



October 4, 2021

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, 2021. 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 August 20, 2021. 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 2021. 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 4, 2021.

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

KEMPER CPA GROUP LLP
Certified Public Accountants and Consultants

Client: 137474.01 - City of Newton
 Engagement: 2021 - City of Newton
 Period Ending: 4/30/2021
 Trial Balance: TB-01 - General
 Workpaper: AJE-01 - Adjusting Journal Entries Report - General Fund

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
To reclass non capital equipment				
5200-22	Supplies		449.10	
5200-23	Supplies		57.99	
5200-23	Supplies		15,086.59	
5200-23	Supplies		50,856.67	
5200-25	Supplies		974.58	
5200-26	Supplies		264.00	
5200-28	Supplies		813.95	
5630-22	Building Repair		340.00	
5630-23	Building Repair		961.58	
5500-22	Equipment Purchase			449.10
5500-23	Equipment Purchase			50,856.67
5500-25	Equipment Purchase			974.58
5500-28	Equipment Purchase			813.95
5510-23	Vehicle Purchase			15,086.59
5520-23	Radio Purchase			57.99
5550-28	Park Machine Purchase			264.00
5560-22	Building Imp. & Additions			340.00
5560-23	Building Improvements			961.58
Total			69,804.46	69,804.46
Adjusting Journal Entries JE # 2				
To reclass transfer from community development.				
		W-01		
4225	Economic Dev. Coordinator Reimbursement		20,000.00	
4901-16	Transfer In			20,000.00
Total			20,000.00	20,000.00

Client: **137474.01 - City of Newton**
 Engagement: **2021 - City of Newton**
 Period Ending: **4/30/2021**
 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		GL		
To adjust beginning fund balance to actual.				
00-3000-00	Fund Balance		220,976.50	
50-3000-50	Fund Balance-Social Security		24,828.15	
52-3000-52	Fund Balance-EMA		2,920.30	
55-3000-55	Fund Balance-Workmen's Comp		16,652.01	
51-3000-51	Fund Balance -IMRF			7,971.42
53-3000-53	Fund Balance-MFT			22,242.31
54-3000-54	Fund Balance-Tort			100,159.41
56-3000-56	Fund Balance-Capital Development			46,220.77
57-3000-57	Fund Balance-TIF			81,251.06
71-3000-71	Fund Balance ITEP II			7,531.99
Total			265,376.96	265,376.96
Adjusting Journal Entries JE # 3		W-01		
To reclass transfer from community development to General.				
56-5145-56	Transfer Out		20,000.00	
56-6718-56	Intergovernmental Agreements			20,000.00
Total			20,000.00	20,000.00
Adjusting Journal Entries JE # 4		02-02.2/F-05		
To reclass downpayment on Griffith Property purchase.				
56-7065-56	Community Development Capital Outlay		10,000.00	
56-7050-56	Community Development Exp.			10,000.00
Total			10,000.00	10,000.00
Adjusting Journal Entries JE # 5		F-05		
To reclass Storm Sewer Installation.				
57-7060-57	Capital Expense TIF		52,318.10	
57-7065-57	Public Works & Improvements			52,318.10
Total			52,318.10	52,318.10
Adjusting Journal Entries JE # 6		Z.2-1		
To reclass purchase of Lot #21.				
57-1600-57	Inventory		5,728.50	
57-7001-57	Cost of Lot Sales			5,728.50
Total			5,728.50	5,728.50
Adjusting Journal Entries JE # 7		Z.2-1		
To reclass cost share on sidewalk.				
57-4407-57	Miscellaneous Income-TIF		2,200.00	
57-7050-57	Existing Building Rehabilitation			2,200.00
Total			2,200.00	2,200.00

Client: **137474.01 - City of Newton**
 Engagement: **2021 - City of Newton**
 Period Ending: **4/30/2021**
 Trial Balance: **TB-03 - Electric**
 Workpaper: **AJE-03 - Adjusting Journal Entries Report - Electric**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		F-06a		
To reclass capital items.				
1710	Distribution Plant		465,051.12	
1730	General Plant Equipment		14,320.00	
5500-30	Equipment Purchase			14,320.00
5640-30	System Repair			406,536.74
5800-30	System Improvements			58,514.38
Total			<u>479,371.12</u>	<u>479,371.12</u>
Adjusting Journal Entries JE # 2		F-03		
To adjust depreciation to actual.				
5900-30	Depreciation Expense		10,794.42	
1760	Reserve for Depreciation			10,794.42
Total			<u>10,794.42</u>	<u>10,794.42</u>

Client: **137474.01 - City of Newton**
 Engagement: **2021 - City of Newton**
 Period Ending: **4/30/2021**
 Trial Balance: **TB-04 - Water**
 Workpaper: **AJE-04 - Adjusting Journal Entries Report - Water**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		F-03		
To adjust depreciation to actual.				
5900-40	Depreciation Expense		2,526.59	
1765-40	Reserve for Depreciation			2,526.59
Total			<u>2,526.59</u>	<u>2,526.59</u>

Client: 137474.01 - City of Newton
 Engagement: 2021 - City of Newton
 Period Ending: 4/30/2021
 Trial Balance: TB-05 - Waste Water
 Workpaper: AJE-05 - Adjusting Journal Entries Report - Waste Water

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		F-03		
To adjust depreciation to actual.				
1760-43	Reserve for Depreciation		3,909.46	
5900-43	Depreciation Expense			3,909.46
Total			<u>3,909.46</u>	<u>3,909.46</u>
Adjusting Journal Entries JE # 2		H-01		
To adjust loan balance to actual and reclass current portion of PSB loan.				
2251-43	Peoples State Bank - loan		83,434.00	
5807-43	Sewer Plant Interest PSB		182.11	
2251-43	Peoples State Bank - loan			182.11
2252-43	Current Portion of PSB Loan Payable			83,434.00
Total			<u>83,616.11</u>	<u>83,616.11</u>

Client: 137474.01 - City of Newton
 Engagement: 2021 - City of Newton
 Period Ending: 4/30/2021
 Trial Balance: TB-01 - General
 Workpaper: GASB-01 - GASB 34 AJE Report - General (Total Governmental Fund Type)

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE JE # 3				
To record beginning governmental fixed assets.				
		F-02		
1700	Land		558,573.87	
1705	Building & Improvements		4,308,731.90	
1710	Equipment, Furniture, & Fixtures		243,190.34	
1715	Infrastructure		3,475,854.51	
1720	Construction in Progress		67,577.89	
1795	Accumulated Depreciation			3,595,585.58
3000	Retained Earnings-General Fund			5,058,342.93
Total			8,653,928.51	8,653,928.51
GASB 34 AJE JE # 4				
To capitalize current year capital outlays for GASB 34 financial statement presentation.				
		F-02		
1700	Land		500,098.98	
1710	Equipment, Furniture, & Fixtures		83,806.00	
1715	Infrastructure		67,807.75	
1705	Building & Improvements			
1720	Construction in Progress			
5500-22	Equipment Purchase			651,712.73
Total			651,712.73	651,712.73
GASB 34 AJE JE # 5				
To dispose of fully depreciated general government equipment and transfer construction in progress.				
		F-02		
1715	Infrastructure		67,577.89	
1795	Accumulated Depreciation		1,068.00	
1710	Equipment, Furniture, & Fixtures			1,066.00
1720	Construction in Progress			67,577.89
Total			68,643.89	68,643.89
GASB 34 AJE JE # 6				
To record current year depreciation on general government fixed assets.				
		F-02		
9900-22	Depreciation-Streets & Alleys		91,680.40	
9900-23	Depreciation-Public Safety		17,737.54	
9900-25	Depreciation-Culture & Recreation		180,965.98	
9900-27	Depreciation-General Administration		26,223.40	
9900-56	Depreciation-Capital Development		48,340.84	
1795	Accumulated Depreciation			364,948.16
Total			364,948.16	364,948.16
GASB 34 AJE JE # 7				
To record beginning general government long-term debt balances for GASB 34 financial statement presentation.				
		H-01		
3000	Retained Earnings-General Fund		1,095,000.00	
2660-28	2010 Bonds Payable - LT			1,095,000.00
Total			1,095,000.00	1,095,000.00
GASB 34 AJE JE # 8				
To reclass current year debt payments for GASB 34 financial statement presentation.				
		H-01		
2660-28	2010 Bonds Payable - LT		125,000.00	
5712-28	Bond Principal Payment			125,000.00
Total			125,000.00	125,000.00
GASB 34 AJE JE # 9				
To reclass the current portion of general government long-term debt for GASB 34 financial statement reporting purposes.				
		H-01		
2660-28	2010 Bonds Payable - LT		130,000.00	
2661-28	2010 Bonds Payable - Current Portion			130,000.00
Total			130,000.00	130,000.00
GASB 34 AJE JE # 10				
To record beginning balance of deferred outflows for GASB 34 financial statement presentation purposes.				
		H-01 tab Deferred Outflow		
1800	Deferred Outflows of Advance Refunding of Bonds		63,248.03	
1801	Unamortized Bond Premium, Net			1,001.59
3000	Retained Earnings-General Fund			62,246.44

Client: 137474.01 - City of Newton
Engagement: 2021 - City of Newton
Period Ending: 4/30/2021
Trial Balance: TB-01 - General
Workpaper: GASB-01 - GASB 34 AJE Report - General (Total Governmental Fund Type)

Account	Description	W/P Ref	Debit	Credit
Total			63,248.03	63,248.03
GASB 34 AJE JE # 11		H-01		
To record current year amortization of deferred outflows for GASB 34 financial statement presentation purposes.				
1801	Unamortized Bond Premium, Net		146.57	
5711-28	Bond Interest		9,255.81	
1800	Deferred Outflows of Advance Refunding of Bonds			9,255.81
4001-10	Premium on Bond Issue			146.57
Total			9,402.38	9,402.38
GASB 34 AJE JE # 12		07-01h		
To record beginning activity from the Health Insurance fund for financial statement reporting purposes. (Entry A)				
1210	M'Mkt - General Fund (3 month Working Capital)		149,864.00	
3000	Retained Earnings-General Fund			149,864.00
Total			149,864.00	149,864.00
GASB 34 AJE JE # 13		07-01h		
To record beginning balance from the Electric Fund for financial statement reporting purposes (Entry B)				
3000	Retained Earnings-General Fund		72,069.00	
2900	Interfund Loan - GASB Business Type			72,069.00
Total			72,069.00	72,069.00
GASB 34 AJE JE # 14		07-01h		
To record current year Health Insurance Fund net activity for financial statement reporting purposes. (Entry C)				
1210	M'Mkt - General Fund (3 month Working Capital)		110,744.00	
2900	Interfund Loan - GASB Business Type			52,013.00
4010	Int. Earned-Gen. Fund M-Market			842.00
5120-16	Group Insurance			3,924.00
5120-22	Group Insurance			11,772.00
5120-23	Group Insurance			30,421.00
5120-25	Group Insurance			7,848.00
5120-27	Group Insurance			3,924.00
Total			110,744.00	110,744.00

Client: **137474.01 - City of Newton**
 Engagement: **2021 - City of Newton**
 Period Ending: **4/30/2021**
 Trial Balance: **TB-03 - Electric**
 Workpaper: **GASB-03 - GASB 34 AJE Report - Electric (Total Business Type)**
Account Description W/P Ref

GASB 34 AJE

GASB 34 AJE JE # 3

07-01h

To record beginning balances from insurance for financial statement reporting purposes. (Entry A)

1920	Due From	72,069.00	
3000	Retained Earnings		72,069.00
Total		<u>72,069.00</u>	<u>72,069.00</u>

GASB 34 AJE JE # 4

07-01h

To record current year health insurance activity for financial statement reporting purposes. (ENTRY B)

1920	Due From	52,013.00	
5120-30	Group Insurance		52,013.00
Total		<u>52,013.00</u>	<u>52,013.00</u>

Total GASB 34 AJE		<u>124,082.00</u>	<u>124,082.00</u>
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Total All Journal Entries		<u>124,082.00</u>	<u>124,082.00</u>
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Client: **137474.01 - City of Newton**
 Engagement: **2021 - City of Newton**
 Period Ending: **4/30/2021**
 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				
		07-01h		
To eliminate Health Insurance fund to other funds for financial statement reporting purposes.				
3000	Retained Earnings		260,608.00	
1210	Money Market Account			260,608.00
Total			260,608.00	260,608.00