



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, 2019, 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 October 9, 2019. This letter does not affect our report dated October 9, 2019, 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.

This communication is intended solely for the information and use of management, members of the finance committee, council members, and others within the entity, and is not intended to be, and should not be, used by anyone other than those specified parties.

Very truly yours,

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

October 9, 2019

Prior Year Comments:

Billing Adjustments (2017)

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

Follow-Up: We continue to recommend that the Village retain copies of billing adjustments with documentation of board approval (i.e. signatures).

Current Year Comments:

Economic Development Employee

During our audit, we noted the City hired a new economic development employee paid out of the General fund. For financial statement classification purposes we recommend that the City create a new allocation for these corresponding payroll expenses; Medicare and Social Security taxes, workers compensation, and IMRF contributions, on the statement of functional expenses. These will then be allocated accordingly on the financial statements drafted by Kemper.

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, 2019 & 2018

	2019			2018			Change from Prior Year	
	Residential	Commercial	Per Year	Residential	Commercial	Per Year	Residential	Commercial
Electric Fund:								
Customer Recap:								
Average Customers Per Month	1,337	299		1,350	296		(13)	3
Highest Month	1,343	303		1,362	299		(19)	4
Lowest Month	1,330	296		1,344	294		(14)	2
Average Billing Per Customer:								
Residential	\$ 83.03	\$ 996	\$ 79.25	\$ 951	\$ 3.78	\$ 45		
Commercial	\$ 353.84	\$ 4,246	\$ 347.58	\$ 4,171	\$ 6	\$ 75		
Purchases vs. Billings:								
KW Hours Purchased	28,236,000	100.0%	27,305,000	100.0%	931,000	0.0%		
KW Hours Billed	26,169,000	92.7%	25,147,000	92.1%	1,022,000	0.6%		
KW Hours Unbilled (City/Government/Security Light/Lost)	2,067,000	7.6%	2,158,000	7.9%	(91,000)	-0.3%		
Billings Analysis:								
Residential	\$ 1,332,184	42.3%	\$ 1,283,842	42.7%	\$ 48,342	-0.4%		
Commercial	\$ 1,269,578	40.3%	\$ 1,234,604	41.0%	\$ 34,974	-0.8%		
City	\$ 59,634	1.9%	\$ 58,958	2.0%	\$ 676	-0.1%		
Security Light	\$ 392	0.0%	\$ 303	0.0%	\$ 89	0.0%		
Purchase Cost Adjustment	\$ 407,228	12.9%	\$ 348,184	11.6%	\$ 59,044	1.3%		
Tax	\$ 83,216	2.6%	\$ 83,386	2.8%	\$ (170)	-0.1%		
Total	\$ 3,152,232	100.0%	\$ 3,009,277	100.0%	\$ 142,955	0.0%		

City of Newton
Water Fund Statistical Analysis
For the Years Ending April 30, 2019 & 2018

	2019		2018		Change from Prior Year	
Water Fund:						
Customer Recap:						
Average Customers Per Month	1,602		1,618		(16)	
Highest Month	1,621		1,638		(17)	
Lowest Month	1,581		1,599		(18)	
Average Billing Per Customer:						
Metered Sales	\$ 35.67	\$ 428	\$ 34.06	\$ 409	\$ 1.61	\$ 19
Gallons Pumped vs. Billed:						
Gallons Pumped	100,790,000	100.0%	98,771,000	100.0%	2,019,000	2.0%
Gallons Billed - Metered Sales	92,322,698	91.6%	89,042,804	90.2%	3,279,894	3.3%
Fire Protection	153,000	0.2%	500,000	0.5%	(347,000)	-0.3%
Leak Adjustments	337,300	0.3%	303,242	0.3%	34,058	0.0%
St. Thomas	274,959	0.3%	225,455	0.2%	49,504	0.0%
Gallons Unaccounted For	7,702,043	7.6%	8,699,499	8.8%	(997,456)	-1.0%
Billings Analysis:						
Metered Sales	\$ 685,793	100.0%	\$ 661,345	100.0%	\$ 24,448	3.6%
Total	\$ 685,793	100.0%	\$ 661,345	100.0%	\$ 24,448	3.6%

**City of Newton
Waste Water Fund Statistical Analysis
For the Years Ending April 30, 2019 & 2018**

	<u>2019</u>	<u>2018</u>	<u>Change from Prior Year</u>
<u>Waste Water Fund:</u>			
<u>Customer Recap:</u>			
Average Customers Per Month	1,428	1,444	(16)
Highest Month	1,444	1,460	(16)
Lowest Month	1,413	1,431	(18)
<u>Average Billing Per Customer:</u>			
Metered Sales	<u>\$ 38.40</u> <u>Per Month</u> <u>\$ 461</u> <u>Per Year</u>	<u>\$ 37.15</u> <u>Per Month</u> <u>\$ 446</u> <u>Per Year</u>	<u>\$ 0.75</u> <u>Per Month</u> <u>\$ 15</u> <u>Per Year</u>
<u>Billings Analysis:</u>			
Metered Sales	<u>\$ 657,986</u> <u>Billings</u>	<u>\$ 643,745</u> <u>Billings</u>	<u>\$ 14,241</u> <u>Billings</u>

City of Newton
Legal Debt Limitation Analysis
April 30, 2019

Total assessed value	<u>\$ 26,156,666</u>
Legal debt margin:	
Debt limitation - 8.625% of total assessed value	<u>2,256,012</u>
Debt applicable to limitation:	
Waste Water - PSB Loan	<u>1,464,171</u>
Total debt applicable to limitation	<u>1,464,171</u>
Legal debt margin available	<u><u>\$ 791,841</u></u>
Actual debt percentage	<u><u>5.60%</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.