

October 28, 2024

To the City Council
City of Newton, Illinois

We have audited the 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 for the year ended April 30, 2024. 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 June 10, 2024. 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 2024. 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 October 28, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City of Newton, Illinois’ financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Newton, Illinois’ auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the combining nonmajor fund financial statements, which accompany the financial statements but are not required supplementary information (RSI). With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the budgetary comparison schedules, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Newton, Illinois and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Kemper CPA Group LLP

KEMPER CPA GROUP LLP

Certified Public Accountants and Consultants

Client: **137474.01 - City of Newton**
 Engagement: **2024 - City of Newton**
 Period Ending: **4/30/2024**
 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-05a, F-05b		
Reclassify Capital additions, Supplies, & R&M.				
5200-23	Supplies		16,898.00	
5200-28	Supplies		728.83	
5560-23	Building Improvements		6,157.80	
5630-23	Building Repair		1,952.39	
5630-27	Building Repair		7,706.50	
5500-23	Equipment Purchase			16,898.00
5500-28	Equipment Purchase			728.83
5560-23	Building Improvements			1,952.39
5560-27	Building Improvement/Purchases			7,706.50
5630-23	Building Repair			6,157.80
Total			<u><u>33,443.52</u></u>	<u><u>33,443.52</u></u>
Adjusting Journal Entries JE # 14		Y-11, O-01		
To record an interfund loan for Christmas Party Expenses paid out of Capital Development.				
7000-27	Miscellaneous Expense		2,352.80	
2603	Due to Specials			2,352.80
Total			<u><u>2,352.80</u></u>	<u><u>2,352.80</u></u>

Client: **137474.01 - City of Newton**
Engagement: **2024 - City of Newton**
Period Ending: **4/30/2024**
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		422,200.17	
52-3000-52	Fund Balance-EMA		5,018.93	
54-3000-54	Fund Balance-Tort		177,329.78	
55-3000-55	Fund Balance-Workmen's Comp		18,444.20	
50-3000-50	Fund Balance-Social Security			31,051.69
51-3000-51	Fund Balance -IMRF			76,658.73
53-3000-53	Fund Balance-MFT			59,218.22
56-3000-56	Fund Balance-Capital Development			42,858.50
57-3000-57	Fund Balance-TIF			411,005.94
71-3000-71	Fund Balance ITEP II			
72-3000-72	Fund Balance ITEP			2,200.00
Total			<u>622,993.08</u>	<u>622,993.08</u>
Adjusting Journal Entries JE # 2		C-01		
To adjust TIF Inventory and lot sales to actual.				
57-7001-57	Cost of Lot Sales		1,741.92	
57-1600-57	Inventory			
57-4408-57	Subdivision Lot Income			1,741.92
Total			<u>1,741.92</u>	<u>1,741.92</u>
Adjusting Journal Entries JE # 3		Y-11, F-05a		
To reclass website design to capital outlay.				
56-7065-56	Community Development Capital Outlay		6,400.00	
56-5220-56	Advertising/Marketing			6,400.00
Total			<u>6,400.00</u>	<u>6,400.00</u>
Adjusting Journal Entries JE # 4		Y-11		
To reclass general fund Christmas Party and other employee expenditures				
56-2700-56	Due From General		2,352.80	
56-7000-56	Capital Dev. Misc. Expense			2,352.80
Total			<u>2,352.80</u>	<u>2,352.80</u>

Client: **137474.01 - City of Newton**
Engagement: **2024 - City of Newton**
Period Ending: **4/30/2024**
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.				
1760	Reserve for Depreciation		15,772.55	
5900-30	Depreciation Expense			15,772.55
Total			<u>15,772.55</u>	<u>15,772.55</u>
Adjusting Journal Entries JE # 4		F-06		
To reclassify insurance proceeds against materials used/purchased.				
4200-30	Material Sales		2,829.40	
4230-30	Labor & Truck		15,682.68	
5640-30	System Repair			18,512.08
Total			<u>18,512.08</u>	<u>18,512.08</u>
Adjusting Journal Entries JE # 5		F-06		
To reclass fixed asset additions.				
1710	Distribution Plant		46,752.33	
1710	Distribution Plant		52,935.06	
1710	Distribution Plant		93,010.40	
1710	Distribution Plant		205,620.83	
1730	General Plant Equipment		5,214.92	
1730	General Plant Equipment		8,943.83	
1750	Construction in Process		125,493.63	
5410-30	Engineering			125,493.63
5510-30	Vehicle Purchase			8,943.83
5640-30	System Repair			258,555.89
5800-30	System Improvements			144,977.65
Total			<u>537,971.00</u>	<u>537,971.00</u>
Adjusting Journal Entries JE # 6		GL		
To net PBC AR accounts.				
1402	A/R-PCA		407.88	
1404	A/C Return Check Fee		7.07	
2400	A/R Metered Sales		229,590.44	
2401	A/R Penalties		1,282.95	
2403	A/R Utility Tax		5,364.76	
2406	A/R Delinquent Fees		903.67	
1400	Accounts Rec.-Metered Sales			229,590.44
1401	A/R Penalties			1,282.95
1403	A/C Receivable-Utility Tax			5,364.76
1406	A/C Delinquent Fees			903.67
2402	A/R PCA			407.88
2404	A/R Return Check Fees			7.07
Total			<u>237,556.77</u>	<u>237,556.77</u>
Adjusting Journal Entries JE # 7		GL		
To reclass bank fees.				
4401-30	Return Check Fee		5.00	
1920	Due From			5.00
Total			<u>5.00</u>	<u>5.00</u>

Client: **137474.01 - City of Newton**
 Engagement: **2024 - City of Newton**
 Period Ending: **4/30/2024**
 Trial Balance: **TB-03 - Electric**
 Workpaper: **AJE-03 - Adjusting Journal Entries Report - Electric**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 8		F-04b		
To remove fully depreciated assets and reclass CIP PIS.				
1710	Distribution Plant		18,650.00	
1760	Reserve for Depreciation		30,431.00	
1730	General Plant Equipment			30,431.00
1750	Construction in Process			18,650.00
Total			<u>49,081.00</u>	<u>49,081.00</u>

Client: **137474.01 - City of Newton**
Engagement: **2024 - City of Newton**
Period Ending: **4/30/2024**
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.				
5900-43	Depreciation Expense		9,927.60	
1760-43	Reserve for Depreciation			9,927.60
Total			<u>9,927.60</u>	<u>9,927.60</u>
Adjusting Journal Entries JE # 2		H-01		
To adjust loan balances to actual, reclass current portion of PSB loan.				
2251-43	Peoples State Bank - loan		89,922.66	
2253-43	John Deere Loan		12,508.91	
5807-43	Sewer Plant Interest PSB		6.08	
2251-43	Peoples State Bank - loan			6.08
2252-43	Current Portion Loan Payable			12,508.91
2252-43	Current Portion Loan Payable			89,922.66
Total			<u>102,437.65</u>	<u>102,437.65</u>
Adjusting Journal Entries JE # 3		GL		
To reclass November depreciation AJE made in error by client.				
1765-43	Wastewater Treatment Plant		10,118.28	
1760-43	Reserve for Depreciation			10,118.28
Total			<u>10,118.28</u>	<u>10,118.28</u>
Adjusting Journal Entries JE # 4		F-08		
To reclass capital assets.				
1730-43	Equipment		16,792.01	
1730-43	Equipment		55,750.00	
1740-43	Wastewater Treatment & Lift Station		19,392.60	
5510-43	Vehicle Purchase			55,750.00
5640-43	System Repair			16,792.01
5800-43	System Improvements			19,392.60
Total			<u>91,934.61</u>	<u>91,934.61</u>
Adjusting Journal Entries JE # 5		H-12/F-07		
To record JD utility tractor purchase (50/50 with Water Fund) and reclass CY pmt.				
1730-43	Equipment		20,079.76	
1920-43	Due from Water		20,079.77	
2253-43	John Deere Loan		14,283.12	
1920-43	Due from Water			7,141.56
2253-43	John Deere Loan			40,159.53
5505-43	Equipment Rental			7,141.56
Total			<u>54,442.65</u>	<u>54,442.65</u>
Adjusting Journal Entries JE # 6		F-01/ GL		
To reclass sale of of fixed assets.				
4405-43	Miscellaneous Income		5,500.00	
4995-43	Proceeds from Sale of Fixed Assets			5,500.00
Total			<u>5,500.00</u>	<u>5,500.00</u>

Client: **137474.01 - City of Newton**
Engagement: **2024 - City of Newton**
Period Ending: **4/30/2024**
Trial Balance: **TB-04 - Water**
Workpaper: **AJE-04 - Adjusting Journal Entries Report - Water**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		F-03		
To adjust depreciation to actual.				
5900-40	Depreciation Expense		4,122.80	
1765-40	Reserve for Depreciation			4,122.80
Total			<u>4,122.80</u>	<u>4,122.80</u>
Adjusting Journal Entries JE # 2		F-07/H-12		
T record 1/2 of JD utility tractor purchase and reclass 1st pymt to inter-fund loan.				
1730-40	Equipment		20,079.77	
2601-40	Due To Sewer		7,141.56	
2601-40	Due To Sewer			20,079.77
5501-40	Equipment Purchase - Distribution			7,141.56
Total			<u>27,221.33</u>	<u>27,221.33</u>
Adjusting Journal Entries JE # 3		F-07		
To reclass capital assets/CIP.				
1710-40	Distribution System		2,100.00	
1710-40	Distribution System		41,760.26	
1730-40	Equipment		27,543.68	
1800-41	Construction in Progress		3,696.00	
1800-41	Construction in Progress		19,817.50	
1800-41	Construction in Progress		22,500.00	
5410-40	Engineering			21,917.50
5630-40	Building Repair			22,500.00
5645-40	Water Line Project			3,696.00
5710-40	New Construction			41,760.26
5800-40	Improvements-Distribution			27,543.68
Total			<u>117,417.44</u>	<u>117,417.44</u>
Adjusting Journal Entries JE # 4		F-04b		
To remove full depreciated assets.				
1765-40	Reserve for Depreciation		8,760.00	
1730-40	Equipment			8,760.00
Total			<u>8,760.00</u>	<u>8,760.00</u>

Client: **137474.01 - City of Newton**
Engagement: **2024 - City of Newton**
Period Ending: **4/30/2024**
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		1,091,549.59	
1705	Building & Improvements		4,368,039.47	
1710	Equipment, Furniture, & Fixtures		425,628.62	
1715	Infrastructure		3,617,978.85	
1720	Construction in Progress		23,551.52	
1795	Accumulated Depreciation			4,639,235.69
3000	Retained Earnings-General Fund			4,887,512.36
Total			9,526,748.05	9,526,748.05
GASB 34 AJE JE # 2		F-02		
To capitalize current year fixed asset additions.				
1705	Building & Improvements		6,157.80	
1710	Equipment, Furniture, & Fixtures		140,533.12	
1715	Infrastructure		133,593.28	
1700	Land			
1720	Construction in Progress			
3000	Retained Earnings-General Fund			6,400.00
3000	Retained Earnings-General Fund			133,593.28
5500-28	Equipment Purchase			12,279.32
5510-23	Vehicle Purchase			56,134.80
5510-25	Vehicle Purchase			65,719.00
5560-23	Building Improvements			6,157.80
Total			280,284.20	280,284.20
GASB 34 AJE JE # 3		F-02		
To dispose of fully depreciated equipment and transfer construction in progress.				
1795	Accumulated Depreciation		69,192.00	
1710	Equipment, Furniture, & Fixtures			69,192.00
Total			69,192.00	69,192.00
GASB 34 AJE JE # 4		F-02		
To record current year depreciation.				
9900-22	Depreciation-Streets & Alleys		96,704.15	
9900-23	Depreciation-Public Safety		33,850.62	
9900-25	Depreciation-Culture & Recreation		183,411.33	
9900-27	Depreciation-General Administration		27,512.71	
9900-56	Depreciation-Capital Development		12,659.87	
1795	Accumulated Depreciation			354,138.68
Total			354,138.68	354,138.68
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		710,000.00	
2660-28	2010 Bonds Payable - LT			710,000.00
Total			710,000.00	710,000.00
GASB 34 AJE JE # 6		H-01		
To reclass current year debt payments for GASB 34 financial statement presentation.				
2660-28	2010 Bonds Payable - LT		135,000.00	
5712-28	Bond Principal Payment			135,000.00
Total			135,000.00	135,000.00
GASB 34 AJE JE # 7		H-01		
To reclass the current portion of general government long-term debt for GASB 34 financial statement reporting purposes.				
2660-28	2010 Bonds Payable - LT		135,000.00	
2661-28	2010 Bonds Payable - Current Portion			135,000.00
Total			135,000.00	135,000.00

Client: 137474.01 - City of Newton
Engagement: 2024 - City of Newton
Period Ending: 4/30/2024
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		35,480.60	
1801	Unamortized Bond Premium, Net			561.88
3000	Retained Earnings-General Fund			34,918.72
Total			35,480.60	35,480.60
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)		396,796.00	
3000	Retained Earnings-General Fund			396,796.00
Total			396,796.00	396,796.00
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		188,784.00	
2900	Interfund Loan - GASB Business Type			188,784.00
Total			188,784.00	188,784.00
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)		24,624.00	
2900	Interfund Loan - GASB Business Type			8,219.00
4010	Int. Earned-Gen. Fund M-Market			7,696.00
5120-16	Group Insurance			53.00
5120-22	Group Insurance			1,898.00
5120-23	Group Insurance			4,859.00
5120-25	Group Insurance			1,266.00
5120-27	Group Insurance			633.00
Total			24,624.00	24,624.00

Client: **137474.01 - City of Newton**
 Engagement: **2024 - City of Newton**
 Period Ending: **4/30/2024**
 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 # 5		F-05a		
To capitalize current year fixed asset additions for GASB 34 financials.				
56-3000-56	Fund Balance-Capital Development		6,400.00	
57-3000-57	Fund Balance-TIF		133,593.28	
56-7065-56	Community Development Capital Outlay			6,400.00
57-7065-57	Public Works & Improvements			133,593.28
Total			139,993.28	139,993.28
	Total GASB 34 AJE		139,993.28	139,993.28
	Total All Journal Entries		139,993.28	139,993.28