799,292)
Total Accumulated Depreciation	(2,297,309)	(358,856)	15,140	(2,641,025)
Capital Assets, net	<u>\$ 5,730,397</u>	<u>\$ (95,922)</u>	<u>\$ (6,215)</u>	<u>\$ 5,628,260</u>

Business-type Activities:

	Balance May 01, 2015	Additions	Deletions/ Reclassifications	Balance April 30, 2016
<u>Assets Not Depreciated</u>				
Land	\$ 123,572	\$ -	\$ -	\$ 123,572
Construction in progress	922,678	-	(922,678)	-
<u>Assets Depreciated</u>				
Plant and equipment	15,630,732	1,540,431	724,363	17,895,526
Total Capital Assets	16,676,982	1,540,431	(198,315)	18,019,098
Less: Accumulated depreciation	(5,640,516)	(435,907)	198,315	(5,878,108)
Capital Assets, net	<u>\$ 11,036,466</u>	<u>\$ 1,104,524</u>	<u>\$ -</u>	<u>\$ 12,140,990</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(Continued)

Note 5: Changes in Capital Assets (Continued)

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

<u>Governmental activities:</u>	
General government	\$ 32,682
Public safety	19,016
Transportation and public works	110,420
Social services	295
Culture and recreation	158,507
Community development	37,936
	<u>\$ 358,856</u>
 <u>Business-Type Activities:</u>	
Electric	\$ 145,677
Water	120,012
Waste Water	170,218
	<u>\$ 435,907</u>

Note 6: Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at April 30, 2016 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Electric Fund:		
Water Fund	\$ 314,125	\$ -
Waste Water Fund	113,213	-
Nonmajor Governmental Funds	127,000	-
Water Fund:		
Electric Fund	-	314,125
Waste Water Fund:		
Electric Fund	-	113,213
Nonmajor Governmental Funds:		
Electric Fund	-	127,000
	<u>\$ 554,338</u>	<u>\$ 554,338</u>

Interfund balances 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. 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, 2016
(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, 2016, 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, 2016:

Governmental Funds:

	Payable at May 1, 2015	Additions/ Accretion	Retired/ Defeased	Payable at April 30, 2016	Unamortized Bond Premium	Net Carrying Amount at April 30, 2016
Aquatic Facility GO Bonds - Series 2008	\$1,525,000	\$ -	\$ (1,430,000)	\$ 95,000	\$ -	\$ 95,000
Advance Refunding Bonds - Series 2016	-	1,485,000	-	1,485,000	1,588	1,486,588
Total Long-Term Bonds	<u>\$1,525,000</u>	<u>\$ 1,485,000</u>	<u>\$ (1,430,000)</u>	<u>\$ 1,580,000</u>	<u>\$ 1,588</u>	<u>\$ 1,581,588</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(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>
2017	\$ 125,000	\$ 29,805	\$ 154,805
2018	115,000	36,336	151,336
2019	120,000	34,036	154,036
2020	125,000	31,876	156,876
2021	125,000	29,626	154,626
2022-2026	675,000	101,930	776,930
2027-2028	295,000	13,796	308,796
	<u>\$ 1,580,000</u>	<u>\$ 277,405</u>	<u>\$ 1,857,405</u>

Total interest related to the bonds incurred and expensed for the year ended April 30, 2016 was \$37,678.

Enterprise Funds:

	<u>Payable at May 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Payable at April 30, 2016</u>
Peoples State Bank	\$ 1,753,267	\$ -	\$ (68,733)	\$ 1,684,534
Illinois EPA Note - Imperial Acres	15,126	-	(6,157)	8,969
	<u>\$ 1,768,393</u>	<u>\$ -</u>	<u>\$ (74,890)</u>	<u>\$ 1,693,503</u>

Illinois Environmental Protection Agency Wastewater Loan

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

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2017	\$ 6,335	\$ 211	\$ 6,546
2018	2,634	38	2,672
	<u>\$ 8,969</u>	<u>\$ 249</u>	<u>\$ 9,218</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(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>
2017	\$ 71,389	\$ 46,082	\$ 117,471
2018	73,406	44,065	117,471
2019	75,481	41,991	117,472
2020	77,507	39,965	117,472
2021	79,804	37,667	117,471
2022-2023	1,306,947	52,296	1,359,243
	<u>\$ 1,684,534</u>	<u>\$ 262,066</u>	<u>\$ 1,946,600</u>

Total interest related to the loans incurred and expensed for the year ended April 30, 2016 was \$50,896.

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, 2016
(Continued)

Note 8: Fund Equity (Continued)

Governmental Activities

Purpose	Amount
General Fund:	
Community development	\$ 319,177
DUI and drug equipment	19,174
Social Security Fund	93,887
IMRF Fund	45,161
Emergency Management Fund	24,661
Motor Fuel Tax Fund	110,922
Insurance Fund	411,332
Workmen's Compensation Fund	110,867
TIF	123,298
	\$ 1,258,479

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	\$ 108,015
Sidewalk replacement	12,086
Police safety	2,719
Firing range repairs	3,035
	\$ 125,855

The City reported the following assigned balances:

Governmental Activities

Purpose	Amount
Allocated Funds for Aquatic Facility Debt Payments	\$ 219,273

Note 9: Interfund Transfers

For the year ended April 30, 2016, the following interfund transfers were made:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund	\$ 156,669	\$ -
Capital Development Fund	78,934	-
Electric Fund	-	184,179
Water Fund	-	27,461
Waste Water Fund	-	23,963
	\$ 235,603	\$ 235,603

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(Continued)

Note 9: Interfund Transfers (Continued)

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

Note 10: Defined Benefit Pension Plan

ILLINOIS MUNICIPAL RETIREMENT PLAN

A. Plan Description:

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

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 2015 was 12.90%. 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, 2015 was \$156,543. The covered payroll for calendar year 2015 (annual payroll of active employees covered by the plan) was \$1,213,515.

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 \$59,807 for the current fiscal year.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2016
(Continued)

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, 2016:

Bridge and streetscape projects	\$ 349,573
Lift station	244,000
Total	<u>\$ 593,573</u>

Note 13: Post-Employment Health Care Benefits

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

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



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, 2016, 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 15, 2016.

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 2016-001 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 findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Newton, Illinois' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

September 15, 2016

City of Newton, Illinois
Schedule of Findings and Responses
Year Ended April 30, 2016

FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001 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, 2016

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Social Security	IMRF	Emergency Management	Motor Fuel Tax	Insurance	Workmen's Compensation	Capital Development	ITEP Eagle Trail	TIF	
ASSETS										
Cash and investments	\$ 93,887	\$ 45,161	\$ 24,661	\$ 110,922	\$ 411,332	\$ 110,867	\$ 108,015	\$ -	\$ 250,298	\$ 1,155,143
Inventory	-	-	-	-	-	-	-	-	115,761	115,761
Total assets	<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>\$ 366,059</u>	<u>\$ 1,270,904</u>
LIABILITIES & FUND BALANCE										
Liabilities:										
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,000	\$ 127,000
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,000</u>	<u>127,000</u>
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	115,761	115,761
Restricted										
Other purposes	93,887	45,161	24,661	110,922	411,332	110,867	-	-	123,298	920,128
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,015</u>	<u>-</u>	<u>-</u>	<u>108,015</u>
Total fund balances	<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>239,059</u>	<u>1,143,904</u>
Total liabilities and fund balances	<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>\$ 366,059</u>	<u>\$ 1,270,904</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, 2016

	Special Revenue Funds									Total Nonmajor Governmental Funds
	Social Security	IMRF	Emergency Management	Motor Fuel Tax	Insurance	Workmen's Compensation	Capital Development	ITEP Eagle Trail	TIF	
REVENUES										
Property taxes	\$ 49,762	\$ 59,713	\$ 2,988	\$ -	\$ 298,567	\$ 39,811	24,044	\$ -	\$ 338,979	\$ 813,864
Revenue from the use of property and equipment	-	-	-	-	-	-	5,300	-	-	5,300
Interest and investment earnings	409	260	145	445	1,537	446	293	-	911	4,446
Operating grants and contributions	-	-	-	73,017	-	-	-	-	-	73,017
Capital grants and contributions	-	-	-	-	-	-	-	73,720	-	73,720
Miscellaneous	-	-	-	-	-	-	803	-	-	803
Total revenues	50,171	59,973	3,133	73,462	300,104	40,257	30,440	73,720	339,890	971,150
EXPENDITURES										
Current:										
General government	8,698	9,830	-	-	21,034	634	-	-	-	40,196
Public safety	30,412	50,300	5,319	-	77,648	10,289	-	-	-	173,968
Transportation and public works	8,925	15,479	-	97,560	34,191	10,275	-	-	-	166,430
Community development	-	-	-	-	-	-	71,167	-	117,100	188,267
Culture and recreation	11,772	10,976	-	-	22,262	5,183	-	-	-	50,193
Capital outlay	-	-	-	81,690	-	-	1,330	60,431	67,118	210,569
Total expenditures	59,807	86,585	5,319	179,250	155,135	26,381	72,497	60,431	184,218	829,623
Excess (deficiency) of revenues over (under) expenditures	(9,636)	(26,612)	(2,186)	(105,788)	144,969	13,876	(42,057)	13,289	155,672	141,527
OTHER FINANCING SOURCES(USES)										
Operating transfers in	-	-	-	-	-	-	78,934	-	-	78,934
Total other financing sources	-	-	-	-	-	-	78,934	-	-	78,934
Net change in fund balances	(9,636)	(26,612)	(2,186)	(105,788)	144,969	13,876	36,877	13,289	155,672	220,461
Fund balances - beginning	103,523	71,773	26,847	216,710	266,363	96,991	71,138	(13,289)	83,387	923,443
Fund balances - ending	\$ 93,887	\$ 45,161	\$ 24,661	\$ 110,922	\$ 411,332	\$ 110,867	\$ 108,015	\$ -	\$ 239,059	\$ 1,143,904

CITY OF NEWTON, ILLINOIS
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended April 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Over (Under)
REVENUES				
Property taxes	\$ 77,000	\$ 77,000	\$ 78,973	\$ 1,973
Intergovernmental:				
Sales tax	780,000	780,000	641,103	(138,897)
Income tax	275,000	275,000	304,211	29,211
Replacement tax	37,000	37,000	45,299	8,299
Township road and bridge	50,000	50,000	54,364	4,364
Pull tab and gaming	600	600	-	(600)
Licenses and permits	19,800	19,800	20,245	445
Fees and fines	65,855	65,855	84,407	18,552
Charges for services	68,400	68,400	87,929	19,529
Revenue from the use of property and equipment	-	-	235	235
Interest and investment earnings	3,200	3,200	7,068	3,868
Operating grants and contributions	1,100	1,100	4,540	3,440
Capital grants and contributions	-	-	400	400
Miscellaneous	3,100	3,100	26,258	23,158
Total revenues	<u>1,381,055</u>	<u>1,381,055</u>	<u>1,355,032</u>	<u>(26,023)</u>
EXPENDITURES				
Current:				
General government	203,445	203,445	195,404	(8,041)
Public safety	680,500	680,500	718,378	37,878
Transportation and public works	213,400	213,400	176,577	(36,823)
Social services	31,850	31,850	28,514	(3,336)
Culture and recreation	256,875	256,875	247,989	(8,886)
Debt service:				
Principal	90,000	90,000	90,000	-
Interest	69,685	69,685	37,678	(32,007)
Bond issuance costs	-	-	49,991	49,991
Capital outlay	4,300	4,300	52,365	48,065
Total expenditures	<u>1,550,055</u>	<u>1,550,055</u>	<u>1,596,896</u>	<u>46,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(169,000)</u>	<u>(169,000)</u>	<u>(241,864)</u>	<u>(72,864)</u>
OTHER FINANCING SOURCES(USES)				
Proceeds of refunding bonds	-	-	1,485,000	1,485,000
Payment to refunded bond escrow agent	-	-	(1,441,814)	(1,441,814)
Discount on refunding bonds	-	-	1,612	1,612
Operating transfers in	169,000	169,000	156,669	(12,331)
Total other financing sources	<u>169,000</u>	<u>169,000</u>	<u>201,467</u>	<u>32,467</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(40,397)</u>	<u>\$ (40,397)</u>
Fund balance - beginning			997,415	
Fund balance - ending			<u>\$ 957,018</u>	

City of Newton, Illinois
Notes to Other Information
April 30, 2016

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 21, 2015.
5. Numerous transfers were made between line items in the Appropriation Ordinance during fiscal year 2016.
6. Budget amounts reflected in the financial statements are the amounts as originally adopted on April 21, 2015 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, 2016.

Note 3: Encumbrances

Encumbrance accounting is not used by the City.

**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>
TAX INCREMENT FINANCING FUND	
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	<u>339,890</u>
Cash Expenditures:	
Administration	7,209
Rehabilitation and demolition	102,778
Interest expense	7,113
Capital outlay	67,118
Total Cash Expenditures	<u>184,218</u>
Excess of Revenues over Expenditures	155,672
Fund Balance - Beginning of Year	<u>83,387</u>
Fund Balance - End of Year	<u><u>\$ 239,059</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, 2016

	Budget	Actual	Actual Over (Under)
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>\$ -</u></u>	155,672	<u><u>\$ 155,672</u></u>
Fund Balance - Beginning of Year		<u>83,387</u>	
Fund Balance - End of Year		<u><u>\$ 239,059</u></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>
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**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>



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, 2016, 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 15, 2016. This letter does not affect our report dated September 15, 2016, 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 15, 2016

Current Year Comments:

Customer Deposits

During our audit we noted customer deposits for water, wastewater, and electric per the billing software were not reconciled to the general ledger as of April 30, 2016. However, the customer deposits were reconciled to the general ledger in May 2016. We recommend management reconcile customer deposits per the billing software to the general ledger at each month-end period to ensure deposits are being deposited, remitted, and recorded properly.

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, 2016 & 2015

Electric Fund:

	2016		2015		Change from prior year	
	Residential	Commercial	Residential	Commercial	Residential	Commercial
Customer Recap:						
Average Customers Per Month	1,376	302	1,362	298	14	4
Highest Month	1,385	304	1,374	302	11	2
Lowest Month	1,349	298	1,354	294	(5)	4
Average Billing Per Customer:						
	Per Month	Per Year	Per Month	Per Year	Per Month	Per Year
Residential	\$ 72	\$ 869	\$ 74	\$ 889	\$ (2)	\$ (20)
Commercial	\$ 324	\$ 3,893	\$ 363	\$ 4,352	\$ (38)	\$ (460)
Purchases vs. Billings:	Quantity	% of Purchased	Quantity	% of Purchased	Quantity	% of Purchased
KW Hours Purchased	27,555,070	100.0%	29,356,047	100.0%	(1,800,977)	0.0%
KW Hours Billed	25,335,150	91.9%	26,657,868	90.8%	(1,322,718)	1.1%
KW Hours Unbilled (City/Government/Security Light/Lost)	2,219,920	7.6%	2,698,179	9.2%	(478,259)	-1.6%
Billings Breakdown:	Billings	% of Billings	Billings	% of Billings	Billings	% of Billings
Residential	\$ 1,195,530	45.3%	\$ 1,210,708	41.5%	\$ (15,178)	3.8%
Commercial	\$ 1,175,601	44.5%	\$ 1,296,969	44.4%	\$ (121,368)	0.1%
City	\$ 60,257	2.3%	\$ 65,448	2.2%	\$ (5,191)	0.0%
Government	\$ -	0.0%	\$ 11,373	0.4%	\$ (11,373)	-0.4%
Security Light	\$ -	0.0%	\$ 145	0.0%	\$ (145)	0.0%
Purchase Cost Adjustment	\$ 129,683	4.9%	\$ 249,125	8.5%	\$ (119,442)	-3.6%
Tax	\$ 78,787	3.0%	\$ 84,596	2.9%	\$ (5,809)	0.1%
Total	\$ 2,639,858	100.0%	\$ 2,918,364	100.0%	\$ (278,506)	0.0%

City of Newton
Water Fund Statistical Analysis
For the Years Ending April 30, 2016 & 2015

	2016		2015		Change from prior year	
Water Fund:						
Customer Recap:						
Average Customers Per Month	1,540		1,592		(52)	
Highest Month	1,597		1,612		(15)	
Lowest Month	1,506		1,577		(71)	
Average Billing Per Customer:	Per Month	Per Year	Per Month	Per Year	Per Month	Per Year
Metered Sales	\$ 36	\$ 430	\$ 33	\$ 391	\$ 3	\$ 39
Gallons Pumped vs. Billed:	Quantity	% of Pumped	Quantity	% of Pumped	Quantity	% of Pumped
Gallons Pumped	102,283,000	100.0%	95,657,000	100.0%	6,626,000	6.5%
Gallons Billed - Metered Sales	89,665,372	87.7%	80,281,682	83.9%	9,383,690	9.2%
Gallons Billed - Bulk Meter	2,764,000	2.7%	1,699,700	1.8%	1,064,300	1.0%
Gallons Billed - Material Sales	-	0.0%	-	0.0%	-	0.0%
Waste Water Plant Operations	2,748,000	2.7%	1,700,000	1.8%	1,048,000	1.0%
Water Plant Chlorinator	-	0.0%	8,760,000	9.2%	(8,760,000)	-8.6%
Backwash	138,600	0.1%	-	0.0%	138,600	0.1%
Fire Protection	500,000	0.5%	-	0.0%	500,000	0.5%
Boring	20,000	0.0%	-	0.0%	20,000	0.0%
Leak Adjustments	92,000	0.1%	-	0.0%	92,000	0.1%
St. Thomas	215,040	0.2%	-	0.0%	215,040	0.2%
Truck Wash	-	0.0%	16,600	0.0%	(16,600)	0.0%
Water Plant Analyzer	240,000	0.2%	167,400	0.2%	72,600	0.1%
Gallons Unaccounted For	5,899,988	5.8%	3,031,618	3.2%	2,868,370	2.8%
Billings Breakdown:	Billings	% of Billings	Billings	% of Billings	Billings	% of Billings
Metered Sales	\$ 662,707	99.5%	\$ 622,509	97.6%	\$ 40,198	6.0%
Bulk Metered Sales	\$ 3,648	0.5%	\$ 5,934	0.9%	\$ (2,286)	-0.3%
Billed Material Sales	\$ -	0.0%	\$ 9,334	1.5%	\$ (9,334)	-1.4%
Total	\$ 666,355	100.0%	\$ 637,777	100.0%	\$ 28,578	4.3%

City of Newton
Waste Water Fund Statistical Analysis
For the Years Ending April 30, 2016 & 2015

Waste Water Fund:	2016		2015		Change from prior year	
Customer Recap:						
Average Customers Per Month	1,399		1,414		(15)	
Highest Month	1,465		1,430		35	
Lowest Month	1,355		1,400		(45)	
 Average Billing Per Customer:	 Per Month	 Per Year	 Per Month	 Per Year	 Per Month	 Per Year
Metered Sales	<u>\$ 37</u>	<u>\$ 444</u>	<u>\$ 34</u>	<u>\$ 406</u>	<u>\$ 3</u>	<u>\$ 39</u>
 Billings Breakdown:	 Billings	 % of Billings	 Billings	 % of Billings	 Billings	 % of Billings
Metered Sales	<u>\$ 621,841</u>	<u>100.0%</u>	<u>\$ 573,817</u>	<u>100.0%</u>	<u>\$ 48,024</u>	<u>0.0%</u>

City of Newton
Legal Debt Limitation Analysis
April 30, 2016

Total assessed value	<u>\$ 25,333,625</u>
Legal debt margin:	
Debt limitation - 8.625% of total assessed value	<u>2,185,025</u>
Debt applicable to limitation:	
Aquatic Facility Revenue Bonds	-
Waste Water - IL EPA	8,969
Waste Water - PSB Loan	<u>1,684,534</u>
	<u>1,693,503</u>
Legal debt margin available	<u><u>\$ 491,522</u></u>
Actual debt percentage	<u><u>6.68%</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.

September 15, 2016

To the City Council
City of Newton, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Newton, Illinois for the year ended April 30, 2016. 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 13, 2016. 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 2016. 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 15, 2016.

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: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-01 - General**
Workpaper: **AJE-01 - Adjusting Journal Entries Report - General Fund**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass items to repair & maintenance expense.		F-05		
5540-28	Merchandise Purchase		594.00	
5600-27	Equipment Repair		2,184.00	
5640-28	Pool Repair		1,950.08	
5500-27	Equipment Purchase			2,184.00
5500-28	Equipment Purchase			1,950.08
5550-28	Park Machine Purchase			594.00
Total			4,728.08	4,728.08
Adjusting Journal Entries JE # 10				
To reclass payments not made to Insurance Fund.		03-01c		
7000-22	Miscellaneous Expense		10.40	
7000-23	Miscellaneous Expense		45.76	
7000-25	Miscellaneous Expense		6.24	
7000-27	Miscellaneous Expense		15.08	
5120-22	Group Insurance			10.40
5120-23	Group Insurance			45.76
5120-25	Group Insurance			6.24
5120-27	Group Insurance			15.08
Total			77.48	77.48
Adjusting Journal Entries JE # 11				
To record advance refunding of the 2008 bonds.		H-01		
5010-10	Payment to Refunding Bonds		1,441,813.90	
5020-10	Bond Issuance Costs		44,798.40	
4000-10	Bond Proceeds			1,485,000.00
4001-10	Premium on Bond Issue			1,612.30
Total			1,486,612.30	1,486,612.30
Adjusting Journal Entries JE # 15				
To reclass transfer of prior debt service balances to expenditures - debt service.		H-01		
5020-10	Bond Issuance Costs		8,057.90	
5711-28	Bond Interest			8,057.90
Total			8,057.90	8,057.90
Adjusting Journal Entries JE # 16				
To reclass contingency money received from the bond issue.		07a-01d		
4300	Reimbursement/Refunds Misc.		2,865.22	
5020-10	Bond Issuance Costs			2,865.22
Total			2,865.22	2,865.22

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-02 - Specials**
Workpaper: **AJE-02 - Adjusting Journal Entries Report - Specials**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To adjust fund balance to actual.				
		S-01		
00-3000-00	Fund Balance		11,749.87	
57-4407-57	Miscellaneous Income-TIF		400.00	
56-3000-56	Fund Balance-Capital Development			400.00
56-3000-56	Fund Balance-Capital Development			9,467.26
57-3000-57	Fund Balance-TIF			2,282.61
Total			12,149.87	12,149.87
Adjusting Journal Entries JE # 2				
To adjust beginning due to/from to actual.				
		O-01		
56-2000-56	Due From ITEP		1,080.06	
70-2000-70	Due To Community Development			1,080.06
Total			1,080.06	1,080.06
Adjusting Journal Entries JE # 3				
To reclass ITEP payment to across funds due to Capital Development fund not being reimbursed for the remaining expenses on ITEP.				
		O-01		
56-7077-56	ITEP Miscellaneous Expense/Phase 2		1,080.06	
70-2000-70	Due To Community Development		1,080.06	
56-2000-56	Due From ITEP			1,080.06
70-5700-70	Contractor Fees			1,080.06
Total			2,160.12	2,160.12
Adjusting Journal Entries JE # 4				
To reclass expenditure for rehab grant to proper fund.				
		TB-02		
59-5421-59	Grant Management-Housing		550.00	
56-7050-56	Community Development Exp.			550.00
Total			550.00	550.00
Adjusting Journal Entries JE # 5				
To capitalize purchase of land and parking lot construction.				
		Z.2-1		
57-7060-57	Capital Expense TIF		67,117.56	
57-8000-57	Property Demolition, Site Preparation			67,117.56
Total			67,117.56	67,117.56

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-03 - Electric**
Workpaper: **AJE-03 - Adjusting Journal Entries Report - Electric**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		F-06a		
To reclass capital assets.				
1710	Distribution Plant		12,210.00	
1710	Distribution Plant		31,776.38	
1710	Distribution Plant		344,044.47	
1710	Distribution Plant		406,833.09	
1725	Buildings		100,516.00	
1725	Buildings		1,045,146.07	
1730	General Plant Equipment		2,943.75	
1750	Construction in Process			2,943.75
1750	Construction in Process			320,571.70
1750	Construction in Process			406,833.09
5410-30	Engineering			31,776.38
5410-30	Engineering			100,516.00
5710-31	New Construction			724,574.37
5800-30	System Improvements			12,210.00
5800-30	System Improvements			344,044.47
Total			1,943,469.76	1,943,469.76
Adjusting Journal Entries JE # 2		F-03		
To record CY depreciation expense to actual.				
5900-30	Depreciation Expense		50,529.00	
1760	Reserve for Depreciation			50,529.00
Total			50,529.00	50,529.00
Adjusting Journal Entries JE # 3		03-01c		
To reclass payments not made to Insurance Fund.				
7000-30	Miscellaneous Expense		35.36	
5120-30	Group Insurance			35.36
Total			35.36	35.36

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-04 - Water**
Workpaper: **AJE-04 - Adjusting Journal Entries Report - Water**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
		F-07		
To capitalize and place Xanders/City Square/billing software additions into service.				
1710-40	Distribution System		79,171.54	
1710-40	Distribution System		424,808.49	
1730-40	Equipment		2,943.75	
1800-41	Construction in Progress			2,943.75
1800-41	Construction in Progress			70,000.00
1800-41	Construction in Progress			116,441.66
5745-40	Town Square Water Main Upgrade			308,366.83
5760-40	Xanders Addition			9,171.54
Total			506,923.78	506,923.78
Adjusting Journal Entries JE # 2				
		F-07		
AJE to dispose of old water plant.				
1765-40	Reserve for Depreciation		198,315.12	
1700-40	Water Plant			198,315.12
Total			198,315.12	198,315.12
Adjusting Journal Entries JE # 3				
		F-03		
To record CY depreciation expense.				
5900-40	Depreciation Expense		7,404.00	
1765-40	Reserve for Depreciation			7,404.00
Total			7,404.00	7,404.00
Adjusting Journal Entries JE # 4				
		03-01c		
To reclass payments not made to Insurance Fund.				
7000-40	Miscellaneous Expense		14.56	
5120-40	Group Insurance			14.56
Total			14.56	14.56

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-05 - Waste Water**
Workpaper: **AJE-05 - Adjusting Journal Entries Report - Waste Water**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass beginning restricted fund balance.				
3000-43	Retained Earnings		589.48	
3002-46	Imperial Acres restricted fund			589.48
Total			589.48	589.48
Adjusting Journal Entries JE # 2				
To capitalize and place fixed assets into service.				
1730-43	Equipment		2,943.75	
1755-43	Capital Improvement		9,771.51	
1770-43	Construction in Progress			2,943.75
5760-43	Xanders Addiion			9,771.51
Total			12,715.26	12,715.26
Adjusting Journal Entries JE # 3				
To reclass current portion of long term debt-PSB and IEPA				
2251-43	Peoples State Bank - loan		71,388.87	
2690-46	Note Payable-principle-IEPA(Imp.Acre1998		6,334.46	
2650-43	Bonds Payable			71,388.87
2693-46	Current Portion - IEPA Note Payable			6,334.46
Total			77,723.33	77,723.33
Adjusting Journal Entries JE # 4				
To record CY depreciation expense.				
5900-43	Depreciation Expense		430.00	
1760-43	Reserve for Depreciation			430.00
Total			430.00	430.00
Adjusting Journal Entries JE # 5				
To reclass payments not made to Insurance Fund.				
7000-43	Miscellaneous Expenses		22.36	
5120-43	Group Insurance			22.36
Total			22.36	22.36
Adjusting Journal Entries JE # 6				
To adjust loan balances for principal paid.				
5807-43	Sewer Plant Interest PSB		426.22	
2251-43	Peoples State Bank - loan			426.22
Total			426.22	426.22

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-06 - Health Insurance**
Workpaper: **AJE-06 - Adjusting Journal Entries Report - Insurance**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		02-03.6		
To record prescription drug reimbursement not received by fiscal year end.				
1452	A/R Reinsurance		1,879.37	
4405	Reinsurance Reimbursements			1,879.37
Total			1,879.37	1,879.37

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-01 - General**
Workpaper: **GASB-01 - GASB 34 AJE Report - General**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE JE # 2				
To record beginning balance of fixed assets.				
		F-02		
1700	Land		523,277.73	
1705	Building & Improvements		4,227,981.61	
1710	Equipment, Furniture, & Fixtures		618,322.89	
1715	Infrastructure		2,145,261.01	
1720	Construction in Progress		512,861.08	
1795	Accumulated Depreciation			2,297,308.56
3000	Retained Earnings-General Fund			5,730,395.76
Total			8,027,704.32	8,027,704.32
GASB 34 AJE JE # 3				
To record beginning loan balances.				
		H-01		
3000	Retained Earnings-General Fund		1,525,000.00	
2650-28	Bonds Payable			1,525,000.00
Total			1,525,000.00	1,525,000.00
GASB 34 AJE JE # 4				
To record Aquatic general obligation bond payment				
		H-01		
2650-28	Bonds Payable		90,000.00	
5712-28	Bond Principal Payment			90,000.00
Total			90,000.00	90,000.00
GASB 34 AJE JE # 5				
To reclass current portion of long term debt-Aquatic Go Bonds				
		H-01		
2650-28	Bonds Payable		95,000.00	
2651-28	Bonds Payable - Current Portion			95,000.00
Total			95,000.00	95,000.00
GASB 34 AJE JE # 7				
To record CY depreciation expense.				
		F-02		
9900-22	Depreciation-Streets & Alleys		110,419.60	
9900-23	Depreciation-Public Safety		19,015.54	
9900-24	Depreciation-Cemetery		295.00	
9900-25	Depreciation-Culture & Recreation		158,507.00	
9900-27	Depreciation-General Administration		32,682.49	
9900-56	Depreciation-Capital Development		37,935.93	
1795	Accumulated Depreciation			358,855.56
Total			358,855.56	358,855.56
GASB 34 AJE JE # 8				
To record CY disposals of fixed assets.				
		F-02		
1795	Accumulated Depreciation		15,139.89	
4999-23	Gain/Loss on Sale of Assets		6,214.69	
1710	Equipment, Furniture, & Fixtures			21,354.58
Total			21,354.58	21,354.58

Client: **137474.01 - City of Newton**
Engagement: **2016 - City of Newton**
Period Ending: **4/30/2016**
Trial Balance: **TB-01 - General**
Workpaper: **GASB-01 - GASB 34 AJE Report - General**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE JE # 9		F-02		
To capitalize CY capital outlays.				
1700	Land		35,296.14	
1705	Building & Improvements		52,365.41	
1710	Equipment, Furniture, & Fixtures		2,943.75	
1715	Infrastructure		636,889.29	
1720	Construction in Progress			464,559.98
5500-22	Equipment Purchase			262,934.61
Total			727,494.59	727,494.59
GASB 34 AJE JE # 12		H-01		
To reverse governmental fund entry for advance refunding of bonds.				
1800	Deferred Outflows of Advance Refunding of Bonds		101,813.90	
2650-28	Bonds Payable		1,340,000.00	
4000-10	Bond Proceeds		1,485,000.00	
4001-10	Premium on Bond Issue		1,612.30	
1801	Unamortized Bond Premium, Net			1,612.30
2660-28	2010 Bonds Payable - LT			1,485,000.00
2661-28	2010 Bonds Payable - Current Portion			
5010-10	Payment to Refunding Bonds			1,441,813.90
Total			2,928,426.20	2,928,426.20
GASB 34 AJE JE # 13		H-01		
To reclass short-term portion of 2016 bonds.				
2660-28	2010 Bonds Payable - LT		30,000.00	
2661-28	2010 Bonds Payable - Current Portion			30,000.00
Total			30,000.00	30,000.00
GASB 34 AJE JE # 14		H-01		
To record amortization of deferred outflow on 2016 bonds.				
1801	Unamortized Bond Premium, Net		24.43	
5711-28	Bond Interest		1,542.63	
1800	Deferred Outflows of Advance Refunding of Bonds			1,542.63
4010	Int. Earned-Gen. Fund M-Market			24.43
Total			1,567.06	1,567.06