

CITY OF NEWTON, ILLINOIS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED  
APRIL 30, 2019

CITY OF NEWTON, ILLINOIS  
Financial Statements  
April 30, 2019

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CITY OF NEWTON, ILLINOIS  
Financial Statements  
April 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members  
of the City Council  
City of Newton, Illinois

We have audited the accompanying modified cash basis 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, 2019, 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, 2019, 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 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 – 35, 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.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2019, 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 solely 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 the effectiveness of the City of Newton, Illinois' 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

October 7, 2019

**CITY OF NEWTON, ILLINOIS**  
**Statement of Net Position - Modified Cash Basis**  
**April 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,523,401	\$ 3,636,150	\$ 6,159,551
Restricted cash and cash equivalents	-	334,401	334,401
Notes receivable	42,510	-	42,510
Inventory	108,749	-	108,749
Internal balances	(165,915)	165,915	-
Capital assets, net of accumulated depreciation	5,313,488	12,816,933	18,130,421
Total assets	<u>\$ 7,822,233</u>	<u>\$ 16,953,399</u>	<u>\$ 24,775,632</u>
<b>DEFERED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	<u>\$ 72,504</u>	<u>\$ -</u>	<u>\$ 72,504</u>
<b>LIABILITIES AND NET POSITION:</b>			
Liabilities:			
Customer deposits	\$ -	\$ 334,401	\$ 334,401
Sales tax payable	-	248	248
Due within one year:			
Notes payable	-	77,507	77,507
Bonds payable	125,000	-	125,000
Due in more than one year:			
Notes payable	-	1,386,664	1,386,664
Bonds payable	1,096,148	-	1,096,148
Total liabilities	<u>1,221,148</u>	<u>1,798,820</u>	<u>3,019,968</u>
Net position:			
Net investment in capital assets	4,164,844	11,352,762	15,517,606
Restricted for:			
Other purposes	1,473,005	-	1,473,005
Unrestricted	1,035,740	3,801,817	4,837,557
Total net position	<u>6,673,589</u>	<u>15,154,579</u>	<u>21,828,168</u>
Total liabilities and net position	<u>\$ 7,894,737</u>	<u>\$ 16,953,399</u>	<u>\$ 24,848,136</u>

**CITY OF NEWTON, ILLINOIS**  
**Statement of Activities - Modified Cash Basis**  
**For the Year Ended April 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 324,703	\$ 56,485	\$ 2,323	\$ -	\$ (265,895)	\$ -	\$ (265,895)
Public safety	937,103	41,000	4,274	25,645	(866,184)	-	(866,184)
Transportation and public works	433,808	-	72,537	-	(361,271)	-	(361,271)
Social services	27,431	1,925	-	-	(25,506)	-	(25,506)
Community development	237,144	37,543	-	72,027	(127,574)	-	(127,574)
Culture and recreation	475,537	67,365	-	-	(408,172)	-	(408,172)
Interest on long-term debt	42,062	-	-	-	(42,062)	-	(42,062)
Total governmental activities	<u>2,477,788</u>	<u>204,318</u>	<u>79,134</u>	<u>97,672</u>	<u>(2,096,664)</u>	<u>-</u>	<u>(2,096,664)</u>
Business-type activities:							
Electric	2,762,813	3,180,394	-	-	-	417,581	417,581
Water	580,767	691,904	-	11,700	-	122,837	122,837
Waste water treatment	583,424	661,297	-	-	-	77,873	77,873
Total business-type activities	<u>3,927,004</u>	<u>4,533,595</u>	<u>-</u>	<u>11,700</u>	<u>-</u>	<u>618,291</u>	<u>618,291</u>
Total primary government	<u>\$ 6,404,792</u>	<u>\$ 4,737,913</u>	<u>\$ 79,134</u>	<u>\$ 109,372</u>	<u>(2,096,664)</u>	<u>618,291</u>	<u>(1,478,373)</u>
General revenues:							
Taxes:							
Property taxes					993,502	-	993,502
Intergovernmental revenue:							
Sales tax					747,105	-	747,105
Income tax					276,607	-	276,607
Replacement tax					40,030	-	40,030
Pull-tab and gaming tax					36,169	-	36,169
Township road and bridge					67,381	-	67,381
Interest and investment earnings					13,748	36,046	49,794
Miscellaneous					9,517	13,616	23,133
Transfers					267,992	(267,992)	-
Total general revenues and transfers					<u>2,452,051</u>	<u>(218,330)</u>	<u>2,233,721</u>
Change in net position					355,387	399,961	755,348
Net position - beginning					6,318,202	14,754,618	21,072,820
Net position - ending					<u>\$ 6,673,589</u>	<u>\$ 15,154,579</u>	<u>\$ 21,828,168</u>

**CITY OF NEWTON, ILLINOIS**  
**Balance Sheet - Modified Cash Basis**  
**Governmental Funds**  
**April 30, 2019**

	General	TIF	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 614,774	\$ 237,635	\$ 1,423,658	\$ 2,276,067
Notes receivable	-	42,510	-	42,510
Due from other funds	-	-	7,151	7,151
Inventory	-	108,749	-	108,749
Total current assets	\$ 614,774	\$ 388,894	\$ 1,430,809	\$ 2,434,477
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due to other funds	\$ -	\$ 47,000	\$ 7,151	\$ 54,151
Total liabilities	-	47,000	7,151	54,151
Fund balances:				
Nonspendable	-	108,749	-	108,749
Restricted:				
Other purposes	43,608	233,145	1,196,252	1,473,005
Committed	28,426	-	234,557	262,983
Assigned	251,186	-	-	251,186
Unassigned	291,554	-	(7,151)	284,403
Total fund balances	614,774	341,894	1,423,658	2,380,326
Total liabilities and fund balances	\$ 614,774	\$ 388,894	\$ 1,430,809	

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.

5,313,488

Internal service funds are used by management to charge health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

128,419

Long-term liabilities, including bonds payable and deferred outflows on debt refunding, are not due and payable in the current period and therefore are not reported in the funds.

(1,148,644)

Net position of governmental activities

\$ 6,673,589



**CITY OF NEWTON, ILLINOIS**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis**  
**Governmental Funds**  
**For the Year Ended April 30, 2019**

	<u>General</u>	<u>TIF</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 83,330	\$ 391,571	\$ 518,601	\$ 993,502
Intergovernmental:				
Sales tax	747,105	-	-	747,105
Income tax	276,607	-	-	276,607
Replacement tax	40,030	-	-	40,030
Pull-tab and gaming tax	36,169	-	-	36,169
Township road and bridge	67,381	-	-	67,381
Licenses and permits	24,293	-	-	24,293
Fees and fines	52,380	-	-	52,380
Charges for services	114,583	-	5,161	119,744
Revenue from the use of property and equipment	-	-	7,901	7,901
Operating grants and contributions	6,597	-	72,537	79,134
Capital grants and contributions	25,645	-	72,027	97,672
Interest and investment earnings	5,003	2,639	5,383	13,025
Miscellaneous	9,278	-	239	9,517
Total revenues	<u>1,488,401</u>	<u>394,210</u>	<u>681,849</u>	<u>2,564,460</u>
<b>EXPENDITURES</b>				
Current:				
General government	234,506	-	60,288	294,794
Public safety	743,360	-	195,208	938,568
Transportation and public works	211,203	-	137,822	349,025
Social services	27,431	-	-	27,431
Community development	-	143,321	50,841	194,162
Culture and recreation	253,085	-	46,669	299,754
Debt service:				
Principal	120,000	-	-	120,000
Interest	32,955	-	-	32,955
Capital outlay	66,469	90,758	23,189	180,416
Total expenditures	<u>1,689,009</u>	<u>234,079</u>	<u>514,017</u>	<u>2,437,105</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(200,608)</u>	<u>160,131</u>	<u>167,832</u>	<u>127,355</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	176,033	-	91,959	267,992
Total other financing sources	<u>176,033</u>	<u>-</u>	<u>91,959</u>	<u>267,992</u>
Net change in fund balance	(24,575)	160,131	259,791	395,347
Fund balances - beginning	639,349	181,763	1,163,867	1,984,979
Fund balances - ending	<u>\$ 614,774</u>	<u>\$ 341,894</u>	<u>\$ 1,423,658</u>	<u>\$ 2,380,326</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, 2019**

Net change in fund balances - total governmental funds \$ 395,347

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 expense exceeded capital outlay in the current period.

	Capital Outlay	180,416	
	Depreciation	<u>(355,742)</u>	(175,326)

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	120,000	
	Deferred charge on refunding amortization	(9,253)	
	Bond discount amortization	<u>146</u>	110,893

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. 24,473

Change in net position of governmental activities \$ 355,387

**CITY OF NEWTON, ILLINOIS**  
**Statement of Net Position - Modified Cash Basis**  
**Proprietary Funds**  
**April 30, 2019**

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Electric	Water	Wastewater Treatment		Health Insurance
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 2,730,310	\$ 422,659	\$ 483,181	\$ 3,636,150	\$ 247,334
Restricted cash and cash equivalents	334,401	-	-	334,401	-
Due from other funds	122,348	-	-	122,348	-
Total current assets	<u>3,187,059</u>	<u>422,659</u>	<u>483,181</u>	<u>4,092,899</u>	<u>247,334</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	4,547,756	3,785,891	4,483,286	12,816,933	-
Total noncurrent assets	<u>4,547,756</u>	<u>3,785,891</u>	<u>4,483,286</u>	<u>12,816,933</u>	<u>-</u>
Total assets	<u>\$ 7,734,815</u>	<u>\$ 4,208,550</u>	<u>\$ 4,966,467</u>	<u>\$ 16,909,832</u>	<u>\$ 247,334</u>
<b>LIABILITIES AND NET POSITION</b>					
Liabilities:					
Current liabilities:					
Customer deposits	\$ 334,401	\$ -	\$ -	\$ 334,401	\$ -
Sales tax payable	-	248	-	248	-
Due to other funds	-	-	75,348	75,348	-
Current portion of notes payable	-	-	77,507	77,507	-
Total current liabilities	<u>334,401</u>	<u>248</u>	<u>152,855</u>	<u>487,504</u>	<u>-</u>
Noncurrent liabilities:					
Notes payable	-	-	1,386,664	1,386,664	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>1,386,664</u>	<u>1,386,664</u>	<u>-</u>
Total liabilities	<u>334,401</u>	<u>248</u>	<u>1,539,519</u>	<u>1,874,168</u>	<u>-</u>
Net position:					
Net investment in capital assets	4,547,756	3,785,891	3,019,115	11,352,762	-
Unrestricted	2,852,658	422,411	407,833	3,682,902	247,334
Total net position	<u>7,400,414</u>	<u>4,208,302</u>	<u>3,426,948</u>	<u>15,035,664</u>	<u>247,334</u>
Total liabilities and net position	<u>\$ 7,734,815</u>	<u>\$ 4,208,550</u>	<u>\$ 4,966,467</u>		<u>\$ 247,334</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				118,915	
Total net position of business-type activities				<u>\$ 15,154,579</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, 2019**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Wastewater Treatment</b>	<b>Totals</b>	<b>Health Insurance</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating revenues:</b>					
Charges for services	\$ 3,180,394	\$ 691,904	\$ 661,297	\$ 4,533,595	\$ 216,576
Miscellaneous	6,174	4,989	2,453	13,616	-
Total operating revenues	<u>3,186,568</u>	<u>696,893</u>	<u>663,750</u>	<u>4,547,211</u>	<u>216,576</u>
<b>Operating expenses:</b>					
Personal services	426,336	263,970	219,319	909,625	-
Support services	5,166	6,020	6,177	17,363	-
Contractual services	1,816,618	24,251	14,525	1,855,394	59,110
Utilities	7,576	29,032	43,135	79,743	-
Repairs and maintenance	100,047	99,834	74,380	274,261	-
Other supplies and materials	175,298	26,317	18,092	219,707	-
Insurance	11,452	8,349	7,070	26,871	112,406
Depreciation	229,505	128,781	162,514	520,800	-
Miscellaneous	799	683	736	2,218	-
Total operating expenses	<u>2,772,797</u>	<u>587,237</u>	<u>545,948</u>	<u>3,905,982</u>	<u>171,516</u>
Operating income	<u>413,771</u>	<u>109,656</u>	<u>117,802</u>	<u>641,229</u>	<u>45,060</u>
<b>Nonoperating revenue (expenses):</b>					
Interest and investment revenue	30,313	2,345	3,388	36,046	723
Interest expense	-	-	(42,332)	(42,332)	-
Net nonoperating revenues (expenses)	<u>30,313</u>	<u>2,345</u>	<u>(38,944)</u>	<u>(6,286)</u>	<u>723</u>
Income before contributions and transfers	444,084	112,001	78,858	634,943	45,783
Capital contributions	-	11,700	-	11,700	-
Transfers out	<u>(214,571)</u>	<u>(27,263)</u>	<u>(26,158)</u>	<u>(267,992)</u>	<u>-</u>
Change in net position	229,513	96,438	52,700	378,651	45,783
Total net position - beginning	7,170,901	4,111,864	3,374,248		201,551
Total net position - ending	<u>\$ 7,400,414</u>	<u>\$ 4,208,302</u>	<u>\$ 3,426,948</u>		<u>\$ 247,334</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				21,310	
Change in net position of business-type activities				<u>\$ 399,961</u>	

**CITY OF NEWTON, ILLINOIS**  
**Statement of Cash Flows - Modified Cash Basis**  
**Proprietary Funds**  
**For the Year Ended April 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Totals</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Electric</b>	<b>Water</b>	<b>Wastewater Treatment</b>		<b>Health Insurance</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 3,182,694	\$ 692,143	\$ 661,297	\$ 4,536,134	\$ -
Receipts from interfund services provided	-	-	-	-	216,576
Payments to suppliers	(2,116,956)	(194,486)	(164,115)	(2,475,557)	(59,110)
Payments to employees	(391,526)	(241,411)	(202,388)	(835,325)	-
Payments for interfund services used	(34,810)	(22,559)	(16,931)	(74,300)	-
Payments for claims	-	-	-	-	(112,406)
Other receipts	6,174	4,989	2,453	13,616	-
Net cash provided by operating activities	<u>645,576</u>	<u>238,676</u>	<u>280,316</u>	<u>1,164,568</u>	<u>45,060</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(214,571)	(27,263)	(26,158)	(267,992)	-
Net cash used by noncapital financing activities	<u>(214,571)</u>	<u>(27,263)</u>	<u>(26,158)</u>	<u>(267,992)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchase of capital assets	(385,633)	(95,226)	(194,116)	(674,975)	-
Receipts (payments) for interfund loans	62,672	-	(12,672)	50,000	-
Capital contributions received	-	11,700	-	11,700	-
Principal paid on notes	-	-	(75,467)	(75,467)	-
Interest paid on notes/interfund loans	-	-	(42,333)	(42,333)	-
Net cash used by capital and related financing activities	<u>(322,961)</u>	<u>(83,526)</u>	<u>(324,588)</u>	<u>(731,075)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest	30,313	2,345	3,388	36,046	723
Net cash provided by investing activities	<u>30,313</u>	<u>2,345</u>	<u>3,388</u>	<u>36,046</u>	<u>723</u>
Net increase (decrease) in cash and cash equivalents	138,357	130,232	(67,042)	201,547	45,783
Cash and cash equivalents - beginning of year	2,926,354	292,427	550,223	3,769,004	201,551
Cash and cash equivalents - end of year	<u>\$ 3,064,711</u>	<u>\$ 422,659</u>	<u>\$ 483,181</u>	<u>\$ 3,970,551</u>	<u>\$ 247,334</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income	\$ 413,771	\$ 109,656	\$ 117,802	\$ 641,229	\$ 45,060
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	229,505	128,781	162,514	520,800	-
Change in liabilities:					
Customer deposits	2,300	-	-	2,300	-
Sales tax payable	-	239	-	239	-
Net cash provided by operating activities	<u>\$ 645,576</u>	<u>\$ 238,676</u>	<u>\$ 280,316</u>	<u>\$ 1,164,568</u>	<u>\$ 45,060</u>
<b>Reconciliation of cash on statement of net position to cash balance at year end:</b>					
Cash and cash equivalents	\$ 2,730,310	\$ 422,659	\$ 483,181	\$ 3,636,150	\$ 247,334
Restricted cash and cash equivalents	334,401	-	-	334,401	-
Cash and cash equivalents - end of year	<u>\$ 3,064,711</u>	<u>\$ 422,659</u>	<u>\$ 483,181</u>	<u>\$ 3,970,551</u>	<u>\$ 247,334</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019

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, wastewater treatment 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 generally accepted accounting principles, 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. 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 meeting 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, 2019  
(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 and proprietary funds. The emphasis of fund financial statements is on major governmental and proprietary funds; therefore each is displayed in a separate column. All remaining governmental and proprietary 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 expenses or 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. 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. Accordingly, revenues are recognized and recorded in the accounts when cash is received. In the same manner, expenses or 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, with the exception of inventory. Liabilities of a fund, similarly, result from previous cash transactions.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

**Basis of Accounting (Continued)**

Operating revenue and expenses 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 funds:

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 TIF fund is used to account for the revenues and expenditures of the Tax Increment Financing District of the City.

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 Wastewater 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.

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.



City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

E. Inventory

Inventory consists of developed lots in the 5 Aprils Crossing subdivision held for sale and other real estate purchased for clean-up and held for resale. Inventory is valued at cost (purchase price and clean-up costs, if applicable).

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.

Interfund balances are presented in the fund financial statements but are eliminated in the statement of net position.

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 equipment.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' 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:

<u>Assets</u>	<u>Years</u>
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 an employee's termination. As of April 30, 2019, the City's liability for unused sick time is estimated to be \$190,497.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(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. Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities fund type financial statements.

In the fund financial statements, governmental fund types recognize long-term debt proceeds as other financing sources, and repayments of long-term debt as ordinary expenditures.

K. Deferred Outflows of Resources

In addition to assets, the statement of net position reports 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.

L. Fund Equity

In the government-wide financial statements, restricted net position is legally restricted by outside parties for a specific purpose. Net investment in capital assets 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 plus deferred outflows of resources related to those assets.

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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

L. Fund Equity (Continued)

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 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.

M. Program Revenues

Charges for services include revenues based on exchange or exchange-like transactions, namely charges for services provided by the City's offices. 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 basic financial statements in conformity with the modified cash basis method of accounting 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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

O. Restricted Cash

Enterprise Funds hold customer deposits that will have to be refunded to the customer in the future.

At April 30, 2019, the City maintained restricted cash as follows:

<u>Business-type Activities</u>	
For repayment of customer utility deposits	\$ <u>334,401</u>

P. Concentration of Credit Risk

All users of the City's electric, water and wastewater system are located within the same geographic area within Jasper County, Illinois.

Q. Date of Management's Review

The City has evaluated subsequent events through October 7, 2019, the date which the financial statements were available to be issued.

Note 2: Cash and Investments

The City's cash deposits consist of checking, money market funds, 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, 2019, the carrying amount and the bank balance of the City's cash deposits were \$6,492,552 and \$6,539,358, 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 \$300 recorded in the Wastewater Treatment Fund. The City has a written investment policy.

The City's cash deposits are fully insured by the Federal Deposit Insurance Corporation and an irrevocable fluctuating letter of credit from the Federal Home Loan Bank.

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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 4: Notes Receivable

The City of Newton was 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. Due to recent changes in the availability of this program the City has reimbursed the State of Illinois for corresponding funds including the balance of the loan listed below. The following loan is still outstanding and reported as a receivable from Newton Hotel Group, LLC in the Tax Increment Financing Fund.

Name	Terms	Amount
Newton Hotel Group, LLC	3.5% interest, \$989 payable monthly, due February 5, 2023	\$ 42,510

Note 5: Changes in Capital Assets

The following is a summary of changes in capital assets:

**Governmental Activities:**

	Balance May 01, 2018	Additions	Deletions	Balance April 30, 2019
<b>Assets Not Depreciated:</b>				
Land	\$ 558,574	\$ -	\$ -	\$ 558,574
Construction in progress	26,092	23,189	-	49,281
<b>Assets Depreciated:</b>				
Buildings and improvements	4,291,372	9,788	-	4,301,160
Equipment, furniture, fixtures	312,139	56,681	(173,547)	195,273
Infrastructure	3,378,075	90,758	-	3,468,833
Total Capital Assets	8,566,252	180,416	(173,547)	8,573,121
<b>Less: Accumulated Depreciation:</b>				
Buildings and improvements	(1,711,259)	(173,804)	-	(1,885,063)
Equipment, furniture, fixtures	(249,972)	(17,611)	173,547	(94,036)
Infrastructure	(1,116,207)	(164,327)	-	(1,280,534)
Total Accumulated Depreciation	(3,077,438)	(355,742)	173,547	(3,259,633)
Capital Assets, Net	\$ 5,488,814	\$ (175,326)	\$ -	\$ 5,313,488

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 5: Changes in Capital Assets (Continued)

**Business-type Activities:**

	<u>Balance</u> <u>May 01, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>April 30, 2019</u>
Assets Not Depreciated:				
Land	\$ 123,572	\$ -	\$ -	\$ 123,572
Assets Depreciated:				
Plant and equipment	<u>19,319,370</u>	<u>674,975</u>	<u>-</u>	<u>19,994,345</u>
Total Capital Assets	19,442,942	674,975	-	20,117,917
Less: Accumulated Depreciation	<u>(6,780,184)</u>	<u>(520,800)</u>	<u>-</u>	<u>(7,300,984)</u>
Capital Assets, Net	<u>\$ 12,662,758</u>	<u>\$ 154,175</u>	<u>\$ -</u>	<u>\$ 12,816,933</u>

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

Governmental Activities:

General government	\$ 32,616
Public safety	11,485
Transportation and public works	89,639
Community development	42,982
Culture and recreation	<u>179,020</u>
	<u>\$ 355,742</u>

Business-Type Activities:

Electric	\$ 229,505
Water	128,781
Wastewater Treatment	<u>162,514</u>
	<u>\$ 520,800</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 6: Interfund Receivables and Payables

Individual interfund receivable and payable balances at April 30, 2019 were as follows:

Fund	Receivable	Payable
Electric Fund:		
Wastewater Treatment Fund	\$ 75,348	\$ -
TIF Fund	47,000	-
Wastewater Treatment Fund:		
Electric Fund	-	75,348
TIF Fund:		
Electric Fund	-	47,000
Capital Development Fund:		
ITEP Eagle Trail Fund	7,151	-
ITEP Eagle Trail Fund:		
Capital Development Fund	-	7,151
	\$ 129,499	\$ 129,499

Interfund balances between the Electric Fund and the TIF Fund resulted from cash shortfalls in the TIF Fund. An interfund loan was made from the Electric Fund to the Wastewater Treatment Fund to finance the city square water main project. An interfund loan was made from the Capital Development Fund to the ITEP Eagle Trail Fund to finance the sidewalk beautification project. Interfund balances are expected to be repaid as cash balances allow, but may not be repaid within one year.

Note 7: Long-Term Debt

***Governmental Funds:***

**Bond Obligations**

The City has outstanding General Obligation (Revenue Sharing Receipts Alternate Revenue Source) Series 2016 Bonds in the original amount of \$1,485,000. The Series 2016 bonds refunded \$1,340,000 of future principal payments on General Obligation 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, 2019, the levy for such taxes was abated. The City also abated the levy for such taxes in all previous years.

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.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 7: Long-Term Debt (Continued)

**Governmental Funds (Continued):**

**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 nine 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 change in long-term debt transactions for governmental funds for the year ended April 30, 2019:

The following is a maturity schedule of the bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 125,000	\$ 15,938	\$ 140,938
2021	125,000	29,625	154,625
2022	130,000	26,875	156,875
2023	130,000	24,015	154,015
2024	135,000	20,635	155,635
2025-2028	575,000	44,198	619,198
	<u>\$ 1,220,000</u>	<u>\$ 161,286</u>	<u>\$ 1,381,286</u>

Total interest related to the bonds incurred and expensed for the year ended April 30, 2019 was \$32,955.



City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 7: Long-Term Debt (Continued)

***Enterprise Funds:***

**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.

The following is a summary of the City's change in long-term debt for enterprise funds for the year ended April 30, 2019:

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Presented below is a summary of debt service requirements to maturity by years for the Peoples State Bank loan:

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Total interest related to the loans incurred and expensed for the year ended April 30, 2019 was \$42,004.

Note 8: Fund Equity

During the fiscal year ended April 30, 2019, the City had the following nonspendable, restricted, committed, and assigned governmental fund balances:

The City's nonspendable fund balance consisted of the following:

Purpose	Amount
Inventory of lots and real estate available for sale	\$ <u>108,749</u>

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 8: Fund Equity (Continued)

The following fund's cumulative revenue over expenditures have been restricted in accordance with Illinois Compiled Statutes, with the exception of the General Fund, whose balances are restricted by grants and contributions as follows:

Purpose	Amount
General Fund:	
DUI and Drug Equipment	\$ 43,608
TIF Fund	233,145
Social Security Fund	228,391
IMRF Fund	246,784
Emergency Management Fund	18,101
Motor Fuel Tax Fund	69,947
Insurance Fund	412,365
Workmen's Compensation Fund	220,664
	\$ 1,473,005

The City's cumulative revenue for the following purposes exceeded expenditures disbursed resulting in the following committed balances:

Fund	Amount
Capital Development Fund	\$ 234,557
General - Sidewalk replacement	6,079
General - Police safety	2,317
General - Firing range repairs	20,030
	\$ 262,983

The City reported the following assigned balance in the General Fund:

Purpose	Amount
Allocated Funds for Aquatic Facility Debt Payments	\$ <u>251,186</u>

Note 9: Deficit Fund Balances

The ITEP Eagle Trail Fund had a deficit fund balance in the amount of \$7,151 at April 30, 2019. This deficit will be financed through future grants and other revenues.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 10: Interfund Transfers

For the year ended April 30, 2019, the following interfund transfers were made:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund:		
Electric Fund	\$ 122,612	\$ -
Water Fund	27,263	-
Wastewater Treatment Fund	26,158	-
Capital Development Fund:		
Electric Fund	91,959	-
Electric Fund:		
General Fund	-	122,612
Capital Development Fund	-	91,959
Water Fund:		
General Fund	-	27,263
Wastewater Treatment Fund:		
General Fund	-	26,158
	\$ 267,992	\$ 267,992

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

Note 11: Defined Benefit Pension Plan

A. Illinois Municipal Retirement Plan

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](http://www.imrf.org).

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 11: Defined Benefit Pension Plan (Continued)

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 2018 was 11.89%. 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.

For calendar year ending December 31, 2018, the City's actual contributions for pension cost for the plan were \$151,494. The covered payroll for calendar year 2018 (annual payroll of active employees covered by the plan) was \$1,274,127.

B. Social Security Plan

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 \$104,021 for the current fiscal year.

Note 12: 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 two years.

Note 13: 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 any one employee per year, the City is reimbursed by the policy for the excess cost.

On April 24, 2019, the City received reinsurance reimbursements in the amount of \$93,590 from Symetra. The corresponding claims of \$93,217 were not remitted to the third party administrator until June 2019.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 13: Commitments and Contingencies (Continued)

*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.

Note 14: 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.

Note 15: Property Taxes

The City's property tax is levied each year on all taxable real estate located in the City. The local taxing authority for the City of Newton is Jasper County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in December and are payable in two installments between August and September of the subsequent year. Property taxes are billed and collected by the County, which in turn, remits them to the City. Payments are typically made during the period August through November. The 2017 tax year levy, received during fiscal year 2019, was adopted by the City Council on December 5, 2017.

Note 16: Tax Abatements

The City currently has one tax increment financing district. Within this district, the City has entered into a redevelopment agreement with developers whereby the City will reimburse a certain percentage of property taxes generated by the property in the tax increment financing district and received by the City up to the lesser of either a set cumulative dollar amount or the total of all eligible redevelopment project costs. For the fiscal year ended April 30, 2019, the City abated property taxes totaling \$66,809 as follows:

- Property tax abatement for the construction of a hotel owned by Newton Hotel Group, LLC. The abatement amounted to \$58,691.

City of Newton, Illinois  
Notes to Financial Statements  
April 30, 2019  
(Continued)

Note 16: Tax Abatements (Continued)

- Property tax abatement for the construction of an industrial building owned by Schackmann Insulation and Construction. The abatement amounted to \$1,338.
- Property tax abatement for the construction of a retail store owned by LaDonna Poehler, LLC. The abatement amounted to \$6,780.



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 Mayor and Members  
of the City Council  
City of 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, 2019, 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 October 7, 2019.

**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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be material weaknesses: 2019-001, 2019-002, and 2019-003.

## **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 Findings**

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

October 7, 2019



City of Newton, Illinois  
Schedule of Findings and Responses  
April 30, 2019

FINDING 2019-001 Ability to Prepare Financial Statement Footnotes

*Criteria:* The City should have at least one employee who is trained in preparing the footnotes to the financial statements.

*Condition:* The City currently does not have an employee with the necessary knowledge or training to draft the footnotes to the financial statements in accordance with the modified cash basis of accounting.

*Cause:* City employees have not received the proper training in preparing the footnotes to the financial statements in accordance with the modified cash basis of accounting.

*Effect:* The City cannot prepare the footnotes 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 knowledge to properly prepare the footnotes to the financial statements in accordance with the modified cash basis of accounting.

*Management Response:* The City plans to continue to utilize an independent contractor for the preparation of the footnotes to the financial statements. The City will continue to review and approve the footnotes to the financial statements.

FINDING 2019-002 Lack of Segregation of Duties – Public Utilities

*Criteria:* A basic premise of internal control is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

*Condition:* We noted a lack of segregation of duties exists with respect to the billing, adjusting of customer accounts, and accepting and processing of payments in the utilities department.

*Cause:* The City does not have the resources to hire additional staff to adequately segregate duties.

*Effect:* Because all duties are performed by the same individuals, the City is at risk for misstatements to occur and not be prevented or detected in the processing of transactions.

*Recommendation:* We recommend that duties among City Council members and employees be segregated to the extent possible.

*Management's Response:* The City acknowledges this is a problem and has implemented mitigating controls to the extent practicable.

FINDING 2019-003 Lack of Segregation of Duties – General Ledger

*Criteria:* A basic premise of internal control is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

*Condition:* We noted a lack of segregation of duties exists with respect to maintaining and reconciling the general ledger.

*Cause:* The City does not have the resources to hire additional staff to adequately segregate duties.

*Effect:* Because all duties are performed by the same individuals, the City is at risk for misstatements to occur and not be prevented or detected in the processing of transactions.

*Recommendation:* We recommend that duties among City Council members and employees be segregated to the extent possible.

*Management's Response:* The City acknowledges this is a problem and has implemented mitigating controls to the extent practicable.

**CITY OF NEWTON, ILLINOIS**  
**Combining Balance Sheet - Modified Cash Basis**  
**Nonmajor Governmental Funds**  
**April 30, 2019**

	<u>Social Security</u>	<u>IMRF</u>	<u>Emergency Management</u>	<u>Motor Fuel Tax</u>	<u>Insurance</u>	<u>Workmen's Compensation</u>	<u>Capital Development</u>	<u>ITEP Eagle Trail</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>									
Cash and cash equivalents	\$ 228,391	\$ 246,784	\$ 18,101	\$ 69,947	\$ 412,365	\$ 220,664	\$ 227,406	\$ -	\$ 1,423,658
Due from other funds	-	-	-	-	-	-	7,151	-	7,151
Total assets	<u>\$ 228,391</u>	<u>\$ 246,784</u>	<u>\$ 18,101</u>	<u>\$ 69,947</u>	<u>\$ 412,365</u>	<u>\$ 220,664</u>	<u>\$ 234,557</u>	<u>\$ -</u>	<u>\$ 1,430,809</u>
<b>LIABILITIES &amp; FUND BALANCES</b>									
Liabilities:									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,151	\$ 7,151
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,151</u>	<u>7,151</u>
Fund balances:									
Restricted:									
Other purposes	228,391	246,784	18,101	69,947	412,365	220,664	-	-	1,196,252
Committed	-	-	-	-	-	-	234,557	-	234,557
Unassigned	-	-	-	-	-	-	-	(7,151)	(7,151)
Total fund balances	<u>228,391</u>	<u>246,784</u>	<u>18,101</u>	<u>69,947</u>	<u>412,365</u>	<u>220,664</u>	<u>234,557</u>	<u>(7,151)</u>	<u>1,423,658</u>
Total liabilities and fund balances	<u>\$ 228,391</u>	<u>\$ 246,784</u>	<u>\$ 18,101</u>	<u>\$ 69,947</u>	<u>\$ 412,365</u>	<u>\$ 220,664</u>	<u>\$ 234,557</u>	<u>\$ -</u>	<u>\$ 1,430,809</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, 2019**

	<u>Social Security</u>	<u>IMRF</u>	<u>Emergency Management</u>	<u>Motor Fuel Tax</u>	<u>Insurance</u>	<u>Workmen's Compensation</u>	<u>Capital Development</u>	<u>ITEP Eagle Trail</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>									
Property taxes	\$ 44,870	\$ 150,231	\$ 3,005	\$ -	\$ 300,462	\$ 20,033	\$ -	\$ -	\$ 518,601
Charges for services	-	-	-	-	-	-	5,161	-	5,161
Revenue from the use of property and equipment	-	-	-	-	-	-	7,901	-	7,901
Operating grants and contributions	-	-	-	72,537	-	-	-	-	72,537
Capital grants and contributions	-	-	-	-	-	-	-	72,027	72,027
Interest and investment earnings	947	918	192	227	1,582	869	648	-	5,383
Miscellaneous	-	-	-	-	-	-	239	-	239
Total revenues	<u>45,817</u>	<u>151,149</u>	<u>3,197</u>	<u>72,764</u>	<u>302,044</u>	<u>20,902</u>	<u>13,949</u>	<u>72,027</u>	<u>681,849</u>
<b>EXPENDITURES</b>									
Current:									
General government	11,536	11,864	-	-	36,344	544	-	-	60,288
Public safety	31,252	47,274	5,900	-	99,259	11,523	-	-	195,208
Transportation and public works	8,704	13,309	-	75,015	36,413	4,381	-	-	137,822
Community development	-	-	-	-	-	-	50,841	-	50,841
Culture and recreation	11,525	10,571	-	-	21,686	2,887	-	-	46,669
Capital outlay	-	-	-	-	-	-	4,638	18,551	23,189
Total expenditures	<u>63,017</u>	<u>83,018</u>	<u>5,900</u>	<u>75,015</u>	<u>193,702</u>	<u>19,335</u>	<u>55,479</u>	<u>18,551</u>	<u>514,017</u>
Excess (deficiency) of revenues over (under) expenditures	(17,200)	68,131	(2,703)	(2,251)	108,342	1,567	(41,530)	53,476	167,832
<b>OTHER FINANCING SOURCES</b>									
Operating transfers in	-	-	-	-	-	-	91,959	-	91,959
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,959</u>	<u>-</u>	<u>91,959</u>
Net change in fund balances	(17,200)	68,131	(2,703)	(2,251)	108,342	1,567	50,429	53,476	259,791
Fund balances - beginning	245,591	178,653	20,804	72,198	304,023	219,097	184,128	(60,627)	1,163,867
Fund balances - ending	<u>\$ 228,391</u>	<u>\$ 246,784</u>	<u>\$ 18,101</u>	<u>\$ 69,947</u>	<u>\$ 412,365</u>	<u>\$ 220,664</u>	<u>\$ 234,557</u>	<u>\$ (7,151)</u>	<u>\$ 1,423,658</u>

**CITY OF NEWTON, ILLINOIS**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**General Fund**  
**For the Year Ended April 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Over (Under)</u>
<b>REVENUES</b>				
Property taxes	\$ 81,500	\$ 81,500	\$ 83,330	\$ 1,830
Intergovernmental:				
Sales tax	680,000	680,000	747,105	67,105
Income tax	295,000	295,000	276,607	(18,393)
Replacement tax	35,000	35,000	40,030	5,030
Pull-tab and gaming tax	25,000	25,000	36,169	11,169
Township road and bridge	62,000	62,000	67,381	5,381
Licenses and permits	26,000	26,000	24,293	(1,707)
Fees and fines	45,620	45,620	52,380	6,760
Charges for services	99,455	99,455	114,583	15,128
Operating grants and contributions	9,700	9,700	6,597	(3,103)
Capital grants and contributions	25,000	25,000	25,645	645
Interest and investment earnings	3,745	3,745	5,003	1,258
Miscellaneous	4,500	4,500	9,278	4,778
Total revenues	<u>1,392,520</u>	<u>1,392,520</u>	<u>1,488,401</u>	<u>95,881</u>
<b>EXPENDITURES</b>				
Current:				
General government	170,205	170,205	234,506	64,301
Public safety	687,025	687,025	743,360	56,335
Transportation and public works	187,940	187,940	211,203	23,263
Social services	26,500	26,500	27,431	931
Culture and recreation	253,395	253,395	253,085	(310)
Debt service:				
Principal	120,000	120,000	120,000	-
Interest	32,955	32,955	32,955	-
Capital outlay	52,000	52,000	66,469	14,469
Total expenditures	<u>1,530,020</u>	<u>1,530,020</u>	<u>1,689,009</u>	<u>158,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(137,500)</u>	<u>(137,500)</u>	<u>(200,608)</u>	<u>(63,108)</u>
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	152,500	152,500	176,033	23,533
Total other financing sources	<u>152,500</u>	<u>152,500</u>	<u>176,033</u>	<u>23,533</u>
Net change in fund balance	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>(24,575)</u>	<u>\$ (39,575)</u>
Fund balance - beginning			<u>639,349</u>	
Fund balance - ending			<u>\$ 614,774</u>	

**CITY OF NEWTON, ILLINOIS**  
**Budgetary Comparison Schedule - Modified Cash Basis**  
**TIF Fund**  
**For the Year Ended April 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 360,000	\$ 360,000	\$ 391,571	\$ 31,571
Interest and investment earnings	2,480	2,480	2,639	159
Total revenues	<u>362,480</u>	<u>362,480</u>	<u>394,210</u>	<u>31,730</u>
<b>EXPENDITURES</b>				
Current:				
Community development	208,480	208,480	143,321	(65,159)
Capital outlay	<u>154,000</u>	<u>154,000</u>	<u>90,758</u>	<u>(63,242)</u>
Total expenditures	<u>362,480</u>	<u>362,480</u>	<u>234,079</u>	<u>(128,401)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	160,131	<u>\$ 160,131</u>
Fund balance - beginning			<u>181,763</u>	
Fund balance - ending			<u>\$ 341,894</u>	

City of Newton, Illinois  
Notes to Other Information  
April 30, 2019

Note 1: Budgets, Appropriation Ordinance, and Budgetary Accounting

The City adopts its budget in accordance with the basis of accounting utilized by that fund. Annual 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 appropriations and budgetary data reflected in the financial statements.

1. Prior to adoption, the City prepares and submits to the City Council a proposed operating budget and appropriations for the fiscal year commencing May 1st. The operating budget and appropriations include both proposed expenditures and the means of financing them.
2. Public hearings are conducted at an advertised location to obtain taxpayer comments.
3. Prior to July 31, the budget and appropriations is legally enacted through passage of an ordinance.
4. No further appropriations can be made during the fiscal year once the ordinance has been legally adopted, except:
  - a. Transfers from one appropriation of any fund to another appropriation of the same fund may be made by 2/3 vote of the City Council.
  - b. Any revisions which alter the total expenditures of any fund may be approved by the City Council in the same manner as the original appropriation if new or additional revenues were not available when the initial appropriation was made.
5. The appropriation ordinance lapses at the end of the fiscal year.
6. Expenditures may not legally exceed appropriated amounts for an individual fund.
7. The budget and annual appropriation ordinance was adopted on April 17, 2018 and July 17, 2018, respectively.
8. Numerous transfers were made between line items in the Appropriation Ordinance during fiscal year 2019.
9. Budget amounts reflected in the financial statements are the amounts as originally adopted on April 17, 2018

Note 2: Individual Fund Disclosures

No funds had an excess of expenditures over appropriations for the year ended April 30, 2019.

Note 3: Encumbrances

Encumbrance accounting is not used by the City.