

October 6, 2020

To the City Council
City of Newton, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Newton, Illinois for the year ended April 30, 2020. 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 April 20, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 2020. 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's financial statements was:

Management's estimate of depreciation expense is based on estimated useful lives. We evaluated the key factors and assumptions used to develop the depreciation expense calculation 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. The attached schedule of corrected misstatements summarizes the material misstatements detected as a result of audit procedures that were corrected by management.

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 October 6, 2020.

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 (RSI). 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 RSI. 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: **2020 - City of Newton**
Period Ending: **4/30/2020**
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		X-01		
To reclass cannabis tax to correct account				
4231	Fine-Circuit Court-Drugs		466.21	
4100	MRO -Sales Tax			466.21
Total			466.21	466.21
Adjusting Journal Entries JE # 2		02-02.1		
To reclass non-capital equipment.				
5200-20	Supplies		13.34	
5200-28	Supplies		558.98	
5200-28	Supplies		733.35	
5630-23	Building Repair		939.32	
5500-20	Equipment Purchase			13.34
5500-28	Equipment Purchase			558.98
5550-28	Park Machine Purchase			733.35
5560-23	Building Improvements			939.32
Total			2,244.99	2,244.99
Adjusting Journal Entries JE # 4		F-05		
To reclass equipment purchases for new vehicle to vehicle purchase				
5510-23	Vehicle Purchase		4,480.00	
5500-23	Equipment Purchase			4,480.00
Total			4,480.00	4,480.00
Adjusting Journal Entries JE # 5		F-05		
To reclass miniature golf carpeting to capital outlay				
5500-20	Equipment Purchase		7,571.88	
5710-20	Miniature Golf Improvements			7,571.88
Total			7,571.88	7,571.88
Adjusting Journal Entries JE # 11		02-02.1		
To reclass Transfer from Capital Development Fund.				
4225	Economic Dev. Coordinator Reimbursement		20,000.00	
4901-16	Transfer In			20,000.00
Total			20,000.00	20,000.00
Adjusting Journal Entries JE # 12		S-01		
To net fund balance to one account.				
3001	Restricted Equity-Drugs & DUI		30,256.23	
3002	Restricted Equity-Canine Equipment		4,976.58	
3000	Retained Earnings-General Fund			35,232.81
Total			35,232.81	35,232.81
Adjusting Journal Entries JE # 13		F-05		
To reclass police telephone recording system to capital outlay				
5500-23	Equipment Purchase		5,900.00	
5475-23	Drug Enforcement			3,500.00
5480-23	DUI Enforcement			2,400.00
Total			5,900.00	5,900.00

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
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 ending fund balance accounts per fund to actual.			TB-02	
00-3000-00	Fund Balance		419,919.93	
50-3000-50	Fund Balance-Social Security		17,200.11	
52-3000-52	Fund Balance-EMA		2,703.36	
53-3000-53	Fund Balance-MFT		2,251.74	
51-3000-51	Fund Balance -IMRF			68,130.96
54-3000-54	Fund Balance-Tort			108,341.78
55-3000-55	Fund Balance-Workmen's Comp			1,567.21
56-3000-56	Fund Balance-Capital Development			50,429.18
57-3000-57	Fund Balance-TIF			160,130.91
70-3000-70	Fund Balance - ITEP			39,752.93
71-3000-71	Fund Balance ITEP II			13,722.17
Total			442,075.14	442,075.14
Adjusting Journal Entries JE # 2				
To reclass equipment to capital outlay.			F-05	
57-7060-57	Capital Expense TIF		44,966.20	
57-7065-57	Public Works & Improvements			44,966.20
Total			44,966.20	44,966.20
Adjusting Journal Entries JE # 6				
To reclass transfer to General for Econmic Development Employee cost reimb.			02-02.2	
56-5145-56	Transfer Out		20,000.00	
56-6716-56	Intergovernmental Agreements			20,000.00
Total			20,000.00	20,000.00
Adjusting Journal Entries JE # 7				
To reclass legal fees for 404 Morgan St property sold.			Y-02	
57-7001-57	Cost of Lot Sales		656.25	
57-5420-57	Professional Fees			656.25
Total			656.25	656.25
Adjusting Journal Entries JE # 8				
To reclass .93 due to from balance to clear account per Melissa.			O-01	
56-7000-56	Capital Dev. Misc. Expense		0.93	
71-2000-71	Due to Community Development		0.93	
56-2000-56	Due From ITEP			0.93
72-4400-72	Miscellaneous Income			0.93
Total			1.86	1.86
Adjusting Journal Entries JE # 9				
To reclass cost of lot sold out of inventory.			Z.2-1	
57-7001-57	Cost of Lot Sales		16,140.00	
57-1600-57	Inventory			16,140.00
Total			16,140.00	16,140.00

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
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				
To reclass equipment purchases.				
		F-06a		
1730	General Plant Equipment		73,559.59	
5500-30	Equipment Purchase			1,450.00
5500-30	Equipment Purchase			6,105.83
5500-30	Equipment Purchase			7,760.00
5500-30	Equipment Purchase			58,243.76
Total			73,559.59	73,559.59
Adjusting Journal Entries JE # 2				
To reclass Insurance Reimbursements & Repair Expense to Misc Income.				
		F-06a		
4200-30	Material Sales		482.50	
4230-30	Labor & Truck		6,172.12	
4400-30	Other Income			2,275.02
5640-30	System Repair			4,379.60
Total			6,654.62	6,654.62
Adjusting Journal Entries JE # 3				
To reclass Dollar General Project Purchases.				
		F-06a		
5800-30	System Improvements		10,750.00	
5230-30	Supplies-Distribution			10,750.00
Total			10,750.00	10,750.00
Adjusting Journal Entries JE # 4				
To reclass Capital Projects.				
		F-06a		
1710	Distribution Plant		379,896.14	
5410-30	Engineering			890.40
5640-30	System Repair			7,100.00
5640-30	System Repair			11,593.86
5640-30	System Repair			29,396.64
5640-30	System Repair			61,043.12
5800-30	System Improvements			32,103.96
5800-30	System Improvements			110,440.08
5800-30	System Improvements			127,328.08
Total			379,896.14	379,896.14
Adjusting Journal Entries JE # 5				
To remove any fully depreciated assets.				
		F-04		
1760	Reserve for Depreciation		71,627.96	
1730	General Plant Equipment			71,627.96
Total			71,627.96	71,627.96
Adjusting Journal Entries JE # 6				
To adjust depreciation to actual.				
		F-03		
5900-30	Depreciation Expense		4,753.98	
1760	Reserve for Depreciation			4,753.98
Total			4,753.98	4,753.98

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
Trial Balance: **TB-04 - Water**
Workpaper: **AJE-04 - Adjusting Journal Entries Report - Water**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 3				
To reclass water line project to capital outlay				
1750-40	Source of Supply		36,450.00	
5645-40	Water Line Project			36,450.00
Total			36,450.00	36,450.00
Adjusting Journal Entries JE # 4				
To reclass purchase of equipment to capital outlay				
1730-40	Equipment		58,155.00	
5212-40	Computer Maintenance			18,563.00
5500-40	Equipment Purchase			1,450.00
5510-40	Vehicle Purchase			38,142.00
Total			58,155.00	58,155.00
Adjusting Journal Entries JE # 5				
To remove any fully depreciated assets				
1765-40	Reserve for Depreciation		10,991.64	
1730-40	Equipment			10,991.64
Total			10,991.64	10,991.64
Adjusting Journal Entries JE # 6				
To adjust depreciation to actual.				
5900-40	Depreciation Expense		5,203.60	
1765-40	Reserve for Depreciation			5,203.60
Total			5,203.60	5,203.60

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
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 # 2				
To adjust principal amounts to actual and record current debt.				
2251-43	Peoples State Bank - loan		79,804.07	
5807-43	Sewer Plant Interest PSB		12.53	
2251-43	Peoples State Bank - loan			12.53
2252-43	Current Portion of PSB Loan Payable			79,804.07
Total			79,816.60	79,816.60
Adjusting Journal Entries JE # 3				
To reclass purchase of equipment to capital outlay				
1730-43	Equipment		11,950.00	
5500-43	Equipment Purchase			1,450.00
5800-43	System Improvements			10,500.00
Total			11,950.00	11,950.00
Adjusting Journal Entries JE # 4				
To reclass sale of big wheels truck from miscellaneous income				
4405-43	Miscellaneous Income		3,000.00	
4995-43	Proceeds from Sale of Fixed Assets			3,000.00
Total			3,000.00	3,000.00
Adjusting Journal Entries JE # 5				
To remove any fully depreciated assets.				
1760-43	Reserve for Depreciation		31,861.64	
1730-43	Equipment			31,861.64
Total			31,861.64	31,861.64
Adjusting Journal Entries JE # 6				
To adjust depreciation to actual.				
1760-43	Reserve for Depreciation		2,406.26	
5900-43	Depreciation Expense			2,406.26
Total			2,406.26	2,406.26

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
Trial Balance: **TB-01 - General**
Workpaper: **GASB-01 - GASB 34 AJE Report - General**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE JE # 6				
To record beginning debt balances.				
3000	Retained Earnings-General Fund	H-01	1,220,000.00	
2660-28	2010 Bonds Payable - LT			1,220,000.00
Total			1,220,000.00	1,220,000.00
GASB 34 AJE JE # 7				
To reclass debt payments				
2660-28	2010 Bonds Payable - LT	H-01	125,000.00	
5712-28	Bond Principal Payment			125,000.00
Total			125,000.00	125,000.00
GASB 34 AJE JE # 8				
To reclass current portion of LTD.				
2660-28	2010 Bonds Payable - LT	H-01	125,000.00	
2661-28	2010 Bonds Payable - Current Portion			125,000.00
Total			125,000.00	125,000.00
GASB 34 AJE JE # 9				
To record beginning balance of deferred debt.				
1800	Deferred Outflows of Advance Refunding of	H-01	72,503.84	
1801	Unamortized Bond Premium, Net			1,148.16
3000	Retained Earnings-General Fund			71,355.68
Total			72,503.84	72,503.84
GASB 34 AJE JE # 10				
To record current year amortization of deferred outflows.				
1801	Unamortized Bond Premium, Net	H-01	146.57	
5711-28	Bond Interest		9,255.81	
1800	Deferred Outflows of Advance Refunding of			9,255.81
4010	Int. Earned-Gen. Fund M-Market			146.57
Total			9,402.38	9,402.38
GASB 34 AJE JE # 14				
To record beginning GASB 34 fixed assets.				
1700	Land	F-02	558,573.87	
1705	Building & Improvements		4,301,160.02	
1710	Equipment, Furniture, & Fixtures		195,272.04	
1715	Infrastructure		3,468,834.51	
1720	Construction in Progress		49,281.52	
1795	Accumulated Depreciation			3,259,633.66
3000	Retained Earnings-General Fund			5,313,488.30
Total			8,573,121.96	8,573,121.96

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
Trial Balance: **TB-01 - General**
Workpaper: **GASB-01 - GASB 34 AJE Report - General**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE JE # 15				
	To capitalize current year capital outlays,	F-02		
1705	Building & Improvements		7,571.88	
1710	Equipment, Furniture, & Fixtures		73,936.93	
1715	Infrastructure		7,020.00	
1720	Construction in Progress		18,296.37	
5500-22	Equipment Purchase			106,825.18
Total			106,825.18	106,825.18
GASB 34 AJE JE # 16				
	To remove any fully depreciated assets.	F-02		
1795	Accumulated Depreciation		26,018.63	
1710	Equipment, Furniture, & Fixtures			26,018.63
Total			26,018.63	26,018.63
GASB 34 AJE JE # 17				
	To record CY depreciation expense.	F-02		
9900-22	Depreciation-Streets & Alleys		90,048.56	
9900-23	Depreciation-Public Safety		14,388.74	
9900-25	Depreciation-Culture & Recreation		179,480.33	
9900-27	Depreciation-General Administration		32,563.77	
9900-56	Depreciation-Capital Development		45,489.15	
1795	Accumulated Depreciation			361,970.55
Total			361,970.55	361,970.55
GASB 34 AJE JE # 18				
	To record beginning and CY activity GASB interfund loan for health insurance activity.	05-14		
1210	M'Mkt - General Fund (3 month Working Capital)		247,334.00	
2900	Interfund Loan - GASB Business Type		46,846.00	
3000	Retained Earnings-General Fund		118,915.00	
5120-16	Group Insurance		3,560.00	
5120-22	Group Insurance		10,680.00	
5120-23	Group Insurance		26,333.00	
5120-25	Group Insurance		7,120.00	
5120-27	Group Insurance		3,560.00	
1210	M'Mkt - General Fund (3 month Working Capital)			97,470.00
2900	Interfund Loan - GASB Business Type			118,915.00
3000	Retained Earnings-General Fund			247,334.00
4010	Int. Earned-Gen. Fund M-Market			629.00
Total			464,348.00	464,348.00

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
Trial Balance: **TB-03 - Electric**
Workpaper: **GASB-03 - GASB 34 AJE Report - Electric**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE				
GASB 34 AJE JE # 7		05-14		
To record health insurance activity, beginning balance & CY activity.				
1920	Due From		118,915.00	
5120-30	Group Insurance		46,846.00	
1920	Due From			46,846.00
3000	Retained Earnings			118,915.00
Total			165,761.00	165,761.00
Total GASB 34 AJE			165,761.00	165,761.00
Total All Journal Entries			165,761.00	165,761.00

Client: **137474.01 - City of Newton**
Engagement: **2020 - City of Newton**
Period Ending: **4/30/2020**
Trial Balance: **TB-06 - Health Insurance**
Workpaper: **GASB-06 - GASB 34 AJE Report - Insurance**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE JE # 1		05-14		
To close out Health Insurance Fund for GASB FS.				
3000	Retained Earnings		149,864.00	
1210	Money Market Account			149,864.00
Total			149,864.00	149,864.00