

November 2, 2023

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, 2023. 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 25, 2023. 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 2023. 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 November 2, 2023.

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: **2023 - City of Newton**
Period Ending: **4/30/2023**
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 | | F-10 | | |
| To reclass Chevy Impala Sale Proceeds. | | | | |
| 4241 | Police Vehicle Fund Income | | 3,500.00 | |
| 4770 | Proceeds from Sale of Fixed Assets | | | 3,500.00 |
| Total | | | <u><u>3,500.00</u></u> | <u><u>3,500.00</u></u> |
| Adjusting Journal Entries JE # 14 | | F-05a, F-05b | | |
| To reclass items from capital outlay to R&M. | | | | |
| 5200-23 | Supplies | | 18,195.00 | |
| 5200-28 | Supplies | | 218.00 | |
| 5630-23 | Building Repair | | 600.00 | |
| 5630-23 | Building Repair | | 1,480.43 | |
| 5630-25 | Building Repair | | 8.00 | |
| 5630-27 | Building Repair | | 19,944.94 | |
| 5500-23 | Equipment Purchase | | | 18,195.00 |
| 5500-28 | Equipment Purchase | | | 218.00 |
| 5560-23 | Building Improvements | | | 2,080.43 |
| 5560-25 | Building Improvements | | | 8.00 |
| 5560-27 | Building Improvement/Purchases | | | 19,944.94 |
| Total | | | <u><u>40,446.37</u></u> | <u><u>40,446.37</u></u> |
| Adjusting Journal Entries JE # 15 | | F-05a, F-05b | | |
| To reclass capital outlay items out of R&M accounts. | | | | |
| 5560-23 | Building Improvements | | 4,265.00 | |
| 5475-23 | Drug Enforcement | | | 4,265.00 |
| Total | | | <u><u>4,265.00</u></u> | <u><u>4,265.00</u></u> |
| Adjusting Journal Entries JE # 16 | | Y-01 | | |
| To reclass Economic Development Coordinator wages. | | | | |
| 5000-16 | Salaries | | 4,307.80 | |
| 5000-27 | Salaries-General | | | 4,307.80 |
| Total | | | <u><u>4,307.80</u></u> | <u><u>4,307.80</u></u> |

Client: **137474.01 - City of Newton**
Engagement: **2023 - City of Newton**
Period Ending: **4/30/2023**
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. | | | | |
| 00-3000-00 | Fund Balance | | 431,388.29 | |
| 52-3000-52 | Fund Balance-EMA | | 5,002.07 | |
| 54-3000-54 | Fund Balance-Tort | | 153,884.79 | |
| 55-3000-55 | Fund Balance-Workmen's Comp | | 21,664.48 | |
| 50-3000-50 | Fund Balance-Social Security | | | 32,758.39 |
| 51-3000-51 | Fund Balance -IMRF | | | 43,666.50 |
| 53-3000-53 | Fund Balance-MFT | | | 76,563.81 |
| 56-3000-56 | Fund Balance-Capital Development | | | 78,954.77 |
| 57-3000-57 | Fund Balance-TIF | | | 376,521.94 |
| 71-3000-71 | Fund Balance ITEP II | | | |
| 72-3000-72 | Fund Balance ITEP | | | 3,474.22 |
| Total | | | <u>611,939.63</u> | <u>611,939.63</u> |
| Adjusting Journal Entries JE # 2 | | X-06a | | |
| To reclass Illinois Rebuild funds (To be used for Capital Soil Cement Projects). | | | | |
| 53-4173-53 | Motor Fuel Tax Income | | 31,293.39 | |
| 53-4034-53 | MFT Capital Grant | | | 31,293.39 |
| Total | | | <u>31,293.39</u> | <u>31,293.39</u> |
| Adjusting Journal Entries JE # 3 | | C-01 | | |
| To adjust TIF Inventory and lot sales to actual. | | | | |
| 57-7001-57 | Cost of Lot Sales | | 35,637.83 | |
| 57-1600-57 | Inventory | | | 30,869.57 |
| 57-4408-57 | Subdivision Lot Income | | | 4,768.26 |
| Total | | | <u>35,637.83</u> | <u>35,637.83</u> |
| Adjusting Journal Entries JE # 4 | | F-05a, F-05b | | |
| To reclass capital items out of R&M. | | | | |
| 53-5410-53 | MFT Engineering Expense | | 10,800.00 | |
| 53-5700-53 | Street Repair & Maintenance | | | 10,800.00 |
| Total | | | <u>10,800.00</u> | <u>10,800.00</u> |
| Adjusting Journal Entries JE # 5 | | Y-02 | | |
| To reclass TIF Redevelopment Agreement Costs. | | | | |
| 57-7065-57 | Public Works & Improvements | | 4,223.29 | |
| 57-5420-57 | Professional Fees | | | 4,223.29 |
| Total | | | <u>4,223.29</u> | <u>4,223.29</u> |

Client: **137474.01 - City of Newton**
Engagement: **2023 - City of Newton**
Period Ending: **4/30/2023**
Trial Balance: **TB-03 - Electric**
Workpaper: **AJE-03 - Adjusting Journal Entries Report - Electric**

| Account | Description | W/P Ref | Debit | Credit |
|--|--------------------------|-------------|--------------------------|--------------------------|
| Adjusting Journal Entries JE # 1 | | F-03 | | |
| To adjust depreciation to actual. | | | | |
| 5900-30 | Depreciation Expense | | 15,736.32 | |
| 1760 | Reserve for Depreciation | | | 15,736.32 |
| Total | | | <u>15,736.32</u> | <u>15,736.32</u> |
| Adjusting Journal Entries JE # 4 | | F-10 | | |
| To reclass sale proceeds. | | | | |
| 4400-30 | Other Income | | 17,000.00 | |
| 4770-30 | Gain (Loss) on Sale | | | 17,000.00 |
| Total | | | <u>17,000.00</u> | <u>17,000.00</u> |
| Adjusting Journal Entries JE # 5 | | F-06 | | |
| To reclass items from R&M to fixed assets. | | | | |
| 1710 | Distribution Plant | | 24,060.00 | |
| 1710 | Distribution Plant | | 48,235.00 | |
| 1710 | Distribution Plant | | 96,267.05 | |
| 1730 | General Plant Equipment | | 17,919.56 | |
| 1750 | Construction in Process | | 18,650.00 | |
| 5510-30 | Vehicle Purchase | | | 12,663.00 |
| 5640-30 | System Repair | | | 18,650.00 |
| 5640-30 | System Repair | | | 96,267.05 |
| 5800-30 | System Improvements | | | 5,256.56 |
| 5800-30 | System Improvements | | | 24,060.00 |
| 5800-30 | System Improvements | | | 48,235.00 |
| Total | | | <u>205,131.61</u> | <u>205,131.61</u> |
| Adjusting Journal Entries JE # 6 | | F-03 | | |
| To record disposal of fully depreciated equipment. | | | | |
| 1760 | Reserve for Depreciation | | 175,515.00 | |
| 1730 | General Plant Equipment | | | 175,515.00 |
| Total | | | <u>175,515.00</u> | <u>175,515.00</u> |

Client: **137474.01 - City of Newton**
Engagement: **2023 - City of Newton**
Period Ending: **4/30/2023**
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. | | | | |
| 1765-40 | Reserve for Depreciation | | 58,907.00 | |
| 5900-40 | Depreciation Expense | | 2,028.88 | |
| 1730-40 | Equipment | | | 58,907.00 |
| 1765-40 | Reserve for Depreciation | | | 2,028.88 |
| Total | | | <u>60,935.88</u> | <u>60,935.88</u> |
| Adjusting Journal Entries JE # 2 | | F-07 | | |
| To record CY additions & CIP PIS. | | | | |
| 1710-40 | Distribution System | | 356,693.51 | |
| 1730-40 | Equipment | | 11,583.00 | |
| 1800-41 | Construction in Progress | | | 23,707.50 |
| 5410-40 | Engineering | | | 19,308.92 |
| 5500-40 | Equipment Purchase | | | 6,326.44 |
| 5640-40 | System Repair | | | 7,665.00 |
| 5640-40 | System Repair | | | 10,414.52 |
| 5645-40 | Water Line Project | | | 55,880.07 |
| 5710-40 | New Construction | | | 239,717.50 |
| 5800-40 | Improvements-Distribution | | | 5,256.56 |
| Total | | | <u>368,276.51</u> | <u>368,276.51</u> |

Client: **137474.01 - City of Newton**
Engagement: **2023 - City of Newton**
Period Ending: **4/30/2023**
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. | | | | |
| 1760-43 | Reserve for Depreciation | | 4,744.62 | |
| 1765-43 | Wastewater Treatment Plant | | 11,626.84 | |
| 1760-43 | Reserve for Depreciation | | | 11,626.84 |
| 5900-43 | Depreciation Expense | | | 4,744.62 |
| Total | | | <u>16,371.46</u> | <u>16,371.46</u> |
| Adjusting Journal Entries JE # 2 | | H-01 | | |
| To adjust loan balance to actual and reclass current portion of PSB loan. | | | | |
| 2251-43 | Peoples State Bank - loan | | 80.61 | |
| 2251-43 | Peoples State Bank - loan | | 87,633.93 | |
| 2252-43 | Current Portion of PSB Loan Payable | | | 87,633.93 |
| 5807-43 | Sewer Plant Interest PSB | | | 80.61 |
| Total | | | <u>87,714.54</u> | <u>87,714.54</u> |
| Adjusting Journal Entries JE # 3 | | F-08 | | |
| To reclass capital items out of R&M. | | | | |
| 1730-43 | Equipment | | 5,256.57 | |
| 1755-43 | Capital Improvement | | 250,143.69 | |
| 5710-43 | New Construction | | | 250,143.69 |
| 5800-43 | System Improvements | | | 5,256.57 |
| Total | | | <u>255,400.26</u> | <u>255,400.26</u> |

Client: **137474.01 - City of Newton**
Engagement: **2023 - City of Newton**
Period Ending: **4/30/2023**
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 | | 4,346,117.25 | |
| 1710 | Equipment, Furniture, & Fixtures | | 380,137.62 | |
| 1715 | Infrastructure | | 3,617,978.85 | |
| 1720 | Construction in Progress | | 24,730.17 | |
| 1795 | Accumulated Depreciation | | | 4,321,163.30 |
| 3000 | Retained Earnings-General Fund | | | 5,106,473.44 |
| Total | | | <u>9,427,636.74</u> | <u>9,427,636.74</u> |
| GASB 34 AJE JE # 2 | | F-02 | | |
| To capitalize current year capital outlays for GASB 34 financials. | | | | |
| 1700 | Land | | 32,876.74 | |
| 1705 | Building & Improvements | | 9,943.57 | |
| 1710 | Equipment, Furniture, & Fixtures | | 72,515.00 | |
| 1720 | Construction in Progress | | 10,800.00 | |
| 1715 | Infrastructure | | | |
| 1720 | Construction in Progress | | | |
| 3000 | Retained Earnings-General Fund | | | 10,800.00 |
| 5500-22 | Equipment Purchase | | | 38,126.74 |
| 5510-23 | Vehicle Purchase | | | 53,000.00 |
| 5560-23 | Building Improvements | | | 15,940.93 |
| 5560-27 | Building Improvement/Purchases | | | 8,267.64 |
| Total | | | <u>126,135.31</u> | <u>126,135.31</u> |
| GASB 34 AJE JE # 3 | | F-02 | | |
| To dispose of fully depreciated equipment and transfer construction in progress. | | | | |
| 1705 | Building & Improvements | | 11,978.65 | |
| 1795 | Accumulated Depreciation | | 27,024.00 | |
| 1710 | Equipment, Furniture, & Fixtures | | | 27,024.00 |
| 1720 | Construction in Progress | | | 11,978.65 |
| Total | | | <u>39,002.65</u> | <u>39,002.65</u> |
| 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 | | 24,846.96 | |
| 9900-25 | Depreciation-Culture & Recreation | | 181,435.19 | |
| 9900-27 | Depreciation-General Administration | | 27,259.64 | |
| 9900-56 | Depreciation-Capital Development | | 11,392.13 | |
| 1795 | Accumulated Depreciation | | | 345,096.39 |
| Total | | | <u>345,096.39</u> | <u>345,096.39</u> |
| 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 | | 840,000.00 | |
| 2660-28 | 2010 Bonds Payable - LT | | | 840,000.00 |
| Total | | | <u>840,000.00</u> | <u>840,000.00</u> |
| 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 | | | <u>130,000.00</u> | <u>130,000.00</u> |
| 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 | | 135,000.00 | |
| 2661-28 | 2010 Bonds Payable - Current Portion | | | 135,000.00 |
| Total | | | <u>135,000.00</u> | <u>135,000.00</u> |

Client: 137474.01 - City of Newton
Engagement: 2023 - City of Newton
Period Ending: 4/30/2023
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 # 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 | | 44,736.41 | |
| 1801 | Unamortized Bond Premium, Net | | | 708.45 |
| 3000 | Retained Earnings-General Fund | | | 44,027.96 |
| Total | | | 44,736.41 | 44,736.41 |
| 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 | | | 9,402.38 | 9,402.38 |
| GASB 34 AJE JE # 10 | | 06-08 | | |
| 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) | | 375,562.00 | |
| 3000 | Retained Earnings-General Fund | | | 375,562.00 |
| Total | | | 375,562.00 | 375,562.00 |
| GASB 34 AJE JE # 11 | | 06-08 | | |
| To record beginning balance from the Electric Fund for financial statement reporting purposes (Entry B) | | | | |
| 3000 | Retained Earnings-General Fund | | 180,122.00 | |
| 2900 | Interfund Loan - GASB Business Type | | | 180,122.00 |
| Total | | | 180,122.00 | 180,122.00 |
| GASB 34 AJE JE # 12 | | 06-08 | | |
| 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) | | 21,235.00 | |
| 2900 | Interfund Loan - GASB Business Type | | | 8,662.00 |
| 4010 | Int. Earned-Gen. Fund M-Market | | | 2,545.00 |
| 5120-16 | Group Insurance | | | |
| 5120-22 | Group Insurance | | | 2,040.00 |
| 5120-23 | Group Insurance | | | 5,496.00 |
| 5120-25 | Group Insurance | | | 1,700.00 |
| 5120-27 | Group Insurance | | | 792.00 |
| Total | | | 21,235.00 | 21,235.00 |

Client: **137474.01 - City of Newton**
 Engagement: **2023 - City of Newton**
 Period Ending: **4/30/2023**
 Trial Balance: **TB-02 - Specials**
 Workpaper: **GASB-02 - GASB 34 AJE Report - Specials**

| Account | Description | W/P Ref | Debit | Credit |
|--|----------------------------------|---------|-------------------------|-------------------------|
| GASB 34 AJE | | | | |
| GASB 34 AJE JE # 6 | | | | |
| To capitalize current year capital outlays for GASB 34 financials. | | | | |
| 53-3000-53 | Fund Balance-MFT | F-05a | 10,800.00 | |
| 53-5410-53 | MFT Engineering Expense | | | 10,800.00 |
| Total | | | <u>10,800.00</u> | <u>10,800.00</u> |
| | Total GASB 34 AJE | | <u>10,800.00</u> | <u>10,800.00</u> |
| | Total All Journal Entries | | <u>10,800.00</u> | <u>10,800.00</u> |

Client: **137474.01 - City of Newton**
 Engagement: **2023 - City of Newton**
 Period Ending: **4/30/2023**
 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 # 2 | | 06-08 | | |
| To record beginning balances from insurance for financial statement reporting purposes. (Entry A) | | | | |
| 1920 | Due From | | 180,122.00 | |
| 3000 | Retained Earnings | | | 180,122.00 |
| Total | | | 180,122.00 | 180,122.00 |
| GASB 34 AJE JE # 3 | | | | |
| GASB 34 AJE JE # 3 | | 06-08 | | |
| To record current year health insurance activity for financial statement reporting purposes. (ENTRY B) | | | | |
| 1920 | Due From | | 8,662.00 | |
| 5120-30 | Group Insurance | | | 8,662.00 |
| Total | | | 8,662.00 | 8,662.00 |
| Total GASB 34 AJE | | | 188,784.00 | 188,784.00 |
| Total All Journal Entries | | | 188,784.00 | 188,784.00 |