



To the City Council
City of Newton
Newton, Illinois

In planning and performing our audit of the financial statements of the City of Newton, Illinois, as of and for the year ended April 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. We previously reported on the City's internal control in our report dated October 6, 2020. This letter does not affect our report dated October 6, 2020, on the financial statements of the City of Newton.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

Very truly yours,

Kemper CPA Group LLP

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

October 6, 2020

Prior Year Comments:

Billing Adjustments (2017)

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

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

Economic Development Employee (2019)

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

Follow-Up: During our audit we noted the City allocated corresponding expenses for the economic development employee on the statement of functional expenses, these will be reflected accordingly on the April 30, 2020 financial statements.

Current Year Comments:

Utility Funds

Attached is a statistical analysis of the City's utility funds.

Legal Debt Limitation

Attached is an analysis of the City's legal debt limitation.

City of Newton
Electric Fund Statistical Analysis
For the Years Ending April 30, 2020 & 2019

	2020		2019		Change from Prior Year	
	Residential	Commercial	Residential	Commercial	Residential	Commercial
Electric Fund:						
Customer Recap:						
Average Customers Per Month	1,326	304	1,337	299	(11)	5
Highest Month	1,341	308	1,343	303	(2)	5
Lowest Month	1,314	303	1,330	296	(16)	7
Average Billing Per Customer:						
	Per Month	Per Year	Per Month	Per Year	Per Month	Per Year
Residential	\$ 78.02	\$ 936	\$ 83.03	\$ 996	\$ (5.02)	\$ (60)
Commercial	\$ 342.44	\$ 4,109	\$ 353.84	\$ 4,246	\$ (11)	\$ (137)
Purchases vs. Billings:						
	Quantity	% of Purchased	Quantity	% of Purchased	Quantity	% of Purchased
KW Hours Purchased	26,732,000	100.0%	28,236,000	100.0%	(1,504,000)	0.0%
KW Hours Billed	25,482,000	95.3%	26,169,000	92.7%	(687,000)	2.6%
KW Hours Unbilled (City/Government/Security Light/Lost)	1,250,000	4.4%	2,067,000	7.3%	(817,000)	-2.9%
Billings Analysis:						
	Billings	% of Billings	Billings	% of Billings	Billings	% of Billings
Residential	\$ 1,241,403	40.3%	\$ 1,332,184	42.3%	\$ (90,781)	-1.9%
Commercial	\$ 1,249,211	40.6%	\$ 1,269,578	40.3%	\$ (20,367)	0.3%
T-Town	\$ 3,105	0.1%	\$ -	0.0%	\$ 3,105	0.1%
City	\$ 68,723	2.2%	\$ 59,634	1.9%	\$ 9,089	0.3%
Security Light	\$ 455	0.0%	\$ 392	0.0%	\$ 63	0.0%
Purchase Cost Adjustment	\$ 433,954	14.1%	\$ 407,228	12.9%	\$ 26,726	1.2%
Tax	\$ 80,139	2.6%	\$ 83,216	2.6%	\$ (3,077)	0.0%
Total	\$ 3,076,990	100.0%	\$ 3,152,232	100.0%	\$ (75,242)	0.0%

City of Newton
Water Fund Statistical Analysis
For the Years Ending April 30, 2020 & 2019

	<u>2020</u>		<u>2019</u>		<u>Change from Prior Year</u>	
Water Fund:						
Customer Recap:						
Average Customers Per Month	1,582		1,602		(20)	
Highest Month	1,607		1,621		(14)	
Lowest Month	1,559		1,581		(22)	
Average Billing Per Customer:						
	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Year</u>
Metered Sales	\$ 35.67	\$ 428	\$ 35.67	\$ 428	\$ (0.00)	\$ (0)
Gallons Pumped vs. Billed:						
	<u>Quantity</u>	<u>% of Pumped</u>	<u>Quantity</u>	<u>% of Pumped</u>	<u>Quantity</u>	<u>% of Pumped</u>
Gallons Pumped	97,624,000	100.0%	100,790,000	100.0%	(3,166,000)	-3.2%
Gallons Billed - Metered Sales	89,297,518	91.5%	92,322,698	91.6%	(3,025,180)	-3.1%
Fire Protection	5,700	0.0%	153,000	0.2%	(147,300)	-0.2%
Leak Adjustments	71,475	0.1%	337,300	0.3%	(265,825)	-0.3%
St. Thomas	241,270	0.2%	274,959	0.3%	(33,689)	0.0%
Gallons Unaccounted For	8,008,037	8.2%	7,702,043	7.6%	305,994	0.3%
Billings Analysis:						
	<u>Billings</u>	<u>% of Billings</u>	<u>Billings</u>	<u>% of Billings</u>	<u>Billings</u>	<u>% of Billings</u>
Metered Sales	\$ 677,163	100.0%	\$ 685,793	100.0%	\$ (8,630)	-1.3%
Total	\$ 677,163	100.0%	\$ 685,793	100.0%	\$ (8,630)	-1.3%

City of Newton
Waste Water Fund Statistical Analysis
For the Years Ending April 30, 2020 & 2019

Waste Water Fund:	<u>2020</u>		<u>2019</u>		<u>Change from Prior Year</u>	
Customer Recap:						
Average Customers Per Month	1,410		1,428		(18)	
Highest Month	1,428		1,444		(16)	
Lowest Month	1,393		1,413		(20)	
 Average Billing Per Customer:						
Metered Sales	<u>\$ 38.87</u>	<u>\$ 466</u>	<u>\$ 38.40</u>	<u>\$ 461</u>	<u>\$ (0.02)</u>	<u>\$ 6</u>
 Billings Analysis:						
Metered Sales	<u>\$ 657,744</u>		<u>\$ 657,986</u>		<u>\$ (242)</u>	

City of Newton
Legal Debt Limitation Analysis
April 30, 2020

Total assessed value	<u>\$ 27,026,884</u>
Legal debt margin:	
Debt limitation - 8.625% of total assessed value	<u>2,331,069</u>
Debt applicable to limitation:	
Waste Water - PSB Loan	<u>1,386,677</u>
Total debt applicable to limitation	<u>1,386,677</u>
Legal debt margin available	<u><u>\$ 944,392</u></u>
Actual debt percentage	<u><u>5.13%</u></u>

The City's indebtedness is limited to 8.625% of the value of the taxable property located within the City's boundaries. The revenue bonds are not included in the debt applicable to the limitation per 65 ILCS 5/8-5-16.