

August 26, 2022

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, 2022. 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 May 27, 2022. 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 fiscal year 2022. 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 these estimates 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. Material misstatements detected as a result of audit procedures and corrected by management are included in the attached schedules.

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 August 26, 2022.

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), and the Consolidated Year-End Financial Report which is also not 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: **2022 - City of Newton**
 Period Ending: **4/30/2022**
 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 # 13		W-01		
To reclass Transfers out for FS Presentation.				
5145-29	Transfer Out		194,805.18	
4901-16	Transfer In			194,805.18
Total			<u>194,805.18</u>	<u>194,805.18</u>
Adjusting Journal Entries JE # 14		X-06a		
To reclass Radio Grant.				
4400	Miscellaneous Income		22,000.00	
5475-23	Drug Enforcement		3,000.00	
4034	Capital Grants			25,000.00
Total			<u>25,000.00</u>	<u>25,000.00</u>
Adjusting Journal Entries JE # 15		F-05		
To reclass non-capital and capital outlay activity.				
5200-22	Supplies		300.00	
5200-27	Supplies		14,446.35	
5630-23	Building Repair		892.48	
5630-27	Building Repair		3,738.00	
5500-22	Equipment Purchase			300.00
5560-23	Building Improvements			892.48
5560-27	Building Improvement/Purchases			3,738.00
5560-27	Building Improvement/Purchases			14,446.35
Total			<u>19,376.83</u>	<u>19,376.83</u>
Adjusting Journal Entries JE # 16		X-06a		
To reclass Wastewater Treatment Fund American Rescue Plan Grant income.				
4034	Capital Grants		194,805.18	
5145-29	Transfer Out			194,805.18
Total			<u>194,805.18</u>	<u>194,805.18</u>

Client: **137474.01 - City of Newton**
 Engagement: **2022 - City of Newton**
 Period Ending: **4/30/2022**
 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		S-01		
To adjust beg fund balance to actual.				
50-3000-50	Fund Balance-Social Security		7,584.42	
51-3000-51	Fund Balance -IMRF		63,250.61	
55-3000-55	Fund Balance-Workmen's Comp		15,733.30	
56-3000-56	Fund Balance-Capital Development		519,572.99	
71-3000-71	Fund Balance ITEP II		380.52	
72-3000-72	Fund Balance ITEP		5,674.22	
00-3000-00	Fund Balance			252,364.74
52-3000-52	Fund Balance-EMA			8,657.75
53-3000-53	Fund Balance-MFT			116,326.73
54-3000-54	Fund Balance-Tort			148,310.82
57-3000-57	Fund Balance-TIF			86,536.02
Total			612,196.06	612,196.06
Adjusting Journal Entries JE # 2				
To adjust TB balances to actual.				
72-4400-72	Miscellaneous Income		2.05	
56-4406-56	Misc. Income-Development Fund			2.05
Total			2.05	2.05
Adjusting Journal Entries JE # 3		X-06a		
To reclass Illinois Rebuild Capital Grant for Soil Cement Project. (FS Presentation)				
53-4173-53	Motor Fuel Tax Income		62,586.78	
53-4034-53	MFT Capital Grant			62,586.78
Total			62,586.78	62,586.78
Adjusting Journal Entries JE # 5		C-01, F-05		
To reclass TIF lot repurchase, cost of lots sold, and DIT. (\$5,000 money market component will need reversed on 5/1/22).				
57-1217-57	Money Market-TIF		5,000.00	
57-7001-57	Cost of Lot Sales		756.98	
57-7001-57	Cost of Lot Sales		7,717.39	
57-1600-57	Inventory			7,717.39
57-4408-57	Subdivision Lot Income			5,000.00
57-7060-57	Capital Expense TIF			756.98
Total			13,474.37	13,474.37
Adjusting Journal Entries JE # 6		Y-11		
To record interfund balance for ITEP IDNR Fees to be reimbursed by Grant Funding.				
56-2000-56	Due From ITEP		2,200.00	
56-7079-56	ITEP Eagle Trail Engineering/Phase 3		550.00	
72-5410-72	Engineering Fees		2,200.00	
56-7082.56	ITEP Misc Expense/Phase 3			2,750.00
72-2000-72	Due to Community Development - Phase III			2,200.00
Total			4,950.00	4,950.00

Client: **137474.01 - City of Newton**
 Engagement: **2022 - City of Newton**
 Period Ending: **4/30/2022**
 Trial Balance: **TB-03 - Electric**
 Workpaper: **AJE-03 - Adjusting Journal Entries Report - Electric**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 2		F-03		
To adjust depreciation to actual.				
5900-30	Depreciation Expense		12,834.16	
1760	Reserve for Depreciation			12,834.16
Total			12,834.16	12,834.16
Adjusting Journal Entries JE # 5		F-06a, Y-12		
To reclass fixed asset additions.				
1710	Distribution Plant		11,450.64	
1710	Distribution Plant		35,860.00	
1730	General Plant Equipment		241,161.00	
5230-30	Supplies-Distribution			35,860.00
5510-30	Vehicle Purchase			241,161.00
5800-30	System Improvements			11,450.64
Total			288,471.64	288,471.64
Adjusting Journal Entries JE # 6				
To reclass Cash Deposit for Customer Billings. (Client Do Not Make, Reversing AJE will be made in FY23).				
1930	Interfund Transfers		112.54	
4700-30	Metered Sales Residential			112.54
Total			112.54	112.54
Adjusting Journal Entries JE # 7		F-03		
To dispose of fully depreciated Electric equipment.				
1760	Reserve for Depreciation		77,390.00	
1730	General Plant Equipment			77,390.00
Total			77,390.00	77,390.00

Client: **137474.01 - City of Newton**
 Engagement: **2022 - City of Newton**
 Period Ending: **4/30/2022**
 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		6,044.36	
1765-40	Reserve for Depreciation			6,044.36
Total			6,044.36	6,044.36
Adjusting Journal Entries JE # 2		F-07a		
To reclass asset additions.				
1700-40	Water Plant		16,287.05	
1710-40	Distribution System		593,707.36	
1730-40	Equipment		26,952.00	
1800-41	Construction in Progress		23,707.50	
5410-40	Engineering			23,707.50
5510-40	Vehicle Purchase			26,952.00
5560-40	Building Improvements			16,287.05
5645-40	Water Line Project			593,707.36
Total			660,653.91	660,653.91
Adjusting Journal Entries JE # 3		F-10		
To reclass sale of ford ranger.				
4400-40	Miscellaneous Income-Water		2,027.50	
4770-40	Sale of Fixed Assets			2,027.50
Total			2,027.50	2,027.50
Adjusting Journal Entries JE # 7		F-03		
To record fully depreciated disposed assets.				
1765-40	Reserve for Depreciation		32,000.00	
1730-40	Equipment			32,000.00
Total			32,000.00	32,000.00

Client: **137474.01 - City of Newton**
 Engagement: **2022 - City of Newton**
 Period Ending: **4/30/2022**
 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 record CY depreciation expense.				
1765-43	Wastewater Treatment Plant		11,676.69	
5900-43	Depreciation Expense		6,640.23	
1760-43	Reserve for Depreciation			6,640.23
5900-43	Depreciation Expense			11,676.69
Total			18,316.92	18,316.92
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		92.12	
2251-43	Peoples State Bank - loan		85,544.00	
2252-43	Current Portion of PSB Loan Payable			85,544.00
5807-43	Sewer Plant Interest PSB			92.12
Total			85,636.12	85,636.12
Adjusting Journal Entries JE # 5		F-03		
To record fully depreciated asset disposals.				
1760-43	Reserve for Depreciation		95,482.00	
1730-43	Equipment			95,482.00
Total			95,482.00	95,482.00
Adjusting Journal Entries JE # 6		X-06a		
To reclass American Rescue Plan Grant Proceeds for FS presentation.				
4040-43	Transfer In		194,805.18	
4034-43	Capital Grants			194,805.18
Total			194,805.18	194,805.18

Client: 137474.01 - City of Newton
Engagement: 2022 - City of Newton
Period Ending: 4/30/2022
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 # 1		F-02		
To record beginning governmental fixed assets.				
1700	Land		1,058,672.85	
1705	Building & Improvements		4,308,731.90	
1710	Equipment, Furniture, & Fixtures		325,930.34	
1715	Infrastructure		3,611,240.15	
1720	Construction in Progress			
1795	Accumulated Depreciation			3,959,467.74
3000	Retained Earnings-General Fund			5,345,107.50
Total			9,304,575.24	9,304,575.24
GASB 34 AJE JE # 2		F-02		
To capitalize current year capital outlays for GASB 34 financials.				
1705	Building & Improvements		53,445.00	
1710	Equipment, Furniture, & Fixtures		54,207.28	
1715	Infrastructure		6,738.70	
1720	Construction in Progress		24,730.17	
1700	Land			
5500-22	Equipment Purchase			139,121.15
Total			139,121.15	139,121.15
GASB 34 AJE JE # 3		F-02		
To dispose of fully depreciated equipment and transfer construction in progress.				
1795	Accumulated Depreciation		16,059.65	
1705	Building & Improvements			16,059.65
Total			16,059.65	16,059.65
GASB 34 AJE JE # 4		F-02		
To record current year depreciation.				
9900-22	Depreciation-Streets & Alleys		100,162.47	
9900-23	Depreciation-Public Safety		22,403.69	
9900-25	Depreciation-Culture & Recreation		181,004.21	
9900-27	Depreciation-General Administration		26,190.11	
9900-56	Depreciation-Capital Development		47,994.73	
1795	Accumulated Depreciation			377,755.21
Total			377,755.21	377,755.21
GASB 34 AJE JE # 5		H-01		
To record beginning general government long-term debt balances for GASB 34 financial statement presentation.				
3000	Retained Earnings-General Fund		970,000.00	
2660-28	2010 Bonds Payable - LT			970,000.00
Total			970,000.00	970,000.00
GASB 34 AJE JE # 6		H-01		
To reclass current year debt payments for GASB 34 financial statement presentation.				
2660-28	2010 Bonds Payable - LT		130,000.00	
5712-28	Bond Principal Payment			130,000.00
Total			130,000.00	130,000.00
GASB 34 AJE JE # 7		H-01		
To reclass the current portion of general government long-term debt for GASB 34 financial statement reporting purposes.				
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 # 8		H-01 tab Deferred Outflow		
To record beginning balance of deferred outflows for GASB 34 financial statement presentation purposes.				
1800	Deferred Outflows of Advance Refunding of Bonds		53,992.22	
1801	Unamortized Bond Premium, Net			855.02
3000	Retained Earnings-General Fund			53,137.20
Total			53,992.22	53,992.22

Client: **137474.01 - City of Newton**
Engagement: **2022 - City of Newton**
Period Ending: **4/30/2022**
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 # 9		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			<u><u>9,402.38</u></u>	<u><u>9,402.38</u></u>
GASB 34 AJE JE # 10		03.00d.3		
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)		260,608.00	
3000	Retained Earnings-General Fund			260,608.00
Total			<u><u>260,608.00</u></u>	<u><u>260,608.00</u></u>
GASB 34 AJE JE # 11		03-00d.3		
To record beginning balance from the Electric Fund for financial statement reporting purposes (Entry B)				
3000	Retained Earnings-General Fund		124,082.00	
2900	Interfund Loan - GASB Business Type			124,082.00
Total			<u><u>124,082.00</u></u>	<u><u>124,082.00</u></u>
GASB 34 AJE JE # 12		03-00d.3		
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)		114,954.00	
2900	Interfund Loan - GASB Business Type			56,040.00
4010	Int. Earned-Gen. Fund M-Market			1,172.00
5120-16	Group Insurance			676.00
5120-22	Group Insurance			12,233.00
5120-23	Group Insurance			32,600.00
5120-25	Group Insurance			8,155.00
5120-27	Group Insurance			4,078.00
Total			<u><u>114,954.00</u></u>	<u><u>114,954.00</u></u>

Client: **137474.01 - City of Newton**
 Engagement: **2022 - City of Newton**
 Period Ending: **4/30/2022**
 Trial Balance: **TB-03 - Electric**
 Workpaper: **GASB-03 - GASB 34 AJE Report - Electric (Total Business Type)**

Account	Description	W/P Ref	Debit	Credit
GASB 34 AJE				
GASB 34 AJE JE # 3		03-00d.3		
To record beginning balances from insurance for financial statement reporting purposes. (Entry A)				
1920	Due From		124,082.00	
3000	Retained Earnings			124,082.00
Total			124,082.00	124,082.00
GASB 34 AJE JE # 4				
GASB 34 AJE JE # 4		03-00d.3		
To record current year health insurance activity for financial statement reporting purposes. (ENTRY B)				
1920	Due From		56,040.00	
5120-30	Group Insurance			56,040.00
Total			56,040.00	56,040.00
	Total GASB 34 AJE		180,122.00	180,122.00
	Total All Journal Entries		180,122.00	180,122.00