

CITY OF NEWTON, ILLINOIS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED
APRIL 30, 2021

CITY OF NEWTON, ILLINOIS
Financial Statements
April 30, 2021

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Financial Statements
April 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2021, 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, 2021, 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 – 36, 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 4, 2021, 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 4, 2021

CITY OF NEWTON, ILLINOIS
Statement of Net Position - Modified Cash Basis
April 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,275,282	\$ 3,662,962	\$ 6,938,244
Restricted cash and cash equivalents	-	350,143	350,143
Inventory	98,337	-	98,337
Internal balances	(534,181)	534,181	-
Capital assets, net of accumulated depreciation	5,345,108	12,756,839	18,101,947
Total assets	<u>8,184,546</u>	<u>17,304,125</u>	<u>25,488,671</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	<u>53,992</u>	<u>-</u>	<u>53,992</u>
Total assets and deferred outflows of resources	<u>\$ 8,238,538</u>	<u>\$ 17,304,125</u>	<u>\$ 25,542,663</u>
LIABILITIES AND NET POSITION			
Liabilities:			
Customer deposits	\$ -	\$ 350,143	\$ 350,143
Sales tax payable	5	120	125
Due within one year:			
Notes payable	-	83,434	83,434
Bonds payable	130,000	-	130,000
Due in more than one year:			
Notes payable	-	1,229,811	1,229,811
Bonds payable	840,855	-	840,855
Total liabilities	<u>970,860</u>	<u>1,663,508</u>	<u>2,634,368</u>
Net position:			
Net investment in capital assets	4,428,245	11,443,594	15,871,839
Restricted for:			
Other purposes	1,926,359	-	1,926,359
Unrestricted	913,074	4,197,023	5,110,097
Total net position	<u>7,267,678</u>	<u>15,640,617</u>	<u>22,908,295</u>
Total liabilities and net position	<u>\$ 8,238,538</u>	<u>\$ 17,304,125</u>	<u>\$ 25,542,663</u>

CITY OF NEWTON, ILLINOIS
Statement of Activities - Modified Cash Basis
For the Year Ended April 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 392,333	\$ 65,846	\$ 126,360	\$ -	\$ (200,127)	\$ -	\$ (200,127)
Public safety	952,601	29,380	4,431	1,473	(917,317)	-	(917,317)
Transportation and public works	443,555	-	194,950	-	(248,605)	-	(248,605)
Social services	30,840	3,150	-	-	(27,690)	-	(27,690)
Community development	699,634	28,352	226,495	6,337	(438,450)	-	(438,450)
Culture and recreation	438,096	25,141	-	-	(412,955)	-	(412,955)
Interest on long-term debt	37,359	-	-	-	(37,359)	-	(37,359)
Total governmental activities	<u>2,994,418</u>	<u>151,869</u>	<u>552,236</u>	<u>7,810</u>	<u>(2,282,503)</u>	<u>-</u>	<u>(2,282,503)</u>
Business-type activities:							
Electric	2,760,928	2,925,115	-	-	-	164,187	164,187
Water	600,189	702,259	-	-	-	102,070	102,070
Waste water treatment	565,014	676,711	-	-	-	111,697	111,697
Total business-type activities	<u>3,926,131</u>	<u>4,304,085</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377,954</u>	<u>377,954</u>
Total primary government	<u>\$ 6,920,549</u>	<u>\$ 4,455,954</u>	<u>\$ 552,236</u>	<u>\$ 7,810</u>	<u>(2,282,503)</u>	<u>377,954</u>	<u>(1,904,549)</u>
General revenues:							
Taxes:							
Property taxes					1,078,668	-	1,078,668
Intergovernmental revenue:							
Sales tax					891,974	-	891,974
Income tax					326,602	-	326,602
Cannabis use tax					2,329	-	2,329
Replacement tax					49,692	-	49,692
Pull-tab and gaming tax					25,443	-	25,443
Township road and bridge					69,570	-	69,570
Interest and investment earnings					15,142	39,628	54,770
Miscellaneous					4,036	31,040	35,076
Gain on sale of fixed assets					-	-	-
Transfers					223,952	(223,952)	-
Total general revenues, gains, and transfers					<u>2,687,408</u>	<u>(153,284)</u>	<u>2,534,124</u>
Change in net position					404,905	224,670	629,575
Net position - beginning					6,862,773	15,415,947	22,278,720
Net position - ending					<u>\$ 7,267,678</u>	<u>\$ 15,640,617</u>	<u>\$ 22,908,295</u>

CITY OF NEWTON, ILLINOIS
Balance Sheet - Modified Cash Basis
Governmental Funds
April 30, 2021

	<u>General</u>	<u>TIF</u>	<u>Capital Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 968,749	\$ 411,344	\$ 165,630	\$ 1,468,951	\$ 3,014,674
Due from other funds	-	-	5,674	-	5,674
Inventory	-	98,337	-	-	98,337
Total assets	<u>\$ 968,749</u>	<u>\$ 509,681</u>	<u>\$ 171,304</u>	<u>\$ 1,468,951</u>	<u>\$ 3,118,685</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Due to other funds	\$ -	\$ -	\$ 410,099	\$ 5,674	\$ 415,773
Sales tax payable	5	-	-	-	5
Total liabilities	<u>5</u>	<u>-</u>	<u>410,099</u>	<u>5,674</u>	<u>415,778</u>
Fund balances:					
Nonspendable	-	98,337	-	-	98,337
Restricted	46,064	411,344	-	1,468,951	1,926,359
Committed	49,842	-	-	-	49,842
Assigned	289,472	-	-	-	289,472
Unassigned	583,366	-	(238,795)	(5,674)	338,897
Total fund balances	<u>968,744</u>	<u>509,681</u>	<u>(238,795)</u>	<u>1,463,277</u>	<u>2,702,907</u>
Total liabilities and fund balances	<u>\$ 968,749</u>	<u>\$ 509,681</u>	<u>\$ 171,304</u>	<u>\$ 1,468,951</u>	

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.

5,345,108

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.

136,526

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.

(916,863)

Net position of governmental activities

\$ 7,267,678

CITY OF NEWTON, ILLINOIS
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ended April 30, 2021

	<u>General</u>	<u>TIF</u>	<u>Capital Development</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 89,135	\$ 417,811	\$ -	\$ 571,722	\$ 1,078,668
Intergovernmental:					
Sales tax	891,974	-	-	-	891,974
Income tax	326,602	-	-	-	326,602
Cannabis use tax	2,329	-	-	-	2,329
Replacement tax	49,692	-	-	-	49,692
Pull-tab and gaming tax	25,443	-	-	-	25,443
Township road and bridge	69,570	-	-	-	69,570
Licenses and permits	38,105	-	-	-	38,105
Fees and fines	37,379	-	-	-	37,379
Charges for services	68,843	-	-	-	68,843
Revenue from the use of property and equipment	215	-	7,327	-	7,542
Operating grants and contributions	130,791	-	-	421,445	552,236
Capital grants and contributions	1,473	-	-	6,337	7,810
Interest and investment earnings	5,625	1,925	959	5,792	14,301
Miscellaneous	2,812	500	514	210	4,036
Total revenues	<u>1,739,988</u>	<u>420,236</u>	<u>8,800</u>	<u>1,005,506</u>	<u>3,174,530</u>
EXPENDITURES					
Current:					
General government	191,094	-	-	178,455	369,549
Public safety	779,525	-	-	181,997	961,522
Transportation and public works	212,727	-	-	149,464	362,191
Social services	30,840	-	-	-	30,840
Community development	62,371	281,382	56,071	254,908	654,732
Culture and recreation	216,390	-	-	47,617	264,007
Debt service:					
Principal	125,000	-	-	-	125,000
Interest	28,250	-	-	-	28,250
Capital outlay	83,806	52,318	503,197	12,392	651,713
Total expenditures	<u>1,730,003</u>	<u>333,700</u>	<u>559,268</u>	<u>824,833</u>	<u>3,447,804</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,985</u>	<u>86,536</u>	<u>(550,468)</u>	<u>180,673</u>	<u>(273,274)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	188,392	-	50,895	-	239,287
Operating transfers out	<u>(2,494)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>	<u>(22,494)</u>
Total other financing sources (uses)	<u>185,898</u>	<u>-</u>	<u>30,895</u>	<u>-</u>	<u>216,793</u>
Net change in fund balance	195,883	86,536	(519,573)	180,673	(56,481)
Fund balances - beginning	772,861	423,145	280,778	1,282,604	2,759,388
Fund balances - ending	<u>\$ 968,744</u>	<u>\$ 509,681</u>	<u>\$ (238,795)</u>	<u>\$ 1,463,277</u>	<u>\$ 2,702,907</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, 2021

Net change in fund balances - total governmental funds \$ (56,481)

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 capital outlay exceeded depreciation expense in the current period.

	Capital outlay	651,713	
	Depreciation	<u>(364,948)</u>	286,765

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	125,000	
	Deferred charge on refunding amortization	(9,256)	
	Bond discount amortization	<u>147</u>	115,891

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. 58,730

Change in net position of governmental activities \$ 404,905

CITY OF NEWTON, ILLINOIS
Statement of Net Position - Modified Cash Basis
Proprietary Funds
April 30, 2021

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Electric	Water	Wastewater Treatment		Health Insurance
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,612,623	\$ 513,708	\$ 536,631	\$ 3,662,962	\$ 260,608
Restricted cash and cash equivalents	350,143	-	-	350,143	-
Due from other funds	49,851	205,050	205,049	459,950	-
Total current assets	<u>3,012,617</u>	<u>718,758</u>	<u>741,680</u>	<u>4,473,055</u>	<u>260,608</u>
Noncurrent assets:					
Capital assets, net of accumulated depreciation	4,978,492	3,606,356	4,171,991	12,756,839	-
Total noncurrent assets	<u>4,978,492</u>	<u>3,606,356</u>	<u>4,171,991</u>	<u>12,756,839</u>	<u>-</u>
Total assets	<u>\$ 7,991,109</u>	<u>\$ 4,325,114</u>	<u>\$ 4,913,671</u>	<u>\$ 17,229,894</u>	<u>\$ 260,608</u>
LIABILITIES AND NET POSITION					
Liabilities:					
Current liabilities:					
Customer deposits	\$ 350,143	\$ -	\$ -	\$ 350,143	\$ -
Sales tax payable	-	120	-	120	-
Due to other funds	-	-	49,851	49,851	-
Current portion of notes payable	-	-	83,434	83,434	-
Total current liabilities	<u>350,143</u>	<u>120</u>	<u>133,285</u>	<u>483,548</u>	<u>-</u>
Noncurrent liabilities:					
Notes payable	-	-	1,229,811	1,229,811	-
Total long-term liabilities	<u>-</u>	<u>-</u>	<u>1,229,811</u>	<u>1,229,811</u>	<u>-</u>
Total liabilities	<u>350,143</u>	<u>120</u>	<u>1,363,096</u>	<u>1,713,359</u>	<u>-</u>
Net position:					
Net investment in capital assets	4,978,492	3,606,356	2,858,746	11,443,594	-
Unrestricted	2,662,474	718,638	691,829	4,072,941	260,608
Total net position	<u>7,640,966</u>	<u>4,324,994</u>	<u>3,550,575</u>	<u>15,516,535</u>	<u>260,608</u>
Total liabilities and net position	<u>\$ 7,991,109</u>	<u>\$ 4,325,114</u>	<u>\$ 4,913,671</u>		<u>\$ 260,608</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				124,082	
Total net position of business-type activities				<u>\$ 15,640,617</u>	

CITY OF NEWTON, ILLINOIS
Statement of Revenues, Expenses, and Changes in Net Position -
Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2021

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Electric	Water	Wastewater Treatment		Health Insurance
Operating revenues:					
Charges for services	\$ 2,925,115	\$ 702,259	\$ 676,711	\$ 4,304,085	\$ 244,094
Miscellaneous	5,899	22,450	2,691	31,040	6,101
Total operating revenues	<u>2,931,014</u>	<u>724,709</u>	<u>679,402</u>	<u>4,335,125</u>	<u>250,195</u>
Operating expenses:					
Personal services	412,157	258,488	211,550	882,195	-
Support services	4,011	4,596	3,205	11,812	-
Contractual services	1,705,536	12,269	17,450	1,735,255	51,985
Utilities	8,229	34,592	44,376	87,197	-
Repairs and maintenance	185,308	117,028	75,100	377,436	-
Other supplies and materials	197,913	38,585	17,431	253,929	-
Insurance	11,963	8,914	8,294	29,171	101,898
Depreciation	256,443	138,334	159,668	554,445	-
Miscellaneous	878	1,138	1,693	3,709	-
Total operating expenses	<u>2,782,438</u>	<u>613,944</u>	<u>538,767</u>	<u>3,935,149</u>	<u>153,883</u>
Operating income (loss)	<u>148,576</u>	<u>110,765</u>	<u>140,635</u>	<u>399,976</u>	<u>96,312</u>
Nonoperating revenue (expenses):					
Interest and investment revenue	31,996	3,475	4,157	39,628	841
Interest expense	-	-	(36,563)	(36,563)	-
Gain on sale of fixed assets	-	-	-	-	-
Net nonoperating revenues (expenses)	<u>31,996</u>	<u>3,475</u>	<u>(32,406)</u>	<u>3,065</u>	<u>841</u>
Income (loss) before transfers	180,572	114,240	108,229	403,041	97,153
Transfers in	932	212	-	1,144	13,591
Transfers out	<u>(172,554)</u>	<u>(29,927)</u>	<u>(29,047)</u>	<u>(231,528)</u>	<u>-</u>
Change in net position	8,950	84,525	79,182	172,657	110,744
Total net position - beginning	<u>7,632,016</u>	<u>4,240,469</u>	<u>3,471,393</u>		<u>149,864</u>
Total net position - ending	<u>\$ 7,640,966</u>	<u>\$ 4,324,994</u>	<u>\$ 3,550,575</u>		<u>\$ 260,608</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				52,013	
Change in net position of business-type activities				<u>\$ 224,670</u>	

CITY OF NEWTON, ILLINOIS
Statement of Cash Flows - Modified Cash Basis
Proprietary Funds
For the Year Ended April 30, 2021

	Business-type Activities - Enterprise Funds			Totals	Governmental Activities - Internal Service Fund
	Electric	Water	Wastewater Treatment		Health Insurance
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 2,930,885	\$ 702,058	\$ 676,711	\$ 4,309,654	\$ -
Receipts from interfund services provided	-	-	-	-	244,094
Payments to suppliers	(2,113,838)	(217,122)	(167,549)	(2,498,509)	(51,985)
Payments to employees	(369,811)	(231,408)	(191,240)	(792,459)	-
Payments for interfund services used	(42,346)	(27,080)	(20,310)	(89,736)	-
Payments for claims	-	-	-	-	(101,898)
Other receipts	5,899	22,450	2,691	31,040	6,101
Net cash provided (used) by operating activities	<u>410,789</u>	<u>248,898</u>	<u>300,303</u>	<u>959,990</u>	<u>96,312</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers from other funds	932	212	-	1,144	13,591
Transfers to other funds	(172,554)	(29,927)	(29,047)	(231,528)	-
Net cash provided (used) by noncapital financing activities	<u>(171,622)</u>	<u>(29,715)</u>	<u>(29,047)</u>	<u>(230,384)</u>	<u>13,591</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(479,371)	-	-	(479,371)	-
Receipts (payments) for interfund loans	12,774	(205,049)	(217,824)	(410,099)	-
Principal paid on notes	-	-	(73,432)	(73,432)	-
Interest paid on notes/interfund loans	-	-	(36,563)	(36,563)	-
Net cash used by capital and related financing activities	<u>(466,597)</u>	<u>(205,049)</u>	<u>(327,819)</u>	<u>(999,465)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest	31,996	3,475	4,157	39,628	841
Net cash provided by investing activities	<u>31,996</u>	<u>3,475</u>	<u>4,157</u>	<u>39,628</u>	<u>841</u>
Net increase (decrease) in cash and cash equivalents	(195,434)	17,609	(52,406)	(230,231)	110,744
Cash and cash equivalents - beginning of year	3,158,200	496,099	589,037	4,243,336	149,864
Cash and cash equivalents - end of year	<u>\$ 2,962,766</u>	<u>\$ 513,708</u>	<u>\$ 536,631</u>	<u>\$ 4,013,105</u>	<u>\$ 260,608</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income	\$ 148,576	\$ 110,765	\$ 140,635	\$ 399,976	\$ 96,312
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	256,443	138,334	159,668	554,445	-
Change in liabilities:					
Customer deposits	5,805	-	-	5,805	-
Sales tax payable	(35)	(201)	-	(236)	-
Net cash provided (used) by operating activities	<u>\$ 410,789</u>	<u>\$ 248,898</u>	<u>\$ 300,303</u>	<u>\$ 959,990</u>	<u>\$ 96,312</u>
Reconciliation of cash on statement of net position to cash balance at year end:					
Cash and cash equivalents	\$ 2,612,623	\$ 513,708	\$ 536,631	\$ 3,662,962	\$ 260,608
Restricted cash and cash equivalents	350,143	-	-	350,143	-
Cash and cash equivalents - end of year	<u>\$ 2,962,766</u>	<u>\$ 513,708</u>	<u>\$ 536,631</u>	<u>\$ 4,013,105</u>	<u>\$ 260,608</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021

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, electric, water, 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, 2021
(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, 2021
(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 Capital Development fund is used to account for the revenues and expenditures for community development 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, 2021
(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. Inventory is valued at the lower of cost or net realizable value.

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 subject to elimination 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. 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, 2021, the City's liability for unused sick time is estimated to be \$243,393.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(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 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, 2021
(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, 2021
(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, 2021, the City maintained restricted cash as follows:

<u>Business-type Activities</u>	
For repayment of customer utility deposits	<u>\$ 350,143</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 4, 2021, the date which the financial statements were available to be issued.

R. Effect of COVID-19 Pandemic

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. We believe the ultimate financial impact of the COVID-19 pandemic on the City is likely to be determined by factors which are uncertain, unpredictable and outside of the control of the City. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely affect future revenues.

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, 2021, the carrying amount and the bank balance of the City's cash deposits were \$7,286,987 and \$7,308,247, 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.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 2: Cash and Investments (Continued)

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.

Note 4: Changes in Capital Assets

The following is a summary of changes in capital assets:

Governmental Activities:

	<u>Balance</u> <u>May 01, 2020</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance</u> <u>April 30, 2021</u>
Assets Not Depreciated:				
Land	\$ 558,574	\$ 500,099	\$ -	\$ 1,058,673
Construction in progress	67,578	-	(67,578)	-
Assets Depreciated:				
Buildings and improvements	4,308,732	-	-	4,308,732
Equipment, furniture, fixtures	243,190	83,806	(1,066)	325,930
Infrastructure	3,475,854	67,808	67,578	3,611,240
Total Capital Assets	<u>8,653,928</u>	<u>651,713</u>	<u>(1,066)</u>	<u>9,304,575</u>
Less: Accumulated Depreciation:				
Buildings and improvements	(2,058,653)	(167,945)	-	(2,226,598)
Equipment, furniture, fixtures	(89,772)	(28,737)	1,066	(117,443)
Infrastructure	(1,447,160)	(168,266)	-	(1,615,426)
Total Accumulated Depreciation	<u>(3,595,585)</u>	<u>(364,948)</u>	<u>1,066</u>	<u>(3,959,467)</u>
Capital Assets, Net	<u>\$ 5,058,343</u>	<u>\$ 286,765</u>	<u>\$ -</u>	<u>\$ 5,345,108</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 4: Changes in Capital Assets (Continued)

Business-type Activities:

	Balance May 01, 2020	Additions	Deletions	Balance April 30, 2021
Assets Not Depreciated:				
Land	\$ 123,572	\$ -	\$ -	\$ 123,572
Assets Depreciated:				
Plant and equipment	20,439,874	479,371	-	20,919,245
Total Capital Assets	20,563,446	479,371	-	21,042,817
Less: Accumulated Depreciation	(7,731,533)	(554,445)	-	(8,285,978)
Capital Assets, Net	\$ 12,831,913	\$ (75,074)	\$ -	\$ 12,756,839

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

Governmental Activities:

General government	\$ 26,223
Public safety	17,738
Transportation and public works	91,680
Community development	48,341
Culture and recreation	180,966
	\$ 364,948

Business-Type Activities:

Electric	\$ 256,443
Water	138,334
Waste water treatment	159,668
	\$ 554,445

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 5: Interfund Receivables and Payables

Individual interfund receivable and payable balances at April 30, 2021 were as follows:

Fund	Receivable	Payable
Electric Fund:		
Wastewater Treatment Fund	\$ 49,851	\$ -
Water Fund:		
Capital Development Fund	205,050	-
Wastewater Treatment Fund:		
Capital Development Fund	205,049	-
Electric Fund	-	49,851
Capital Development Fund:		
ITEP Eagle Trail Fund	5,674	-
Water Fund	-	205,050
Waste Water Treatment Fund	-	205,049
ITEP Eagle Trail Fund:		
Capital Development Fund	-	5,674
	\$ 465,625	\$ 465,625

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 cash shortfalls. An interfund loan was made from the Water and Waste Water Treatment Funds to the Capital Development Fund to finance the acquisition of real estate. Interfund balances are expected to be repaid as cash balances allow, but may not be repaid within one year.

Note 6: 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, 2021, 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 ranging from 1.8% to 3.1%, 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, 2021
(Continued)

Note 6: Long-Term Debt (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, 2021:

	<u>Payable at May 1, 2020</u>	<u>Additions/ Accretion</u>	<u>Retired</u>	<u>Payable at April 30, 2021</u>	<u>Unamortized Bond Premium</u>	<u>Net Carrying Amount at April 30, 2021</u>
Advance Refunding Bonds - Series 2016	\$ 1,095,000	\$ -	\$ (125,000)	\$ 970,000	\$ 855	\$ 970,855

The following is a maturity schedule of the bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 130,000	\$ 13,438	\$ 143,438
2023	130,000	24,015	154,015
2024	135,000	20,635	155,635
2025	135,000	17,125	152,125
2026	145,000	13,278	158,278
2027-2028	295,000	13,795	308,795
	<u>\$ 970,000</u>	<u>\$ 102,286</u>	<u>\$ 1,072,286</u>

Total interest related to the bonds incurred and expensed for the year ended April 30, 2021 was \$28,250.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 6: 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 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. This loan was refinanced on November 17, 2020.

On November 20, 2020, the City obtained a loan from Peoples State Bank in the amount of \$1,347,316 to refinance the outstanding principal of an existing loan. Monthly payments under the loan of \$9,609 were due beginning December 17, 2020. The loan has an interest rate of 2.50% and matures on November 17, 2030, at which time a balloon payment of approximately \$430,702 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, 2021:

	Payable at May 1, 2020	Additions	Reductions	Payable at April 30, 2021
Peoples State Bank	\$ <u>1,386,677</u>	\$ <u>-</u>	\$ <u>(73,432)</u>	\$ <u>1,313,245</u>

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

Fiscal Year	Principal	Interest	Total
2022	\$ 83,434	\$ 31,878	\$ 115,312
2023	85,544	29,769	115,313
2024	87,634	27,679	115,313
2025	89,923	25,389	115,312
2026	92,197	23,115	115,312
2027-2031	874,513	75,096	949,609
	\$ <u>1,313,245</u>	\$ <u>212,926</u>	\$ <u>1,526,171</u>

Total interest related to the loans incurred and expensed for the year ended April 30, 2021 was \$36,337.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 7: Fund Equity

During the fiscal year ended April 30, 2021, 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 available for sale	\$ <u>98,337</u>

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	\$ 46,064
TIF Fund	411,344
Social Security Fund	195,978
IMRF Fund	191,505
Emergency Management Fund	23,838
Motor Fuel Tax Fund	208,516
Insurance Fund	660,835
Workmen's Compensation Fund	188,279
	\$ 1,926,359

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

Fund	Amount
General - Sidewalk replacement	\$ 6,128
General - Police safety	2,578
General - Firing range repairs	4,062
General - Police vehicle	37,074
	\$ 49,842

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

Purpose	Amount
Aquatic Facility Debt Payments	\$ <u>289,472</u>

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 8: Interfund Transfers

For the year ended April 30, 2021, the following interfund transfers were made:

Fund	Interfund Transfer In	Interfund Transfer Out
General Fund:		
Electric Fund	\$ 113,820	\$ 932
Water Fund	27,729	212
Wastewater Treatment Fund	26,843	-
Capital Development Fund	20,000	1,350
Capital Development Fund:		
Electric Fund	49,545	-
General Fund	1,350	20,000
Electric Fund:		
General Fund	932	113,820
Capital Development Fund	-	49,545
Health Insurance Fund	-	9,189
Water Fund:		
General Fund	212	27,729
Health Insurance Fund	-	2,198
Wastewater Treatment Fund:		
General Fund	-	26,843
Health Insurance Fund	-	2,203
Health Insurance Fund:		
Electric Fund	9,189	-
Water Fund	2,198	-
Wastewater Treatment Fund	2,203	-
	<u>\$ 254,020</u>	<u>\$ 254,020</u>

The transfers between the Electric Fund and the Capital Development Fund were made pursuant to an ordinance passed by the City Council establishing a capital development fund. The transfers between the Electric Fund, Water Fund, Wastewater Treatment Fund and the General Fund and Health Insurance Fund were made pursuant to a resolution passed by the City Council. The transfers from the Capital Development Fund to the General Fund were to pay for economic development salaries.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 9: Defined Benefit Pension Plan

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.

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 2020 was 12.01%. 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 the calendar year ending December 31, 2020, the City's required contributions for pension cost for the plan were \$167,646. The covered payroll for the calendar year 2020 (annual payroll of active employees covered by the plan) was \$1,395,890.

Note 10: 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 to coverage from the prior year and settlements have not exceeded coverage in the current year or the preceding two years.

Note 11: 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 \$20,000 on any one employee per year, the City is reimbursed by the policy for the excess cost.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 11: 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.

Commitments

As of April 30, 2021, the City has approved various contracts for the purchase of goods or services. These contracts are for: \$221,126 for the purchase of a digger derrick truck, \$486,510 for Liberty Street water upgrade, and \$14,173 for the purchase of a vehicle and equipment for the police department.

The City has also entered into multiple lease agreements for the use of equipment. During the year ended April 30, 2021, rent expense was charged to the following funds:

General Fund	\$	3,464
Electric Fund		3,464
Water Fund		-
Wastewater Treatment		-

The City's future minimum lease payments under existing lease agreements are as follows:

2022	\$	25,014
2023		25,014
2024		25,014
2025		18,086

Note 12: 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.

City of Newton, Illinois
Notes to Financial Statements
April 30, 2021
(Continued)

Note 13: 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 2019 tax year levy, received during fiscal year 2021, was adopted by the City Council on December 3, 2019.

Note 14: 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, 2021, the City abated property taxes totaling \$24,168.



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, 2020, 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 4, 2021.

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: 2021-001, 2021-002, and 2021-003.

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 4, 2021

City of Newton, Illinois
Schedule of Findings and Responses
April 30, 2021

FINDING 2021-001 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 technical expertise 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 2021-002 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 2021-003 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, 2021

	<u>Social Security</u>	<u>IMRF</u>	<u>Emergency Management</u>	<u>Motor Fuel Tax</u>	<u>Tort & Liability Insurance</u>	<u>Workmen's Compensation</u>	<u>ITEP Eagle Trail</u>	<u>CDAP Housing</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS									
Cash and cash equivalents	\$ 195,978	\$ 191,505	\$ 23,838	\$ 208,516	\$ 660,835	\$ 188,279	\$ -	\$ -	\$ 1,468,951
Due from other funds	-	-	-	-	-	-	-	-	-
Total assets	<u>\$ 195,978</u>	<u>\$ 191,505</u>	<u>\$ 23,838</u>	<u>\$ 208,516</u>	<u>\$ 660,835</u>	<u>\$ 188,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,468,951</u>
LIABILITIES & FUND BALANCES									
Liabilities:									
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,674	\$ -	\$ 5,674
Sales tax payable	-	-	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,674</u>	<u>-</u>	<u>5,674</u>
Fund balances:									
Restricted:									
Other purposes	195,978	191,505	23,838	208,516	660,835	188,279	-	-	1,468,951
Unassigned	-	-	-	-	-	-	(5,674)	-	(5,674)
Total fund balances	<u>195,978</u>	<u>191,505</u>	<u>23,838</u>	<u>208,516</u>	<u>660,835</u>	<u>188,279</u>	<u>(5,674)</u>	<u>-</u>	<u>1,463,277</u>
Total liabilities and fund balances	<u>\$ 195,978</u>	<u>\$ 191,505</u>	<u>\$ 23,838</u>	<u>\$ 208,516</u>	<u>\$ 660,835</u>	<u>\$ 188,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,468,951</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, 2021

	<u>Social Security</u>	<u>IMRF</u>	<u>Emergency Management</u>	<u>Motor Fuel Tax</u>	<u>Tort & Liability Insurance</u>	<u>Workmen's Compensation</u>	<u>ITEP Eagle Trail</u>	<u>CDAP Housing</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES									
Property taxes	\$ 99,888	\$ 99,888	\$ 13,697	\$ -	\$ 348,259	\$ 9,990	\$ -	\$ -	\$ 571,722
Operating grants and contributions	-	-	-	194,950	-	-	-	226,495	421,445
Capital grants and contributions	-	-	-	-	-	-	6,337	-	6,337
Interest and investment earnings	831	914	235	514	2,517	781	-	-	5,792
Miscellaneous	210	-	-	-	-	-	-	-	210
Total revenues	<u>100,929</u>	<u>100,802</u>	<u>13,932</u>	<u>195,464</u>	<u>350,776</u>	<u>10,771</u>	<u>6,337</u>	<u>226,495</u>	<u>1,005,506</u>
EXPENDITURES									
Current:									
General government	51,420	79,556	-	-	39,528	7,951	-	-	178,455
Public safety	32,940	51,728	5,274	-	80,658	11,397	-	-	181,997
Transportation and public works	9,542	15,480	-	79,137	40,799	4,506	-	-	149,464
Community development	3,329	5,512	-	-	19,572	-	-	226,495	254,908
Culture and recreation	11,282	11,777	-	-	21,908	2,650	-	-	47,617
Capital outlay	-	-	-	-	-	-	12,392	-	12,392
Total expenditures	<u>108,513</u>	<u>164,053</u>	<u>5,274</u>	<u>79,137</u>	<u>202,465</u>	<u>26,504</u>	<u>12,392</u>	<u>226,495</u>	<u>824,833</u>
Excess (deficiency) of revenues over (under) expenditures	(7,584)	(63,251)	8,658	116,327	148,311	(15,733)	(6,055)	-	180,673
OTHER FINANCING SOURCES (USES)									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(7,584)	(63,251)	8,658	116,327	148,311	(15,733)	(6,055)	-	180,673
Fund balances - beginning	203,562	254,756	15,180	92,189	512,524	204,012	381	-	1,282,604
Fund balances - ending	<u>\$ 195,978</u>	<u>\$ 191,505</u>	<u>\$ 23,838</u>	<u>\$ 208,516</u>	<u>\$ 660,835</u>	<u>\$ 188,279</u>	<u>\$ (5,674)</u>	<u>\$ -</u>	<u>\$ 1,463,277</u>

CITY OF NEWTON, ILLINOIS
Budgetary Comparison Schedule - Modified Cash Basis
General Fund
For the Year Ended April 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Over (Under)
REVENUES				
Property taxes	\$ 88,650	\$ 88,650	\$ 89,135	\$ 485
Intergovernmental:				
Sales tax	820,000	820,000	891,974	71,974
Income tax	305,000	305,000	326,602	21,602
Cannabis use tax	-	-	2,329	2,329
Replacement tax	47,000	47,000	49,692	2,692
Pull-tab and gaming tax	39,175	39,175	25,443	(13,732)
Township road and bridge	69,300	69,300	69,570	270
Licenses and permits	34,500	34,500	38,105	3,605
Fees and fines	42,210	42,210	37,379	(4,831)
Charges for services	131,455	131,455	68,843	(62,612)
Revenue from the use of property and equipment	-	-	215	215
Operating grants and contributions	4,750	54,750	130,791	76,041
Capital grants and contributions	-	1,500,000	1,473	(1,498,527)
Interest and investment earnings	5,115	5,115	5,625	510
Miscellaneous	4,300	4,300	2,812	(1,488)
Total revenues	<u>1,591,455</u>	<u>3,141,455</u>	<u>1,739,988</u>	<u>(1,401,467)</u>
EXPENDITURES				
Current:				
General government	211,575	211,575	191,094	(20,481)
Public safety	745,400	745,400	779,525	34,125
Transportation and public works	230,070	230,070	212,727	(17,343)
Social services	36,325	36,325	30,840	(5,485)
Community development	55,985	105,985	62,371	(43,614)
Culture and recreation	271,300	271,300	216,390	(54,910)
Debt service:				
Principal	125,000	125,000	125,000	-
Interest	28,250	28,250	28,250	-
Capital outlay	60,200	1,560,200	83,806	(1,476,394)
Total expenditures	<u>1,764,105</u>	<u>3,314,105</u>	<u>1,730,003</u>	<u>(1,584,102)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(172,650)</u>	<u>(172,650)</u>	<u>9,985</u>	<u>182,635</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	172,650	172,650	188,392	15,742
Operating transfers out	-	-	(2,494)	(2,494)
Total other financing sources (uses)	<u>172,650</u>	<u>172,650</u>	<u>185,898</u>	<u>13,248</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>195,883</u>	<u>\$ 195,883</u>
Fund balance - beginning			772,861	
Fund balance - ending			<u>\$ 968,744</u>	

CITY OF NEWTON, ILLINOIS
Budgetary Comparison Schedule - Modified Cash Basis
TIF Fund
For the Year Ended April 30, 2021

	<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>
REVENUES				
Property taxes	\$ 430,000	\$ 430,000	\$ 417,811	\$ (12,189)
Interest and investment earnings	1,300	1,300	1,925	625
Miscellaneous	-	-	500	500
Total revenues	<u>431,300</u>	<u>431,300</u>	<u>420,236</u>	<u>(11,064)</u>
EXPENDITURES				
Current:				
Community development	416,300	416,300	281,382	(134,918)
Debt service:				
Principal	15,000	15,000	-	(15,000)
Capital outlay	-	-	52,318	52,318
Total expenditures	<u>431,300</u>	<u>431,300</u>	<u>333,700</u>	<u>(97,600)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	86,536	<u>\$ 86,536</u>
Fund balance - beginning			<u>423,145</u>	
Fund balance - ending			<u>\$ 509,681</u>	

CITY OF NEWTON, ILLINOIS
Budgetary Comparison Schedule - Modified Cash Basis
Capital Development Fund
For the Year Ended April 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary	Final Budget
			Basis	Over (Under)
REVENUES				
Revenue from the use of property and equipment	\$ 7,500	\$ 7,500	\$ 7,327	\$ (173)
Interest and investment earnings	950	950	959	9
Miscellaneous	-	-	514	514
Total revenues	<u>8,450</u>	<u>8,450</u>	<u>8,800</u>	<u>350</u>
EXPENDITURES				
Current:				
Community development	90,300	90,300	56,071	(34,229)
Capital outlay	6,050	6,050	503,197	497,147
Total expenditures	<u>96,350</u>	<u>96,350</u>	<u>559,268</u>	<u>462,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,900)</u>	<u>(87,900)</u>	<u>(550,468)</u>	<u>(462,568)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	87,900	87,900	50,895	(37,005)
Operating transfers out	-	-	(20,000)	(20,000)
Total other financing sources (uses)	<u>87,900</u>	<u>87,900</u>	<u>30,895</u>	<u>(57,005)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(519,573)	<u>\$ (519,573)</u>
Fund balance - beginning			280,778	
Fund balance - ending			<u>\$ (238,795)</u>	

City of Newton, Illinois
Notes to Other Information
April 30, 2021

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 are 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 21, 2020 and July 21, 2020, respectively.
8. Budget amounts reflected in the financial statements are the amounts as amended on August 4, 2020.

Note 2: Individual Fund Disclosures

No funds had an excess of expenditures over appropriations for the year ended April 30, 2021.

Note 3: Encumbrances

Encumbrance accounting is not used by the City.